



AMERICAN UNIVERSITY IN BULGARIA

**CONSOLIDATED FINANCIAL STATEMENTS
as of and for the year ended June 30, 2021,
and Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the American University in Bulgaria

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of the American University in Bulgaria (the "University") and its subsidiary the American University Service Company, AUSC (together "the Group"), which comprise the consolidated statements of financial position as at June 30, 2021 and June 30, 2020, and the consolidated statements of activities, and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

The Board of trustees, the Chair of the Board of trustees, and the President of the University (the "Management") are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit committee ("Those charged with governance") is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Audit OOD

Deloitte Audit OOD



Rositsa Boteva
Statutory manager
Registered Auditor, in charge of the audit



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October 12, 2021

Consolidated Statements of Financial Position as of June 30, 2021 and June 30, 2020

	<i>Note</i>	June 30, 2021	June 30, 2020
		USD'000	USD'000
ASSETS			
Current assets			
Cash and cash equivalents	3	3,160	5,073
Cash and cash equivalents-restricted	3	147	87
Accounts receivable and prepayments	4	375	318
Contributions receivable	5	783	1,275
Inventories		163	179
Subtotal current assets		4,628	6,932
Long-term assets			
Cash and cash equivalents-restricted	3	359	359
Long-term contributions receivable	5	64	627
Investments	6	32,193	25,139
Property, plant & equipment, and intangible assets	7	27,766	28,532
Other long-term assets	8	316	310
Subtotal long term assets		60,698	54,967
TOTAL ASSETS		65,326	61,899
LIABILITIES AND NET ASSETS			
Current liabilities			
Short-term borrowings and current portion of long-term debt	9	1,012	2,351
Accounts payable	10	377	559
Accrued liabilities and current portion of retirement benefits	11	763	630
Deferred revenue and other liabilities	12	920	802
Subtotal current liabilities		3,072	4,342
Long-term liabilities			
Long-term debt	13	782	1,276
Retirement benefit provision	14	208	177
Subtotal long-term liabilities		990	1,453
TOTAL LIABILITIES		4,062	5,795
Net assets			
Without donor restrictions	15	48,061	43,726
With donor restrictions	16	13,203	12,378
TOTAL NET ASSETS		61,264	56,104
TOTAL LIABILITIES AND NET ASSETS		65,326	61,899

Signed on behalf of the American University in Bulgaria:

Date: October 12, 2021

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Activities for the years ended June 30, 2021 and 2020

	Year ended June 30, 2021			Year ended June 30, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
REVENUES						
UNDERGRADUATE PROGRAM						
Tuition	11,224	-	11,224	10,965	-	10,965
Institutionally-Funded Scholarships	(3,029)	-	(3,029)	(2,558)	-	(2,558)
Externally-Funded Scholarships	(1,677)	-	(1,677)	(2,026)	-	(2,026)
Net Tuition revenues	6,518	-	6,518	6,381	-	6,381
Interest on Student Loans	1	-	1	8	-	8
Other Student Fees, net of 2/3 externally-funded scholarships	430	-	430	598	-	598
SUBTOTAL UNDERGRADUATE PROGRAM	6,949	-	6,949	6,987	-	6,987
CONTRIBUTIONS AND GRANTS						
Federal Grants	-	19	19	-	27	27
Private Gifts and Grants	573	407	980	352	754	1,106
Grants write-offs	(1)	(3)	(4)	-	(7)	(7)
Income released for costs Financed from Pooled Endowment	365	(365)	-	140	(140)	-
Release from Restrictions, net	1,686	(1,686)	-	2,092	(2,092)	-
Amortization of capital gifts to construct long-term assets	413	-	413	413	-	413
SUBTOTAL CONTRIBUTIONS AND GRANTS	3,036	(1,628)	1,408	2,997	(1,458)	1,539
USAID ENDOWMENT INCOME DISTRIBUTED	750	-	750	710	-	710
OUTREACH ACTIVITIES						
English Language Institute	208	-	208	242	(5)	237
Conferences and Institutes/ External Events	-	-	-	199	-	199
Elieff Center Services & Executive Education	57	-	57	74	-	74
Center for European Programs and External Projects	25	(16)	9	9	21	30
Graduate Programs	440	-	440	531	-	531
SUBTOTAL OUTREACH ACTIVITIES	730	(16)	714	1,055	16	1,071
AUXILIARY ACTIVITIES						
Bookstore, net of 1/1 externally-funded scholarships	48	-	48	69	-	69
Residence Life, net of 5/8 externally-funded scholarships	514	-	514	700	-	700
Dining Services, net of 3/7 externally-funded scholarships	338	-	338	419	-	419
SUBTOTAL AUXILIARY ACTIVITIES	900	-	900	1,188	-	1,188
OTHER REVENUES	64	-	64	50	-	50
TOTAL REVENUES	12,429	(1,644)	10,785	12,987	(1,442)	11,545

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Activities for the year ended June 30, 2021 and 2020

	Year ended June 30, 2021			Year ended June 30, 2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
EXPENSES (note 17)						
EDUCATION AND GENERAL						
Instruction and Research	4,273	-	4,273	4,047	-	4,047
Academic Support	1,572	-	1,572	1,583	-	1,583
Student Services	767	-	767	755	-	755
SUBTOTAL EDUCATION AND GENERAL	6,612	-	6,612	6,385	-	6,385
DEVELOPMENT AND UNIVERSITY RELATIONS	458	-	458	423	-	423
INSTITUTIONAL SUPPORT						
Division of Finance	413	-	413	434	-	434
Physical Plant	71	-	71	69	-	69
Operations and Administration	1,761	-	1,761	1,767	-	1,767
SUBTOTAL INSTITUTIONAL SUPPORT	2,245	-	2,245	2,270	-	2,270
OUTREACH ACTIVITIES						
English Language Institute	312	-	312	292	-	292
Conferences and Institutes/ External Events	39	-	39	194	-	194
Elieff Center Services & Executive Education	225	-	225	174	-	174
Center for European Programs and External Projects	26	-	26	11	-	11
Graduate Programs	363	-	363	535	-	535
SUBTOTAL OUTREACH ACTIVITIES	965	-	965	1,206	-	1,206
AUXILIARY ACTIVITIES						
Bookstore	80	-	80	86	-	86
Residence Life	977	-	977	857	-	857
Dining Services	619	-	619	596	-	596
SUBTOTAL AUXILIARY ACTIVITIES	1,676	-	1,676	1,539	-	1,539
Scholarships for External Graduate Studies	54	-	54	57	-	57
Student Loans/ Fees Reversals	(20)	-	(20)	(9)	-	(9)
Other Expenses (incl. interest expenses)	86	-	86	117	-	117
TOTAL EXPENSES	12,076	-	12,076	11,988	-	11,988
OPERATING SURPLUS (DEFICIT)	353	(1,644)	(1,291)	999	(1,442)	(443)
USAID Endowment Income Distributed	(750)	-	(750)	(710)	-	(710)
Investment return, net (incl. FX gains and losses)	5,146	2,468	7,614	257	59	316
Amortization of capital gifts to construct long-term assets	(413)	-	(413)	(413)	-	(413)
CHANGE IN NET ASSETS before reclassifications	4,336	824	5,160	133	(1,383)	(1,250)
Reclassifications	(1)	1	-	(9)	(5)	(14)
CHANGE IN NET ASSETS after reclassifications	4,335	825	5,160	124	(1,388)	(1,264)
Net assets at beginning of year	43,726	12,378	56,104	43,602	13,766	57,368
Net assets at end of year	48,061	13,203	61,264	43,726	12,378	56,104

