

**AMERICAN UNIVERSITY IN BULGARIA**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2009 and June 30, 2008**



Deloitte Audit OOD  
UIC 121145199  
103, Al. Stambolijski Blvd.  
1303 Sofia  
Bulgaria

Делоит Оудм ООД  
ЕИК 121145199  
бул."Ал.Стамболийски" 103  
София 1303  
България

Tel: +359 (2) 80 23 300  
Fax: +359 (2) 80 23 350  
www.deloitte.bg

Тел: +359 (2) 80 23 300  
Факс: +359 (2) 80 23 350

## INDEPENDENT AUDITOR'S REPORT

### To the Board of Trustees of the American University in Bulgaria

1. We have audited the accompanying consolidated statements of financial position of the American University in Bulgaria (the "University") as of June 30, 2009 and the related consolidated statements of activities and of cash flows for the year then ended, prepared in accordance with generally accepted accounting principles in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. Except as discussed in paragraph 3 below we conducted our audit in accordance with generally accepted auditing standards 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not have an external quality control review by an unaffiliated audit organization as required in Chapter 3, paragraph 3.33 of U.S. Government Auditing Standards since no such program is offered by professional organizations in the Republic of Bulgaria. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in the Deloitte worldwide internal quality control review program which requires our office to be subject every three years to an extensive quality control review by partners and managers from other affiliate offices.
4. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its Member Firms. Please see [www.deloitte.com/bg/about](http://www.deloitte.com/bg/about) for a detailed description of the legal structure of Deloitte Bulgaria.

Делоит се отнася към едно или повече дружества - членове на Делоит Туш Томацу, сдружение регистрирано в Швейцария, както и към мрежата от дружества - членове, всяко от които е юридически самостоятелно и независимо лице. За детайлна информация относно правната структура на Делоит Туш Томацу и дружествата - членове, моля посетете [www.deloitte.com/about](http://www.deloitte.com/about). За детайлна информация относно правната структура на Делоит България, моля посетете [www.deloitte.com/bg/about](http://www.deloitte.com/bg/about).

5. Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the University taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by U.S. 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 subject to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, has been stated fairly, in all material respects, in relation to the basic, consolidated financial statements taken as a whole.
  
6. In accordance with Government Auditing Standards, we have also issued our reports dated September 23, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. These reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Deloitte Audit OOD*  
Deloitte Audit OOD

September 23, 2009  
Sofia, Bulgaria

## Consolidated Statement of Financial Position as of June 30, 2009 and June 30, 2008

	<i>Note</i>	<u>June 30, 2009</u> USD'000	<u>June 30, 2008</u> USD'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	2,534	5,585
Temporarily restricted cash	4	332	-
Accounts receivable and prepayments	5	803	542
Contributions receivable	6	1,467	3,326
Inventories		235	258
Investment property	7	1,342	4
<b>Subtotal current assets</b>		<b>6,713</b>	<b>9,715</b>
<b>Long-term assets</b>			
Long-term contributions receivable	6	2,606	2,479
Cash deposits for student loans guarantees, net	8	34	256
Student loans receivable, net	9	226	326
Investments	10	12,150	12,453
Property, plant and equipment	11	19,300	15,080
<b>Subtotal long term assets</b>		<b>34,316</b>	<b>30,594</b>
<b>TOTAL ASSETS</b>		<b>41,029</b>	<b>40,309</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts payable	12	2,114	356
Accrued liabilities	13	349	261
Deferred revenue and other liabilities	14	521	542
<b>Subtotal current liabilities</b>		<b>2,984</b>	<b>1,159</b>
<b>Fund balance</b>			
Unrestricted	15	8,553	8,105
Temporarily restricted	16	24,425	26,916
Permanently restricted		5,067	4,129
<b>Total fund balance</b>		<b>38,045</b>	<b>39,150</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b>41,029</b>	<b>40,309</b>

Signed on behalf of the American University in Bulgaria:



