

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**

**Independent Auditor's Report  
and Financial Statements  
as of for the years ended December 31, 2015 and 2014**

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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 financial statements of the Albanian-American Development Foundation (the "Foundation"), which comprise the statement of the financial position as of December 31, 2015 and 2014 the related statements of activities, cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements 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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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, 2015 and 2014, 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.

*Deloitte Audit Albania sh.p.k.*

November 17, 2016  
Tirana, Albania



Elvis Ziu  
Engagement Partner

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**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**


*(all amounts are expressed in USD)*

	Notes	December 31, 2015	December 31, 2014
<b>Assets</b>			
Cash and cash equivalents	4	908,023	1,607,842
Investments at fair value	5.1	182,493,849	183,766,000
Other equity investment	5.2	104,024	-
Prepaid expenses and other assets	7	266,472	271,158
Property and equipment, net	6	92,957	69,832
		<b>183,865,325</b>	<b>185,714,832</b>
<b>Liabilities and unrestricted net assets</b>			
Accounts payable and accrued expenses	8	707,582	373,247
<b>Total liabilities</b>		<b>707,582</b>	<b>373,247</b>
Unrestricted Net Assets	9	183,157,743	185,341,585
<b>Total liabilities and unrestricted net assets</b>		<b>183,865,325</b>	<b>185,714,832</b>

The accompanying notes from 1 to 22 to the financial statements form an integral part of these financial statements.

These financial statements have been reviewed and approved by management on November 7, 2016 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**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are expressed in USD)*

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
<b>Changes in net assets:</b>			
<b>Income</b>			
Investment income	10	4,021,151	4,543,702
Interest income		495	353
<b>Total income</b>		<b>4,021,646</b>	<b>4,544,056</b>
<b>Program Expenses (see Appendix A)</b>			
Program Activities		(1,942,824)	(1,780,855)
Employee Compensation and Benefits		(172,511)	(229,739)
Professional Services		(155,396)	(39,976)
Other operating expenses		(57,229)	(71,769)
		<b>(2,327,960)</b>	<b>(2,122,338)</b>
<b>General and Administrative Expenses</b>			
Allocation of expenses from AAEF	11	(181,964)	(252,191)
Employee compensation and benefits	12	(379,442)	(355,498)
Professional services	13	(60,782)	(91,671)
Trustees' expenses		(143,363)	(103,824)
Investment advisory fees		(406,797)	(301,372)
Depreciation	6	(38,348)	(32,179)
Other operating expenses	14	(232,814)	(180,986)
		<b>(1,443,510)</b>	<b>(1,317,719)</b>
<b>Total expenses</b>		<b>(3,771,469)</b>	<b>(3,440,057)</b>
<b>Income in excess of expenses</b>		<b>250,176</b>	<b>1,103,998</b>
<b>Net unrealized and realized loss on investments and foreign currency effect</b>			
Unrealized (loss) / gain/ on investments	5	(2,348,041)	3,539,967
Realized Gain (Loss) – Investment		(38,634)	3,895,967
Foreign currency effect		(47,343)	(19,608)
<b>Total net unrealized and realized (loss) / gain on investments and foreign currency effect</b>		<b>(2,434,018)</b>	<b>7,415,487</b>
<b>Change in unrestricted net assets</b>		<b>(2,183,842)</b>	<b>8,519,485</b>
Unrestricted net assets at beginning of year		185,341,585	176,821,173
<b>Unrestricted net assets at end of year</b>	9	<b>183,157,743</b>	<b>185,341,585</b>

The accompanying notes from 1 to 22 to the financial statements form an integral part of these financial statements.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**STATEMENTS OF CASH FLOW**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are in USD)*

	Notes	Year ended December 31, 2015	Year ended December 31, 2014
<b>Net (decrease) / increase in net assets</b>		<b>(2,183,842)</b>	<b>8,520,413</b>
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>			
Depreciation	6	42,807	32,179
Investment income	10	(3,983,011)	(4,544,056)
Investment advisory fee		406,797	301,372
Provisions and non-cash expenses		100,000	-
Unrealized loss / (gain) on investments	5	2,348,041	(7,435,095)
<i>Operating result before changes in current assets and liabilities</i>		<b>(3,269,209)</b>	<b>(3,125,627)</b>
<i>Changes in current assets and liabilities</i>			
Change in prepaid expenses and other assets		4,686	27,896
Change in payable and accrued expenses		234,334	(28,337)
<b>Net cash used in operating activities</b>		<b>(3,030,189)</b>	<b>(3,125,627)</b>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	6	(65,605)	(41,939)
Investment Crimson Finance Fund		(104,024)	-
Withdrawals of funds net of investments	5	2,500,000	3,300,000
<b>Net cash provided by investing activities</b>		<b>2,330,371</b>	<b>3,258,061</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(699,819)</b>	<b>132,436</b>
Cash and cash equivalents, beginning of the year	4	1,607,842	1,475,406
<b>Cash and cash equivalents, end of the year</b>	4	<b>908,023</b>	<b>1,607,842</b>

