

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**

**Independent Auditor's Report and**

**Financial Statements**

**as of and for the years ended December 31, 2011 and December 31, 2010**

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To the Board of Trustees of the  
Albanian-American Development Foundation  
New York, NY

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of the Albanian-American Development Foundation (the "Foundation") as of December 31, 2011 and December 31, 2010 and the related statements of activities, cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

Except as discussed in paragraph below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America (the "U.S. Government Auditing Standards"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

Although we have periodic quality control reviews by other Deloitte affiliates, we did not have an external peer review by an unaffiliated audit organization as required in Chapter 3, paragraph 3.52 of the U.S. Government Auditing Standards since no such program is enrolled in Albania by professional organizations. 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 Deloitte Albania sh.p.k. to be subject every three years to an extensive quality control review by partners and managers from other Deloitte affiliates. The objectives of the internal quality control review to which Deloitte Albania sh.p.k. is subject to, are similar to those required by Chapter 3, paragraph 3.52 of the U.S. Government Auditing Standards.

*Opinion*

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Albanian-American Development Foundation as of December 31, 2011 and 2010, the results of its activities, its cash flows and financial highlights for the years then ended in accordance with accounting principles generally accepted in the United States of America.

February 5, 2014

*Deloitte Albania sh.p.k.*

Deloitte Albania sh.p.k  
Rr. Elbasanit, Pallati poshte  
Fakultetit Gjeologji - Miniera,  
Tirana, Albania

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

<b>Assets</b>	<b>Notes</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Cash and cash equivalents	4	764,906	-
Investments at fair value	5	149,686,412	151,571,431
Prepaid expenses and other assets		6,465	-
Property and equipment, net	6	70,631	5,206
<b>Total assets</b>		<b>150,528,414</b>	<b>151,576,637</b>
<b>Liabilities and unrestricted net assets</b>			
Grant related liability	7	-	656,250
Accounts payable and accrued expenses	8	27,254	743,236
<b>Total liabilities</b>		<b>27,254</b>	<b>1,399,486</b>
Unrestricted Net Assets	9	150,501,160	150,177,151
<b>Total liabilities and unrestricted net assets</b>		<b>150,528,414</b>	<b>151,576,637</b>

The accompanying notes from 5 to 19 to the financial statements form an integral part of these financial statements.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

	Notes	Year ended December 31, 2011 Unrestricted	Year ended December 31, 2010 Unrestricted
<b>Changes in net assets:</b>			
<b>Income</b>			
Investment income	10	4,007,820	1,062,099
Net contributions	11	-	150,411,354
Interest income		170	-
<b>Total income</b>		<b>4,007,990</b>	<b>151,473,453</b>
<b>Expenses</b>			
Employee compensation and benefits	12	(309,779)	(152,908)
Professional services	13	(62,103)	(45,135)
Trustees' expenses	14	(88,547)	(70,552)
Investment advisory fees	16	(91,280)	(113,324)
Depreciation	6	(9,816)	(750)
Other operating expenses	15	(121,773)	(355,361)
<b>Total operating expenses</b>		<b>(683,298)</b>	<b>(738,030)</b>
<b>Income in excess of expenses</b>		<b>3,324,692</b>	<b>150,735,423</b>
<b>Net unrealized and realized loss on investments and foreign currency effect</b>			
Unrealized loss on investments	1	(3,001,435)	(558,272)
Foreign currency effect	6	752	-
<b>Total net unrealized and realized loss on investments and foreign currency effect</b>		<b>(3,000,683)</b>	<b>(558,272)</b>
<b>Change in unrestricted net assets</b>		<b>324,009</b>	<b>150,177,151</b>
Unrestricted net assets at beginning of year		150,177,151	-
<b>Unrestricted net assets at end of year</b>	9	<b>150,501,160</b>	<b>150,177,151</b>

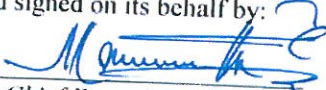
The accompanying notes from 5 to 19 to the financial statements form an integral part of these financial statements.