Date: September 23, 2009

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

## Consolidated Statement of Activities for the years ended June 30, 2009 and June 30, 2008

	Year ended June 30, 2009			Year ended June 30, 2008		
	Unrestricted	Temp. Res.	Perm. Res.	Unrestricted	Temp. Res.	Perm. Res.
<b>REVENUES</b>						
<b>UNDERGRADUATE PROGRAM</b>						
Tuition	8,306	-	-	7,838	-	-
Institutionally-Funded Scholarships	(1,668)	-	-	(1,803)	-	-
Externally-Funded Scholarships	(1,502)	-	-	(1,304)	-	-
	5,136	-	-	4,731	-	-
Interest on Student Loans	69	-	-	97	-	-
Other Student Fees, net of 13/13 externally-funded scholarships	292	-	-	291	-	-
<b>SUBTOTAL UNDERGRADUATE PROGRAM</b>	<b>5,497</b>	<b>-</b>	<b>-</b>	<b>5,119</b>	<b>-</b>	<b>-</b>
<b>EMBA</b>	<b>354</b>	<b>-</b>	<b>-</b>	<b>291</b>	<b>-</b>	<b>-</b>
<b>CONTRIBUTIONS AND GRANTS</b>						
Federal Grants	-	70	-	-	157	-
Private Gifts and Grants	183	3,210	146	141	850	3,736
Release from Restrictions	2,144	(2,144)	-	1,897	(1,897)	-
<b>SUBTOTAL CONTRIBUTIONS AND GRANTS</b>	<b>2,327</b>	<b>1,136</b>	<b>146</b>	<b>2,038</b>	<b>(890)</b>	<b>3,736</b>
<b>ENDOWMENT INCOME DISTRIBUTED</b>	<b>507</b>	<b>(507)</b>	<b>-</b>	<b>400</b>	<b>(400)</b>	<b>-</b>
<b>OUTREACH ACTIVITIES</b>						
English Language Institute	311	-	-	209	-	-
Conferences and Institutes	78	(1)	-	118	-	-
Elieff Center Services	148	-	-	177	-	-
Center for European Programs	235	143	-	426	50	-
<b>SUBTOTAL OUTREACH ACTIVITIES</b>	<b>772</b>	<b>142</b>	<b>-</b>	<b>930</b>	<b>50</b>	<b>-</b>
<b>AUXILIARY ACTIVITIES</b>						
Bookstore, net of 5/8 externally-funded scholarships	188	-	-	158	-	-
Residence Life, net of 56/47 externally-funded scholarships	766	-	-	715	-	-
Dining Services, net of 8/16 externally-funded scholarships	311	-	-	364	-	-
<b>SUBTOTAL AUXILIARY ACTIVITIES</b>	<b>1,265</b>	<b>-</b>	<b>-</b>	<b>1,237</b>	<b>-</b>	<b>-</b>
<b>OTHER REVENUES</b>	<b>142</b>	<b>-</b>	<b>-</b>	<b>96</b>	<b>-</b>	<b>-</b>
<b>TOTAL REVENUES</b>	<b>10,864</b>	<b>771</b>	<b>146</b>	<b>10,111</b>	<b>(1,240)</b>	<b>3,736</b>
						<b>12,607</b>