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows for the years ended June 30, 2021 and 2020

	FY21	FY20
	USD'000	USD'000
Cash flows from operating activities		
Change in net assets	5,160	(1,264)
Adjustments to change in net assets:		
Revenue from fund-raising activities	(1,009)	(1,161)
Grants write-offs	4	7
Decrease (Increase) in accounts receivable, prepayments, and inventories	(41)	222
Increase (Decrease) in current liabilities and retirement benefits	100	339
Decrease (Increase) in student loans receivable, net	(5)	8
Decrease (Increase) in cash deposits for student loans guarantees	(1)	(1)
Depreciation and amortization (Note 7)	1,174	1,250
In-kind donation of property, plant and equipment and investment property	(9)	(3)
Loss (Gain) from investing activities	(7,606)	(333)
Net cash provided by (used in) operating activities other than fund-raising	(2,233)	(936)
Revenue from fund-raising activities	1,009	1,161
Grants write-offs	(4)	(7)
Decrease (Increase) in contributions receivable	1,055	622
Net cash provided by (used in) fund-raising activities	2,060	1,776
Net cash provided by (used in) operating activities	(173)	840
Cash flows from investing activities		
Construction and purchase of property, plant and equipment (Note 7)	(399)	(132)
(Purchase) of investment securities	(11,920)	(3,063)
Sale of investment securities	12,472	4,283
Cash flow provided by (used in) investing activities	153	1,088
Cash flow from financing activities		
Increase (Decrease) in short-term borrowings	(1,339)	385
Increase (Decrease) in long-term borrowing	(494)	(285)
Cash flow provided by (used in) financing activities	(1,833)	100
Increase (Decrease) in cash, cash equivalents and restricted cash for the period	(1,853)	2,028
Cash, cash equivalents and restricted cash at the beginning of the period (Note 3)	5,519	3,491
Cash, cash equivalents and restricted cash at the end of the period (Note 3)	3,666	5,519
	FY21	FY20
Interest payments	69	103

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. HISTORY AND NATURE OF THE AMERICAN UNIVERSITY IN BULGARIA

The American University in Bulgaria (“AUBG” or “the University”) is a not-for-profit organization registered in the State of Maine. The University is exempt from US Federal income tax under Section 501C(3) of the US Internal Revenue Code.

The establishment of the University in 1991 was facilitated through the joint cooperation of the Initiative Committee established by the Republic of Bulgaria, the City of Blagoevgrad, Bulgaria and private and public funding sources. At the time of the establishment of the University, the laws of Bulgaria did not provide for the establishment of private educational institutions; therefore the University was incorporated in the Blagoevgrad Regional Courts as a Bulgarian not-for-profit organization. Legislation was subsequently enacted by the Bulgarian National Assembly recognizing the University as an institution of higher learning. Furthermore, the Bulgarian Ministry of Finance has acknowledged the status of the University as a “budget institution” enjoying exemption from some taxes and duties such as taxes on profits and certain exemptions for Value Added Tax.

The University offers undergraduate and graduate programs. The American University in Bulgaria maintains a campus located in Blagoevgrad. In the academic year 2020-2021, the University enrolled 902 undergraduate students from more than 40 countries.

At the end of 2001, the American University Service Company (AUSC), a wholly-owned subsidiary headquartered in Sofia, Bulgaria, was established. The company’s activity is to organize and conduct educational courses. Currently, this entity is dormant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1. Basis of preparation**

The consolidated financial statements of the University are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for non-profit organizations. The consolidated statement of activities presents the activities by function and type of net assets related to the reporting periods. As permitted under US GAAP, the University has chosen to present in its statement of activities its operating result as a separate line. The operating result includes all revenue and expenses except: 1. the changes in the fair value of the investments in the endowment; 2. FX gains and losses; and 3. other non-operating items related to long-term assets financed by donors. The drawdowns from the Board-designated Quasi Endowment (USAID) are included in operating revenue as they are intended to finance general operating expenses.

New Accounting Pronouncements

In May 2014, the FASB issued a standard on *Revenue from Contracts with Customers*. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The University adopted ASU 2014-09- *Revenue from Contracts with Customers /Topic 606/* during the 2020-2021. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The University’s revenue is derived primarily from academic programs taught to students. Tuition and related fees are recognized as revenue over the course of the academic term or program for which it is earned. Non-tuition related revenue is recognized as services are performed or goods are delivered. The University elected to apply the standard only to contracts that are not completed as of that date. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized. The guidance did not have a significant impact on the University’s consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Pending Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. The standard is deferred and is effective for fiscal years beginning after December 15, 2021. The University has chosen to not early adopt this standard in its current financial statements and is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2022.

2.2. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Estimates are made in the areas of accounts receivable, contributions receivable, inventories, property, plant & equipment and intangible assets, investments, retirement benefits, and litigation risk disclosure.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of AUBG and AUSC, a wholly-owned subsidiary controlled by AUBG. Control is achieved where AUBG owns the majority voting interest, which is defined as direct or indirect ownership of fifty percent or more of the outstanding voting shares of another company.