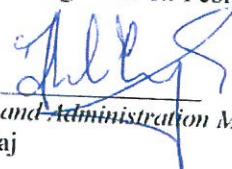
**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010**  
*(all amounts are in USD)*


	Notes	Year ended December 31, 2011	Year ended December 31, 2010
<b>Net increase in net assets</b>		<b>324,009</b>	<b>150,177,151</b>
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>			
Depreciation	6	9,816	750
Investment income	10	(4,007,820)	(1,062,099)
Investment advisory fee	16	91,280	-
Unrealized loss on investments	16	3,000,683	558,272
		<u>(582,032)</u>	<u>149,674,074</u>
<i>Changes in assets and liabilities</i>			
Change in prepaid expenses and other assets		(6,465)	-
Change in payable and accrued expenses		(1,372,186)	1,399,486
		<u>(1,960,683)</u>	<u>151,073,560</u>
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,960,683)</b>	<b>151,073,560</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	6	(75,241)	(5,956)
Withdrawals / (Investment) in Vanguard	5	2,800,078	(151,067,604)
		<u>2,724,837</u>	<u>(151,073,560)</u>
<b>Net cash provided by/(used in) investing activities</b>		<b>2,724,837</b>	<b>(151,073,560)</b>
<b>Net increase in cash and cash equivalents</b>		<b>764,906</b>	<b>-</b>
Cash and cash equivalents, beginning of the year	4	-	-
Effect of exchange rate fluctuations on cash and cash equivalent		752	-
	4	<u>764,906</u>	<u>-</u>
<b>Cash and cash equivalents, end of the year</b>		<b>764,906</b>	<b>-</b>

The accompanying notes from 5 to 19 to the financial statements form an integral part of these financial statements.

These financial statements have been reviewed and approved by Management on February 5, 2014 and signed on its behalf by:

  
 Co-Chief Executive Officer  
 Martin Mata

  
 Finance and Administration Manager  
 Ilir Halilaj

  
 Co-Chief Executive Officer  
 Aleksander Sarapuli

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**1. ORGANIZATION**

The Albanian-American Development Foundation is a U.S. not-for-profit corporation originally incorporated in the State of Delaware on September 9, 2009 pursuant to an agreement between the Albanian-American Enterprise Fund and the U.S. Government based on the certificate of Incorporation and the legal form of the entity is a Corporation. The Albanian-American Development Foundation registered in the U.S. pursuant to the U.S. Foreign Assistance Act of 1961 and of the U.S. Support for East European Democracy act of 1989 (SEED Act) by building upon the programs established by the Albanian-American Enterprise Fund supporting the development of the private sector through education, entrepreneurship, leadership development, cultural and eco-tourism in Albania. The Foundation shall be operated as a perpetual endowment.

The Albanian-American Development Foundation (the "Foundation") was registered in Albania based on the court decision dated March 18, 2011 under an identification number NUIS L11618452N. The Foundation is capitalized through an endowment created by a grant from the Albanian-American Enterprise Fund (the "Fund"). The Fund pays or transfers to the Foundation certain proceeds, which constitute in aggregate the endowment to the Foundation. The original source of the grant funds provided by the Fund to the Foundation is the U.S. Government acting through USAID and the funds provided through the Foundation are therefore a gift from the American people to the citizens of Albania.

The Foundation will assist in the development and growth of a vibrant private sector for the benefit of a free and democratic Albania. The Foundation will continue the Fund's mission to make a meaningful contribution to Albania's economic transition and progress. It will serve as an enduring symbol of U.S. commitment to Albania.

The Foundation program will concentrate on four areas:

- Education for Sustainable Development
- Entrepreneurship
- Leadership Development; and
- Support for Cultural Tourism and Eco-Tourism

The Foundation uses two approaches to fund its program strategies: grants and program related investments. The Foundation generally seeks an external program manager to execute the objectives of each individual grant, thereby leveraging the Foundation's resources.

The Foundation maintains offices in New York, NY, U.S.A. and in Tirana, Albania, with the majority of the Foundation's operations performed through its personnel hired in Albania.

On November 30, 2010, the Albanian-American Enterprise Fund decided to transfer the Vanguard account with a fair value of USD 148,572,535 to the Albanian-American Development Foundation, as an endowment. The transfer was completed on December 22, 2010 at an amount of 151,067,604, which represents the fair value of the investment at the effective date of transfer.

On the same date the Fund, transferred to the Foundation a liability of USD 656,250 detached to the proceeds deposited in the Vanguard account. This liability is payable in connection to the non-competing agreement signed between the Fund and a retired executive. The non-competing agreement is payable out of the net proceeds generated from the liquidation of the Fund's investments. Since the Fund transferred these proceeds to the Foundation as an endowment on November 30, 2010, the remaining obligation amounting to USD 656,250, for the non-competing were transferred to the Foundation on the same date.

