

"Teach for Bulgaria" Foundation
Separate financial statements
for the year ended 31 December 2016
(together with Independent auditors' report)

Separate income statement
for the year ended 31 December 2016

In thousands of Bulgarian leva

Expenses	Note	2016	2015
I. Expenses for the activity			
A. Expenses for regulated activity			
1. Expenses on grants	6.1	1,356	191
2. Other expenses	6.2	376	217
Total A:		1,732	408
B. Administrative expenses	7	2,691	2,159
Total I:		4,423	2,567
II. Finance costs			
3. Other finance costs for financial transactions	8	7	3
Total II:		7	3
III. Total expenses		4,430	2,570
IV. Result		213	166
Total (III + IV)		4,643	2,736

Revenues	Note	2016	2015
I. Revenues from the activity			
A. Revenues from regulated activity			
1. Revenues from conditional grants	9.1	4,364	2,556
2. Revenues from unconditional grants	9.2	278	178
3. Other revenues	9.3	-	2
Total I:		4,642	2,736
II. Finance income			
4. Foreign currency exchange gains	10	1	-
Total II:		1	-
III. Total revenues		4,643	2,736
IV. Result		-	-
Total (III + IV)		4,643	2,736

The Separate income statement should be read together with the notes to the financial statements on page 7 to page 25, which are integral part of the Separate financial statements. The Separate financial statements were approved for issue by the Executive Director of "Teach for Bulgaria" Foundation on 15 June 2017.

signed
Evgenia Peeva-Kirova
Executive Director

As per auditor's report:
KPMG Bulgaria OOD
Sign. ill.
Maria Peneva
General Manager

signed
Valia Iordanova, General Manager AFA OOD
Preparer

Sign. ill.
Dobrina Kaloyanova
Registered Auditor

Separate balance sheet
As at 31 December 2016

<i>In thousands of Bulgarian leva</i>	Note	31.12.2016	31.12.2015
Assets			
A. Non-current (long-term) assets			
I. Tangible fixed assets			
1. Equipment and other	11	32	24
Group I total:		32	24
Section A total:		32	24
B. Current (short-term) assets			
I. Debtors			
1. Other receivables	12	2	5
Group I total:		2	5
II. Investments			
1. Shares in affiliated undertakings	19	3	3
Group II total:		3	3
III. Cash and cash equivalents, including:		1,496	2,212
- cash in current bank accounts (deposits)	13	1,496	2,212
Group III total:		1,496	2,212
Section B total:		1,501	2,220
C. Deferred expenses	14	3	13
Total assets (A + B + C)		1,536	2,257

	Бележка	31.12.2016	31.12.2015
Equity and liabilities			
A. Equity			
I. Reserves			
1. Reserve as per incorporation documents		1	1
2. Other reserves, including:		690	477
- for prior years		477	311
- for the current year		213	166
Group I total:	15	691	478
Section A total:		691	478
B. Creditors			
1. Trade creditors, including:	16	34	33
up to 1 year		34	33
2. Other liabilities, including:	17	50	62
up to 1 year		50	62
- payable to personnel, including:		45	55
up to 1 year		45	55
Section B total, including:		84	95
up to 1 year		84	95
C. Grant and deferred income, including:	18	761	1,684
- grants		761	1,684
Total net assets and liabilities (A + B + C)		1,536	2,257

The Separate balance statement should be read together with the notes to the financial statements on page 7 to page 25, which are integral part of the Separate financial statements.

signed
Evgenia Peeva-Kirova
Executive Director

As per auditor's report:

Sign. ill.
Maria Peneva
General Manager

signed
Valia Iordanova, General Manager AFA OOD
Preparer

Sign. ill.
Dobrina Kaloyanova
Registered Auditor

Separate statement of changes in net assets
for the year ended 31 December 2016

	Note	Reserve as per incorporation documents	Other reserves	Financial result from prior years	Financial result for the current year	Total
<i>In thousands of Bulgarian levs</i>						
1. Balance at 1 January 2016		1	311	166	-	478
2. Financial result from non-profit activity for the year		-	-	-	213	213
3. Transfer to other reserves		-	166	(166)	-	-
4. Balance at 31 December 2016	15	1	477	-	213	691

The Separate statement of changes in reserves should be read together with the notes to the financial statements on page 7 to page 25, which are integral part of the Separate financial statements.