The accompanying notes from 1 to 22 to the financial statements form an integral part of these financial statements.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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*(all amounts are expressed 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.

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.

## **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.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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*(all amounts are expressed in USD)*

**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.

Investments in non-securitized equity shares and where the Organization hold significance influence on the investments are accounted for by using the equity method of accounting in accordance with ASC Topic 323, *Investments — Equity Method and Joint Ventures* ("ASC 323").

Investor must determine whether a decrease in the value of an equity method investment is other than temporary, as defined in ASC 323 and ASC 320, *Investments — Debt and Equity Securities*. If the decrease in value is other than temporary, the investor must measure the impairment as the excess of the investment's carrying value over the fair value. Impairment losses cannot be reversed in subsequent periods.

**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, 2015 AND 2014**

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*(all amounts are expressed 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 consist 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 5.

This price is classified within Level 1 of the valuation hierarchy because the instrument has a unit price that is quoted on an active public market or on a private 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.

*Blackstone Investments:*

In November 2013 the AADF entered into an agreement with Blackstone Partners Offshore Fund Ltd ("Blackstone") to purchase USD 10,000,000.00 of their Funds Class F shares. In June 2014, the AADF transferred another USD 15,000,000.00 into the same class of funds.

These investments are not public investment vehicles. AADF uses the net asset value ("NAV") provided by the administrator of the Blackstone Fund, Citigroup Fund Services Canada Inc. Blackstone Alternative Asset Management L.P, a limited partnership organized under the laws of the state of Delaware serves as the investment manager of the Fund. The price of shares in the Fund is classified within Level 3 of the valuation hierarchy because the instrument is not quoted in active markets and prices of comparable securities cannot be verified. The ASC 820 disclosures are presented in Note 5.

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.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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*(all amounts are expressed in USD)*

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

**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 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.

**g. Program and administrative expenses**

Program and administrative expenses are recorded in the period in which they are incurred.

**h. 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.

**i. 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 five 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, 2015 are:

- Computer Equipment, Cellular Phones 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.

**j. Value Added Tax Receivable**

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 have Value Added Tax paid in Albania reimbursed by the government of Albania. Claims for VAT reimbursement are submitted by AADF according to a schedule determined by the Ministry of Foreign Affairs of Albania and then reimbursed by the Ministry of Finance.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are expressed in USD)*

**4. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Cash on hand	28	31
Current accounts		
In USD	879,156	1,596,116
In LEK	10,284	11,432
In EUR	18,555	263
	<b>908,023</b>	<b>1,607,842</b>
<b>Total cash and cash equivalents</b>	<b>908,023</b>	<b>1,607,842</b>

Current accounts as a December 31, 2015 represent balances held at Intesa Sanpaolo Bank in Albania and Bank of America Merrill Lynch in New York.

**5. INVESTMENTS**

**5.1 Investments at Fair Value**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Bonds</b>		
Total Bond Market Index Fund Inst. (VBTIX)	56,536,912	56,377,242
Intermediate Term Investment Grade (VFIDX)	29,615,772	29,140,744
High-Yield Corporate Fund Admiral (VWEAX)	-	-
<b>Stocks</b>		
Vanguard Total International Stock Index (VGTSX)	14,126,899	17,160,733
Total Stock Market Index Institutional (VITSX)	55,318,839	55,090,204
<b>Other Equity</b>		
Blackstone Partners Offshore Fund (Class F1)	26,895,427	25,997,078
	<b>182,493,849</b>	<b>183,766,000</b>
<b>Total investments</b>	<b>182,493,849</b>	<b>183,766,000</b>

The investments consist of Bonds, Stocks and Money Market Institutional Shares listed in public exchanges. These investments are administered from the Vanguard Investments Fund and Blackstone Partners Offshore Fund.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are expressed in USD)*