In 2011 the Foundation entered into a Technical Service Agreement with the Fund for the provision of services as detailed in the agreement including provision of management expert, shared staff costs, rentals for office space etc. For these services the Foundation receives monthly invoices from the Fund.



**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**2. BASIS OF PRESENTATION**

The Foundation prepares its financial statements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not for Profit Entities*.

The Foundation's statements are reported on a US dollar basis.

Unrestricted net assets are those net assets that are not restricted by donor imposed stipulations.

Unrestricted net assets are further designated as restricted by the Board of Trustees when assigned to approved projects.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting.

**b. Investments**

Investments in equity securities with readily determinable fair values and all debt securities are stated at fair value. Fair value is determined based on quoted market prices and/or other inputs permitted by ASC Topic 820, as described in "Fair Value" below. Unrealized gains or losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized and unrealized gains or losses on investments are determined by comparison of specific costs of acquisition to proceeds at the time of disposal, or market values at the last day of the fiscal year, respectively, and include the effects of currency translation with respect to transactions and holdings of foreign securities. Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades. Dividend income is recorded based upon an ex-dividend date and interest income is recorded as earned on an accrual basis

**c. Fair value**

The Foundation uses Accounting Standards Codification, ASC Topic 820, Fair Value Measurement and Disclosures ("ASC 820"). ASC 820 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 at the measurement date. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels. ASC 820 also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Valuation based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets, or liabilities in markets that are not active, that is markets in which there are few transactions, prices are not current, or prices vary substantially over time.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. Fair value (continued)**

Level 3 Valuation based on inputs that are unobservable for an asset or liability and should be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. This input, therefore, reflects the entity's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Cash, Money Market Funds and Term Deposits - These assets are held either as cash, money market funds, or bank term deposits, which are public investment vehicles, valued using \$1 per unit for the net asset value and are classified within Level 1 of the valuation hierarchy.

Vanguard Investments: Vanguard investments consisted of Bonds, Stocks and Money Market Institutional Shares listed in public exchanges. These investments are public investment vehicles valued using the net asset value ("NAV") provided by the administrator of the Vanguard Investments fund. The NAV for public mutual funds is a quoted price in an active market and classified within level 1 of the valuation hierarchy. The fair value of Vanguard investments is based on quoted market prices reported to Management by its investment advisors, Vanguard Advisors, Inc. The ASC 820 disclosures are presented in note 11.

This price is classified within Level 1 and Level 2 of the valuation hierarchy because either the instrument has a unit price that is quoted on an active public market or on a private market; however the instruments are issued and guaranteed by entities that are traded on an active market. In addition, the issuing entities prepare financial statements in accordance with US GAAP and are making interest payments according to the instruments' original terms.

Other assets and Liabilities - Due to the short-term nature of cash equivalents, receivables, prepaid expenses and other assets, accounts payable and accrued payroll, their fair value approximates carrying value.

**d. Cash and Cash Equivalents**

Cash and cash equivalents are considered all highly liquid financial instruments with original maturities of three months or less when purchased.

**e. Interest and dividend income**

Interest and dividend income is recorded in the period in which it is earned.

**f. Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from those estimates.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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*(all amounts are in USD)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**g. Functional Currency**

The Foundation's functional and reporting currency is the U.S. dollar. The Foundation's operating transactions are initiated in U.S. dollars and exchanged for Albanian Lek and/or EUR only when needed using the spot rate received by the bank. All of the Foundation's Albanian Lek and EUR assets and liabilities are re-measured into U.S. dollars at the period's end official exchange rate. Re-measurement adjustments are reflected in the statement of activities.