signed
Evghania Peeva-Kirova
Executive Director

signed
Valia Iordanova, *General Manager AFA OOD*
Preparer

As per auditor's report:
Sign. ill.
Maria Peneva
General Manager

Sign. ill.
Dobrina Kaloyanova
Registered Auditor

**Separate cash flow statement
for the year ended 31 December 2016**

	Note	2016	2015
<i>In thousands of Bulgarian levs</i>			
I. Cash and cash equivalents at the beginning of the period		<u>2,212</u>	<u>1,982</u>
II. Cash flows from non-profit activities			
A. Proceeds from non-profit activities			
1. Conditional grants received		3,441	2,598
2. Unconditional grants received		278	139
3. Other operating proceeds		46	15
Total proceeds from non-profit activities		<u>3,765</u>	<u>2,752</u>
B. Payments for non-profit activities			
1. Payments for grants		1,356	191
2. Payments related to personnel and social security		1,118	910
3. Payments for services rendered		1,940	1,376
4. Payments on banking and foreign currency transactions		7	2
5. Other payments		63	43
Total payments for non-profit activities		<u>4,484</u>	<u>2,522</u>
B. Net cash flows from non-profit activities		<u>(719)</u>	<u>230</u>
III. Cash flows from business activities			
A. Proceeds from business activities			
1. Receipts from customers		3	-
Proceeds from business activities, total:		<u>3</u>	<u>-</u>
B. Net cash flows from business activities		<u>3</u>	<u>-</u>
IV. Cash and cash equivalents at 31 December	13	<u>1,496</u>	<u>2,212</u>
V. Change in the cash flows for the period		<u>(716)</u>	<u>230</u>

The Separate cash flow statement should be read together with the notes to the financial statements on page 7 to page 25, which are integral part of the Separate financial statements.

signed
Evgenia Peeva-Kirova
Executive Director

signed
Valia Iordanova, *General Manager AFA OOD*
Preparer

As per auditor's report:

Maria Peneva
General Manager

Dobrina Kaloyanova
Register Auditor

Notes to the Separate financial statements

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5. Financial risk management	17	17. Other liabilities	21
6. Expenses for regulated activity	18	18. Grants	21
7. Administrative expenses	18	19. Financial instruments	24
8. Other finance costs from financial transactions	19	20. Investments in affiliated undertakings	24
9. Revenues from regulated activity	19	21. Related parties	25
10. Foreign currency exchange gains	19	22. Contingent liabilities	25
11. Equipment and other	20	23. Events after the balance sheet date	25
12. Other receivables	20		

Notes to the Separate financial statements

1. Status and principal activities

"Teach for Bulgaria" Foundation (the Foundation) was established in July 2010 as a non-profit legal entity working to the benefit of society. The Foundation was registered as a non-profit legal entity by virtue of Decision No 1 of 4 August 2010 under Foundation file No 460/2010 of Sofia City Court.

The seat and address of management of the Foundation is Sofia, 19, Ivan Denkoglu str.

The principal activities of the Foundation are focused on:

- Work towards improvement of the access to high quality education for every child, regardless of the school they attend, the settlement where it is located and the financial position of the parents;
- Training and encouragement of ambitious young people from different academic backgrounds to tutor pupils suffering social and economic difficulties throughout the country;
- Establishment of alumni club for those who have graduated the programme;
- Enhancement of the prestige and respect towards the teachers' profession.

In addition to its non-profit activities, related to the attainment of the above-mentioned goals the Foundation may carry out other business activities associated with its principal objectives. Such business activities may be related to the organisation of events, rendering of advertising services, provision of consultancy services, etc.

The Foundation's management bodies include the Founder, Management Board and Executive Director.

As at 31 December 2016 г. Foundation's personnel include 37 full time employees working under agreements (as at 31 December 2015 г.: 32).

Notes to the financial statements

2. Basis of preparation

(a) Statement of compliance

The Separate financial statements of "Teach for Bulgaria" Foundation have been prepared in accordance with the (new) Accountancy Act effective as of 1 January 2016 (SG 95/08.12.2015) and National Accounting Standards (NAS), approved by the Council of Ministers by CMD No 46/2005 (SG 30/07.04.2005) and amended and supplemented by CMD No 251/2007 (SG 86/26.10.2007) and by CMD 394/2015 (SG 3/12.01.2016), in force as of 1 January 2016. and in particular AS 9 "Presentation of Financial Statements of Non-profit Entities".

Until 31 December 2015, the Foundation had been applying these standards as well, but under the name National Financial Reporting Standards for Small- and Medium-sized Enterprises (NFRSSME). The latter had been approved by the Council of Ministers by CMD No 46/2005 (SG 30/07.04.2005) and amended and supplemented by CMD No 251/2007 (SG 86/26.10.2007), in force as of 1 January 2008 in their edition effective until 31 December 2015..

