



AMERICAN UNIVERSITY IN BULGARIA

CONSOLIDATED FINANCIAL STATEMENTS

as of and for the year ended June 30, 2011,

Supplemental Information for the year ended June 30, 2011,

Independent Auditors' Reports and

Schedule of Findings and Questioned Costs

for the year ended June 30, 2011

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Report of Independent Auditors

To the Board of Trustees of American University in Bulgaria

We have audited the accompanying consolidated statement of financial position of American University in Bulgaria as of June 30, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the American University in Bulgaria's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the University for the year ended June 30, 2010, were audited by other auditors whose report dated September 20, 2010, expressed an unqualified opinion on those statements.

Except as discussed in the following paragraph we conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by chapter 3, paragraphs 3.50 and 3.55 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Bulgaria. We believe that the effects of this departure from U.S. Government Auditing Standards is not material because we participate in the Ernst & Young Global Assurance Quality Review (AQR) program to evaluate the design and operating effectiveness of the country practice's quality control policies and procedures covering its assurance engagements. The objectives of the AQR program is to determine whether we (a) are conducting our assurance engagements in accordance with relevant professional standards and with the applicable policies, and (b) have established and documented adequate control policies and procedures and are complying with them. Furthermore, we are also subject to assurance quality reviews by the Commission for Public Oversight of Statutory Auditors in Bulgaria. In addition, we do not have a continuing education program that fully satisfies the requirement set forth in chapter 3, paragraph 3.46 of U.S. Government Auditing Standards. However, our current program provides for at least 80 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American University in Bulgaria as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2011 on our consideration of the American University in Bulgaria's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Ernst & Young'.
Ernst & Young Audit OOD

September 14, 2011

Consolidated Statements of Financial Position as of June 30, 2011 and June 30, 2010

	Note	June 30, 2011 USD'000	June 30, 2010 USD'000
ASSETS			
Current assets			
Cash and cash equivalents	3	6,810	1,772
Accounts receivable and prepayments	4	654	585
Contributions receivable	5	5,224	5,600
Inventories		268	274
Investment property held for sale	6	81	81
Subtotal current assets		13,037	8,312
Long-term assets			
Long-term contributions receivable	5	4,517	884
Cash deposits for student loans guarantees, net	7	22	55
Student loans receivable, net	8	123	193
Investments	9	15,650	12,689
Property, plant and equipment and intangible assets	10	24,661	24,878
Subtotal long term assets		44,973	38,699
TOTAL ASSETS		58,010	47,011
LIABILITIES AND NET ASSETS			
Current liabilities			
Short-term borrowings	11	1,983	2,105
Accounts payable	12	122	46
Accrued liabilities and current portion of retirement benefits	13	345	290
Deferred revenue and other liabilities	14	761	517
Subtotal current liabilities		3,211	2,958
Long-term liabilities			
Long-term debt	15	2,950	-
Retirement benefit provision	16	122	-
Subtotal long-term liabilities		3,072	-
TOTAL LIABILITIES		6,283	2,958
Net assets			
Unrestricted	16	9,714	11,037
Temporarily restricted	17	35,897	27,083
Permanently restricted		6,116	5,933
TOTAL NET ASSETS		51,727	44,053
TOTAL LIABILITIES AND NET ASSETS		58,010	47,011

Signed on behalf of the American University in Bulgaria:



Date: September 14, 2011

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

Consolidated Statements of Activities for the years ended June 30, 2011 and June 30, 2010