**h. Property and Equipment and depreciation**

Office equipment and software are recorded at cost. Depreciation is calculated using the straight-line basis over the estimated useful life of the equipment ranging from three to ten years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease. The estimated useful lives applied for the financial year ended December 31, 2011 are:

- |                                   |         |
|-----------------------------------|---------|
| • Computer Equipment and Software | 3 years |
| • Vehicles                        | 5 years |
| • Office Equipment                | 5 years |

Gains and losses on disposal of property and equipment are recognized in the statement of activities and as changes in net assets in the year of disposal.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**4. CASH AND CASH EQUIVALENTS**

	December 31, 2011	December 31, 2010
Cash on hand	325	-
Current accounts		-
In LEK	1,119	-
In USD	763,462	-
<b>Total cash and cash equivalents</b>	<u>764,906</u>	<u>-</u>

Current accounts as a December 31, 2011 represent balances held at Intesa Sanpaolo Bank in Albania and Bank of America Merrill Lynch in New York. The Foundation had nil cash balances in 2010. The activities of the Foundation were paid from the Fund and subsequently transferred to the Foundation as payables.

**5. INVESTMENTS**

Fair value as at	December 31, 2011	December 31, 2010
<b><i>Mutual fund – fixed income</i></b>		
Intermediate Term Investment Grade (VFIDX)	26,035,699	4,858,813
Short Term Bond Index (VBSSX)	-	91,534,822
Vanguard Short-Term Inv Grade Admiral (VFSUX)	17,400,031	-
Vanguard High-Yield Corp Fund Admiral (VWEAX)	11,467,396	-
Vanguard Total Bond Market Index Fund Inst (VBTIX)	43,288,458	-
	<u>98,191,584</u>	<u>96,393,635</u>
<b><i>Mutual fund – equity</i></b>		
Developed Market Index Institutional (VIDMX)	13,659,907	15,601,257
Emerging Markets Stock Index (VERSX)	3,755,389	4,616,702
Total Stock Market Index Institutional (VITSX)	33,823,957	33,459,760
EX-Dividends	255,575	-
	<u>51,494,828</u>	<u>53,677,719</u>
<b><i>Money Market accounts</i></b>		
Prime Money Market Fund (VMMXX)	-	1,500,077
<b>Total investments</b>	<u>149,686,412</u>	<u>151,571,431</u>

The investments consist of Bonds, Stocks and Money Market Institutional Shares listed in public exchanges. These investments are administrated by the Vanguard Investments fund.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**5. INVESTMENTS (CONTINUED)**

The cost and fair value of the Foundation's investment at December 31, 2011 and 2010 and the accumulated unrealized gain / (loss) is presented as follows:

Investments as of December 31, 2011	Cost	Fair Value	Accumulated unrealized gains / (losses)
Mutual fund - fixed income	98,116,171	98,191,584	75,413
Mutual fund - equity	55,129,994	51,494,828	(3,635,166)
Mutual fund - other	-	-	-
<b>TOTAL</b>	<b>153,246,165</b>	<b>149,686,412</b>	<b>(3,559,753)</b>

Investments as of December 31, 2010	Cost	Fair Value	Accumulated unrealized gains / (losses)
Mutual fund - fixed income	96,723,771	96,393,635	(330,136)
Mutual fund - equity	53,905,854	53,677,719	(228,135)
Mutual fund - other	1,500,000	1,500,077	(1)
<b>TOTAL</b>	<b>152,129,625</b>	<b>151,571,431</b>	<b>(558,272)</b>

Investment income earned during the years 2011 and 2010 were respectively USD 4,007,820 and USD 1,062,099 (refer to note 10) were reinvested in mutual funds when earned.

A summary of investments by fair value level hierarchy, as described in note 3(c), for the year ended December 31, 2011 and 2010 is as follows:

Investments as of December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Mutual fund - fixed income	98,191,584	-	-	98,191,584
Mutual fund - equity	51,494,828	-	-	51,494,828
Mutual fund - other	-	-	-	-
<b>TOTAL</b>	<b>149,686,412</b>	<b>-</b>	<b>-</b>	<b>149,686,412</b>
<b>Total %</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>

Investments as of December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Mutual fund - fixed income	96,393,635	-	-	96,393,635
Mutual fund - equity	53,677,719	-	-	53,677,719
Mutual fund - other	1,500,077	-	-	1,500,077
<b>TOTAL</b>	<b>151,571,431</b>	<b>-</b>	<b>-</b>	<b>151,571,431</b>
<b>Total %</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**5. INVESTMENTS (CONTINUED)**

A summary of Level 1 activity for the year ended December 31, 2011 and December 31, 2010 is as follows:

	2011	2010
Balance as at January 1,	151,571,431	-
Transferred from AAEF (note 1)	-	151,067,604
Withdrawals	(2,800,124)	-
Investment income re-invested (Note 10)	3,082,326	624,867
Realized capital gains re-invested (Note 10)	925,494	437,232
Investment advisory fee withheld from the investment (Note 16)	(91,280)	-
Unrealized losses	(3,001,435)	(558,272)
<b>Balance as at December 31,</b>	<b>149,686,412</b>	<b>151,571,431</b>

**6. PROPERTY AND EQUIPMENT, NET**

As of December 31, 2011 and 2010, property and equipment consisted of:

	Computers	Vehicles	Cell phones and electronic devices	Furniture and equipment	Total
<i>Cost</i>					
As of January 1, 2010	-	-	-	-	-
Additions	5,021	-	-	935	5,956
<b>As of December 31, 2010</b>	<b>5,021</b>	-	-	<b>935</b>	<b>5,956</b>
Additions	27,874	43,167	1,701	2,499	75,241
<b>As of December 31, 2011</b>	<b>32,895</b>	<b>43,167</b>	<b>1,701</b>	<b>3,434</b>	<b>81,197</b>
<i>Depreciation</i>					
As of January 1, 2010	-	-	-	-	-
Charge of the year	(594)	-	-	(156)	(750)
<b>As of December 31, 2010</b>	<b>(594)</b>	-	-	<b>(156)</b>	<b>(750)</b>
Charge of the year	(4,853)	(4,317)	(273)	(373)	(9,816)
<b>As of December 31, 2011</b>	<b>(5,447)</b>	<b>(4,317)</b>	<b>(273)</b>	<b>(529)</b>	<b>(10,566)</b>
<i>Net book value</i>					
As of January 1, 2010	-	-	-	-	-
<b>As of December 31, 2010</b>	<b>4,427</b>	-	-	<b>779</b>	<b>5,206</b>
<b>As of December 31, 2011</b>	<b>27,448</b>	<b>38,850</b>	<b>1,428</b>	<b>2,905</b>	<b>70,631</b>

Certain additions amounting to USD 16,630 (2010: USD 5,956) were acquired and initially paid by the Fund and transferred to the Foundation during the year.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**7. GRANT RELATED LIABILITY**

The liability amounting to USD 656,250 as at December 31, 2010 is payable to the Fund in connection to the non-competing agreement signed between the Fund and a retired executive. The non-competing agreement is payable out of the net proceeds generated from the liquidation of the Fund's investments, which were transferred to the Foundation on November 30, 2010 (refer to Note 1). The remaining obligation amounting to USD 656,250, for the non-competing were transferred to the Foundation on the same date.

Movements in grant related liability are as follows:

	2011	2010
At January 1,		
Grant related liabilities transferred on November 30, 2010	656,250	-
Payments made to the Fund	-	656,250
<b>At December 31,</b>	-	656,250

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
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*(all amounts are in USD)*

**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	December 31, 2011	December 31, 2010
Payables to the Fund (refer to note 17)	20,006	743,236
Payable to suppliers	3,065	-
Accrued expenses	2,139	-
Social insurance and income tax	2,044	-
<b>Total accounts payable and accrued expenses</b>	<u>27,254</u>	<u>743,236</u>

Payables to the Fund arise due to the transfer of assets and expenses initially paid by the Fund and then transferred to the Foundation.

Movements in Payable to the Fund are as follows:

	2011	2010
At January 1,	743,236	-
Increase due to assets transferred during the year (refer to note 6)	16,630	5,956
Increase due to expenses allocated during the year (refer to note 17)	438,118	737,280
Payments made	(1,177,978)	-
<b>At December 31,</b>	<u>20,006</u>	<u>743,236</u>

**9. UNRESTRICTED NET ASSETS**

At December 31, 2011 the amount of USD 3,694,876 out of total net assets of USD 150,501,160 was designated as restricted for specific projects approved by the Board of Trustees (December 31, 2010: Nil). Please refer to *Appendix A - Schedule of Projects*.