Where necessary, adjustments are made to the financial statements of AUSC to bring the accounting policies used in line with those used by AUBG.

All significant inter-company transactions and balances between AUBG and AUSC have been eliminated in the accompanying consolidated financial statements.

2.4. Types of net assets

Net assets without donor restrictions are derived from educational and general operations of the University and from appropriations, gifts and grants and may be used at the discretion of the Board of Trustees or their designees to meet current expenditures for any purpose in achieving the primary objectives of the University. These net assets also include the amounts designated by the Board of Trustees to function as endowment as well as previously restricted gifts and grants for buildings that have been placed in service.

Net assets with donor restrictions are those subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. These gifts and grants may be used only to meet current expenditures for the purposes specifically identified by the donors or by sponsoring agencies. This category includes also gifts and grants, which should be invested as endowment funds, and only the income earned from the investment may be used to meet current expenditures for the purposes specifically identified by the donors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.5. Cash and cash equivalents**

Cash includes cash on hand and bank deposits held by financial institutions that can be added to or withdrawn without limitation. Cash equivalents are short-term, highly-liquid investments that are both readily convertible to known amounts of cash and so near their maturity they present insignificant risk of changes in value because of changes in interest rates.

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash that requires the statement of cash flows to explain changes during the period for the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statement of Cash Flows. The following table summarizes cash, cash equivalents, and restricted cash reported on the Consolidated Statement of Cash Flows as of June 30, 2021 and 2020, in thousands of dollars:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	USD'000	USD'000
Cash and cash equivalents	3,160	5,073
Cash and cash equivalents-restricted	<u>506</u>	<u>446</u>
Total cash, cash equivalents, and restricted cash	<u>3,666</u>	<u>5,519</u>

2.6. Prepayments and advances

Prepayments and advances represent payments to suppliers for goods and services, which have not been received by the end of the period.

2.7. Inventories

Inventories are recorded at the lower of cost or net realizable value. They predominantly represent supplies at the Bookstore, fuel, and goods and beverages at the canteen and cafeterias. Inventories are expensed applying weighted-average cost method.

2.8. Student Loans Receivable

Student Loans Portfolio is valued at market value representing the principal value of student loans less the provision for uncollectible loans. The provision percentage is based on the best management estimate. The interest income is recognized in the period when its collection is most probable.

2.9. Accounts Receivable

Accounts receivable represents amounts due from customers arising from transactions in the ordinary course of business. Twice a year, a complete review of all outstanding accounts receivable is made, a determination of doubtful accounts is made and allowance for bad debts is determined. This procedure is applicable to individual receivables or to groups of similar types of receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.10. Accounts Payable**

Accounts payable are obligations, the liquidation of which is reasonably expected to require the use of existing resources properly classified as current assets, or the creation of current obligation. Current liabilities include obligations arising from the acquisition of goods and services entering the operating cycle (accounts payable, taxes payable, wages payable and other miscellaneous payables) and other obligations maturing within the current operating cycle to be met through the use of current assets, or an overdraft.

2.11. Long-term Debt

The University's long-term debt is presented under the effective interest method.

Costs incurred for obtaining new loan or refinancing existing loans are deferred and amortized over the term of the respective loan, using the effective interest rate method. For better presentation, the interest expenses and costs associated with the long-term debt are presented as *Other expenses (incl. interest expenses)* in the Consolidated Statement of Activities.

2.12. Investments

Investments are carried at market value, and realized and unrealized gains and losses are reflected in the Statement of Activities. In accounting for investments, the University follows the guidance contained in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") #958-320 "Not-for-profit entities – Investments in Debt and Equity Securities" and ASC #820 "Fair Value Measurements". Investments in equities and securities with readily determinable fair values as well as all investments in debt securities are reported at fair value as of the date of the consolidated financial statements in the statement of financial position. Fair value of investments is classified according to the Fair Value Hierarchy at Level 2 - observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities (see Note 6). Gains and losses on investments are reported in the statement of activities as increases or decreases in the respective net assets as per explicit donor stipulations or law.

2.13. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recorded at cost when purchased or constructed, or at fair market value when acquired by gift. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets as follows:

	Years
Buildings	40
Office equipment	2 – 6
Vehicles	7 – 12
Furniture and fixtures	3 – 7
Library books	5 – 7
Software	2 – 5

Payments for the maintenance, repairs and minor renewals and replacements are expended as incurred; major renewals and replacements are capitalized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of long lived assets**

Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recoverable. When such indicators are present, a long-lived asset to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the long-lived asset over its remaining useful life and its eventual disposition to its carrying amount. Should the carrying value of the long-lived asset exceed its estimated future undiscounted net operating cash flows, impairment is measured based on the excess of the carrying amount over the fair market value of the long-lived asset.

2.14. Long-lived assets held and not used

Property initially recognized as investment property held for sale that no longer meet the criteria as per FASB 360-10-45 are recognized as long-lived assets held and not used. Such assets are acquired through donations and are not used in the University's activities. Management's intention is to sell the properties and is actively marketing them. The aim of the University's management is with focused efforts to realize these properties in order to use the funds for scholarship for students.

2.15. Contributions, gifts and grants

The University reports contributions, gifts of cash and other assets as restricted support if they are received with donor stipulations that set purpose and time restrictions on the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The amounts of capital gifts for construction of long-lived assets are released to net assets without donor restrictions when the associated long-term asset is placed in service and these amounts are subsequently amortized into operations over the estimated useful life of the constructed asset.

The distributed amount (drawdown) of USAID Quasi-Endowment for the period is presented in a separate item within revenues in the statement of activities since it is not donor-restricted and is designated to finance general operating expenses.

The purpose of the drawdown from the Pooled Endowment is to cover the expenses or scholarships associated with the particular endowment fund. When we distribute the scholarships or incur the expenses, the respective amount is released from Net Assets with donor restrictions to Net Assets without donor restrictions at the time of its occurrence and is included in the "Release from Restrictions, net" line in the Statement of Activities. The release is recorded when the purpose restriction of the particular endowment fund is satisfied.