	Year ended June 30, 2011				Year ended June 30, 2010			
	Unrestricted	Temp. Res.	Perm. Res.	Total	Unrestricted	Temp. Res.	Perm. Res.	Total
EXPENSES	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
EDUCATION AND GENERAL								
Instruction and Research	3,737	-	-	3,737	3,380	-	-	3,380
Academic Support	1,610	-	-	1,610	1,791	-	-	1,791
Student Services	562	-	-	562	508	-	-	508
SUBTOTAL EDUCATION AND GENERAL	5,909	-	-	5,909	5,679	-	-	5,679
DEVELOPMENT AND UNIVERSITY RELATIONS	475	-	-	475	452	-	-	452
INSTITUTIONAL SUPPORT								
Division of Finance	574	-	-	574	554	-	-	554
Physical Plant	64	-	-	64	339	-	-	339
Operations and Administration	1,622	-	-	1,622	1,498	-	-	1,498
SUBTOTAL INSTITUTIONAL SUPPORT	2,260	-	-	2,260	2,391	-	-	2,391
OUTREACH ACTIVITIES								
English Language Institute	421	-	-	421	284	-	-	284
Conferences and Institutes	122	-	-	122	77	-	-	77
Elieff Center Services	266	-	-	266	247	-	-	247
Center for European Programs	145	-	-	145	211	-	-	211
EMBA	357	-	-	357	302	-	-	302
SUBTOTAL OUTREACH ACTIVITIES	1,311	-	-	1,311	1,121	-	-	1,121
AUXILIARY ACTIVITIES								
Bookstore	181	-	-	181	164	-	-	164
Residence Life	1,128	-	-	1,128	959	-	-	959
Dining Services	341	-	-	341	351	-	-	351
SUBTOTAL AUXILIARY ACTIVITIES	1,650	-	-	1,650	1,474	-	-	1,474
Scholarships for External Graduate Studies	151	-	-	151	66	-	-	66
Student Loans/ Fees Reversals	(78)	-	-	(78)	(109)	-	-	(109)
Other Expenses	169	-	-	169	-	-	-	-
TOTAL EXPENSES	11,847	-	-	11,847	11,074	-	-	11,074
OPERATING SURPLUS (DEFICIT)	224	4,447	33	4,704	336	4,448	35	4,819
Additional Endowment Drawdown	(1,040)	1,040	-	-	2,150	(2,150)	-	-
Endowment Income Distributed	(560)	560	-	-	(550)	550	-	-
Other Gains and (Losses)	46	2,924	-	2,970	419	1,189	(419)	1,189
CHANGE IN NET ASSETS before reclassifications	(1,330)	8,971	33	7,674	2,355	4,037	(384)	6,008

Date: September 14, 2011

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

Consolidated Statements of Cash Flows for the years ended June 30, 2011 and June 30, 2010

	June 30, 2011 USD'000	June 30, 2010 USD'000
Cash flows from operating activities		
Change in fund balance	7,674	6,008
Adjustments to change in fund balance:		
Revenue from fund-raising activities	(8,840)	(8,092)
(Increase) Decrease in accounts receivable, prepayments, and inventories	(63)	179
Increase (Decrease) in current liabilities	496	(81)
Decrease in student loans receivable	70	33
Decrease (Increase) in cash deposits for student loans guarantees	33	(21)
Depreciation and amortization	1,374	1,259
Net book value of disposed property, plant and equipment	4	-
In-kind donation of property, plant and equipment	(12)	(10)
In-kind donation of investment securities	(5)	(5)
Net cash provided by (used in) operating activities other than fund-raising	731	(730)
Revenue from fund-raising activities	8,840	8,092
Increase in contributions receivable	(3,257)	(2,411)
Net cash provided by fund-raising activities	5,583	5,681
Net cash provided by operating activities	6,314	4,951
Cash flows from investing activities		
Construction and purchase of property, plant and equipment	(1,149)	(6,827)
Purchase of investment securities	(8,210)	(4,857)
Sale of investment securities	8,215	5,292
Gain from investing activities	(2,961)	(970)
Proceeds from sale of property, plant and equipment	-	1,262
Cash flow used in investing activities	(4,105)	(6,100)
Cash flow from financing activities		
(Decrease) Increase in short-term borrowing	(121)	55
Proceeds from long-term debt, net	2,950	-
Cash flow from financing activities	2,829	55
Increase (Decrease) in cash and cash equivalents for the year	5,038	(1,094)
Cash and cash equivalents at the beginning of the year	1,772	2,866
Cash and cash equivalents at the end of the year	6,810	1,772

Cash flows from operating activities reflect interest payments of USD 46 thousand in FY 2010-2011, and USD 27 thousand in FY 2009-2010.

Date: September 14, 2011

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.

At the end of 2001, the American University Service Company (AUSC), a wholly-owned subsidiary headquartered in Sofia, Bulgaria, was established.