**10. INVESTMENT INCOME**

	Year ended December 31, 2011	Year ended December 31, 2010
Dividend Income-Investments	3,082,326	624,867
Capital Gain income	925,494	437,232
<b>Total investment income</b>	<u>4,007,820</u>	<u>1,062,099</u>

**11. NET CONTRIBUTION**

Net contribution made by the Fund was as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
Fair value of the investment at the effective date of transfer (note 1)	-	151,067,604
Grant liability transferred (note 7)	-	(656,250)
<b>Net contribution</b>	<u>-</u>	<u>150,411,354</u>



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*(all amounts are in USD)*

**12. EMPLOYEE COMPENSATION AND BENEFITS**

	Year ended December 31, 2011	Year ended December 31, 2010
Payroll expenses	287,220	152,908
Social and health contributions	15,055	-
Bonuses	6,744	-
Other personnel expenses	760	-
<b>Total employee compensation and benefits</b>	<u><u>309,779</u></u>	<u><u>152,908</u></u>

Employee compensation and benefits include costs incurred for staff employed by the Foundation directly and indirectly through a service agreement with the Fund. At December 31, 2011 the Foundation had 7 employees (2010: Nil).

Management costs and other employees costs allocated from the Fund during 2011 and 2010 were respectively USD 221,590 and USD 152,908 (refer to note 17).

**13. PROFESSIONAL SERVICES**

	Year ended December 31, 2011	Year ended December 31, 2010
Outside computer services allocated from the Fund (refer to note 17)	50,591	32,327
Other professional fees allocated from the Fund (refer to note 17)	2,034	12,808
Other costs	9,478	-
<b>Total professional services</b>	<u><u>62,103</u></u>	<u><u>45,135</u></u>

**14. TRUSTEES' EXPENSES**

	Year ended December 31, 2011	Year ended December 31, 2010
Board of Trustees' expenses allocation from the Fund (refer to note 17)	78,538	70,552
Other Board of Trustees' expenses	10,009	-
<b>Total trustees expenses</b>	<u><u>88,547</u></u>	<u><u>70,552</u></u>

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
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*(all amounts are in USD)*

**15. OTHER OPERATING EXPENSES**

	Year ended December 31, 2011	Year ended December 31, 2010
Equipment rental & maintenance	16,783	9,397
Travel	25,679	5,626
Rent, parking, other occupancy	18,336	34,516
Legal fees	14,662	183,392
Telephone & telecommunications	9,051	14,614
Program administration allocation	4,398	-
Company vehicle expense	4,763	406
Postage and shipping	3,936	2,862
Books, subscriptions, references	3,197	1,245
Bank fees	525	16
Recruiting and training	4,575	94,365
Other expenses	17,756	9,672
<b>Total other operating expenses</b>	<u><b>123,661</b></u>	<u><b>356,111</b></u>

Other operating expenses in 2011 amounting to USD 85,365 were initially paid by the Fund and subsequently allocated to the Foundation during the year (2010: USD 355,361).

Legal fees include an amount of USD 81,949 paid from the Fund in 2009 for the establishment of the Foundation and subsequently allocated to the Foundation in 2010.

Recruiting costs amounting to USD 94,365 were paid for the employment of the Executive Director in 2010.

**16. INVESTMENT ADVISORY FEE**

Investment advisory fee for Vanguard account in 2011, amounting to USD 91,280 was withheld from investment income earned in 2011.

Investment advisory fee in 2010 amounting to USD 113,324 for 2010 was paid from the Fund and subsequently allocated to AADF after the contribution date.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
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*(all amounts are in USD)*

**17. RELATED PARTY TRANSACTIONS**

Related parties are considered to be the Fund, the management of the Foundation and members of their immediate families, other parties with which the Foundation may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, and other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The Board of Trustees is charged with governance. The Board of Trustees members do not get paid from the Foundation for their service instead are reimbursed for any expenses incurred in their role as Trustees of the Foundation.

As at December 30, 2011 and 2010, the Foundation had the following balances with related parties:

<b>Statement of Financial Position</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
Property and equipment allocated from the Fund (note 6)	16,630	5,956
	<u>16,630</u>	<u>5,956</u>
Grant liability (refer to note 7)	-	656,250
	-	<u>656,250</u>
Accounts payable and accrued expenses (refer to note 8)	20,006	899,487
	<u>20,006</u>	<u>899,487</u>
<b>Statement of Activities</b>		
Net contribution (refer to note 11)	-	150,411,354
	-	<u>150,411,354</u>
Employee compensation and benefits (note 12)	(221,590)	(152,908)
Professional services (note 13)	(52,625)	(45,135)
Trustees' expenses (note 14)	(78,538)	(70,552)
Other operating expenses (note 15)	(85,365)	(355,361)
Investment advisory fees (note 16)	-	(113,324)
	<u>(438,118)</u>	<u>(737,280)</u>

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

*(all amounts are in USD)*

**18. CONCENTRATION OF RISK**

As of December 31, 2011 The Foundation has its investment portfolio invested in the United States through Vanguard Investment.