## Consolidated Statement of Activities for the years ended June 30, 2009 and June 30, 2008 (continued)

	Year ended June 30, 2009			Year ended June 30, 2008		
	Unrestricted USD '000	Temp. Res. USD '000	Perm. Res. USD '000	Unrestricted USD '000	Temp. Res. USD '000	Perm. Res. USD '000
<b>EXPENSES</b>						
<b>EDUCATION AND GENERAL</b>						
Instruction and Research	3,289	-	-	3,262	-	-
Academic Support	1,351	-	-	1,205	-	-
Student Services	464	-	-	470	-	-
<b>SUBTOTAL EDUCATION AND GENERAL</b>	<b>5,104</b>	<b>-</b>	<b>-</b>	<b>4,937</b>	<b>-</b>	<b>-</b>
<b>EMBA</b>	<b>326</b>	<b>-</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>-</b>
<b>DEVELOPMENT AND UNIVERSITY RELATIONS</b>	<b>379</b>	<b>-</b>	<b>-</b>	<b>275</b>	<b>-</b>	<b>-</b>
<b>INSTITUTIONAL SUPPORT</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>534</b>	<b>-</b>	<b>-</b>
Division of Finance	108	-	-	359	-	-
Physical Plant	1,433	-	-	1,477	-	-
Operations and Administration	2,041	-	-	2,370	-	-
<b>SUBTOTAL INSTITUTIONAL SUPPORT</b>	<b>2,041</b>	<b>-</b>	<b>-</b>	<b>2,370</b>	<b>-</b>	<b>-</b>
<b>OUTREACH ACTIVITIES</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>-</b>	<b>-</b>
English Language Institute	73	-	-	107	-	-
Conferences and Institutes	275	-	-	249	-	-
Elieff Center Services	220	-	-	226	-	-
Center for European Programs	781	-	-	774	-	-
<b>SUBTOTAL OUTREACH ACTIVITIES</b>	<b>781</b>	<b>-</b>	<b>-</b>	<b>774</b>	<b>-</b>	<b>-</b>
<b>AUXILIARY ACTIVITIES</b>	<b>205</b>	<b>-</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>-</b>
Bookstore	888	-	-	799	-	-
Residence Life	371	-	-	416	-	-
Dining Services	1,464	-	-	1,366	-	-
<b>SUBTOTAL AUXILIARY ACTIVITIES</b>	<b>74</b>	<b>-</b>	<b>-</b>	<b>(203)</b>	<b>-</b>	<b>-</b>
<b>Student Loans/ Fees Reversals</b>	<b>10,021</b>	<b>-</b>	<b>-</b>	<b>9,853</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENSES</b>	<b>843</b>	<b>771</b>	<b>146</b>	<b>258</b>	<b>(1,240)</b>	<b>3,736</b>
<b>OPERATING SURPLUS (DEFICIT)</b>	<b>507</b>	<b>(507)</b>	<b>-</b>	<b>987</b>	<b>(987)</b>	<b>-</b>
Endowment Drawdown	(507)	507	-	(400)	400	-
Endowment Income Distributed	(402)	(2,463)	-	230	-	-
Other Gains and (Losses)	441	(1,692)	146	1,075	(1,827)	3,736
<b>CHANGE IN NET ASSETS</b>	<b>(1,105)</b>	<b>(1,105)</b>	<b>(1,105)</b>	<b>2,984</b>	<b>2,984</b>	<b>2,984</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## Consolidated Statement of Cash Flows for the years ended June 30, 2009 and June 30, 2008

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
<b>Cash flows from operating activities</b>		
Change in fund balance	(1,105)	2,984
Adjustments to change in fund balance:		
Revenue from fund-raising activities	(3,850)	(4,984)
(Increase) Decrease in accounts receivable, prepayments, and inventories	(238)	(254)
(Decrease) Increase in current liabilities	(225)	342
Decrease in student loans receivable	100	54
Decrease (Increase) in cash deposits for student loans guarantees	222	(15)
Depreciation and amortization	1,079	954
Net Book value of disposed fixed assets	-	5
In-kind donation of fixed assets	(2,460)	(21)
In-kind donation of investment securities	(2)	(134)
<b>Net cash used in operating activities other than fund-raising</b>	<u>(6,479)</u>	<u>(1,069)</u>
Revenue from fund-raising activities	3,850	4,984
Decrease (Increase) in contributions receivable	1,732	(48)
<b>Net cash provided by fund-raising activities</b>	<u>5,582</u>	<u>4,936</u>
<b>Net cash (used in) provided by operating activities</b>	<b>(897)</b>	<b>3,867</b>
<b>Cash flows from investing activities</b>		
Construction and purchase of equipment	(4,177)	(3,566)
(Purchase) of investment securities	(2,294)	(1,199)
Sale of investment securities	-	3,737
Loss from investing activities	2,599	509
Proceeds from sale of fixed assets	-	5
<b>Cash flow from investing activities</b>	<u>(3,872)</u>	<u>(514)</u>
<b>Cash flow from financing activities</b>		
Short-term borrowings	2,050	-
<b>Cash flow from financing activities</b>	<b>2,050</b>	<b>-</b>
<b>(Decrease) Increase in cash for the period</b>	<b>(2,719)</b>	<b>3,353</b>
<b>Cash at the beginning of the period</b>	<u>5,585</u>	<u>2,232</u>
Cash and cash equivalents	2,534	5,585
Temporarily restricted cash	332	-
<b>Cash at the end of the period</b>	<u>2,866</u>	<u>5,585</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)****NOTES TO THE FINANCIAL STATEMENTS****1. HISTORY AND NATURE OF THE AMERICAN UNIVERSITY IN BULGARIA**

The American University in Bulgaria (AUBG) 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. Because at the time of the establishment of the University the laws of Bulgaria did not provide for the establishment of private educational institutions, 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 American University in Bulgaria maintains a campus located in Blagoevgrad. At the end of 2001 the American University Service Company (AUSC), a fully 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 for the year ended June 30, 2009 are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States for non-profit organizations as well as applicable United States Government guidelines. The statement of activities presents the financial activities by type of net assets related to the reporting periods.

