



AMERICAN UNIVERSITY IN BULGARIA

CONSOLIDATED FINANCIAL STATEMENTS
as of and for the year ended June 30, 2022,
and Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the American University in Bulgaria

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of the American University in Bulgaria (the "University") and its subsidiary the American University Service Company, AUSC (together "the Group"), which comprise the consolidated statement of financial position as at June 30, 2022, and the consolidated statement of activities, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

Basis for opinion

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

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

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

Делойт се отнася към едно или повече дружества - членове на Делойт Туи Томацу Лимитид („ДТТЛ“), както и към глобалната мрежа от дружества – членове и свързаните с тях дружества (заедно наричани „организацията на Делойт). ДТТЛ (наричано също „Делойт Глобал“) и всяко дружество – член и неговите свързани дружества са юридически самостоятелни и независими лица, които не могат да поемат задължения или да се обвързват взаимно по отношение на трети страни. ДТТЛ и всяко дружество член на ДТТЛ и свързаните с него дружества са отговорни единствено и само за своите собствени действия и бездействия, но не и за тези на останалите. ДТТЛ не предоставя услуги на клиенти. Моля, посетете www.deloitte.com/about, за да научите повече.

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

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

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

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


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

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

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

Deloitte Audit OOD

Deloitte Audit OOD


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



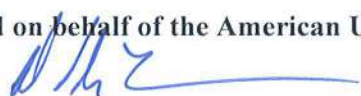
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1303 Sofia, Bulgaria

October 12, 2022

Consolidated Statements of Financial Position as of June 30, 2022 and June 30, 2021

	Note	June 30, 2022 USD'000	June 30, 2021 USD'000
ASSETS			
Current assets			
Cash and cash equivalents	3	4,576	3,160
Cash and cash equivalents-restricted	3	209	147
Accounts receivable and prepayments	4	293	375
Contributions receivable	5	1,585	783
Inventories		159	163
Subtotal current assets		6,822	4,628
Long-term assets			
Cash and cash equivalents-restricted	3	360	359
Long-term contributions receivable	5	159	64
Investments	6	25,690	32,193
Property, plant & equipment, and intangible assets	7	26,954	27,766
Other long-term assets	8	311	316
Subtotal long term assets		53,474	60,698
TOTAL ASSETS		60,296	65,326
LIABILITIES AND NET ASSETS			
Current liabilities			
Short-term borrowings and current portion of long-term debt	9	528	1,012
Accounts payable	10	373	377
Accrued liabilities and current portion of retirement benefits	11	754	763
Deferred revenue and other liabilities	12	781	920
Subtotal current liabilities		2,436	3,072
Long-term liabilities			
Long-term debt	13	258	782
Retirement benefit provision	14	206	208
Subtotal long-term liabilities		464	990
TOTAL LIABILITIES		2,900	4,062
Net assets			
Without donor restrictions	15	44,778	48,061
With donor restrictions	16	12,618	13,203
TOTAL NET ASSETS		57,396	61,264
TOTAL LIABILITIES AND NET ASSETS		60,296	65,326

Signed on behalf of the American University in Bulgaria:



Date: October 12, 2022

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

Consolidated Statements of Activities for the years ended June 30, 2022 and June 30, 2021