These are the Separate financial statements of the Foundation, which are prepared in accordance with the law. The Foundation does not prepare consolidated financial statements because the subsidiary of the Foundation is insubstantially contemplated simultaneously and individually as a whole.

Initial application of the new Accountancy Act, effective as of 1 January 2016, and the new and amended existing National Accounting Standards, in force as of 1 January 2016

Starting from 1 January 2016 there is a new Accountancy Act in force, which revokes entirely the Accountancy Act effective until 31 December 2015. With the new law, the rules and requirements of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, are transposed into the national accounting legislation. The amendments that affect the financial statements of the Foundation in relation to the application of the new Accountancy Act refer to:

On the basis of criteria, set by the Law, the Foundation is classified in the category of small undertaking according to the data in the financial statements for 2015.

Regardless of the fact that the "Teach for Bulgaria" Foundation has been classified as a small undertaking, the Law requires that the Foundation shall prepare its annual financial statements on the basis of NAS 9 – Presentation of Financial Statements of Non-profit Entities.

By Decree No 394/30.12.2015 for amendment and supplementation of National Financial Reporting Standards for Small- and Medium-sized Enterprises, amendments to the national standards have been endorsed, with effect as of 1 January 2016, in relation to the new law and the implementation of the provisions of Directive 2013/34/EU, and they have been named as National Accounting Standards.

The adoption of the new or amended standards has not caused changes in Foundation's accounting policies, except for some insignificant changes in the form of the financial statements and the expansion of already existing disclosures, however, not resulting in other changes in the classification or valuation of individual reporting items and transactions.

AS 1 "Presentation of Financial Statements" – changes are made in the layout of the financial statements as well as in the disclosure requirements.

Notes to the financial statements

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

AS 27 "Consolidated Financial Statements and Reporting on Investments in Subsidiaries".

AS 24 "Related Party Disclosures" – amended definition for related parties. The scope of related parties has been determined on the basis of IAS rules, and in particular IAS 24 "Related Party Disclosures".

AS 42 "First-time Adoption of National Accounting Standards" – a new standard. This standard should be applied by entities that have prepared their financial statements in accordance with the requirements of International Accounting Standards (IAS) until 31 December 2015/respectively 31 December 2016, but have changed over to National Accounting Standards beginning from 1 January 2016/respectively 1 January 2017. This standard would not have an effect on the financial statements of the Foundation as the latter has been applying National Accounting Standards for the prior years as well.

(b) Basis of measurement

The Separate financial statements have been prepared by observing the historical cost principle.

(c) Functional and presentation currency

These Separate financial statements have been presented in Bulgarian levs (BGN), which is the functional currency of the Foundation. The financial information presented in Bulgarian levs is rounded to the nearest thousand.

(d) Estimates and assumptions

The preparation of the financial statements in accordance with the National Accounting Standards requires the management to make estimates, judgements and assumptions that affect the application of the policies and the reported values of assets and liabilities, income and expenses. The actual results may differ than these expectations.

The estimates and major assumptions are reviewed in each reporting period. Changes in accounting estimates are recognised in the period when the respective estimate has changed, when it has impact on the current period only, or in the period of the change and prospectively, when it has impact on the current and future periods.

Notes to the financial statements

3. Significant accounting policies

The significant accounting policies presented below have been applied consistency throughout the periods presented in the financial statements.

(a) Foreign currency transactions

Foreign currency transactions are translated to the functional currency using the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the closing exchange rate on the balance sheet date. Foreign exchange gains or losses arising on monetary items represent the difference between the amortised amounts in functional currency at the beginning of the period, adjusted to reflect the effective interest rate and the payments made during the period and the amortised amounts in foreign currency, translated into the functional currency using the exchange rate prevailing at the end of the period. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated to the functional currency using the exchange rate prevailing on the date of the original transaction (acquisition).

Foreign exchange differences arising from the translation to the functional currency are recognised in the income statement.

The exchange rate of the Bulgarian lev (BGN) is pegged to the Euro (EUR) since 1999. The exchange rate is BGN 1.95583 / EUR 1.0.

(b) Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and deposits with original maturing of less than 3 months.

Accounting for finance income and expenses is disclosed in Note 3 (I).

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition the Foundation measures receivables held to maturity at amortised cost, using the effective interest rate method, less an allowance for impairment.

Amortised cost is measured taking into account all premiums and discounts on acquisition, as well as the fees that are inherent to the effective interest rate and the transaction costs.

Gains and losses associated with the receivables are recognised in the income statements when the receivables are derecognised or impaired, as well as through the depreciation process.

Notes to the financial statements

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Recognition

Intangible assets with finite useful lives acquired by the Foundation are carried at cost, less any accumulated depreciation and impairment losses.