For comparability purposes in the presentation under USGAS, certain positions in the consolidated Statement of Activities already presented for the year ending June 30, 2008, are reclassified in this Consolidated Financial Statement. Beginning in FY'09, externally-funded student scholarships are presented in revenue sections Undergraduate Program and Auxiliary Activities. AUBG management considers the new presentation to better reflect the nature of revenues in the respective sections.

**2.2. 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.

Temporarily 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.

**2.3. Cash and cash equivalents**

Cash includes currency on hand and deposits held by financial institutions that can be added to or withdrawn without limitation.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

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.

**2.4. 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.

**2.5. 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.

**2.6. 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.

**2.7. 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 guidelines contained in FAS 124 "Accounting for Certain Investments Held by Not-for-profit Organizations" and FAS 157 "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 10) 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.

**2.8. Property, plant and equipment**

Property, plant and equipment 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

---

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

asset is made. The release from restriction (revenue) is matched by amortization (expense) in each of the years of use.

**Investment property**

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

**Valuation 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 recovered.”

**NOTES TO THE FINANCIAL STATEMENTS (continued)****2.9. Gifts and grants**

The University reports 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.

**2.10. 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 40 BGN monthly contribution for each full-time Bulgarian employee.

**2.11. 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:

	<b>BGN to one USD</b>	
	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Exchange rates	1.38378	1.24069

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.

**2.12 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of AUBG and a 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 are eliminated on consolidation.

**2.13. Return of taxes/charges recorded as expenses in the previous accounting periods**

The return of taxes/charges, recorded as expenses in the previous year financials is presented as *Other Revenue* in the current period financial statements.

---

**NOTES TO THE FINANCIAL STATEMENTS (continued)****2.14. 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.

**2.15. Concentration of credit risk**

The University occasionally maintains deposits in excess of the insured limits. Statement of Financial Accounting Standards No.105 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.

**2.16. 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.

**2.17. 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 Line of credit with Raiffeisen Bank Bulgaria.

**2.18. 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 3. CASH AND CASH EQUIVALENTS

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
Cash on hand/bank deposits for operating needs	2,284	1,696
Deposits with donor-imposed restrictions	210	729
Deposits with the Community Foundation	40	42
Cash in Commonfund Short Term Funds	-	3,118
<b>Total</b>	<b><u>2,534</u></b>	<b><u>5,585</u></b>

Deposits with the Community Foundation include amounts, provided by donors in the Community Foundation in favor of AUBG. The Management of the University believes that these amounts are highly liquid and are readily convertible to known amounts of cash, and are subject to an insignificant risk of change in value.

## 4. TEMPORARILY RESTRICTED CASH

As of June 30, 2009, the University has USD 332 thousand in the Commonfund's Short Term fund unavailable for immediate withdrawal. Based on representations by the Commonfund Management, AUBG believes that the restrictions will be lifted in the next 12 months.

## 5. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
Prepayments and advances	543	70
Deferred expenses	170	166
Accounts receivable	37	267
Tax receivables	33	9
Receivables from students, net of USD 9 / 13 thousand allowance	20	30
<b>Total</b>	<b><u>803</u></b>	<b><u>542</u></b>

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

## 6. CONTRIBUTIONS RECEIVABLE

Contributions receivable falling due within one year are comprised of:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
OSI Scholarships	749	1,350
Athanas Zamphiroff	450	1,400
EU Administrative capacity program	79	-
Elvin Guri	50	250
OSI Turkmen Students Scholarships	40	42
Raiffeisen Bank	31	31
OSI New Opportunity/Minority Scholarships	-	125
Salgo Scholarships	-	36
Nando Peretti Foundation	-	24
Other	68	68
<b>Total</b>	<b><u>1,467</u></b>	<b><u>3,326</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Long-term contributions receivable are comprised of:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
OSI Scholarships	2,360	2,360
Elvin Guri	168	-
OSI Turkmen Students Scholarships	78	119
<b>Total</b>	<u><u>2,606</u></u>	<u><u>2,479</u></u>

## 7. INVESTMENT PROPERTY

Investment property as of June 30, 2009 comprises of land in Bankia, and land and warehouses in Plovdiv, all bequeathed by Anna Tchaprashikoff, in the amount of USD 81 thousand, USD 78 thousand, and USD 1,183 thousand, respectively. Of these, the property in Plovdiv was sold in July 2009 for USD 1,788 thousand.