	Year ended June 30, 2022			Year ended June 30, 2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
REVENUES						
UNDERGRADUATE PROGRAM						
Tuition	11,903	-	11,903	11,224	-	11,224
Institutionally-Funded Scholarships	(4,034)	-	(4,034)	(3,029)	-	(3,029)
Externally-Funded Scholarships	(1,440)	-	(1,440)	(1,677)	-	(1,677)
Net Tuition revenues	6,429	-	6,429	6,518	-	6,518
Interest on Student Loans	16	-	16	1	-	1
Other Student Fees, net of 1/2 externally-funded scholarships	649	-	649	430	-	430
SUBTOTAL UNDERGRADUATE PROGRAM	7,094	-	7,094	6,949	-	6,949
CONTRIBUTIONS AND GRANTS						
Federal Grants	-	257	257	-	19	19
Private Gifts and Grants	1,334	2,055	3,389	573	407	980
Grants write-offs	(1)	(6)	(7)	(1)	(3)	(4)
Income released for costs Financed from Pooled Endowment	214	(214)	-	365	(365)	-
Release from Restrictions, net	1,793	(1,793)	-	1,686	(1,686)	-
Amortization of capital gifts to construct long-term assets	413	-	413	413	-	413
SUBTOTAL CONTRIBUTIONS AND GRANTS	3,753	299	4,052	3,036	(1,628)	1,408
USAID ENDOWMENT INCOME DISTRIBUTED	760	-	760	750	-	750
OUTREACH ACTIVITIES						
English Language Institute	271	(4)	267	208	-	208
Conferences and Institutes/ External Events	72	-	72	-	-	-
Elieff Center Services & Executive Education	84	-	84	57	-	57
Center for European Programs and External Projects	36	(7)	29	25	(16)	9
Graduate Programs	400	-	400	440	-	440
SUBTOTAL OUTREACH ACTIVITIES	863	(11)	852	730	(16)	714
AUXILIARY ACTIVITIES						
Bookstore, net of 0/1 externally-funded scholarships	52	-	52	48	-	48
Residence Life, net of 4/5 externally-funded scholarships	982	-	982	514	-	514
Dining Services, net of 1/3 externally-funded scholarships	403	-	403	338	-	338
SUBTOTAL AUXILIARY ACTIVITIES	1,437	-	1,437	900	-	900
OTHER REVENUES	112	-	112	64	-	64
TOTAL REVENUES	14,019	288	14,307	12,429	(1,644)	10,785

Consolidated Statements of Activities for the years ended June 30, 2022 and June 30, 2021

	Year ended June 30, 2022			Year ended June 30, 2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
EXPENSES (note 17)						
EDUCATION AND GENERAL						
Instruction and Research	4,147	-	4,147	4,273	-	4,273
Academic Support	1,657	-	1,657	1,572	-	1,572
Student Services	927	-	927	767	-	767
SUBTOTAL EDUCATION AND GENERAL	6,731	-	6,731	6,612	-	6,612
DEVELOPMENT AND UNIVERSITY RELATIONS	613	-	613	458	-	458
INSTITUTIONAL SUPPORT						
Division of Finance	409	-	409	413	-	413
Physical Plant	140	-	140	71	-	71
Operations and Administration	1,968	-	1,968	1,761	-	1,761
SUBTOTAL INSTITUTIONAL SUPPORT	2,517	-	2,517	2,245	-	2,245
OUTREACH ACTIVITIES						
English Language Institute	323	-	323	312	-	312
Conferences and Institutes/ External Events	65	-	65	39	-	39
Elieff Center Services & Executive Education	299	-	299	225	-	225
Center for European Programs and External Projects	41	-	41	26	-	26
Graduate Programs	327	-	327	363	-	363
SUBTOTAL OUTREACH ACTIVITIES	1,055	-	1,055	965	-	965
AUXILIARY ACTIVITIES						
Bookstore	79	-	79	80	-	80
Residence Life	1,171	-	1,171	977	-	977
Dining Services	629	-	629	619	-	619
SUBTOTAL AUXILIARY ACTIVITIES	1,879	-	1,879	1,676	-	1,676
Scholarships for External Graduate Studies	70	-	70	54	-	54
Student Loans/ Fees Reversals	(17)	-	(17)	(20)	-	(20)
Other Expenses (incl. interest expenses)	63	-	63	86	-	86
TOTAL EXPENSES	12,911	-	12,911	12,076	-	12,076
OPERATING SURPLUS (DEFICIT)	1,108	288	1,396	353	(1,644)	(1,291)
USAID Endowment Income Distributed	(760)	-	(760)	(750)	-	(750)
Investment return, net (incl. FX gains and losses)	(2,738)	(1,353)	(4,091)	5,146	2,468	7,614
Amortization of capital gifts to construct long-term assets	(413)	-	(413)	(413)	-	(413)
CHANGE IN NET ASSETS before reclassifications	(2,803)	(1,065)	(3,868)	4,336	824	5,160
Reclassifications	(480)	480	-	(1)	1	-
CHANGE IN NET ASSETS after reclassifications	(3,283)	(585)	(3,868)	4,335	825	5,160

