2017 Annual Financial Statements

of

TEACH FOR BULGARIA FOUNDATION

"Teach for Bulgaria" Foundation

Separate financial statements

for the year ended 31 December 2017

With Independent Auditors' Report thereon

Unofficial translation from original separate financial statements in Bulgarian

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Teach For Bulgaria Foundation Activity Report for 2017

INTRODUCTION

Teach For Bulgaria Foundation was initiated in July of 2010 with the generous financial support of the America for Bulgaria Foundation. The mission of the organization is to provide equal access to high-quality education to every child in Bulgaria, regardless of where they live, which school they go to, their ethnic background, and the socioeconomic status of their family.
Teach For Bulgaria recruits and rigorously selects motivated, high-achieving professionals who come from different backgrounds. Within the two-year professional development and leadership program all participants go through intensive training and are directly supported in the classroom and in all aspects of their work with students from vulnerable communities in different regions of Bulgaria. The organization has built a strong community of current teachers and alumni, as well as key partners from all sectors in order to ensure long-term, sustainable access to high-quality education to every child in Bulgaria. Teach For Bulgaria is part of the international network Teach For All whose approach is successfully adopted in over 40 countries on six continents.

KEY ACTIVITIES AND RESULTS FOR 2017

1. A recruitment campaign for the new class of Teach For Bulgaria participants

In 2017 Teach For Bulgaria completed its seventh recruitment campaign for new participants in the two-year leadership and professional development program. The recruitment of new applicants and rigorous selection of future participants took nearly nine months and as a result 59 teachers started the school year in September of 2017 as part of Teach For Bulgaria's seventh class of program participants.

For the second year in a row Teach For Bulgaria received over 2200 applications. After an exceptionally rigorous selection process 119 people received offers to participate in the program. These impressive numbers indicate people's unwavering interest in Teach For Bulgaria's program over the past few years. Sixty-six of the successful candidates accepted their offers and 59 of them successfully completed the preliminary intensive training during the Summer Institute and started teaching in September of 2017.

Some of the participants who needed teaching certification were enrolled in a two-year innovative master's program for teacher training at Plovdiv University "Paisii Hilendarski" as part of the international Erasmus+ project "A New Way for New Talents in Teaching" co-funded by the European Commission and by the America for Bulgaria Foundation.

KEY ACTIVITIES AND RESULTS FOR 2017 (CONTINUED)

1. A recruitment campaign for the new class of Teach For Bulgaria participants (Continued)

The rest of the participants who did not have teaching certification prior to joining the program were enrolled in a two-semester teacher qualification program either at Plovdiv University, or at Veliko Tarnovo University.

2. Maintaining and growing the network of partner schools

Alongside the 2017 recruitment campaign, Teach For Bulgaria launched an information campaign targeting potential partner schools where the new teachers could start working. Our partner schools serve disadvantaged students who come from families with low socioeconomic status and often underperform at school. Teach For Bulgaria strives to select teaching positions which would enable the participants in the program to have a bigger impact on their students' results. School placement takes place after detailed interviews with every participant and principal of a partner school.

In 2017 Teach For Bulgaria managed to establish partnerships with 80 schools in 12 regions of Bulgaria. Ten of these schools are new partners of the organization. In 2017/2018 school year Teach For Bulgaria operated in Veliko Tarnovo, Vratsa, Lovech, Montana, Pazardzhik, Pernik, Pleven, Plovdiv, Razgrad, Sofia City, Sofia Province, and Stara Zagora.

Veliko Tarnovo and Pleven were the two brand new regions where Teach For Bulgaria started working in 2017. So far, there are three partner schools in three different towns or villages in Veliko Tarnovo and Pleven where a total of four Teach For Bulgaria participants started teaching in 2017.

3. Summer Institute 2017

The seventh Summer Institute took place from July 4 to August 25, 2017. The new class of participants went through an intensive training to master key pedagogical competencies, effective teaching practices, and methods. The institute was split in two parts - an intensive theoretical training during the first three weeks and a Summer Academy with students which was the practical part of the training in the following three weeks.

The participants who needed teaching certification had already started their teacher qualification programs at Plovdiv University or Veliko Tarnovo University before the beginning of the Summer Institute. The qualification programs comply to all state and university requirements regarding curricula, total number of classes, practice, and assessment.

KEY ACTIVITIES AND RESULTS FOR 2017 (CONTINUED)

3. Summer Institute 2017 (Continued)

Teacher qualification happened alongside the ongoing training provided by Teach For Bulgaria which allowed all participants to master the basic skills and knowledge for effective teaching before the start of the school year in September of 2017.