## 8. CASH DEPOSITS FOR STUDENT LOANS GUARANTEES

	<u>Loan Balance</u>	<u>Guarantee Fund</u>	<u>Loan Balance</u>	<u>Guarantee Fund</u>
	<u>June 30, 2009</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2008</u>
BG students/ principal EUR'000	541	-	578	95
International students/ principal EUR'000	238	48	260	86
<b>Total Principal and Guarantee Fund</b>				
<b>EUR'000</b>	<b>779</b>	<b>48</b>	<b>838</b>	<b>181</b>
<i>Total Guarantee Fund/ USD'000</i>		<i>67</i>		<i>286</i>
<i>Less allowance for bad debts/ USD'000</i>		<i>(33)</i>		<i>(30)</i>
<b>Net Guarantee Fund/ USD'000</b>		<u><u>34</u></u>		<u><u>256</u></u>

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, 2009 is USD 56 thousand and USD 11 thousand, respectively, pledged in favor of the Banks.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 9. STUDENT LOANS RECEIVABLE

	<b>July 1, 2008 - June 30, 2009</b>	<b>July 1, 2007 - June 30, 2008</b>
	USD'000	USD'000
Principal value of student loans at the beginning of the reporting period	2,391	2,551
Add new loans issued	45	123
Deduct student loan repayments made during the period - direct cash	(274)	(370)
Add student loan interest payments	69	97
Deduct loan principal write offs (contractual forgiveness)	(9)	(10)
Principal value of student loans at the end of the reporting period	2,222	2,391
Less provision for uncollectible loans	(1,996)	(2,065)
<b>Student loans receivable</b>	<b>226</b>	<b>326</b>

The provision for uncollectible loans as of June 30, 2009 has been calculated as follows:

Loan status	Count	Loan Balance	% Allowance	Provision	Total Amount
				Amount	Receivable
		USD'000		USD'000	USD'000
Fully repaid	928	-	-	-	-
Not due	28	92	50%	46	46
Repayment - not past due	137	309	50%	154	155
Past due 1 - 90 days	30	86	80%	69	17
Past due 91 - 119 days	8	24	90%	22	2
Past due 120 days - 1 year	45	112	95%	106	6
Past due 1 year - 3 years	92	270	100%	270	-
Past due 3 years or more	301	1,329	100%	1,329	-
	<b>1,569</b>	<b>2,222</b>		<b>1,996</b>	<b>226</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 10. INVESTMENTS

	June 30, 2009 Fair Value USD'000	June 30, 2008 Fair Value USD'000
<b>USAID Quasi – Endowment Fund</b>		
International Equity Fund	3,881	4,450
Core Equity Fund	2,718	3,065
High Quality Bond Fund	1,553	1,488
Global Bond Fund	1,517	1,452
Equity Index Fund	1,259	1,353
Government Securities Fund	613	-
Real Estate Securities Fund	18	29
<b>Subtotal USAID Quasi – Endowment Fund:</b>	<b>11,559</b>	<b>11,837</b>
<b>Pooled Endowment Fund</b>		
International Equity Fund	181	206
Core Equity Fund	99	102
Equity Index Fund	89	103
High Quality Bond Fund	75	72
Global Bond Fund	74	71
Government Securities Fund	32	-
Real Estate Securities Fund	12	19
<b>Subtotal Pooled Endowment Fund:</b>	<b>562</b>	<b>573</b>
<b>Other Investments</b>	<b>29</b>	<b>43</b>
<b>Total</b>	<b>12,150</b>	<b>12,453</b>

The University has invested USD 12,727 thousand in the USAID Quasi-Endowment Fund and USD 599 thousand in the Pooled Endowment Fund, allocated in six Commonfund's funds. In FY'09, AUBG invested additional USD 2,185 thousand in the USAID Quasi-Endowment Fund, and USD 109 thousand in the Pooled Endowment Fund. The management intends to hold the investments for a period longer than one year.