(ii) Subsequent costs

Costs related to the maintenance of intangible assets are capitalised, if and only if they increase the future economic benefits generated by the asset. All other expenses are taken to the income statement as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on the basis of the straight-line depreciation method over the estimated useful life of the intangible asset.

The useful lives of intangible assets are finite.

Intangible assets are depreciated over their estimated useful lives and are tested for impairment when indications exist that their values may be impaired. The Foundation reviews the useful lives and depreciation methods of intangible assets at least at the end of each financial year. Changes in the estimated useful lives or patterns of consumption of the future economic benefits of the intangible asset are accounted for through a change in the depreciation period or method, and are treated as changes in accounting estimates.

Gains or losses upon the derecognition of an intangible asset, representing the difference between the net proceeds from the disposal, if any, and the carrying amount of the asset are taken to the income statement, when the asset is derecognised.

The estimated useful lives are as follows:

- Software 2 years

As at 31 December 2016 and 31 December 2015 the Foundation does not have any non-current intangible assets acquired for business purposes.

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Leased assets

Lease contracts, which transfer to the Foundation all significant risks and rewards from the ownership over the asset, are classified as finance leases. Upon initial recognition the leased assets are accounted for at the lower of their fair value and the present value of the minimum lease payments. Following initial recognition the asset is carried in accordance with the accounting policies applicable to the respective asset.

Other lease contracts represent operating leases where the leased assets are not recognised on the Foundation's balance sheet.

(f) Inventories

Inventories are carried at the lower of their cost and their net realisable value. The cost of inventories is based on the average-weighted cost method and includes costs incurred on their acquisition and costs incurred to bring the inventories to their current location and condition.

The net realisable value is the expected selling price in the ordinary course of business, less any estimated costs for completion and costs to make the sale.

(g) Impairment

(i) Финансови активи

The Foundations reviews the carrying amounts of its financial assets at each balance sheet date in order to assess whether indications for impairment exist. A financial asset is impaired if objective evidence exist that one or more events have had adverse impact on the expected future cash flows from the asset.

Impairment losses on financial assets carried at amortised cost represent the differences between their book values and the present value of the future cash flows, discounted using the original effective interest rate. Impairment losses on available-for-sale financial assets are estimated using the assets' fair values.

Financial assets that are significant individually are tested for impairment Individually. All other financial assets are assessed collectively in groups that have similar credit risk features.

Impairment losses are recognised in the income statement.

Impairment losses are reversed only when the reversal can be objectively associated with an event occurring after the recognition of the impairment loss.

(ii) Non-financial assets

The carrying amounts of non-financial assets held by the Foundation, other than inventories and deferred tax assets, are reviewed at each balance sheet date to assess whether indications that the assets may be impaired. If any such indications exist the asset's recoverable amounts are assessed.

Impairment losses are recognised if the carrying amounts of the assets exceed their recoverable amounts. Impairment losses are taken directly to the income statement.

Notes to the financial statements

3. Significant accounting policies (continued)

(h) Employee benefits

(i) Defined contribution plans

The government of the Republic of Bulgaria is responsible to pay pensions under defined benefit plans. The costs related to the Foundation's obligation to pay contributions to the defined benefit plans are recognised in the income statement as incurred.

(ii) Paid annual leaves

The Foundations recognises as a liability at the undiscounted amount of the estimated paid annual leaves expenses, which are expected to be paid to the employees in exchange for their services during the past reporting period.

(iii) Retirement benefits

The Foundation is obliged to pay retirement benefits to its employees that are retiring in accordance with the provisions of art. 222, § 3 of the Labour Code (LC). At the balance sheet date the management makes an assessment of the estimated potential expenses for all of its employees and if the amount is material to the financial statements as a whole, it accrues them.

(n) Provisions

Provisions are set aside when the Foundation has a legal or constructive obligation as a result of past events and when it is probable that the settlement of the obligation will require an outflow of economic benefits. Provisions are calculated by discounting the expected future cash flows using a pre-tax interest rate that reflects the current market time value of money and the obligation-specific risks.

(ñ) Revenue

Depending on whether the Foundation's objective is to generate profits, revenues are classified as revenues from business activities and from non-profit activities.

(i) Income from grants

Grants represent funds received to the purpose of carrying out activities related to the Foundation's objectives and these are either linked to specific conditions (for example implementation of projects and budgets) (or not).

Conditional grants include grants related to depreciable assets and grants related to current operating activities. Grants related to depreciable assets are recognised as income pro-rata to the depreciation charge of the assets acquired from the grant accrued over the respective period. Grants related to non-depreciable assets are recognised as income in the periods when the expenses related to the fulfilment of the conditions under the grant are incurred.