In case a donor revokes a contribution granted previously and the amount has to be refunded or the pledge receivable is cancelled, the grant written off is presented separately in the statement of activities in the period the revocation has occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.16. Pension plans**

The government of Bulgaria through its national pension plan is responsible for providing pensions for Bulgarian citizens. A regular contribution is made to the State to fund the plan. In addition, since July 1, 2004, AUBG is making a BGN 40 (USD 24 as of June 30, 2021) monthly contribution for each full-time Bulgarian employee.

2.17. Retirement benefit provision

In accordance with the Bulgarian Labor Code, the University owes retirement benefits to its employees. The retirement benefit for employees who have worked for the University for more than 10 years is 6 gross monthly salaries. Employees who have worked for the University for less than 10 years are entitled to 2 gross monthly salaries. The Retirement Benefit Provision represents the present value of the payable of these benefits.

2.18. Foreign currency translation

The University receives the majority of its funds and incurs a significant amount of costs in United States Dollars (USD). As a result, the functional currency is considered to be the USD. The University's accounting records in Bulgaria are maintained in dual currency, both in BGN and in USD. The following exchange rates were used to translate monetary assets and liabilities denominated in BGN: BGN to one USD: 1.64577 as of June 30, 2021 and 1.74659 as of June 30, 2020.

Non-monetary assets and liabilities denominated in BGN are measured using historical rates in order to produce the same results in terms of functional currency that would have occurred if those items had been initially recorded in the functional currency.

2.19. Revenue Recognition

The University adopted ASU 2014-09- Revenue from Contracts with Customers /Topic 606/ during the ended June 30, 2020. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The University's revenue is derived primary from academic programs taught to students. Tuition and related fees are recognized as revenue over the course of the academic term or program for which it is earned. Non-tuition related revenue is recognized as services are performed or goods are delivered. The University elected to apply the standard only to contracts that are not completed as of that date. Tuition and fees and certain auxiliary activities revenues are recorded as revenues in the year during which the related services are provided. Funds received in advance of services provided are included in Deferred revenue. Contributions, including unconditional promises to give, are recognized as revenue in the period pledged or received and are reported as increases in the appropriate class of net assets. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate.

Other revenues are recognized at the time of delivery of goods, or providing of services, irrespective of the time when the cash is received.

2.20. Credit Risk

Credit risk is the risk that a party involved in a financial instrument may cause financial loss to the other party by non-fulfillment of an obligation. The financial instruments that may expose the University to credit risk are the loans provided to students, as well as the receivables from students, vendors, and donors. The University is exposed to risk that the respective counterparties will not fulfill their obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Concentration of credit risk**

The University occasionally maintains deposits in excess of the insured limits. FASB ASC #825 "Financial Instruments" identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

2.21. Exchange Rate Risk

The exchange rate risk is the risk that the valuation of the University assets and liabilities denominated in foreign currency may change due to a change in the exchange rates of the respective currency against the Bulgarian lev. The University receives most of its donations in US Dollars. Also, major portion of the cash, receivables, liabilities, revenues, and expenses (tuition revenue, expenses for salaries of foreign staff and faculty) are denominated in US Dollars, which exposes the University to a risk related to possible fluctuations in the exchange rate of the US dollar against the Bulgarian lev. The University does not apply any specific financial instruments for exchange rate risk hedging.

2.22. Interest Rate Risk

Interest rate risk is the risk that the value of the received loans may vary due to a change in the market interest rates. The financial instrument that exposes the University to interest rate risk is the Overdraft from Raiffeisen Bank Bulgaria.

2.23. Concentration Risk

The University is exposed to dependence on a small group of large donors in respect of externally funded scholarships. The University's Principles of Financial Sustainability aim at expansion of the donor base. As described in Note 15, besides the approved drawdown, the USAID Quasi-Endowment funds may be used for operating or capital needs after Board's approval, in the event of financial distress or an immediate liquidity need.

2.24. Risk Management

The University is exposed to various risks of loss: torts, theft, damage or destruction of assets, errors or omissions, job-related illnesses or injuries to employees, and health care claims on behalf of employees and their dependents. The University manages these risks through commercial insurance.

2.25. Litigation Risk

The University is a party to certain litigation cases – both as a plaintiff and as a defendant. In the instances where there are cases brought up against the University, AUBG management has considered all available evidence and obtained ample relevant legal advice. In our assessment the risks cannot be quantified at this point in time but Management believes that the probability of a negative outcome is low and that the pending litigations, based on today's assessment, will not materially affect the financial position or the results of the University's operations.

2.26. Fair Value Measurements

When assets or liabilities in the financial statements are to be measured at fair value, the University defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The University has elected not to report any existing financial assets or liabilities at fair value that are not already reported as such.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.27 Income tax**

The University has no uncertain tax positions taken or expected to be taken as of June 30, 2021. The University has recognized no interest or penalties related to uncertain tax positions. The University is subject to routine audits by tax authorities.

2.28 Functional expenses method of allocation

The expenses in the Statement of Activities are presented by functional classification. It represents grouping of expenses by major classes of program activities (Education and General), and supporting services (Development and University Relations, Institutional Support, Outreach Activities-containing the graduate programs, and Auxiliary Activities). The general facilities overhead expenses (depreciation, consumables, maintenance and etc.) are allocated to each activity/function based on the ratio of the usable sq. m. assigned in this function in proportion to the total usable sq. m. of the respective building.

2.29 Current Environment - COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus /COVID-19/ a pandemic. The higher education institutions throughout the world were also significantly affected by the COVID-19 crisis. Shortly after the World Health Organization declared COVID-19 as a global pandemic, many universities were forced to close their campuses and switch to online instructions in order to protect the health and safety of their students and employees. AUBG adopted a similar tactics and on March 20, 2020 closed its campus for students and switched entirely to online classes.

The immediate financial impact of COVID-19 on AUBG's operations was moderately positive. On one hand, the negative impact on revenues was limited and related only to partial refunds of housing fees and rollover of unused meal plan deposits. On the other hand, the early closing of the campus led to savings in certain categories of expenses such as utilities, travelling and events-related expenses.