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

	June 30, 2009 USD'000	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
International Equity Fund	4,062	-	4,062	-
Core Equity Fund	2,817	-	2,817	-
High Quality Bond Fund	1,628	-	1,628	-
Global Bond Fund	1,591	-	1,591	-
Equity Index Fund	1,348	-	1,348	-
Government Securities Fund	645	-	645	-
Real Estate Securities Fund	30	-	30	-
Other Investments	29	29	-	-
<b>Total:</b>	<b>12,150</b>	<b>29</b>	<b>12,121</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

## ENDOWMENT AND QUASI-ENDOWMENT FUNDS

Investment Fund USD'000	July 1, 2008 Market Value	Net Transactions*	Participant Fees Withdrawn	Unrealized Appreciation**	June 30, 2009 Market Value
<b>ENDOWMENT FUND</b>					
Core Equity Fund	3,167	594	(9)	(935)	2,817
Equity Index Fund	1,456	307	(1)	(414)	1,348
International Equity Fund	4,656	905	(13)	(1,486)	4,062
Real Estate Securities Fund	48	1	-	(19)	30
<b>Total Equity</b>	<b>9,327</b>	<b>1,807</b>	<b>(23)</b>	<b>(2,854)</b>	<b>8,257</b>
Global Bond Fund	1,523	95	(4)	(23)	1,591
Government Securities Fund	-	647	-	(2)	645
High Quality Bond Fund	1,560	113	(5)	(40)	1,628
STF Tranche 1	3,116	(3,116)	-	-	-
STF Tranche 2	-	336	-	(4)	332
<b>Total Fixed Income</b>	<b>6,199</b>	<b>(1,925)</b>	<b>(9)</b>	<b>(69)</b>	<b>4,196</b>
<b>TOTAL ENDOWMENT FUND</b>	<b>15,526</b>	<b>(118)</b>	<b>(32)</b>	<b>(2,923)</b>	<b>12,453</b>

\* Net Transactions includes all contributions, withdrawals, reinvestments, and reclassifications.

\*\* Unrealized Appreciation does not include income distributed.

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 is 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 January 2008:

	Strategic Asset Allocation	of which USD	Int'l
Cash & Money Market	15%	15%	
Fixed Income	20%	10%	10%
Equities	65%	30%	35%
Real Estate	0%	0%	
		<b>55%</b>	<b>45%</b>

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 FINANCIAL STATEMENTS (continued)

## 11. PROPERTY, PLANT &amp; EQUIPMENT

	June 30, 2009	June 30, 2008
	USD'000	USD'000
<b>Land</b>	<b>132</b>	<b>132</b>
Buildings	16,208	12,286
Less: accumulated depreciation	(2,050)	(1,674)
<b>Buildings Net Book Value</b>	<b>14,158</b>	<b>10,612</b>
Main building use allowance *	2,189	1,116
Less: accumulated amortization	(1,116)	(974)
<b>Main Building Use Allowance Net Book Value</b>	<b>1,073</b>	<b>142</b>
Office machines and equipment	2,045	1,995
Less: accumulated depreciation	(1,739)	(1,668)
<b>Office Machines and Equipment Net Book Value</b>	<b>306</b>	<b>327</b>
Motor vehicles	134	108
Less: accumulated depreciation	(104)	(92)
<b>Motor Vehicles Net Book Value</b>	<b>30</b>	<b>16</b>
Furniture and fixtures	1,724	1,490
Less: accumulated depreciation	(1,126)	(943)
<b>Furniture and Fixtures Net Book Value</b>	<b>598</b>	<b>547</b>
Library books	612	561
Less: accumulated depreciation	(443)	(404)
<b>Library Books Net Book Value</b>	<b>169</b>	<b>157</b>
Other intangible assets	261	277
Less: accumulated amortization	(211)	(221)
<b>Other Intangible Assets Net Book Value</b>	<b>50</b>	<b>56</b>
<b>Assets under construction**</b>	<b>2,784</b>	<b>3,091</b>
<b>Total Book Value</b>	<b>26,089</b>	<b>21,056</b>
<b>Less: Amortization and Depreciation</b>	<b>(6,789)</b>	<b>(5,976)</b>
<b>Total Net Book Value</b>	<b>19,300</b>	<b>15,080</b>

\* 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 FY'09, Use Allowance is extended in the amount of USD 1,073 thousand with release of USD 268.2 thousand in each of fiscal years FY'10 through FY'13.

\*\* Major portion of the fixed assets under construction as of June 2009 relates to the third AUBG Residence Hall.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12. ACCOUNTS PAYABLE

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
Line of credit *	2,050	-
Payables to vendors and others	28	105
Tax liabilities	25	241
Payables to undergraduate students	11	10
<b>Total</b>	<b><u>2,114</u></b>	<b><u>356</u></b>

\* The general obligation Line of credit with Raiffeisen Bank Bulgaria at the maximum amount of USD 2.2 million is opened in December 2007 for a period of three years.