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 statement of activities presents the financial activities by type of net assets related to the reporting periods.

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, investments and expenses.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of AUBG and 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 the subsidiary to bring the accounting policies used in line with those used by AUBG.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.4. Types of net assets**

Unrestricted net assets derived from educational and general operations of the University and from appropriations, gifts and grants 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.

Temporary restricted net assets derived from educational and general operations of the University and from appropriations, gifts and grants may be used only to meet current expenditures for the purposes specifically identified by the donors or by sponsoring agencies.

Permanently restricted net assets derived from educational and general operations of the University and from appropriations, gifts and grants are to be invested and only the income earned from the investment may be used to meet current expenditures for the purposes specifically identified by the donors or by the Board of Trustees if there are no specifically identified purposes.

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.

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 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.

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 guidance contained in FASB Accounting Standard Update ("ASU") #958-320 "Not-for-profit entities – Investments in Debt and Equity Securities" and ASC #820 "Fair Value Measurements," effective for financial statements issued for fiscal years beginning after November 15, 2007, have been followed. 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 active 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 9). 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:

	<u>Years</u>
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 expensed as incurred; major renewals and replacements are capitalized.

Since its incorporation, AUBG uses an administrative building located in Blagoevgrad, free of charge. The current contract has been extended on May 1, 2009 for four years ending July 16, 2013. Restricted revenue is recognized in the period when the unconditional contribution of the use of the long-lived asset is made. The release from restriction (revenue) is matched by amortization (expense) in each of the years of use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.13. Property, plant and equipment and intangible assets (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. Investment property held for sale

Investment property held for sale is recognized initially according to Level 2 observable input when acquired by gift. A review for impairment of an investment property held for sale is carried out if events or changes in circumstances indicate that the carrying amount of the investment property held for sale may not be recoverable.

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, temporarily restricted net assets are reclassified to unrestricted net assets 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. If there are no explicit donor stipulations about how long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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 30 as of June 30, 2011) 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.18. Foreign currency translation (continued)**

	BGN to one USD	
	June 30, 2011	June 30, 2010
Exchange rates	1.35323	1.59386

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

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.

2.21. Concentration of credit risk

The University occasionally maintains deposits in excess of the insured limits. 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.

2.22. 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.

2.23. 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 with Raiffeisen Bank Bulgaria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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. 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.

3. CASH AND CASH EQUIVALENTS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	USD'000	USD'000
Deposits with donor-imposed restrictions	3,467	1,046
Cash on hand/bank deposits	3,340	723
Deposits with the Community Foundation	3	3
Total	<u>6,810</u>	<u>1,772</u>

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	USD'000	USD'000
Accounts receivable	397	311
Deferred expenses	185	146
Prepayments and advances	45	71
Tax receivables	2	34
Receivables from students, net of USD 8 / 4 thousand allowance	25	23
Total	<u>654</u>	<u>585</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable falling due within one year are comprised of:

	June 30, 2011	June 30, 2010
	USD'000	USD'000
America for Bulgaria Foundation	3,074	4,000
OSI Scholarships	1,201	1,000
ASHA	536	230
European Union	250	83
Nando Peretti Foundation	73	83
Elvin Guri	50	50
Other	40	154
Total	5,224	5,600

Long-term contributions receivable are comprised of:

	June 30, 2011	June 30, 2010
	USD'000	USD'000
America for Bulgaria Foundation	2,950	-
OSI Scholarships	954	724
Elvin Guri	580	121
Other	33	39
Total	4,517	884

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.

6. INVESTMENT PROPERTY HELD FOR SALE

Investment property held for sale in the amount of USD 81 thousand as of June 30, 2011 represents land in Bankia bequeathed by Anna Tchaprachikoff.