**5. INVESTMENTS AT FAIR VALUE (CONTINUED)**

**5.1 Investments at Fair Value (continued)**

	<b>Accumulated unrealized gains / (losses) as at 31 December 2014</b>	<b>Unrealized gains / (losses) for the year 2015</b>	<b>Accumulated unrealized gains / (losses) as at 31 December 2015</b>
Mutual fund - fixed income	(1,034,633)	(1,797,205)	(2,831,838)
Mutual fund – equity	38,242,295	(1,784,134)	36,458,161
Other – Equity	1,235,070	1,233,298	2,468,368
<b>TOTAL</b>	<b>38,442,732</b>	<b>(2,348,041)</b>	<b>36,094,691</b>

	<b>Accumulated unrealized gains / (losses) as at 31 December 2013</b>	<b>Unrealized gains / (losses) for the year 2014</b>	<b>Accumulated unrealized gains / (losses) as at 31 December 2014</b>
Mutual fund - fixed income	(2,471,055)	1,436,422	(1,034,633)
Mutual fund – equity	37,287,825	954,470	38,242,295
Other – Equity	86,746	1,148,324	1,235,070
<b>TOTAL</b>	<b>34,903,516</b>	<b>3,539,216</b>	<b>38,442,732</b>

A summary of investments by fair value level hierarchy, as described in note 3(c), for the year ended December 31, 2015 and 2014 is as follows:

<b>Investments as of December 31, 2015 (Unaudited)</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
Mutual fund - fixed income	86,152,684	-	-	86,152,684
Mutual fund – equity	69,445,738	-	-	69,445,738
Other – equity	-	-	26,895,427	26,895,427
<b>TOTAL</b>	<b>155,598,422</b>	<b>-</b>	<b>26,895,427</b>	<b>182,493,849</b>
<b>Total %</b>	<b>85.26%</b>	<b>0%</b>	<b>14.74%</b>	<b>100%</b>

<b>Investments as of December 31, 2014 (audited)</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
Mutual fund - fixed income	85,517,986	-	-	85,517,986
Mutual fund – equity	72,250,936	-	-	72,250,936
Other – equity	-	-	25,997,078	25,997,078
<b>TOTAL</b>	<b>157,768,922</b>	<b>-</b>	<b>25,997,078</b>	<b>183,766,000</b>
<b>Total %</b>	<b>85.85%</b>	<b>0%</b>	<b>14.15%</b>	<b>100%</b>

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are expressed in USD)*

**5. INVESTMENTS AT FAIR VALUE (CONTINUED)**

**5.1 Investments at Fair Value (continued)**

A summary of Level 1 activity for the year ended December 31, 2015 and December 31, 2014 is as follows:

**Vanguard:**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Balance as at January 1	157,768,922	165,312,182
Withdrawals	(2,500,000)	(18,300,000)
Investment income re-invested (Note 10)	4,021,151	4,543,703
Investment advisory fee	(71,677)	(73,737)
Unrealized (loss) / gain on investments	(3,581,340)	3,895,967
Realized (loss)/gain	(38,634)	2,390,807
<b>Balance as at December 31</b>	<b><u>155,598,422</u></b>	<b><u>157,768,922</u></b>

A summary of Level 3 activity for the year ended December 31, 2015 and December 31, 2014 is as follows:

**Blackstone:**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Balance as of January 1	25,997,078	10,076,041
Purchases	-	15,000,000
Investment advisory fee	(335,119)	(227,284)
Net unrealized gain / (loss) on investments	-	-
Net unrealized gains	1,233,468	1,148,321
<b>Balance as of December 31</b>	<b><u>26,895,427</u></b>	<b><u>25,997,078</u></b>

**5.2 Other equity investment**

As part of its entrepreneurship program AADF has committed to holding a 25% stake in Crimson Finance Fund (a non-bank financial institution)

The Foundation committed on grant a loan of 800 thousand USD to Crimson at the end of December 31, 2015. The loan was disbursed in 2016.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are expressed in USD)*

**6. PROPERTY AND EQUIPMENT, NET**

As of December 31, 2015 and 2014, property and equipment consisted of:

	Computers	Vehicles	Cellular Phones	Furniture and equipment	Software	Total
<i>Cost</i>						
As of January 1, 2014	55,623	43,167	1,967	15,305	2,999	119,061
Additions	1,696	-	-	13,993	26,250	41,939
As of December 31, 2014	57,319	43,167	1,967	29,298	29,249	161,000
Additions	4,783	51,160	1,201	1,772	7,016	65,932
As of December 31, 2015	62,102	94,327	3,168	31,069	36,265	226,932
<i>Accumulated Depreciation</i>						
As of January 1, 2014	(26,527)	(21,584)	(1,466)	(6,807)	(2,605)	(58,989)
Charge of the year	(12,908)	(8,633)	(364)	(4,075)	(6,199)	(32,179)
As of December 31, 2014	(39,435)	(30,217)	(1,830)	(10,882)	(8,804)	(91,168)
Charge of the year	(9,944)	(17,160)	(170)	(4,826)	(10,708)	(42,807)
As of December 31, 2015	(49,378)	(47,377)	(2,000)	(15,707)	(19,512)	(133,975)
<i>Net book value</i>						
As of January 1, 2015	17,884	12,950	137	18,416	20,445	69,832
As of December 31, 2015	12,724	46,950	1,167	15,362	16,754	92,957

In 2015, the amount of USD 4,459 relates to depreciation of the program assets (*Fellowship*) and accordingly is allocated to program expenses detailed in Appendix A (2014: nil).

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
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**7. VALUE ADDED TAX (VAT) RECEIVABLE AND PREPAID EXPENSES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
VAT Receivable	262,751	233,383
Prepaid Health Insurance - Employee	1,331	18
Due to/from NY Office	-	12,887
Prepaid Expenses	-	21,689
Accounts Receivable-AAEF	1,234	1,968
Accrued Pension Contribution	56	56
Employee Receivables	1,157	1,157
<b>Total Prepaid Expenses and Other Assets</b>	<b>266,530</b>	<b>271,158</b>

**8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Construction retainer	219,063	131,542
Payable to AAEF	264,329	160,263
Payable to suppliers	142,009	24,665
Accrued expenses	68,147	43,401
Social insurance and personal income tax	14,035	13,376
<b>Total accounts payable and accrued expenses</b>	<b>707,583</b>	<b>373,248</b>

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

**9. UNRESTRICTED NET ASSETS**

At December 31, 2015 the amount of USD 19,331,877 (2014: USD 14,212,447) out of total net assets was designated as restricted for specific projects approved by the Board of Trustees. Please refer to *Appendix A - Schedule of Projects*.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are expressed in USD)*

**10. INVESTMENT INCOME**

	<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2014</b>
Dividend Income-Investments	<u>3,982,516</u>	<u>4,543,702</u>

**11. ALLOCATION OF EXPENSES FROM AAEF**

Allocation of expenses and benefits comprises allocation of costs contracted and paid by the Fund for rental of space, administrative payroll, utilities, consumable materials and other services shared between the two entities.

**12. EMPLOYEE COMPENSATION AND BENEFITS**

	<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2014</b>
Payroll expenses	290,033	279,775
Social and health contributions	43,854	39,595
Bonuses	32,517	19,144
Other personnel expenses	<u>13,038</u>	<u>16,984</u>
<b>Total employee compensation and benefits</b>	<b><u>379,442</u></b>	<b><u>355,498</u></b>

Employee compensation and benefits include costs incurred for staff employed by the Foundation and executive compensation allocated by AAEF. At December 31, 2015 the Foundation had 23 employees (2014: 20 employees).

**13. PROFESSIONAL SERVICES**

	<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2014</b>
Accounting Fees	20,056	52,777
Legal Fees	13,988	34,250
Other Professional Fees	<u>26,738</u>	<u>4,643</u>
<b>Total Professional Services</b>	<b><u>60,782</u></b>	<b><u>91,671</u></b>



**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

*(all amounts are expressed in USD)*

**14. OTHER OPERATING EXPENSES**

	<b>Year ended December 31, 2015</b>	<b>Year ended December 31, 2014</b>
Travel	40,366	20,675
Outside Computer Services	17,836	21,819
Office Maintenance	19,405	21,332
Rent, Parking Other Occupancy	34,232	31,304
Telephone & Telecommunication	8,129	11,805
Insurance	21,729	20,563
Postage & Shipping	5,204	2,748
Company Vehicle Expense	7,915	8,972
Bank Fees	2,369	2,645
Equipment rental & maintenance	95	5,000
Books, subscriptions, references	1,027	1,491
Other expenses	74,507	32,631
<b>Total other operating expenses</b>	<b>232,814</b>	<b>180,986</b>

**15. 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 in charge of 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 31, 2015 and 2014, the Foundation had the following balances with AAEF:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>At January 1,</b>	160,263	231,657
Increase due to assets transferred during the year		
Increase due to expenses allocated during the year	523,900	532,643
Payments made	(519,834)	(604,037)
<b>At December 31,</b>	<b>164,329</b>	<b>160,263</b>

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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*(all amounts are expressed in USD)*

## **16. CONCENTRATION OF RISK**

As of December 31, 2015 The Foundation has its investment portfolio invested in the United States through Vanguard Investments and Blackstone Partners Offshore Fund Ltd.