## 13. ACCRUED LIABILITIES

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
Accrued vacation	201	192
Accrued expenses	148	69
<b>Total</b>	<b><u>349</u></b>	<b><u>261</u></b>

## 14. DEFERRED REVENUE AND OTHER LIABILITIES

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
	USD'000	USD'000
Deferred revenue from undergraduate students	361	361
Advance ELI payments	66	92
Advance payments for seminars	57	49
Deferred revenue from graduate students	37	40
<b>Total</b>	<b><u>521</u></b>	<b><u>542</u></b>

## 15. UNRESTRICTED NET ASSETS

	<u>USD'000</u>
<b>Unrestricted net assets as of June 30, 2008</b>	<b>8,105</b>
Reclassifications	7
Change in unrestricted assets	<u>441</u>
<b>Unrestricted net assets as of June 30, 2009</b>	<b><u>8,553</u></b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## 16. TEMPORARILY RESTRICTED NET ASSETS USD'000

	June 30, 2008 Balance	Contributions for the year	Scholarships	Satisfaction of program restrictions	Satisfaction of equipment acquisition	Program Income (Loss)	Reclassifications	June 30, 2009 Balance
USAID Endowment Fund	14,832	-	-	(507)	-	(2,448)	-	11,877
ASHA Grants	5,915	-	-	(168)	-	-	-	5,747
OSI Scholarships	3,728	149	(1,066)	(156)	-	-	-	2,655
OSI New Opportunity Scholarships	389	-	(113)	-	-	-	-	276
OSI Turkmen Students Scholarships	161	-	(26)	-	-	-	-	135
Anna Tchaprachikoff Scholarships	862	1,458	-	(18)	-	-	(750)	1,552
Main Building Use Allowance	142	1,073	-	(142)	-	-	-	1,073
Elvin Guri Scholarships	250	218	(29)	-	-	-	-	439
Dimi Panitza Library Fund	104	-	-	(2)	-	-	-	102
EU Administrative Capacity Program	-	106	-	(44)	(2)	-	-	60
Raiffeisen Bank Scholarships	63	-	(10)	-	-	-	-	53
Gates Helms Hawn Scholarships	31	1	(4)	-	-	-	-	28
Nando Peretti Foundation Scholarships	10	12	-	-	-	-	-	22
EU Socrates Erasmus Program	2	114	(104)	(6)	-	-	-	6
Gordon Cadwagan Scholarships	92	-	(92)	-	-	-	-	-
Other	335	375	(140)	(72)	(49)	-	(49)	400
<b>Total</b>	<b>26,916</b>	<b>3,506</b>	<b>(1,584)</b>	<b>(1,115)</b>	<b>(51)</b>	<b>(2,448)</b>	<b>(799)</b>	<b>24,425</b>

---

NOTES TO THE FINANCIAL STATEMENTS (continued)

**SUBSEQUENT EVENTS**

Subsequent to June 30, 2009, AUBG received a major commitment of USD 5 million by the America for Bulgaria Foundation. Of these, USD 1 million will be designated for scholarships to Bulgarian students for four years, and USD 4 million for the construction of the Student Center.

**NOTES TO THE FINANCIAL STATEMENTS (continued)****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2009 and 2008

Grant or agency/Program title

Grant or agency/Program title	Grant number	Expenditure		Capitalized cost		Total	
		FY09 USD'000	FY08 USD'000	FY09 USD'000	FY08 USD'000	FY09 USD'000	FY08 USD'000
<i>U.S. Agency for International Development</i>							
Endowment fund for achieving long-term financial sustainability	183-A-00-02-00102-00	507	987	-	-	507	987
Construction of Library	HSH-G-00-06-00013-00 No. 16 (Aug 11, 2008); No. 24 (Sept 16, 2008)	-	-	-	600	-	600
Transfer of Property		-	-	9	-	9	-
The Balkan Trust for Democracy	101720	1	-	-	-	1	-
Total Expenditure of Federal Awards		508	987	9	600	517	1,587

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2009 and 2008

*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.