7. CASH DEPOSITS FOR STUDENT LOANS GUARANTEES

	Loan Balance	Guarantee Fund	Loan Balance	Guarantee Fund
	June 30, 2011	June 30, 2011	June 30, 2010	June 30, 2010
BG students/ principal EUR'000	463	-	595	-
International students/ principal EUR'000	215	43	227	45
Total Principal and Guarantee Fund EUR'000	678	43	822	45
<i>Total Guarantee Fund/ USD'000</i>		<i>62</i>		<i>56</i>
<i>Less allowance for bad debts/ USD'000</i>		<i>(40)</i>		<i>(1)</i>
Net Guarantee Fund/ USD'000		22		55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. CASH DEPOSITS FOR STUDENT LOANS GUARANTEES (continued)

Since the fall semester 2002, AUBG has implemented an agreement with UniCredit Bulbank (formerly Hebros Bank) to offer loans through that bank to full-time, degree-seeking AUBG students over the age of 18, both international and Bulgarian. The full principal amount of the loan plus interest must be fully repaid within fifteen years after AUBG graduation beginning within no more than five years of the students' first AUBG enrollment. Since the fall semester 2008, AUBG has also implemented an agreement with MKB Union bank to offer loans through that bank of up to EUR 10,000 to AUBG students over the age of 18, both international and Bulgarian. The full principal amount of the loan plus interest must be fully repaid within twelve years after AUBG graduation.

Agreements with UniCredit Bulbank and MKB Union bank require that AUBG maintain guarantee funds at both banks in the amount of 20% of the principal for loans of international undergraduate students. The balance of the guarantee funds at UniCredit Bulbank and MKB Union bank as of June 30, 2011 is USD 38 thousand and USD 24 thousand, respectively, pledged in favor of the Banks. The University guarantees the loans granted to the international students. In case of non-repayment, the maximum exposure payable by AUBG as of June 30, 2011 would be USD 222 thousand.

8. STUDENT LOANS RECEIVABLE

	July 1, 2010 - June 30, 2011	July 1, 2009 - June 30, 2010
	USD'000	USD'000
Principal value of student loans at the beginning of the reporting period	2,129	2,222
Add new loans issued	23	78
Deduct student loan repayments made during the period - direct cash	(206)	(208)
Add student loan interest payments	38	49
Deduct loan principal write offs (contractual forgiveness)	(10)	(12)
Principal value of student loans at the end of the reporting period	1,974	2,129
Less provision for uncollectible loans	(1,851)	(1,936)
Student loans receivable	123	193

The provisions for uncollectible loans as of June 30, 2011 and June 30, 2010 have been calculated as follows:

Loan status	Count	Loan Balance	% Allowance	Provision	Total Amount
June 30, 2011				Amount	Receivable
		USD'000		USD'000	USD'000
Fully repaid	1050	-	-	-	-
Not due	103	214	50%	107	107
Past due 1 - 119 days	26	58	80%	45	13
Past due 120 days - 1 year	26	60	95%	57	3
Past due 1 year or more	424	1,642	100%	1,642	-
	1629	1,974		1,851	123

Loan status	Count	Loan Balance	% Allowance	Provision	Total Amount
June 30, 2010				Amount	Receivable
		USD'000		USD'000	USD'000
Fully repaid	982	-	-	-	-
Not due	152	342	50%	171	171
Past due 1 - 119 days	39	92	80%	74	18
Past due 120 days - 1 year	36	86	95%	82	4
Past due 1 year or more	408	1,609	100%	1,609	-
	1617	2,129		1,936	193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Between 1994 and 2001, the University was providing loans to students for tuition and other fees, related to the cost of education in the University. Repayment of principal and interest on these loans generally begins six months after the date the student finishes education or military service.

9. INVESTMENTS

	June 30, 2011 Fair Value USD'000	June 30, 2010 Fair Value USD'000
USAID Quasi – Endowment Fund		
Multi-Strategy Equity Fund	6,244	-
International Equity Fund	3,398	3,773
Global Bond Fund	2,660	1,630
High Quality Bond Fund	1,013	1,782
Core Equity Fund	107	2,579
Equity Index Fund	92	1,220
Real Estate Securities Fund	37	28
Subtotal USAID Quasi – Endowment Fund:	13,551	11,012
Pooled Endowment Fund		
Multi-Strategy Equity Fund	1,007	-
International Equity Fund	583	634
Global Bond Fund	291	181
High Quality Bond Fund	106	188
Core Equity Fund	46	334
Equity Index Fund	41	322
Real Estate Securities Fund	25	18
Subtotal Pooled Endowment Fund:	2,099	1,677
Total	15,650	12,689

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. INVESTMENTS (continued)

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.