AUBG's Management has taken measures to maintain the student enrollment in FY21. These include but are not limited to the following:

- Introducing a hybrid form of instruction, which gives students the opportunity to take classes both on-campus as well as online, while also providing for social distancing in the classrooms;
- Increasing health & safety measures on campus including temperature monitoring devices, special protocols for physical distancing and requirements for wearing protective gear in public areas, use of UVC air filters, increase hygiene, etc.;
- Awarding additional donation-funded financial aid to students whose families have been affected by the COVID-19 crisis; 78% of all AUBG students receive some form of a scholarship.
- Moving Certain deadlines (including payment deadlines) to give students and their families more flexibility to cope with the financial liabilities;
- Working proactively with key donors to increase the value of donations that AUBG receives annually. The recent appointment of a Special Advisor to the President for Advancement is a yet another step in this direction.

Approximately 65% of AUBG's unrestricted operating revenues come from tuition and fees that students pay. Maintaining and slightly increasing the level of tuition and fees is essential for the sustainability of AUBG's operations. The COVID-19 pandemic is expected to cause a global recession and increase unemployment, thus making it difficult for some students and their families to pay these fees. The management's response to this challenge includes:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- AUBG worked with the America for Bulgaria Foundation (ABF) and Tokuda Bank to introduce an innovative loan financing mechanism for Bulgarian nationals. The innovation is associated with the fact that ABF is prepared to repay a part or all of the loan principal on behalf of the student, if he or she fulfills certain requirements, including living and working in Bulgaria a certain number of years after graduation;
- AUBG is currently providing limited options for deferred payment of tuition and fees but management is exploring opportunities for expanding the deferred payment options;
- After successfully raising approximately \$300,000 in donations to fund additional scholarships for students and families adversely affected by COVID-19, the advancement staff will continue to call attention to student need to support attendance in the spring and in academic year 2021-2022.

The enrollment outlook for FY2021 is relatively positive and management does not anticipate a major decline in student enrollment compared to FY2020.

AUBG has developed a refund policy of the housing fees, student activity fees and meal plan deposits to students. The refund policy is based on offsetting future fees that students will have to pay to AUBG, thus minimizing the negative effect on the university's liquidity position.

As Covid-19 increases the pressure on tuition fees and enrollment rates, it is important for AUBG to maintain financial discipline and exert control over operating expenses. Starting in March 2020, the management undertook a close review of key expense categories and introduced various measures to keep costs under control. These include but are not limited to significant reduction in travelling and accommodations budgets, hiring freeze (unless a replacement is absolutely needed), managerial pre-approval of expenses that exceed a specific threshold, etc.

3. CASH AND CASH EQUIVALENTS

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Cash on hand/bank deposits	1,138	2,252
Commonfund/ State Street Institutional US Gov't Money Market	2,022	2,821
Cash and cash equivalents-restricted (current assets)	147	87
Cash and cash equivalents-restricted (non-current assets)	359	359
Total	3,666	5,519

Non-current cash and cash equivalents-restricted consist of debt service reserve account in relation to long-term debt agreement (details are provided in Note 13). Commonfund/ State Street Institutional US Gov't Money Market is part of the endowment investments and redemption frequency is daily and notice period is 1 day.

Current cash and cash equivalents-restricted consists mainly of cash in bank accounts in relation with various European projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Deferred expenses	277	242
Accounts receivable	14	32
Prepayments and advances	45	20
Receivables from students, net of USD 27 / 24 thousand allowance	37	22
Tax receivables	2	2
Total	375	318

Allowances for uncollectible student fees have been calculated as 100% of amounts past due over one year.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable falling due within one year comprise of:

	June 30, 2021	June 30, 2020
	USD'000	USD'000
America for Bulgaria Foundation	491	865
<i>Gross amount</i>	491	865
<i>Less Discount for time value of money</i>	-	-
Lacezar Tsotsorkov scholarships	118	118
<i>Gross amount</i>	120	120
<i>Less Discount for time value of money</i>	(2)	(2)
Elvin Guri	77	100
European Union	33	37
Pay It Forward Endowment	24	24
<i>Gross amount</i>	25	25
<i>Less Discount for time value of money</i>	(1)	(1)
Other	40	131
Total	783	1,275

Long-term contributions receivable comprise of:

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Other	41	44
<i>Gross amount</i>	45	49
<i>Less Discount for time value of money</i>	(4)	(5)
Pay It Forward Endowment	23	46
<i>Gross amount</i>	25	50
<i>Less Discount for time value of money</i>	(2)	(4)
America for Bulgaria Foundation	-	480
<i>Gross amount</i>	-	491
<i>Less Discount for time value of money</i>	-	(11)
Lacezar Tsotsorkov scholarships	-	57
<i>Gross amount</i>	-	60
<i>Less Discount for time value of money</i>	-	(3)
Total	64	627

All amounts are receivable within five years and are discounted using the interest rate for loans to non-profit organizations, for new businesses, up to 1 million Euro, contracted in Euro, published by the Bulgarian National Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS

	June 30, 2021 Fair Value USD'000	June 30, 2020 Fair Value USD'000
USAID Quasi – Endowment Fund		
SSgA S&P 500Index Non-Lending Strat.	12,369	-
High Quality Bond Fund	3,450	3,735
SSgA MSCI EAFE Index	3,378	2,893
SSgA MSCI Emerging Markets Fund	1,309	885
SSgA MSCI EAFE Small Cap Index Strategy	516	-
Multi-Strategy Equity Fund	-	2,978
Equity Index Fund	-	5,525
Subtotal USAID Quasi – Endowment Fund:	21,022	16,016
Pooled Endowment Fund		
Equity Index Fund	3,089	2,196
Multi-Strategy Equity Fund	2,839	2,790
High Quality Bond Fund	2,452	1,957
SSgA MSCI EAFE Index	1,964	1,482
SSgA MSCI Emerging Markets Fund	745	530
SSgA S&P 500Index Non-Lending Strat.	82	-
Subtotal Pooled Endowment Fund:	11,171	8,955
Other Investments:	-	168
Total	32,193	25,139

Additionally, AUBG invested USD 2,022 thousand as of June 30, 2021 (June 30, 2020: 2,821 thousand) in *State Street Institutional US Government Money Market Fund*, included in Note 3, Cash and Cash Equivalents. The University invests its USAID Quasi-Endowment Fund and Pooled Endowment Fund with Commonfund. The management intends to hold the investments for a period longer than one year.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets and liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the University's valuation methodologies for assets and liabilities measured at fair value:

The fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

The fair value of Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable, as they trade infrequently or not at all.