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

Consolidated Statements of Cash Flows for the years ended June 30, 2022 and 2021

	FY22	FY21
	USD'000	USD'000
Cash flows from operating activities		
Change in net assets	(3,868)	5,160
Adjustments to change in net assets:		
Revenue from fund-raising activities	(3,667)	(1,009)
Grants write-offs	7	4
Decrease (Increase) in accounts receivable, prepayments, and inventories	86	(41)
Increase (Decrease) in current liabilities and retirement benefits	(154)	100
Decrease (Increase) in student loans receivable, net	(2)	(5)
Decrease (Increase) in cash deposits for student loans guarantees	7	(1)
Depreciation and amortization (Note 7)	1,159	1,174
In-kind donation of property, plant and equipment and investment property	(8)	(9)
Loss (Gain) from investing activities	4,044	(7,606)
Net cash provided by (used in) operating activities other than fund-raising	(2,396)	(2,233)
Revenue from fund-raising activities	3,667	1,009
Grants write-offs	(7)	(4)
Decrease (Increase) in contributions receivable	(897)	1,055
Net cash provided by / (used in) fund-raising activities	2,763	2,060
Net cash provided by / (used in) operating activities	367	(173)
Cash flows from investing activities		
Construction and purchase of property, plant and equipment (Note 7)	(340)	(399)
(Purchase) of investment securities	(450)	(11,920)
Sale of investment securities	2,910	12,472
Cash flow provided by / (used in) investing activities	2,120	153
Cash flow from financing activities		
Increase (Decrease) in short-term borrowings	(484)	(1,339)
Increase (Decrease) in long-term borrowing	(524)	(494)
Cash flow provided by / (used in) financing activities	(1,008)	(1,833)
Increase / (Decrease) in cash, cash equivalents and restricted cash for the period	1,479	(1,853)
Cash, cash equivalents and restricted cash at the beginning of the period (Note 3)	3,666	5,519
Cash, cash equivalents and restricted cash at the end of the period (Note 3)	5,145	3,666
	FY22	FY21
Interest payments	49	69

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

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

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

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

The University offers undergraduate and graduate programs. The American University in Bulgaria maintains a campus located in Blagoevgrad. In the academic year 2021-2022, the University enrolled 956 undergraduate students from more than 40 countries.

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

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

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

New Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets that requires the statement of activities to present contributed nonfinancial assets as a separate line. The ASU became effective for the University for the year ended June 30, 2022. The University’s adoption of the ASU on a retrospective basis did not have a material effect on its consolidated financial statements.

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

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) that requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. The standard is deferred and is effective for fiscal years beginning after December 15, 2021. The University has chosen to not early adopt this standard in its current financial statements and is evaluating the impact this will have on the consolidated financial statements beginning in fiscal year 2023.

2.2. Use of estimates

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

2.3 Basis of consolidation

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

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

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

2.4. Types of net assets

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In November 2016, the FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash that requires the statement of cash flows to explain changes during the period for the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Consolidated Statement of Cash Flows. The following table summarizes cash, cash equivalents, and restricted cash reported on the Consolidated Statement of Cash Flows as of June 30, 2022 and June 30, 2021 in thousands of dollars:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
	USD'000	USD'000
Cash and cash equivalents	4,576	3,160
Cash and cash equivalents-restricted	569	506
Total cash, cash equivalents, and restricted cash	<u>5,145</u>	<u>3,666</u>

2.6. Prepayments and advances

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

2.7. Inventories

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

2.8. Student Loans Receivable

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

2.9. Accounts Receivable

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11. Long-term Debt

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

2.12. Investments

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

2.13. Property, plant and equipment and intangible assets

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

	<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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.14. Long-lived assets held and not used**

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

2.15. Contributions, gifts and grants

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

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

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

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

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

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 21 as of June 30, 2022) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The University receives the majority of its funds and incurs a significant amount of costs in United States Dollars (USD). As a result, the functional currency is considered to be the USD. The University's accounting records in Bulgaria are maintained in dual currency, both in BGN and in USD. The following exchange rates were used to translate monetary assets and liabilities denominated in BGN: **BGN to one USD: 1.88296** as of June 30, 2022 and **1.64577** as of June 30, 2021.

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

2.19. Revenue Recognition

The University adopted ASU 2014-09- Revenue from Contracts with Customers /Topic 606/ during the year ended June 30, 2020. This guidance requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The University's revenue is derived primary from academic programs taught to students. Tuition and related fees are recognized as revenue over the course of the academic term or program for which it is earned. Non-tuition related revenue is recognized as services are performed or goods are delivered. The University elected to apply the standard only to contracts that are not completed as of June 30, 2020. 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.