Conditional grants received, related to the operating activities of the Foundation, are recognised as income in the current period up to the portion utilised, i.e. up to the amount of the expenses incurred on the respective project during the current period.

Conditional grants not utilised as at the year-end are recognised in the balance sheet of the Foundation as a current or non-current liability on non-utilised financing, depending on the expected timing of their utilisation.

Notes to the financial statements

3. Significant accounting policies (continued)

(j) Revenue (continued)

(i) Income from grants (continued)

Unconditional grants received are recognised as an income in full at the time of their receipt.

The Foundation applies internal rules for classification of grants received as conditional or unconditional. In case separate financial statements are submitted to the donor, the Foundation classifies the grant as conditional. As part of long term partnership strategy, fundraising and goodwill, Teach for Bulgaria Foundation creates an individual budget plan by cost to be covered by the respective partner despite such specifics might not be stated in the grant contract.

In case the grant received is not reported in donor's separate financial statements and its utilisation is not committed to any written or oral restrictions by the donator, the Foundation classifies the grant as unconditional.

(ii) Revenue from the sale of goods

Revenue from the sale of goods is recognised at the fair value of the consideration received or receivable, less any goods returned, discounts or rebates extended. Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards related to the ownership rights are transferred to the buyer, receipt of the consideration is probable, the related costs and possible returns of goods can be measured reliably, there is no continuing involvement in the management of the goods and the revenue can be measured reliably.

(i) Revenue from services rendered

Revenue from services rendered is recognised in the profit or loss proportionally to the stage of completion of the transaction as at the reporting date. The stage of completion is determined by reference to the analysis of the work carried out.

(k) Expenses

Expenses are recognised as incurred in compliance with the accruals and matching principles. Initially expenses are accounted for by economic elements and are subsequently taken to business and non-profit activities depending on their functional purpose.

(l) Payments on lease contracts

Payments on operating lease contract are recognised in the income statement on a straight-line basis over the term of the lease contract. External benefits received are recognised in the income statement as integral part of the total lease costs.

Initial direct expenses incurred specifically in relation to the generation of operating lease revenue are recognised in the income statement in the period they were incurred.

Notes to the financial statements

3. Significant accounting policies (continued)

(I) Payments on lease contracts (continued)

The minimum lease payments on financially linked lease contracts are split between finance charges and the reduction of the outstanding liabilities. Finance charges are allocated over the term of the lease contract so as to achieve even periodic interest rate on the residual amount of the liability. Potential lease payments are accounted for based on an assessment of the minimum lease payments over the remaining term of the lease, when an adjustment in the lease has been confirmed.

(m) Finance income and expenses

Finance income include interest income on funds invested and gain on transactions in foreign currencies. Interest income is recognised as accrued under the effective interest rate method.

Finance costs include interest expenses, expenses resulting from the increase in the liability due to the approximation with one period to the date set for the utilisation of provision, and impairment of financial assets. All costs related to interest expense on loans are recognised in the profit or loss using the effective interest rate method.

(n) Income tax

The Foundation calculates income taxes on the financial result from business activities, if such have been carried out during the respective year. Income tax for the year comprise current and deferred taxes. Income taxes are recognised in the income statement with the exception of those related to items recognised directly in the reserves.

Current taxes are the expected taxes payable on the taxable profit for the year, calculated using the tax rates in effect as at the balance sheet dates, including certain adjustments in the taxes due, related to prior years, if any.

Deferred taxes are recognised for assets and liabilities classified as assets and liabilities from the Foundation's business activities. They are determined using the liability method on all temporary differences existing between the carrying amounts of assets and liabilities for financial statement purposes and their tax bases. Deferred taxes are measured based on the expectation that they will be utilised or deducted, using the tax rates that are enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred taxes are written down with an amount equal to those, for which it is no longer probable that future benefits will be available to utilise them against. As at 31 December 2016 and 31 December 2015 the Foundation has not recognised any deferred taxes, as no temporary differences between the carrying amounts and the tax bases of the assets and liabilities from business activities have been identified.

The Foundation has applied the accounting basis set out in Note 2 above in determining the current and deferred taxes.

Notes to the financial statements

4. Fair value measurement

Certain accounting policies and disclosures require measurement of the fair values of financial assets and liabilities. Fair values have been determined for accounting and disclosure purposes based on the following methods. Where applicable, additional information is disclosed in the notes as to the assumptions made in determining the fair values of the specific asset or liability.

Trade and other receivables

The fair values of trade and other receivables are determined as the present value of the future cash flows, discounted using a market interest rate as at the balance sheet date.