Fair value level of investments is determined according to Fair Value Hierarchy as follows:

	Fair Value Measurement at Reporting Date				Measured at Net asset value *
	Using				
	June 30, 2021 USD'000	(Level 1) USD'000	(Level 2) USD'000	(Level 3) USD'000	
SSgA S&P 500Index Non-Lending Strat.	12,451	-	-	-	12,451
High Quality Bond Fund	5,902	-	-	-	5,902
SSgA MSCI EAFE Index Equity Index Fund	5,342	-	-	-	5,342
Multi-Strategy Equity Fund	3,089	-	-	-	3,089
SSgA MSCI Emerging Markets Fund	2,839	-	-	-	2,839
SSgA MSCI EAFE Small Cap Index Strategy	2,054	-	-	-	2,054
Other Investments	516	-	-	-	516
Total:	32,193	-	-	-	32,193

	Fair Value Measurement at Reporting Date				
	Using				Measured at Net asset value *
	June 30, 2020 USD'000	(Level 1) USD'000	(Level 2) USD'000	(Level 3) USD'000	
Equity Index Fund	7,721	-	-	-	7,721
Multi-Strategy Equity Fund	5,768	-	-	-	5,768
High Quality Bond Fund	5,692	-	-	-	5,692
SSgA MSCI EAFE Index	4,375	-	-	-	4,375
SSgA MSCI Emerging Markets Fund	1,415	-	-	-	1,415
Other Investments	168	168	-	-	-
Total:	25,139	168	-	-	24,971

* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

AUBG manages its endowment and quasi-endowment funds in a way which protects the real purchasing power of the endowment over time, avoids large or no increases in some years, and preserves and enhances the growth of principal.

	Fair Value June 30, 2021 USD'000	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SSgA S&P 500Index Non-Lending Strat.	12,451	daily	2 business days
High Quality Bond Fund	5,902	weekly	5 business days
SSgA MSCI EAFE Index	5,342	daily	2 business days
Equity Index Fund	3,089	daily	1 business day
Multi-Strategy Equity Fund	2,839	monthly	5 business days
SSgA MSCI Emerging Markets Fund	2,054	daily	2 business days
SSgA MSCI EAFE Small Cap Index Strategy	516	daily	2 business days
Other Investments	-		
Total:	32,193		

	Fair Value June 30, 2020 USD'000	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Equity Index Fund	7,721	daily	1 business day
Multi-Strategy Equity Fund	5,768	monthly	5 business days
High Quality Bond Fund	5,692	weekly	5 business days
SSgA MSCI EAFE Index	4,375	daily	2 business days
SSgA MSCI Emerging Markets Fund	1,415	daily	2 business days
Other Investments	168		
Total:	25,139		

AUBG invests in high quality, investment grade securities and maintains a prudent diversification in its portfolios. AUBG's endowment fund is invested according to the following Strategic Asset Allocation (SAA) as of June 30, 2021 and June 30, 2020, approved by the Board of Trustees:

June 30, 2021	Strategic Asset Allocation	of which USD	Int'l
Cash & Money Market	5%	5%	-
Fixed Income	25%	15%	10%
Equities	70%	53%	17%
	100%	73%	27%
June 30, 2020	Strategic Asset Allocation	of which USD	Int'l
Cash & Money Market	5%	5%	-
Fixed Income	25%	17%	8%
Equities	70%	53%	17%
	100%	75%	25%

Any change to the SAA must be approved by the full Board. The Investment Committee is allowed to make tactical changes to the SAA and currency allocation without seeking full board approval as long as these changes remain within the range of +/- 10% of the SAA for each asset class.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

At its January 2020 meeting, the Board of Trustees approved the Endowment Spending Policy as follows: FY2021 Endowment drawdown will be based on the average market value of the Endowment for the last 12 quarters ended 31 December 2019 multiplied by 4.25% for the Quasi endowment and 4.00% for the Pooled endowment.

Long-term investment activity for the fourth quarter of FY 2020-2021:

	Quasi- Endowment (without donor restrictions)* USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Endowment balance at beginning of year	18,618	9,174	27,792
Additions	-	122	122
Drawdowns	(780)	(350)	(1,130)
Investment return, net	5,037	2,394	7,431
Endowment balance at end of fourth quarter:	22,875	11,340	34,215

* The Board-designated endowments are included in the "Quasi Endowment" since there are no donor restrictions attached to them. Withdrawals of \$780K include \$750K from USAID endowment and \$30K from Board-designated endowments.

Note 6	USD'000	Statement of Activities	USD'000
Investment return, net (Quasi-Endowment):	5,037	Investment return, net, without donor restrictions, USAID endowment	4,833
Investment return, net (Pooled Endowment):	2,394	Investment return, net, without donor restrictions, Board-designated Endowment	204
	-	Investment return, net, without donor restrictions, other investment income without donor restrictions	76
	-	Investment return, net, with donor restrictions, Pooled endowment	2,318
Subtotal:	7,431	Subtotal:	7,431
	-	Investment return, net, with donor restrictions, Investments in Bulgaria	150
	-	FX gains and losses	33
Total:	7,431	Total:	7,614

Endowment Net Asset Composition by Type of Fund as of June 30, 2021

	Quasi- Endowment (without donor restrictions) USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Board-designated endowment funds	22,875	-	22,875
Donor-restricted endowment funds:			
Original donor-restricted gift amount plus any subsequent additions and amounts required to be maintained in perpetuity by donor	-	7,059	7,059
Accumulated investment gains	-	6,820	6,820
Withdrawals	-	(2,539)	(2,539)
Total funds:	22,875	11,340	34,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

Long-term investment activity for the fourth quarter of FY 2020:

	Quasi-Endowment (without donor restrictions)* USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Endowment balance at beginning of year	19,078	9,222	28,300
Additions		131	131
Drawdowns	(739)	(331)	(1,070)
Investment return, net	279	152	431
Endowment balance at end of year:	18,618	9,174	27,792

* The Board-designated endowments are included in the "Quasi Endowment" since there are no donor restrictions attached to them. Withdrawals of \$739K include \$710K from USAID endowment and \$29K from Board-designated endowments.