Concentration of credit risk

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

2.21. Exchange Rate Risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.22. Interest Rate Risk**

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

2.23. Concentration Risk

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

2.24. Risk Management

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

2.25. Litigation Risk

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

2.26. Fair Value Measurements

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

2.27. Income tax

The University has no uncertain tax positions taken or expected to be taken as of June 30, 2022. The University has recognized no interest or penalties related to uncertain tax positions. The University is subject to routine audits by tax authorities.

2.28. Functional expenses method of allocation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CASH AND CASH EQUIVALENTS

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Commonfund/ State Street Institutional US Gov't Money Market	3,395	2,022
Cash on hand/bank deposits	1,181	1,138
Cash and cash equivalents-restricted (non-current assets)	360	359
Cash and cash equivalents-restricted (current assets)	209	147
Total	5,145	3,666

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

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

4. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Deferred expenses	235	277
Accounts receivable	5	14
Prepayments and advances	7	45
Receivables from students, net of USD 27 / 24 thousand allowance	44	37
Tax receivables	2	2
Total	293	375

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

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable falling due within one year comprise of:

	June 30, 2022	June 30, 2021
	USD'000	USD'000
America for Bulgaria Foundation	1,288	491
<i>Gross amount</i>	<i>1,303</i>	<i>491</i>
<i>Less Discount for time value of money</i>	<i>(15)</i>	<i>-</i>
European Union	76	33
Lacezar Tsotsorkov scholarships	60	118
<i>Gross amount</i>	<i>60</i>	<i>120</i>
<i>Less Discount for time value of money</i>	<i>-</i>	<i>(2)</i>
Pay It Forward Endowment	49	24
<i>Gross amount</i>	<i>50</i>	<i>25</i>
<i>Less Discount for time value of money</i>	<i>(1)</i>	<i>(1)</i>
Elvin Guri	47	77
Other	36	40
ONE Telecommunications SHA	29	-
<i>Gross amount</i>	<i>30</i>	<i>-</i>
<i>Less Discount for time value of money</i>	<i>(1)</i>	<i>-</i>
Total	1,585	783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. CONTRIBUTIONS RECEIVABLE (CONTINUED)

Long-term contributions receivable comprise of:

	June 30, 2022	June 30, 2021
	USD'000	USD'000
ONE Telecommunications SHA	83	-
<i>Gross amount</i>	90	-
<i>Less Discount for time value of money</i>	(7)	-
America for Bulgaria Foundation	48	-
<i>Gross amount</i>	50	-
<i>Less Discount for time value of money</i>	(2)	-
Other	28	41
<i>Gross amount</i>	30	45
<i>Less Discount for time value of money</i>	(2)	(4)
Pay It Forward Endowment	-	23
<i>Gross amount</i>	-	25
<i>Less Discount for time value of money</i>	-	(2)
Total	159	64

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. INVESTMENTS

	June 30, 2022	June 30, 2021
	Fair Value	Fair Value
	USD'000	USD'000
USAID Quasi – Endowment Fund		
SSgA S&P 500Index Non-Lending Strat.	10,378	12,369
High Quality Bond Fund	2,866	3,450
SSgA MSCI EAFE Index	2,411	3,378
SSgA MSCI Emerging Markets Fund	734	1,309
SSgA MSCI EAFE Small Cap Index Strategy	393	516
Subtotal USAID Quasi – Endowment Fund:	16,782	21,022
Pooled Endowment Fund		
Equity Index Fund	2,758	3,089
Multi-Strategy Equity Fund	1,674	2,839
High Quality Bond Fund	1,979	2,452
SSgA MSCI EAFE Index	1,616	1,964
SSgA S&P 500Index Non-Lending Strat.	450	82
SSgA MSCI Emerging Markets Fund	431	745
Subtotal Pooled Endowment Fund:	8,908	11,171
Total	25,690	32,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

Additionally, AUBG invested USD 3,395 thousand as of June 30, 2022 (June 30, 2021: 2,022 thousand) in *State Street Institutional US Government Money Market Fund*, included in Note 3, Cash and Cash Equivalents. The University invests its USAID Quasi-Endowment Fund and Pooled Endowment Fund with Commonfund. The management intends to hold the investments for a period longer than one year.