5. Financial risk management

The Foundation is exposed to the following risks arising from the use of financial instruments:

- credit risk
- liquidity risk.

This note includes information as to the Foundation's exposure to each of the above risks, the objectives of the Foundation, the policies and processes to assess and manage risk, and the Foundation's capital management. Additional quantitative disclosures are included in the notes to the financial statements.

The management is responsible to identify and manage the risks that the Foundation is facing. This policy sets certain limits with respect to the risks undertaken by type, defines rules to control the risks and the compliance with the limits set. These policies are reviewed periodically in order to reflect the changes in the market environment and the Foundation's operations.

Credit risk

Credit risk is the risk that the Foundation may suffer financial losses if a client or counterparty to a financial instrument fails to discharge in full its contractual obligations. Credit risk arises mainly on receivables from clients and investments in financial instruments.

The Foundation limits the credit risk by concentrating its cash and payment transactions in a first class trade bank with high reputation and stable liquidity, which limits the risk for cash and cash equivalents.

As at 31 December 2016 and 31 December 2015 the Foundation is not exposed to credit risk arising from its trade receivables.

Liquidity risk

Liquidity risk is the risk that the Foundation may fail to settle its liabilities as they fall due. The Foundation's approach is to ensure that liquid resources are made available to cover its liabilities in the ordinary course of business or in an unforeseen situation, without incurring undue losses or suffering damages on its reputation.

The financial planning process of the Foundation is aimed at covering its expenses and current liabilities over a period of 60 days, including settlement of its financial liabilities. Such planning excludes the potential effect of extraordinary circumstances that cannot be foreseen in a normal situation.

Notes to the financial statements

6. Expenses for regulated activity, including:

6.1. Expenses on grants

In thousands of Bulgarian leva

	2016	2015
	1,356	191
	<u>1,356</u>	<u>191</u>

6.2. Other expenses

In thousands of Bulgarian leva

	2016	2015
Expenses on business trips	340	143
Taxes and fees	-	1
Other	36	73
	<u>376</u>	<u>216</u>

7. Administrative expenses, including:

7.1. Expenses on materials

In thousands of Bulgarian leva

	2016	2015
Stationery and office consumables	28	16
Expenses on training and project activities	23	22
Expenses on fuel	8	10
Expenses on spare parts for cars	5	6
	<u>64</u>	<u>54</u>

7.2. Expenses on hired services

In thousand sof Bulgarian leva

	2016	2015
Expenses on remuneration of teachers	725	586
Expenses related to project activities	656	450
Social security contributions for teachers	14	49
Office and communication expenses	104	84
	<u>1,499</u>	<u>1,169</u>

7.3. Personnel costs

In thousands of Bulgarian leva

	2016	2015
Salaries and remunerations	965	802
Social security contributions and additional payments	140	115
	<u>1,105</u>	<u>917</u>

The average number of the Foundation's personnel as at 31 December 2016 is 35 employees (31.12.2015: 28 employees).

Notes to the financial statements

7.4. Depreciation

In thousands of Bulgarian leva

	2016	2015
Depreciation	23	19
	<u>23</u>	<u>19</u>

8. Other finance costs for financial transactions

In thousands of Bulgarian leva

	2016	2015
Bank charges	6	3
Foreign currency exchange costs	1	-
	<u>7</u>	<u>3</u>

9. Revenues from regulated activity, including:

9.1. Revenues from conditional grants

In 2016 the Foundation recognises revenues from conditional grants at the amount of 4,364 thousands of Bulgarian leva. In 2015 the revenues from grants are 2,556 thousands of Bulgarian leva.

9.2. Revenues from unconditional grants

The received unconditional grants in 2016 are at the amount of 278 thousands of Bulgarian leva. In 2015 - 178 thousand of Bulgarian leva.

9.3. Other revenues

The other revenues of the Foundation in 2016 are under 1 thousand of Bulgarian leva. In 2015 - 2 thousand of Bulgarian leva.

10. Foreign currency exchange gains

Foreign currency exchange gains are in result of transactions in foreign currency. In 2016 r. they are at the amount of 1 thousand of Bulgarian leva (2015: none).