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			
	Using			
	Quoted prices in Active Markets for Identical Assets (Level 1) USD'000	Significant Other Observable Inputs (Level 2) USD'000	Significant Unobservable Inputs (Level 3) USD'000	
June 30, 2011 USD'000				
Multi-Strategy Equity Fund	7,251		7,251	
International Equity Fund	3,981	-	3,981	-
Global Bond Fund	2,951	-	2,951	-
High Quality Bond Fund	1,119	-	1,119	-
Core Equity Fund	153	-	153	-
Equity Index Fund	133	-	133	-
Real Estate Securities Fund	62	-	62	-
Total:	15,650	-	15,650	-

	Fair Value Measurement at Reporting Date			
	Using			
	Quoted prices in Active Markets for Identical Assets (Level 1) USD'000	Significant Other Observable Inputs (Level 2) USD'000	Significant Unobservable Inputs (Level 3) USD'000	
June 30, 2010 USD'000				
International Equity Fund	4,407	-	4,407	-
Core Equity Fund	2,913	-	2,913	-
High Quality Bond Fund	1,970	-	1,970	-
Global Bond Fund	1,811	-	1,811	-
Equity Index Fund	1,542	-	1,542	-
Real Estate Securities Fund	46	-	46	-
Total:	12,689	-	12,689	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. 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. To this end, the University has adopted the “Yale Formula”, which provides annual cash distribution to the University. The endowment earnings distributed are calculated as 70% of the allowable spending in the prior fiscal year, increased by the rate of inflation, as measured by the Consumer Price Index, for the 12 months prior to the start of the fiscal year; plus 30% of the long-term spending rate of 4.5 percent (a total of 1.35 percent) applied to the four-quarter market average of the endowment, for the period ending December 31 prior to the start of the fiscal year.

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), approved by the Board of Trustees in October 2009:

	Strategic Asset Allocation	of which USD	Int'l
Cash & Money Market	30%	10.00%	20.00%
Fixed Income	20%	10.00%	10.00%
Equities	50%	32.50%	17.50%
		52.50%	47.50%

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

10. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

	June 30, 2011 USD'000	June 30, 2010 USD'000
Land	2,706	2,706
Buildings	22,162	22,162
Less: accumulated depreciation	(3,066)	(2,508)
Buildings Net Book Value	19,096	19,654
Main building use allowance *	2,189	2,189
Less: accumulated amortization	(1,653)	(1,384)
Main Building Use Allowance Net Book Value	536	805
Office machines and equipment	2,503	2,313
Less: accumulated depreciation	(1,973)	(1,881)
Office Machines and Equipment Net Book Value	530	432
Motor vehicles	87	87
Less: accumulated depreciation	(61)	(47)
Motor Vehicles Net Book Value	26	40
Furniture and fixtures	1,902	1,860
Less: accumulated depreciation	(1,422)	(1,282)
Furniture and Fixtures Net Book Value	480	578
Library books	655	638
Less: accumulated depreciation	(519)	(488)
Library Books Net Book Value	136	150
Other intangible assets	723	656
Less: accumulated amortization	(339)	(251)
Other Intangible Assets Net Book Value	384	405
Assets under construction	767	108
Total Book Value	33,694	32,719
Less: Amortization and Depreciation	(9,033)	(7,841)
Total Net Book Value	24,661	24,878
	Year ended June 30, 2011 USD'000	Year ended June 30, 2010 USD'000
Depreciation expenses:		
Property, Plant and Equipment	1,018	941
Intangible Assets	356	318
Total	1,374	1,259
Capitalized interest:	10	-

* Main Building Use Allowance is recognized as temporarily restricted revenue and corresponding asset. The release from restriction (revenue) is matched by amortization (expense) in each of the fiscal years. In FY09, Use Allowance is extended in the amount of USD 1,073 thousand with release of USD 268.2 thousand in each of fiscal years FY10 through FY13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. SHORT-TERM BORROWINGS

The short-term borrowings present an overdraft with Raiffeisen Bank Bulgaria at the maximum amount of USD 2.2 million.