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

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

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

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

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

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

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

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

	Fair Value Measurement at Reporting Date				Measured at Net asset value *
	Using				
	June 30, 2022 USD'000	(Level 1) USD'000	(Level 2) USD'000	(Level 3) USD'000	
SSgA S&P 500Index Non-Lending Strat.	10,827	-	-	-	10,827
High Quality Bond Fund	4,845	-	-	-	4,845
SSgA MSCI EAFE Index	4,028	-	-	-	4,028
Equity Index Fund	2,758	-	-	-	2,758
Multi-Strategy Equity Fund	1,674	-	-	-	1,674
SSgA MSCI Emerging Markets Fund	1,165	-	-	-	1,165
SSgA MSCI EAFE Small Cap Index	393	-	-	-	393
Strategy					
Total:	25,690	-	-	-	25,690

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

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

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

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

	Fair Value June 30, 2022 USD'000	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
SSgA S&P 500Index Non-Lending Strat.	10,827	daily	2 business days
High Quality Bond Fund	4,845	weekly	5 business days
SSgA MSCI EAFE Index	4,028	daily	2 business days
Equity Index Fund	2,758	daily	1 business day
Multi-Strategy Equity Fund	1,674	monthly	5 business days
SSgA MSCI Emerging Markets Fund	1,165	daily	2 business days
SSgA MSCI EAFE Small Cap Index Strategy	393	daily	2 business days
Total:	25,690		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

AUBG invests in high quality, investment grade securities and maintains a prudent diversification in its portfolios. AUBG's endowment fund is invested according to the following Strategic Asset Allocation (SAA) as of June 30, 2022 and June 30, 2021, approved by the Board of Trustees:

June 30, 2022	Strategic Asset Allocation	of which USD	Int'l
Cash & Money Market	5%	5%	-
Fixed Income	25%	15%	10%
Equities	70%	53%	17%
	100%	73%	27%

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

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.

At its January 2021 meeting, the Board of Trustees approved the Endowment Spending Policy as follows: FY2022 Endowment drawdown will be based on the average market value of the Endowment for the last 12 quarters ended 31 December 2020 multiplied by 4.25% for the Quasi endowment and 4.00% for the Pooled endowment.

Long-term investment activity for FY 2021-2022:

	Quasi-Endowment (without donor restrictions)* USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Endowment balance at beginning of year	22,875	11,340	34,215
Additions	-	78	78
Drawdowns	(791)	(359)	(1,150)
Investment return, net	(2,661)	(1,397)	(4,058)
Endowment balance at yearend:	19,423	9,662	29,085

* The Board-designated endowments are included in the "Quasi Endowment" since there are no donor restrictions attached to them. Withdrawals of \$791K include \$760K from USAID endowment and \$31K from Board-designated endowments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

Note 6	USD'000	Statement of Activities	USD'000
Investment return, net (Quasi-Endowment):	(2,661)	Investment return, net, without donor restrictions, USAID endowment	(2,543)
Investment return, net (Pooled Endowment):	(1,397)	Investment return, net, without donor restrictions, Board-designated Endowment	(118)
	-	Investment return, net, without donor restrictions, other investment income without donor restrictions	(44)
	-	Investment return, net, with donor restrictions, Pooled endowment	(1,353)
Subtotal:	(4,058)	Subtotal:	(4,058)
	-	Investment return, net, with donor restrictions, Investments in Bulgaria	-
	-	FX gains and losses	(33)
Total:	(4,058)	Total:	(4,091)

Endowment Net Asset Composition by Type of Fund as of June 30, 2022

	Quasi-Endowment (without donor restrictions) USD'000	Pooled Endowment (with donor restrictions) USD'000	Total USD'000
Board-designated endowment funds	19,423	-	19,423
Donor-restricted endowment funds:			
Original donor-restricted gift amount plus any subsequent additions and amounts required to be maintained in perpetuity by donor	-	7,137	7,137
Accumulated investment gains	-	5,423	5,423
Withdrawals	-	(2,898)	(2,898)
Total funds:	19,423	9,662	29,085

Long-term investment activity for FY 2020-2021:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INVESTMENTS (CONTINUED)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