Notes to the financial statements

11. Equipment and other

In thousands of Bulgarian leva

	Transport vehicles	Fixtures and fittings	Total
Book value			
Balance at 1 January 2015	35	40	75
Additions	-	14	14
Disposals	-	-	-
Balance at 31 December 2015	35	54	89
Balance at 1 January 2016	35	54	89
Additions	-	31	31
Disposals	-	-	-
Balance at 31 December 2016	35	85	120
Depreciation			
Balance at 1 January 2015	15	31	46
Depreciation charge for the year	9	10	19
Depreciation of assets disposed	-	-	-
Balance at 31 December 2015	24	41	65
Balance at 1 January 2016	24	41	65
Depreciation charge for the year	6	17	23
Depreciation of assets disposed	-	-	-
Balance at 31 December 2016	30	58	88
Carrying amounts			
At 1 January 2015	20	9	29
At 31 December 2015	11	13	24
At 31 December 2016	5	27	32

12. Debtors

The receivables of the Foundation as at 31 December 2016 amount to 2 thousands in Bulgarian leva and are prepayments to suppliers. As at 31 December 2015 they amount to 5 thousands in Bulgarian leva..

13. Cash and cash equivalents

In thousands of Bulgarian leva

	31 December 2016	31 December 2015
Cash at current bank accounts (deposits)	1,496	2,212
	1,496	2,212

Notes to the financial statements

14. Deferred expenses

As at 31 December 2016 deferred expenses amounting to 3 thousands in Bulgarian levs. Deferred expenses as at 31 December 2015 deferred expenses include medical insurance of the personnel amounting to 11 thousands in Bulgarian levs and expenses on additional insurances and subscriptions amounting to 2 thousands in Bulgarian levs.

15. Reserves

Reserve as per incorporation document

In accordance with the Incorporation document of the Foundation reserve amounting to 1 thousand in Bulgarian levs was set aside upon its establishment.

Other reserves

Other reserves include the Foundation's results from business and non-profit activities. As at 31 December 2016 reserves comprise non-profit activities result amounting to 680 thousands of Bulgarian levs and business activities result amounting to 10 thousands Bulgarian levs. As at 31 December 2015 reserves comprise non-profit activities result amounting to 467 thousands Bulgarian levs and business activities result amounting to 10 thousands of Bulgarian levs.

16. Trade creditors

In thousands of Bulgarian levs

	31 December 2016	31 December 2015
Payables to suppliers	34	33
	<u>34</u>	<u>33</u>

17. Other liabilities

In thousands of Bulgarian levs

	31 December 2016	31 December 2015
Payables to personnel and social security payables	45	55
Advances received	3	-
Liabile persons	2	7
	<u>50</u>	<u>62</u>

18. Payables on unutilised financing

In thousands of Bulgarian levs

	31 December 2016	31 December 2015
<i>Non-current portion</i>		
Financing for acquisition of property, plant and equipment	8	10
	<u>8</u>	<u>10</u>
<i>Current portion</i>		
Financing for acquisition of property, plant and equipment	24	14
Financing for operating activities	729	1,660
	<u>753</u>	<u>1,674</u>

Notes to the financial statements

18. Payables on unutilised financing (continued)

Financing for operating activities

In thousands of Bulgarian levs

Nature of the financing contract	Deferred income as at 01.01.2016	Financing received in 2016	Income from financing recognised in 2016	Reclassification to unconditional grants	Fixed assets acquisition	Funds repaid in 2016	Deferred income as at 31.12.2016
Financing from America for Bulgaria Foundation	(167)	2,806	1,990	-	31	-	618
Financing from European commission	1,463	-	1,428	-	-	-	35
Financing from other donors	364	635	923	-	-	-	76
Total	1,660	3,441	4,341	-	31	-	729

In thousands of Bulgarian levs

Nature of the financing contract	Deferred income as at 01.01.2015	Financing received in 2015	Income from financing recognised in 2015	Reclassification to unconditional grants	Fixed assets acquisition	Funds repaid in 2015	Deferred income as at 31.12.2015
Financing from America for Bulgaria Foundation	1,405	400	1,958	-	14	-	(167)
Financing from European commission	-	1,463	-	-	-	-	1,463
Financing from other donors	247	735	579	39	-	-	364
Total	1,652	2,598	2,537	39	14	-	1,660

Notes to the financial statements

18. Payables on unutilised financing (continued)

Financing for fixed assets

In thousands of Bulgarian leva

Nature of the financing contract	Deferred income as at 01.01.2016 г.	Income from financing recognised in 2016 up to the amount of depreciation and amortization expense	Fixed assets acquisition	Deferred income as at 31.12.2016
Financing from America for Bulgaria Foundation	24	23	31	32
Total	24	23	31	32

In thousands of Bulgarian leva

Nature of the financing contract	Deferred income as at 01.01.2015	Income from financing recognised in 2015 up to the amount of depreciation and amortization expense	Fixed assets acquisition	Deferred income as at 31.12.2015
Financing from America for Bulgaria Foundation	29	19	14	24
Общо	29	19	14	24

19. Financial instruments

Credit risk

The book value of financial assets represents the maximum credit exposure. The maximum credit exposure as at the balance sheet date is as follows:

In thousands of Bulgarian levs

	31 December 2016	31 December 2015
Cash and cash equivalents, cash in hand excluded	1,496	2,212
	<u>1,496</u>	<u>2,212</u>

Impairment losses

As at 31 December 2016 and 31 December 2015 the Foundation has no overdue receivables that require the recognition of impairment losses.