These investments are diversified as follows:

65.5%	invested in fixed income mutual fund (MF) investments while
34.5%	invested in foreign and domestic (US) equity funds.

There are various degrees of risk associated with each of these funds.

Each fund is managed by Vanguard and is subject to fees and disclosures detailed in the funds' prospectus. Dividend distributions as well as realized capital gains are reinvested in the respective funds.

The Foundation's investment portfolio is reviewed at least quarterly by the Investment Committee of the Board of Trustees of the Foundation. During this review the concentration of risk as well as the performance of all investments is assessed. All new investments of the Foundation are pre-approved by the Investment Committee. In addition, the Foundation uses external investment managers and advisors to manage the risk of the portfolio.

**19. MARKET RISK**

**a. Currency Risk**

The Foundation is exposed to limited effect of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows considering that its functional and reporting currency is USD.

**b. Price Risk**

The Foundation is exposed to market price risks related to its investments. As a result of the global economic slowdown the financial markets remain volatile, which may lead to market price fluctuations of Vanguard Funds' underlying assets and may cause uncertainty regarding the accounting estimates in future periods.

**20. COMMITMENTS AND CONTINGENCIES**

In May 26, 2011, the Foundation entered into a Technical Service Agreement with the Fund for the provision of services and office space as detailed in the agreement. Accordingly the actual costs paid from the Fund on behalf of the Foundation since the establishment of the latter, were allocated to the Foundation until December 31, 2011. In 2012 the parties agreed to share common expenditures that are contracted and paid by the Fund and allocate to the Foundation budgeted expenses amounting to USD 502,133.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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*(all amounts are in USD)*

**21. TAX STATUS**

**UNITED STATES**

The Foundation is exempt from U.S. Federal, state and local income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code. In addition, The Foundation is exempt from payments of state and local income taxes in the U.S.A.

**ALBANIA**

Based on the bilateral agreement between the governments of Albania and the United States, (Decree 224, dated 6/11/1992) which defines tax treatments of US Government funds disbursed in Albania, Albanian-American Development Foundation as a recipient of USAID funds shall not pay income tax in Albania.

**22. SUBSEQUENT EVENTS**

No subsequent events were identified that required adjustment to or disclosure within the financial statements for the year ended December 31, 2011.

**Appendix A**  
**SCHEDULE OF PROJECTS**

**AS AT DECEMBER 31, 2011**

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**SCHEDULE OF INVESTMENTS**  
**AS OF DECEMBER 31, 2011**

*(all amounts are expressed in USD)*

*Schedule of Projects as at December 31, 2011*

Project	Approved Budget	Total Contracted and Expensed	Remaining Budget	Project Duration (in years)	Approval Month
Butrint National Park	250,000	4,252	245,748	2	March-11
Protik Training and Innovation Center	499,996	-	499,996	3	March-11
Business Improvement District Shkodra	856,475	146	856,329	2	December-11
Business Improvement District Korca	856,475	-	856,475	2	December-11
Junior Achievement	1,231,930	-	1,231,930	3	December-11
<b>Total</b>	<b>3,694,876</b>	<b>4,398</b>	<b>3,690,478</b>		

**General overview of the Projects:**

1. Creating an integrated management plan for the preservation of Butrint National Park along with a few quick fix investments such as a ticketing hut, equipment and minor infrastructure repairs.
2. Protik is an independent, not-for-profit Information Communication Technology (ICT) innovation center; AADF is responsible for financing and providing management to the center.
3. Assisting in the creation of a Business Improvement District (BID) in Shkodra. A BID is a public-private partnership in which a publicly supported, privately managed organization is created to improve the physical environment and enhance public services and investments in a geographically distinct urban, commercial neighborhood.
4. Assisting in the creation of a Business Improvement District (BID) in Korca. A BID is a public-private partnership in which a publicly supported, privately managed organization is created to improve the physical environment and enhance public services and investments in a geographically distinct urban, commercial neighborhood.
5. Opening Junior Achievement in Albania, a worldwide non-profit organization that is dedicated to educating students about workforce readiness, entrepreneurship, and financial literacy through hands-on programs.