	June 30, 2022 USD'000	June 30, 2021 USD'000
Land	3,022	3,022
Buildings	35,373	35,373
Less: accumulated depreciation	(12,226)	(11,327)
Buildings Net Book Value	23,147	24,046
Office machines and equipment	5,157	5,143
Less: accumulated depreciation	(4,829)	(4,813)
Office Machines and Equipment Net Book Value	328	330
Motor vehicles	90	90
Less: accumulated depreciation	(90)	(90)
Motor Vehicles Net Book Value	-	-
Furniture and fixtures	2,646	2,647
Less: accumulated depreciation	(2,583)	(2,570)
Furniture and Fixtures Net Book Value	63	77
Library books	1,017	987
Less: accumulated depreciation	(898)	(863)
Library Books Net Book Value	119	124
Other intangible assets	1,013	934
Less: accumulated amortization	(904)	(933)
Other Intangible Assets Net Book Value	109	1
Assets under construction	166	166
Total Book Value	48,484	48,362
Less: Depreciation and Amortization	(21,530)	(20,596)
Total Net Book Value	26,954	27,766
	July – June FY22 USD'000	July – June FY21 USD'000
Depreciation expenses:		
Property, Plant and Equipment	1,159	1,174
Intangible Assets	-	-
Total	1,159	1,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER LONG-TERM ASSETS

Other long-term assets include:

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Long lived assets held, not used	295	295
Student loans receivable, net	9	7
Cash deposits for student loans guarantees, net	7	14
Total	311	316

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

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Current portion of long-term debt/ DFC (note 13)	528	528
Overdraft (BGN) / Raiffeisen Bank (max. amount: BGN 2.0 million)	-	484
Total	528	1,012

The two overdraft facilities from Raiffeisenbank expire on November 25, 2026. They are secured as follows: 1. 100% pledge over cash in AUBG bank accounts with Raiffeisenbank Bulgaria EAD /USD 618 thousand as of June 30, 2022 and USD 106 thousand as of June 30, 2021/, and 2. Promissory notes, issued by AUBG with expiration date one month after the expiration date of the overdrafts.

10. ACCOUNTS PAYABLE

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Payables to vendors and others	177	170
Tax and social security payables	132	139
Payables to undergraduate students	55	53
DFC loan interest payable	9	15
Total	373	377

11. ACCRUED LIABILITIES AND CURRENT PORTION OF RETIREMENT BENEFITS

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Accrued vacation	295	264
Current portion of retirement benefit provision (Note 14)	292	297
Accrued expenses	167	202
Total	754	763

12. DEFERRED REVENUE AND OTHER LIABILITIES

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Deferred revenue from undergraduate students	572	717
Advance payments for seminars	77	60
Deferred revenue from graduate students	73	72
Advance ELI payments	59	71
Total	781	920

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. LONG-TERM DEBT

Long-term debt consists of the following:

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Principal amount	792	1,320
Less unamortized cost	(6)	(10)
Less current portion (Note 9)	(528)	(528)
Long-term debt, net	258	782

Long-term debt represents a loan from the U.S. International Development Finance Corporation (DFC) amounting up to USD 10 million for the construction of AUBG Student Center. As collateral, AUBG pledged 142,000 units in USAID Endowment High Quality Bond Fund at the total amount of USD 1,736 thousand as of June 30, 2022. In addition, AUBG established a Debt Service Reserve Account funded with an amount equal to the aggregate amount of Debt Service for the immediately succeeding six-month period. The loan will be repaid in full by September 2023.

The total amount of interest cost incurred for the year ended June 30, 2022 is USD 42 thousand (year ended June 30, 2021: USD 61 thousand).

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

Year ended	Principal payable (USD '000)	Interests payable (USD '000)
June 30, 2023	528	27
June 30, 2024	264	5

14. RETIREMENT BENEFIT PROVISION

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

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Discount rate		
(interest rate for 10-year Government Bonds, source: Bulgarian National Bank)	0.53%	0.14%
Turnover rate	10%	10%

The Retirement Benefits are expected to be paid:

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Current liability (within 1 year (Note 11))	292	297
Long-term liability:		
2 years	28	20
3 years	21	22
4 years	22	21
5 years	17	13
More than 5 years	118	132
Long-term liability	206	208
Total:	498	505

The expense for retirement benefits recognized in the consolidated statement of activities for FY22 is negative USD 7 thousand (FY21: USD 75 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. NET ASSETS WITHOUT DONOR RESTRICTIONS

	June 30, 2022	June 30, 2021
	USD'000	USD'000
Net assets without donor restrictions as of the beginning of the year	48,061	43,726
Reclassifications and corrections	(480)	(1)
Change in net assets without donor restrictions	(2,803)	4,336
Net assets without donor restrictions as of the end of the year	44,778	48,061

Net Assets without donor restrictions as of June 30, 2022 and June 30, 2021 include the following Board-designated endowment funds:

	June 30, 2022	June 30, 2021
	USD'000	USD'000
USAID Quasi-Endowment	18,609	21,913
Panitza Memorial Professorship Endowment	1,050	1,168
Total Board-designated endowment funds	19,659	23,081

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. NET ASSETS WITH DONOR RESTRICTIONS

	June 30, 2021 Balance	Contributions for the year	Scholarships	Satisfaction of program restrictions	Satisfaction of equipment acquisition	Program Income (Loss)	Reclass.	June 30, 2022 Balance
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Anna Tchaprachikoff	5,429	-	-	(85)	-	(690)	-	4,654
Athanas Zamphiroff	3,436	-	(96)	-	-	(368)	-	2,972
America for Bulgaria Foundation	293	1,292	(917)	(127)	-	-	480	1,021
Gifts to the Pooled Endowment	1,908	50	-	-	-	-	-	1,958
OSI Scholarships	108	(2)	(100)	-	-	-	-	6
Lacezar Tsotsorkov Dist. Scholarship	120	2	(63)	-	-	-	-	59
Stiftung Usine Foundation	87	-	(69)	-	-	-	-	18
Dillian Pavlov Multitalent Quest Scholarship	100	-	-	-	-	-	-	100
Elvin Guri Scholarships	127	-	(18)	-	-	-	-	109
Draganov Family Scholarship	92	-	(10)	-	-	(6)	-	76
AUBG Accelerator Fund	13	65	-	(43)	-	-	-	35
Other	1,490	928	(173)	(338)	(8)	(289)	-	1,610
Total	13,203	2,335	(1,446)	(593)	(8)	(1,353)	480	12,618

Note 16	USD'000	Statement of Activities	USD'000
Scholarships	(1,446)	Release from Restriction, net (Contribution and Grants)	(2,007)
Satisfaction of program restrictions	(593)	Release from Restriction, net (English Language Institute)	(4)
Satisfaction of equipment acquisition	(8)	Release from Restriction, net (CEP and External Projects)	(36)
Total:	(2,047)	Total:	(2,047)

In FY2022 AUBG reclassified USD 460 thousand from net assets with donor restrictions (an overspending portion of ABF Cohort 19 scholarships - related to previous financial years) to net assets without donor restrictions. Any residual amounts from closed multi-year grants were transferred to active grants for Joe Borgatti Scholarship Fund and COVID-19 Scholarship Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. NET ASSETS WITH DONOR RESTRICTIONS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. NATURAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural expense categories for the year ended June 30, 2022 consist of the following:

FY22 (USD'000)	Supplies and Services	Depreciation	Salaries and social insurance	Other	Total
Education and General	917	148	4,289	60	5,414
Development and University Relations	317	3	225	17	562
Institutional Support	2,212	1,000	1,809	398	5,419
Outreach Activities	141	5	447	49	642
Auxiliary Activities	377	4	375	4	760
Other	-	-	-	114	114
Total:	3,964	1,160	7,145	642	12,911

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

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

18. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2022 and June 30, 2021, financial assets and liquidity resources available within one year for general expenditures are as follows:

	June 30, 2022 USD'000	June 30, 2021 USD'000
Financial assets:		
Cash and cash equivalents (for unrestricted use)	4,576	3,160
Accounts receivable (excl. deferred expenses)	57	98
Contributions receivable within one year	932	783
FY 2022-2023 endowment drawdown	1,240	1,150
Total financial assets available within one year	6,805	5,191
Available overdraft	2,062	1,731
Total financial assets and liquidity resources available within one year	8,867	6,922

The University's cash flows have seasonal variations mainly due to tuition billing. To manage liquidity, the University maintains an overdraft facilities at the amount of USD 1,000 thousand and BGN 2,000 thousand /USD 1,062 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. COVID-19 IMPACT ASSESSMENT

The global Covid-19 pandemic and its consequences affected the activities of the American University in Bulgaria. Still with the increase of % of population vaccinated worldwide led to a release of the related restrictions. The immediate financial impact of this on AUBG's operations was moderately positive in FY22. In the 2021-2022 academic year, many of the activities at AUBG have resumed, resulting in increased revenue from the bookstore, English language courses, dining services, residence life, conferences, and other external events.