Liquidity risk

The contractual maturities of financial liabilities presented below, including the expected interest payments, excluding the effect of any netting arrangements are presented below:

31 December 2016

*In thousands of
Bulgarian levs*

	Carrying amount	Contractual cash flows	Up to 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Payables to suppliers	34	(34)	(34)	-	-	-	-
	<u>34</u>	<u>(34)</u>	<u>(34)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

31 December 2015

*In thousands of
Bulgarian levs*

	Carrying amount	Contractual cash flows	Up to 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Payables to suppliers	33	(33)	(33)	-	-	-	-
	<u>33</u>	<u>(33)</u>	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

20. Investments in affiliated undertakings

The Foundation reports investments in subsidiaries by acquisition cost. In 2015 the capital of the subsidiary „Zaedno 2011” EOOD was increased by 2 thousands in Bulgarian levs.

	31 December 2016		31 December 2015	
	Shares	Amount	Shares	Amount
“Zaedno 2011” EOOD	100%	3	100%	3

21. Related parties

Related party disclosures

As at 31 December 2016 and 31 December 2015 the related parties of the Foundation are as follows:

- „Zaedno 2011” EOOD – a subsidiary 100% owned by the Foundation
- “NIKE Academy” EOOD – 10% owned by the Foundation
- „Danube Capital Advisers“ EOOD – a Foundation under the control of one of the members of the Management Board of the Foundation
- “Danube Capital Management Bulgaria” EAD – a Foundation under the control of one of the members of the Management Board of the Foundation
- LPM EOOD – a Foundation under the control of one of the members of the Management Board of the Foundation.

Remuneration of the key management personnel

The remuneration of the key management personnel in 2016 amounts to 387 thousands in Bulgarian levs. In 2015 it amounted to 245 thousands in Bulgarian levs.

Related party transactions

In 2016 no transactions have been performed with „Zaedno 2011” EOOD.

In 2015 the capital of the subsidiary „Zaedno 2011” EOOD has been increased by 2 thousand in Bulgarian levs.

22. Contingent liabilities

Lawsuits

No lawsuits have been filed against the Foundation and the Foundation is not party to any legal dispute.

23. Events after the date of the financial statements

No events have occurred after the date of the financial statements that require additional adjustments and / or disclosures in the Foundation's financial statements for the year ended 31 December 2016.

INDEPENDENT AUDITORS' REPORT

To the Founder of

"Teach for Bulgaria" Foundation

Opinion

We have audited the separate financial statements on page 2 to 25 of "Teach for Bulgaria" Foundation (the Foundation), which comprise the Separate balance sheet as of 31 December 2016, Separate income statement, Separate statement of changes in reserves and Separate statement of cash flows for the year then ended, and notes to the Separate financial statements, containing a summary of significant accounting policies and other explanatory notes.

In our opinion, the attached Separate financial statements give a true and fair view of the unconsolidated financial position of the Foundation as at 31 December 2016 and of the unconsolidated financial performance and unconsolidated cash flow for the year then ended in accordance with the NAS 9 - Presentation of Financial Statements of Non-profit Entities and the applicable National Accounting Standards.

Basis of 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 Separate Financial Statements" section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Separate Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Separate management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the Separate financial statements and our auditor's report thereon.

Our opinion on the Separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the Separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the separate management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA), issued on 29 November 2016 / approved by its Management Board on 29 November 2016. These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

This is a translation from Bulgarian of the financial statements of Teach for Bulgaria Foundation for the period ended 31 December 2016.

Opinion in connection with Article 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the separate management report referring to the financial year for which the financial statements have been prepared is consistent with those Separate financial statements.
- b) The Separate management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the Separate financial statements in accordance with National Accounting standards (NAS) applicable in Bulgaria and for such internal control as management determines is necessary to enable the preparation of Separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Separate financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the Separate 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 Separate 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 Separate 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 Foundation'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 Foundation'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 Separate 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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of Separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, 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.

KPMG Bulgaria OOD

sign. ill.

Maria Peneva,

General Manager

KPMG Bulgaria OOD

Sofia, 23 June 2017

sign. ill.

Dobrina Kaloyanova

Registered Auditor

sealed by KPMG Bulgaria OOD, Specialised Audit Firm, Reg. No 045, Sofia