Note 6	USD'000	Statement of Activities	USD'000
Investment return, net (Quasi-Endowment):	279	Investment return, net, without donor restrictions, USAID endowment	266
Investment return, net (Pooled Endowment):	152	Investment return, net, without donor restrictions, Board-designated Endowment	13
	-	Investment return, net, without donor restrictions, other investment income without donor restrictions	5
	-	Investment return, net, with donor restrictions, Pooled endowment	147
Subtotal:	431	Subtotal:	431
	-	Investment return, net, with donor restrictions, Investments in Bulgaria	(89)
	-	FX gains and losses	(26)
Total:	431	Total:	316

Endowment Net Asset Composition by Type of Fund as of June 30, 2020

	Quasi-Endowment (without donor restrictions) USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Board-designated endowment funds	18,618	-	18,618
Donor-restricted endowment funds:			
Original donor-restricted gift amount plus any subsequent additions and amounts required to be maintained in perpetuity by donor	-	6,937	6,937
Accumulated investment gains	-	4,426	4,426
Withdrawals	-	(2,189)	(2,189)
Total funds:	18,618	9,174	27,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Land	3,022	3,022
Buildings	35,373	35,373
Less: accumulated depreciation	(11,327)	(10,428)
Buildings Net Book Value	24,046	24,945
Office machines and equipment	5,143	4,969
Less: accumulated depreciation	(4,813)	(4,787)
Office Machines and Equipment Net Book Value	330	182
Motor vehicles	90	90
Less: accumulated depreciation	(90)	(90)
Motor Vehicles Net Book Value	-	-
Furniture and fixtures	2,647	2,656
Less: accumulated depreciation	(2,570)	(2,557)
Furniture and Fixtures Net Book Value	77	99
Library books	987	945
Less: accumulated depreciation	(863)	(828)
Library Books Net Book Value	124	117
Other intangible assets	934	1,333
Less: accumulated amortization	(933)	(1,332)
Other Intangible Assets Net Book Value	1	1
Assets under construction	166	166
Total Book Value	48,362	48,554
Less: Depreciation and Amortization	(20,596)	(20,022)
Total Net Book Value	27,766	28,532
	July – Mar	July – June
	FY21	FY20
	USD'000	USD'000
Depreciation expenses:		
Property, Plant and Equipment	1,174	1,249
Intangible Assets	-	1
Total	1,174	1,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER LONG-TERM ASSETS

Other long-term assets include:

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Long lived assets held, not used	295	295
Cash deposits for student loans guarantees, net	14	13
Student loans receivable, net	7	2
Total	316	310

9. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM DEBT

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Current portion of long-term debt/ DFC (note 13)	528	292
Overdraft (BGN)/ Raiffeisen Bank (max. amount: BGN 2.0 million)	484	-
Overdraft (USD)/ Raiffeisen Bank (max. amount: USD 1.0 million)	-	2,059
Total	1,012	2,351

The two overdraft facilities from Raiffeisenbank expire on November 25, 2026. They are secured as follows: 1. 100% pledge over cash in AUBG bank accounts with Raiffeisenbank Bulgaria EAD /USD 106 thousand as of June 30, 2021 and USD 685 thousand as of June 30, 2020/, and 2. Promissory notes, issued by AUBG with expiration date one month after the expiration date of the overdrafts.

10. ACCOUNTS PAYABLE

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Payables to vendors and others	170	397
Tax and social security payables	139	121
Payables to undergraduate students	53	22
DFC loan interest payable	15	19
Total	377	559

11. ACCRUED LIABILITIES AND CURRENT PORTION OF RETIREMENT BENEFITS

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Current portion of retirement benefit provision (Note 14)	297	253
Accrued vacation	264	184
Accrued expenses	202	193
Total	763	630

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. DEFERRED REVENUE AND OTHER LIABILITIES

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Deferred revenue from undergraduate students	717	609
Deferred revenue from graduate students	72	97
Advance payments for seminars	71	22
Advance ELI payments	60	62
Other	-	12
Total	920	802

13. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Principal amount	1,320	1,583
Less unamortized cost	(10)	(15)
Less current portion (Note 9)	(528)	(292)
Long-term debt, net	782	1,276

Long-term debt represents a loan from the U.S. International Development Finance Corporation (DFC) amounting up to USD 10 million for the construction of AUBG Student Center. As collateral, AUBG pledged 142,000 units in USAID Endowment High Quality Bond Fund at the total amount of USD 1,947 thousand as of June 30, 2021. In addition, AUBG established a Debt Service Reserve Account funded with an amount equal to the aggregate amount of Debt Service for the immediately succeeding six-month period. The loan will be repaid in full by September 2023.

The total amount of interest cost incurred for the year ended June 30, 2021 is USD 61 thousand (year ended June 30, 2020: USD 75 thousand).

The principal and interest amounts payable for each of the following years are as follows:

Year ended	Principal payable (USD '000)	Interests payable (USD '000)
June 30, 2022	528	48
June 30, 2023	528	27
June 30, 2024	263	5

14. RETIREMENT BENEFIT PROVISION

The calculations of the Retirement Benefit Provision are based on the following assumptions:

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Discount rate (interest rate for 10-year Government Bonds, source: Bulgarian National Bank)	0.14%	0.55%
Turnover rate	10%	10%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. RETIREMENT BENEFIT PROVISION (CONTINUED)

The Retirement Benefits are expected to be paid:

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Current liability (within 1 year (Note 11))	297	253
Long-term liability:		
2 years	20	19
3 years	22	18
4 years	21	18
5 years	13	17
More than 5 years	132	105
Long-term liability	208	177
Total:	505	430

The expense for retirement benefits recognized in the consolidated statement of activities for FY21 is USD 75 thousand (FY20: USD 9 thousand).

15. NET ASSETS WITHOUT DONOR RESTRICTIONS

	June 30, 2021	June 30, 2020
	USD'000	USD'000
Net assets without donor restrictions as of the beginning of the year	43,726	43,602
Reclassifications and corrections	(1)	(9)
Change in net assets without donor restrictions	4,336	133
Net assets without donor restrictions as of the end of the year	48,061	43,726

Net Assets without donor restrictions as of June 30, 2021 and June 30, 2020 include the following Board-designated endowment funds:

	June 30, 2021	June 30, 2020
	USD'000	USD'000
USAID Quasi-Endowment	21,913	17,830
Panitza Memorial Professorship Endowment	1,168	963
Total Board-designated endowment funds	23,081	18,793

USAID Quasi-Endowment was funded through a Cooperative Agreement with the United States Agency for International Development (USAID) dated in 2002. The endowment was intended to enable the University to achieve financial sustainability independent of U.S. Government assistance by 2008, which was achieved 2 years earlier, in FY06. Besides the approved drawdown, the funds may be used for operating or capital needs after Board's approval.