The management of AUBG took a number of measures during this academic year to support students, impacted by COVID. These include but are not limited to the following:

- Providing additional grant aid to students whose families have been affected by the COVID-19 crisis through the Student Support Fund and the Student Emergency Fund - 78% of all AUBG students receive some form of financial support and/or scholarship;
- Shifting certain deadlines (including payment deadlines) to give students and their families more flexibility in dealing with financial obligations;
- AUBG currently offers limited options for deferred payment of tuition and fees, but management is exploring opportunities to expand deferred payment options;
- Proactive work with key donors to increase the value of the donations AUBG receives annually.

In August 2021, AUBG concluded an Emergency COVID 19 Scholarships project funding agreement with the America for Bulgaria Foundation for \$1,000,000, which is provided to support the emergency COVID 19 scholarships project. The funding is for the academic years 2021-2022 and 2022-2023.

20. THE RUSSIAN-UKRAINIAN WAR IMPACT ASSESSMENT

The war between Russia and Ukraine will have a significant impact on the economic activity and inflation with higher energy and commodity prices and disruption of international trade. The severity of these consequences will depend on the development of the conflict, the effect of current sanctions and the possible introduction of new measures. Although pandemic-related risks have receded, the war in Ukraine could have a stronger impact on the economic sentiment and reinvigorate supply-side constraints.

The war in Ukraine and its consequences affected the activities of the American University in Bulgaria in 2022 as well. The main risks for the university can be summarized as follows:

- Risk of a decline in the enrollment of students from war-affected regions in the university's undergraduate programs, which would lead to a decline in the university's revenue.
- Risk of inability to pay tuition fees by these students. The war in Ukraine is expected to make it difficult for some students and their families to cover their tuition and other fees in the new academic year 2022-2023.
- Risk of an increase in energy prices (natural gas and electricity), which will lead to an increase in AUBG's expenses.
- Risk of rising inflation.

AUBG actively supports its current Ukrainian students and takes decisive steps to ensure their safety and ability to continue their studies. The University is ready to collaborate with other organizations and employers to support their efforts in these areas. AUBG also organizes a number of activities to support both students and their families. Among them is a fundraising campaign that aims to raise funds for students affected by the war. Additional grant-funded financial aid is planned for students whose families have been affected by the war in Ukraine. AUBG created a support fund for students affected by the war (Support for Students Affected by the Russian-Ukrainian War), in which about USD 168,000.00 have been collected until June 2022.

Inflation continues to run at surprisingly high levels due to unexpectedly high energy costs. Also, price increases became more widespread. Inflation is expected to rise further in the medium term. The war in Ukraine is a significant upside risk, especially for energy prices. The government has approved a program for compensating electricity consumers, starting in October 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**20. THE RUSSIAN-UKRAINIAN WAR IMPACT ASSESSMENT (CONTINUED)**

The purpose of the changes is to improve the applicability of the program and the effective protection of all non-domestic consumers of electricity from free storage due to higher electricity prices. The government will continue to support businesses in 2022 too. From the beginning of calendar 2022, for the first time, it is planned to include natural gas users on the regulated market among the recipients of financial support.

The Russian invasion of Ukraine as well as rising inflation worldwide caused significant fluctuations in the financial markets too. After the outbreak of war, risk-free market interest rates partially reversed course and stock prices fell.

AUBG's main endowment fund is invested in a diversified and liquid portfolio of high-quality, publicly traded financial assets. The start of the war in Ukraine as well as high inflation had a negative impact on most capital markets throughout the world. As a result, AUBG's investment portfolio market value decreased in March and early April 2022.

Risks caused by the war in Ukraine may have a negative impact on the market value of AUBG's endowments, although this does not carry immediate operational and financial risks for AUBG. This is due to the fact that the cash withdrawals from the endowment, to support AUBG operating liquidity, are based on the average market value of the endowment over the last twelve quarters, which means that the effect of any temporary adjustments in the market values – positive or negative – are evened out and do not immediately impact on AUBG's cash flows and liquidity.

The financial sanctions against Russia, including the exclusion of some Russian banks from SWIFT, have so far not caused serious tension in the money markets, nor a shortage of liquidity in the banking system of the Eurozone. AUBG's main financial liabilities comprise an investment loan from the DFC and an overdraft facility from a Bulgarian commercial bank. Both loan facilities are being serviced on time and in compliance with the contractual requirements.

21. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 12th, 2022, which is the date the consolidated financial statements were available to be issued and the management has concluded that, there were no such events that require adjustment to the consolidated financial statements or disclosure to the notes to the accompanying consolidated financial statements.