12. ACCOUNTS PAYABLE

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	USD'000	USD'000
Payables to vendors and others	68	40
Tax liabilities	32	1
OPIC loan interest payable	14	-
Payables to undergraduate students	8	5
Total	<u>122</u>	<u>46</u>

13. ACCRUED LIABILITIES AND CURRENT PORTION OF RETIREMENT BENEFITS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	USD'000	USD'000
Current portion of retirement benefit provision (Note 16)	116	-
Accrued vacation	178	176
Accrued expenses	51	114
Total	<u>345</u>	<u>290</u>

14. DEFERRED REVENUE AND OTHER LIABILITIES

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	USD'000	USD'000
Deferred revenue from undergraduate students	478	333
Advance ELI payments	137	93
Advance payments for seminars	115	62
Deferred revenue from graduate students	31	29
Total	<u>761</u>	<u>517</u>

15. LONG-TERM DEBT

Long-term debt as of June 30, 2011 consists of the following:

	<u>USD'000</u>
Principal amount	3,000
Less unamortized cost	(50)
Long-term debt, net	<u>2,950</u>

Long-term debt represents a loan from the Overseas Private Investment Corporation (OPIC) amounting up to USD 10 million for the construction of AUBG Student Center. As of June 30, 2011, USD 3 million are utilized at interest rate of 5.78%. As collateral, AUBG pledged 31,022 units in USAID Endowment Multi-Strategy Equity Fund at the amount of USD 6,225 thousand as of June 30, 2011. The loan will be repaid in full for 15 years, including 3-year grace period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RETIREMENT BENEFIT PROVISION

In FY 2010-2011, the American University in Bulgaria made initial recognition of Retirement Benefit Provision. The calculations were based on the following assumptions:

Discount rate:	6.60%
Turnover rate:	10%

The Retirement Benefit Provision consists of USD 116 thousand current liabilities, and USD 122 thousand long-term liabilities, which are expected to be paid:

	USD'000
Within 1 year	116
2 years	7
3 years	31
4 years	14
5 years	12
More than 5 years	58
Total:	238

17. UNRESTRICTED NET ASSETS

	USD'000
Unrestricted net assets as of June 30, 2010	11,037
Reclassifications	7
Change in unrestricted assets	(1,330)
Unrestricted net assets as of June 30, 2011	9,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. TEMPORARILY RESTRICTED NET ASSETS

	June 30, 2010 Balance USD'000	Contributions for the year USD'000	Scholarships USD'000	Satisfaction of program restrictions USD'000	Endowment Funds Re- invested USD'000	Satisfaction of equipment acquisition USD'000	Program Income (Loss) USD'000	Reclassifications/ Revaluation USD'000	June 30, 2011 Balance USD'000
USAID Endowment Fund	11,065	-	-	(560)	1,600	-	2,539	-	14,644
America for Bulgaria Foundation	5,059	4,625	(278)	-	-	-	17	-	9,423
ASHA Grants	5,810	545	-	(194)	-	(248)	-	-	5,913
OSI Scholarships	1,654	1,616	(1,289)	(100)	-	-	-	-	1,881
Balkanski Family	929	-	-	(25)	-	-	-	-	904
Elvin Guri Scholarships	371	508	(63)	-	-	-	-	-	816
Main Building Use Allowance	805	-	-	(269)	-	-	-	-	536
European Union	61	277	(61)	(19)	-	-	-	4	262
OSI New Opportunity Scholarships	232	-	(11)	-	-	-	-	-	221
Phillippe Bertherat - Student Center gift	200	-	-	-	-	-	-	-	200
Dimi Panitza	110	27	(2)	(4)	-	(2)	-	9	138
Nando Peretti Foundation Scholarships	134	23	(22)	-	-	-	-	-	135
OSI Turkmen Students Scholarships	91	6	(19)	-	-	-	-	-	78
Anna Tchaprachikoff Scholarships	259	(60)	-	(152)	-	-	169	(150)	66
Marianne Keler	42	25	(16)	-	-	-	-	-	51
Other	261	610	(561)	(35)	-	(10)	384	(20)	629
Total	27,083	8,202	(2,322)	(1,358)	1,600	(260)	3,109	(157)	35,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**19. SUBSEQUENT EVENTS**

These consolidated financial statements considered subsequent events through September 14, 2011, the date the financial statements were available to be issued.

SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS*For the year ended June 30, 2011*

Grant or agency/Program title	Grant number	Expenditure FY11 USD'000 (1,040)	Capitalized cost FY11 USD'000 -	Total FY11 USD'000 (1,040)
<i>USAID</i>				
Endowment fund for achieving long-term financial sustainability <i>ASHA/ USAID</i>	183-A-00-02-00102-00	-	223	223
Furnishing block A of Skaptopara III Residence Hall <i>ASHA/ USAID</i>	HSH-G-00-07-000005-00	-	47	47
Acquisition of commodities and technology The Balkan Trust for Democracy	AID-ASHA-G-10-000024	9	-	9
Turkmen Assistance Scholarship Program	101720	421	-	421
Total Expenditure of Federal Awards		(610)	270	(340)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*For the year ended June 30, 2011**Note 1: Basis of preparation*

The accompanying schedule of expenditures and capitalized cost of federal awards includes the federal grant activity of the American University in Bulgaria and is presented in accordance with the Generally Accepted Accounting Principles as used in the University's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in or used in the presentation of the University's financial statements.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of American University in Bulgaria

We have audited the consolidated financial statements of American University in Bulgaria as of and for the year ended June 30, 2011, and have issued our report thereon dated September 14, 2011. Except as discussed in our report of independent auditors dated September 14, 2011 we conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal control over financial reporting

In planning and performing our audit, we considered American University in Bulgaria's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of American University in Bulgaria's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of American University in Bulgaria's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters

As part of obtaining reasonable assurance about whether American University in Bulgaria's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young

Ernst & Young Audit OOD

September 14, 2011

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees of American University in Bulgaria

Compliance

We have audited American University in Bulgaria's compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of American University in Bulgaria's major federal programs for the year ended June 30, 2011. American University in Bulgaria's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of American University in Bulgaria's management. Our responsibility is to express an opinion on American University in Bulgaria's compliance based on our audit.

Except as discussed in the following paragraph we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about American University in Bulgaria's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of American University in Bulgaria's compliance with those requirements.

We did not have an external quality control review by an unaffiliated audit organization as required by chapter 3, paragraphs 3.50 and 3.55 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Bulgaria. We believe that the effects of this departure from U.S. Government Auditing Standards is not material because we participate in the Ernst & Young Global Assurance Quality Review (AQR) program to evaluate the design and operating effectiveness of the country practice's quality control policies and procedures covering its assurance engagements. The objectives of the AQR program is to determine whether we (a) are conducting our assurance engagements in accordance with relevant professional standards and with the applicable policies, and (b) have established and documented adequate control policies and procedures and are complying with them. Furthermore, we are also subject to assurance quality reviews by the Commission for Public Oversight of Statutory Auditors in Bulgaria. In addition, we do not have a continuing education program that fully satisfies the requirement set forth in chapter 3, paragraph 3.46 of U.S. Government Auditing Standards. However, our current program provides for at least 80 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

In our opinion, American University in Bulgaria complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal control over compliance

The management of American University in Bulgaria is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered American University in Bulgaria's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American University in Bulgaria's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young
Ernst & Young Audit The signature of Ernst & Young, written in a cursive script, followed by the text 'Ernst & Young Audit' and the company logo.

September 14, 2011

American University in Bulgaria Schedule of findings and questioned costs for the year ended June 30, 2011

Part I—Summary of auditor's results

Financial statements section

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness identified?	<u> </u> yes	<u>X</u> no	
Significant deficiency identified?	<u> </u> yes	<u>X</u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u>X</u> no	

Federal awards section

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u>X</u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u>X</u> none reported	
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u> </u> yes	<u>X</u> no	

Identification of major programs:

Grant number

183-A-00-02-00102-00

Name of federal program or cluster

USAID/Endowment fund for achieving long-term financial sustainability

N/a

Turkmen Assistance Scholarship Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____ yes X _____ no

Part II—Financial statement findings section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

There were no such findings identified.

Part III—Federal award findings and questioned costs section

This section identifies the audit findings required to be reported by Circular A-133 section .510(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program.

No findings were identified.