Panitza Memorial Professorship Endowment was created by the Board of Trustees to develop and stimulate interdisciplinary research and student interest into the social, cultural, political and economic effects of communist rule in recent Eastern Europe during the second half of the 20th century and their relevance for democracies in transition. Program activities may include creation of a part-time faculty position or a one-semester appointment, as well as lectures, seminars and research activities. Once the Endowed Fund has reached \$1 million, the University shall appoint an individual, who shall be distinguished in teaching and research in one or more of the interdisciplinary areas pertaining to the study of Communism and post-Communism in Eastern Europe, to hold the Professorship.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. NET ASSETS WITH DONOR RESTRICTIONS

	June 30, 2020 Balance	Contributions for the year	Scholarships	Satisfaction of program restrictions	Satisfaction of equipment acquisition	Program Income (Loss)	Reclass.	June 30, 2021 Balance
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Anna Tchaprachikoff	4,511	-	-	(277)	-	1,195	-	5,429
Athanas Zamphiroff	2,851	-	(50)	(3)	-	638	-	3,436
America for Bulgaria Foundation	1,085	22	(964)	-	-	150	-	293
Gifts to the Pooled Endowment	1,825	58	-	-	-	-	25	1,908
OSI Scholarships	266	-	(158)	-	-	-	-	108
Lacezar Tsotsorkov Dist. Scholarship	179	3	(62)	-	-	-	-	120
Stiflung Usine Foundation	162	-	(75)	-	-	-	-	87
Dilian Pavlov Multitalent Quest Scholarship	100	-	-	-	-	-	-	100
Elvin Guri Scholarships	151	3	(27)	-	-	-	-	127
Draganov Family Scholarship	100	-	(19)	-	-	11	-	92
AUBG Accelerator Fund	39	33	-	(57)	(2)	-	-	13
Other	1,109	313	(332)	(40)	(10)	474	(24)	1,490
Total	12,378	432	(1,687)	(377)	(12)	2,468	1	13,203

Note 16	USD'000	Statement of Activities	USD'000
Scholarships	(1,687)	Release from Restriction, net (Contribution and Grants)	(2,051)
Satisfaction of program restrictions	(377)	Release from Restriction, net (English Language Institute)	-
Satisfaction of equipment acquisition	(12)	Release from Restriction, net (CEP and External Projects)	(25)
Total:	(2,076)	Total:	(2,076)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. NET ASSETS WITH DONOR RESTRICTIONS

	June 30, 2019 Balance	Contributions for the year	Scholarships	Satisfaction of program restrictions	Satisfaction of equipment acquisition	Program Income (Loss)	Reclass.	June 30, 2020 Balance
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Anna Tchaprachikoff	4,548	-	-	(113)	-	76	-	4,511
Áthanas Zamphiroff	2,840	-	(30)	-	-	41	-	2,851
America for Bulgaria Foundation	2,630	30	(1,487)	-	-	(88)	-	1,085
Gifts to the Pooled Endowment	1,693	132	-	-	-	-	-	1,825
OSI Scholarships	427	-	(161)	-	-	-	-	266
Lacezar Tsofsorkov Dist. Scholarship	237	4	(62)	-	-	-	-	179
Stiftung Usine Foundation	236	-	(74)	-	-	-	-	162
Dilian Pavlov Multitalent Quest Scholarship	-	100	-	-	-	-	-	100
Elvin Guri Scholarships	63	100	(12)	-	-	-	-	151
Draganov Family Scholarship	-	100	-	-	-	-	-	100
AUBG Accelerator Fund	60	28	-	(48)	(1)	-	-	39
Other	1,032	310	(222)	(31)	(6)	30	(4)	1,109
Total	13,766	804	(2,048)	(192)	(7)	59	(4)	12,378

Note 16	USD'000	Statement of Activities	USD'000
Scholarships	(2,048)	Release from Restriction, net (Contribution and Grants)	(2,232)
Satisfaction of program restrictions	(192)	Release from Restriction, net (English Language Institute)	(5)
Satisfaction of equipment acquisition	(7)	Release from Restriction, net (CFP and External Projects)	(10)
Total:	(2,247)	Total:	(2,247)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. NATURAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural expense categories for the year ended June 30, 2021 consist of the following:

FY21 (USD'000)	Supplies and Services	Depreciation	Salaries and social insurance	Other	Total
Education and General	718	180	4,564	24	5,486
Development and University Relations	209	3	223	6	441
Institutional Support	1,653	979	1,759	242	4,633
Outreach Activities	182	8	482	4	676
Auxiliary Activities	314	4	406	2	726
Other	-	-	-	115	115
Total:	3,076	1,174	7,434	393	12,077

Expenses by functional and natural expense categories for the year ended June 30, 2020 consist of the following:

FY20 (USD'000)	Supplies and Services	Depreciation	Salaries and social insurance	Other	Total
Education and General	715	218	4,259	104	5,296
Development and University Relations	191	5	184	27	407
Institutional Support	1,514	987	1,730	285	4,516
Outreach Activities	333	11	426	56	826
Auxiliary Activities	421	28	347	3	799
Other	-	-	-	144	144
Total:	3,174	1,249	6,946	619	11,988

18. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021 and June 30, 2020, financial assets and liquidity resources available within one year for general expenditures are as follows:

	June 30, USD'000	June 30, 2020 USD'000
Financial assets:		
Cash and cash equivalents (for unrestricted use)	3,160	5,073
Accounts receivable (excl. deferred expenses)	98	56
Contributions receivable within one year	783	1,275
FY 2021-2022 endowment drawdown	1,150	1,130
Total financial assets available within one year	5,191	7,534
 Available overdraft	 1,731	 141
 Total financial assets and liquidity resources available within one year	 6,922	 7,675

The University's cash flows have seasonal variations mainly due to tuition billing. To manage liquidity, the University maintains an overdraft facilities at the amount of USD 1,000 thousand and BGN 2,000 thousand /USD 1,215 thousand.