These investments are diversified as follows:

47.21%            invested in fixed income mutual fund (MF) investments while  
52.79%            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 Blackstone Partners Offshore Fund Ltd and is subject to fees and disclosures detailed in the funds' prospectus and the subscription agreement. 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 Directors 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.

## **17. 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.

## **18. COMMITMENTS AND CONTIGENCIES**

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, are allocated to the Foundation based on space and other materials consumption.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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*(all amounts are expressed in USD)*

**19. 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.

**20. SUBSEQUENT EVENTS**

No subsequent events were identified that required adjustment to or disclosure within the financial statements for the year ended December 31, 2015.

**Appendix A**  
**SCHEDULE OF PROJECTS**  
**AS OF DECEMBER 31, 2015**

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**SCHEDULE OF PROJECTS**  
**AS OF DECEMBER 31, 2015**

*(all amounts are expressed in USD)*

**Schedule of Projects as of December 31, 2015**

Project	Budget (USD)	Project Duration (Years)	Approval Date	Notes
Clean Score	393,210	2.5	Dec-15	
Cave Management Project Design	200,000	3	Oct-15	
Restoration Camp	210,000	3	Jun-15	
BID Legislation	90,000	1	Dec-14	Extended
K 1-9	1,997,000	5	Mar-15	
TID Tirana	2,305,485	5	Mar-15	
TID Gjirokastra (Project Design)	150,000	1	Oct-14	
Marubi Museum	650,000	2	Dec-14	
TID Korca Bazaar	1,611,750	5	Oct-14	
Tirana Bazaar (Project Design)	150,000	1/4	Oct-14	
Presidential Palace (Diagnostic Review)	50,000	1/4	Jun-14	
TID Kruja	726,391	2	Jun-14	Extended
E-Ticketing	528,722	1	Jun-14	
JA (K 1-9) Pilot Extension	60,000	1	Apr-14	
Mechanic Bollards (Tirana Municipality)	25,000	1/4	Apr-14	Extended
Butrint Reform	194,848	1	Dec-13	Extended
Tech Crew	50,000	1	Dec-13	
Peace Corps Partnership	90,000	1	Jun-13	Extended
Crimson Capital Fund	1,250,000	2	Jun-13	Extended
BID Berat	1,750,000	1	Mar-13	
Center for Talented Youth	20,000	1	Dec-12	
Young Innovators Club	12,150	1	Dec-12	
Skanderbeg Armor	60,000	1/4	Nov-12	
Albanian Fellows Program	2,466,330	5	Aug-12	Extended
ICT Internship Program	182,754	3	May-12	
AUBG Undergraduate Scholarships	489,626	4	Mar-12	
Junior Achievement	1,231,930	3	Dec-11	Extended
BID Korca	856,475	2	Dec-11	Extended
BID Shkodra	856,475	2	Dec-11	Extended
Protik Training and Innovation Center	499,996	3	Dec-11	Extended
Butrint National Park	250,000	1/2	Mar-11	Extended
<b>Total Value of Approved Projects</b>	<b>19,331,877</b>			

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**SCHEDULE OF PROJECTS**  
**AS OF DECEMBER 31, 2015**

*(all amounts are expressed in USD)*

**General overview of the Projects:**

1. Butrint - 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. BID Shkodra - 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. BID Korca - 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. JA - 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.
6. AUBG Scholarships - Creates a scholarship program funded by the Albanian-American Development Foundation, to support the education of high-performing Albanian students studying at the American University in Bulgaria.
7. ICT Internship - A Protik managed internship program that serves to further communication between academia and the ICT private sector.
8. Albanian Fellows – Modeled after the White Fellows Program, its purpose is to provide gifted young Albanian Professionals with firsthand experience in the process of governing Albania and a sense of personal involvement in the leadership of society.
9. Skanderbeg Armor – Together with the government of Albania, Sigal/Uniq Group, the Austrian Embassy, AADF supported the initiative of bringing the armor of Skanderbeg and two accompanying paintings for display in Albania for the upcoming 100-year independence celebration.
10. Young Innovators Club – This AADF initiative relates to ICT education, entrepreneurship, and leadership development projects. The AADF is funding a small (USD 12,150 for one year) but potentially high impact program, run by Protik
11. Center for Talented Youth - Through the CTY program, the AADF and the CTY will sponsor five club members each to attend technology based courses in American Universities. It is hoped that some of the students selected for scholarships by CTY will also have the background and interests to become members of the young innovators club.
12. BID Berat - Assisting in the creation of a Business Improvement District (BID) in Berat. 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.
13. Crimson Capital Fund – The AADF will use foundation resources to leverage other donors into forming a partnership to create a new, Albanian registered, lending institution driven primarily by development goals. Crimson Capital Fund is expected to start in September 2014.