Deloitte Audit OOD  
UIC 121145199  
103, Al. Stambolijski Blvd.  
1303 Sofia  
Bulgaria

Делойт Оудм ООД  
ЕИК 121145199  
бул."Ал.Стамболийски" 103  
София 1303  
България

Tel: +359 (2) 80 23 300  
Fax: +359 (2) 80 23 350  
www.deloitte.bg

Тел: +359 (2) 80 23 300  
Факс: +359 (2) 80 23 350

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING, BASED ON AN AUDIT OF FINANCIAL STATEMENTS, PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

### To The Board Of Trustees of the American University In Bulgaria

We have audited the financial statements of the American University in Bulgaria (the University) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 23, 2009. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statements' amounts. For the purposes of this report, we have categorized the provisions of laws, regulations, contracts and grants we tested as part of obtaining such reasonable assurance into the following categories:

Budget preparation and execution;  
Investment restrictions;  
Taxation;  
Procurement policies and procedures;  
Grant contract terms and conditions.

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 non-compliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control function over financial reporting and its operation that we consider to be a material weakness.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its Member Firms. Please see [www.deloitte.com/bg/about](http://www.deloitte.com/bg/about) for a detailed description of the legal structure of Deloitte Bulgaria.

Делойт се отнася към едно или повече дружества - членове на Делойт Туш Томацу, сдружение регистрирано в Швейцария, както и към мрежата от дружества - членове, всяко от които е юридически самостоятелно и независимо лице. За детайлна информация относно правната структура на Делойт Туш Томацу и дружествата - членове, моля посетете [www.deloitte.com/about](http://www.deloitte.com/about). За детайлна информация относно правната структура на Делойт България, моля посетете [www.deloitte.com/bg/about](http://www.deloitte.com/bg/about).

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING, BASED ON AN AUDIT OF FINANCIAL STATEMENTS, PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)**

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

*Deloitte Audit OOD*

Deloitte Audit OOD

September 23, 2009  
Sofia, Bulgaria





Deloitte Audit OOD  
UIC 121145199  
103, Al. Stambolijski Blvd.  
1303 Sofia  
Bulgaria

Делойт Оудит ООД  
ЕИК 121145199  
бул. "Ал. Стамболийски" 103  
София 1303  
България

Tel: +359 (2) 80 23 300  
Fax: +359 (2) 80 23 350  
www.deloitte.bg

Тел: +359 (2) 80 23 300  
Факс: +359 (2) 80 23 350

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To The Board of Trustees  
of the American University in Bulgaria

### Compliance

We have audited the compliance of the American University in Bulgaria (the University) with the types of compliance requirements, described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The University'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 the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 non-compliance 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 the University'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 on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants, applicable to federal programs. In planning and performing our audit, we considered University's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its Member Firms. Please see [www.deloitte.com/bg/about](http://www.deloitte.com/bg/about) for a detailed description of the legal structure of Deloitte Bulgaria.

Делойт се отнася към едно или повече дружества - членове на Делойт Туш Томацу, сдружение регистрирано в Швейцария, както и към мрежата от дружества - членове, всяко от които е юридически самостоятелно и независимо лице. За детайлна информация относно правната структура на Делойт Туш Томацу и дружествата - членове, моля посетете [www.deloitte.com/about](http://www.deloitte.com/about). За детайлна информация относно правната структура на Делойт България, моля посетете [www.deloitte.com/bg/about](http://www.deloitte.com/bg/about).

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition, in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

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

*Deloitte Audit OOD*  
Deloitte Audit OOD

September 23, 2009  
Sofia, Bulgaria

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SUMMARY OF AUDITOR'S RESULTS**

**Auditor's report**

We have issued an unqualified auditor's report on the consolidated financial statements of the American University in Bulgaria for the years ended June 30, 2009.

**Compliance**

The audit disclosed no instances of non-compliance, which are material to the University's financial statements for the year ended June 30, 2009.

**Reportable conditions in internal control over major programs**

No reportable conditions in internal control over major programs were disclosed by the audit.

**Report on compliance with major programs**

We issued an unqualified opinion under Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.

**Audit findings**

Our audit disclosed no audit findings for 2009 reportable under OMB A-133, 510 (a).

**Major programs**

The following programs were identified as major as of and for the year ended June 30, 2009:

	Grant number
U.S. Agency for International Development	183-A-00-02-00102-00
ASHA Grant	HSH-G-00-06-00013-00/1422-964

**Dollar threshold to distinguish between Type A and Type B programs**

The amount of USD 300,000 has been used as a threshold to distinguish between Type A and Type B programs as prescribed by OMB A-133, 520 (b).

**Low-risk auditee**

The University did not qualify as a low-risk auditee under OMB A-133, 530.