**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**SCHEDULE OF PROJECTS**  
**AS OF DECEMBER 31, 2015**

*(all amounts are expressed in USD)*

14. Peace Corps Partnership - AADF would have an opportunity to fund high impact youth leadership programming using the large network of volunteer labor and logistical support that only Peace Corps could offer.
15. Tech crew – is a Protik managed project financed by AADF designed to promote new technology adoption by students and professionals alike and its use of productivity tools.
16. Butrint Reform - is a continuation of the earlier Butrint National Park project with emphasis on designing legislation that will provide the framework for better management of the park. The intention is to have a blanket legislative framework that will apply to all national parks in Albania.
17. Mechanic Bollards project should help the Tirana Lake Park authority to prevent unauthorized traffic along its pathways thus maintaining a pedestrian only zone.
18. JA (K1-9) Pilot – is a JA managed program financed separately by AADF designed to provide input into the possibility of expanding JA into the 1-9 elementary classes of the public education system.
19. E-Ticketing Systems – as part of AADF’s commitment to improve national parks’ management E Ticketing is supposed to provide the tools to park administrators to better control the ticket sales through state of the art equipment.
20. TID Kruja – is similar to Business Improvement Districts with a primary focus in preserving and rejuvenating the historic bazaar in the Kruja town.
21. Presidential Palace - finances the architectural diagnostics of the historic Presidential Palace. The diagnostics is supposed to provide an idea to the extent of damages in the existing structure and an estimate of its restoration.
22. Tirana Bazaar Design – is the first step to estimating infrastructure needs of Tirana New Market in which AADF plans to implement another Tourism Improvement District.
23. TID Korca Bazaar- is an investment in the existing infrastructure of Korca’s Grand Bazaar with a focus in developing a strong business association.
24. Marubi Museum – AADF is co-financing the renaissance of this valuable national treasure into a viable business that could provide a new tourist attraction in the city of Shkodra.
25. TID Gjirokastra - in the same line of existing TID’s AADF is financing the architectural design of Gjirokastra’s old bazaar.
26. TID Tirana - in the same line of existing TID’s AADF is financing the architectural design of Gjirokastra’s old bazaar.
- 27 K 1-9 – Junior Achievements expansion to elementary education
28. BID Legislation – Improve the legal environment of BID associations and their interaction with municipalities.
29. Restoration Camp – Train young restaurateurs on restoration projects.
30. Clean Score - through this project, nje test scoring methods and textbooks will be introduced in 2 universities





**ALBANIAN-AMERICAN DEVELOPMENT FOUNDATION**  
**SCHEDULE OF PROJECTS**  
**AS OF DECEMBER 31, 2015**

*(all amounts are expressed in USD)*

FS Line	PC AADF Partnership	Presidents Palace	Restoration Camp	Scholarships AUB	Tech Crew	Ticketing Systems	TID Gjirokastra	TID Korca Bazaar	Tirana Bazaar	TOB	TID Kruja	Grand Total
Program Activities	291,149	29,838	-	-	151,081	24,425	3	-	627,388	169,068	-	1,942,824
Employee Compensation and Benefits	-	-	-	-	-	-	-	-	6,673	1,910	-	172,511
Professional Services	846	-	36,000	66	-	-	6,566	157	7,196	31,897	9,439	155,396
Depreciation	656	1,177	592	-	11,325	-	330	406	4,637	3,072	-	52,770
Other operating expenses												
<b>Grand Total</b>	<b>1,502</b>	<b>1,177</b>	<b>36,592</b>	<b>66</b>	<b>11,325</b>	<b>-</b>	<b>6,896</b>	<b>563</b>	<b>18,506</b>	<b>36,879</b>	<b>9,439</b>	<b>2,327,960</b>
Investments in equity												<b>104,024</b>

\*relates to Crimson Finance 25% equity contribution