The activities in the Summer Institute were aligned with the internationally recognized model Teaching as Leadership, the core of Teach For Bulgaria teacher training, which was developed to ensure the success of every student. The new participants had the opportunity to apply what they had learned during the seventh "Summer Academy where children have fun and learn how to be successful" which took place in two schools in Sofia - 90 Secondary School "General José de San Martín" in Liulin neighborhood and 144 Secondary School "Narodni Buditeli" in Mladost neighborhood. The record number of over 1300 students from first through twelfth grade signed up for the academy.

The Summer Academy got extensive media coverage and besides being a great practice opportunity for the teachers, it also helped many students catch up with school work and develop important skills.

4. Teach For Bulgaria class of 2015-2017 joined the alumni community

Teach For Bulgaria's fifth class of participants formally completed the professional development and leadership program. Forty-four participants successfully completed two challenging years as teachers in 8 regions of Bulgaria where they worked towards strengthening their students' motivation, improving their results, and providing them with more development opportunities. Thus, the program's alumni community grew to 163 people. The class of 2015-2017 had the opportunity to share all lessons learned, to congratulate each other on their accomplishments, and to map out future plans in the education sector at a special event on July 1, 2017.
84% of Teach For Bulgaria class of 2015-2017 continue being directly involved in education.

5. The EU project "A New Way for New Talents in Teaching" (NEWTT)

Teach For Bulgaria continued working on NEWTT - "A New Way for New Talents in Teaching" as the lead partner delegated by the Ministry of Education and Science and as a project coordinator for the Bulgarian consortium.

NEWTT's goal is to test innovative policies in the recruitment, training, and retention of new teachers in the profession. The objective for Bulgaria is to train 140 participants in two years.

KEY ACTIVITIES AND RESULTS FOR 2017 (CONTINUED)

5. The EU project "A New Way for New Talents in Teaching" (NEWTT) (Continued)

NEWTT trainees are part of a large-scale study conducted by the University of Duisburg-Essen (Germany) which aims at testing successful approaches and good practices in the recruitment, motivation, training, and support of beginner teachers. The initial results of the study, which will be completed in the fall of 2018, indicate that NEWTT trainees perform well even during the initial months of their work at school.

NEWTT is an Erasmus+ project (Key Action 3, Contract Number 2015-3741/001-001) funded by the European Commission, launched in 2016 in Bulgaria, Latvia, Austria, Romania, and Spain, and planned to finish in 2019. The third Bulgarian partner in the consortium is Plovdiv University "Paisii Hilendarski".

TEACH FOR BULGARIA'S IMPACT FOR 2017

Number of received applications for Teach For Bulgaria's program and accepted candidates over the years:

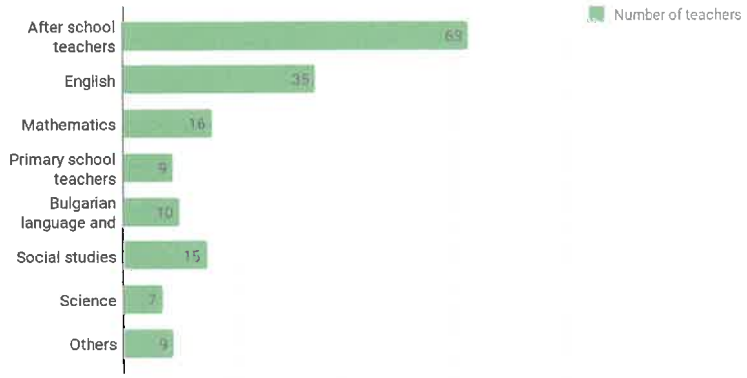
Year	Applications	Accepted candidates	Participants who start the school year*	Selection rate
2011	375	34	21	9%
2012	729	62	34	9%
2013	995	72	47	7%
2014	1211	90	53	7%
2015	1056	112	55	11%
2016	2465	212	121	9%
2017	2250	119	57	5%

*This is the number of participants who start the school year on September 15 of each year. The "Accepted candidates" are all candidates who have received offers to participate in the program by the end of each recruitment campaign (the end of May). Some of the accepted candidates reject their offers shortly after receiving them. Some of them drop out either before, or during the intensive seven-week summer training (Summer Institute). This is a natural extension of the selection process as the participants are getting ready to face the real challenges, responsibilities, and conflict situations at school, as well as the requirements of the program.

TEACH FOR BULGARIA'S IMPACT FOR 2017(CONTINUED)

Number of Teach For Bulgaria participants by regions for 2017

Number of Teach For Bulgaria participants by the subjects they teach as of September 15, 2017



TEACH FOR BULGARIA'S IMPACT FOR 2017

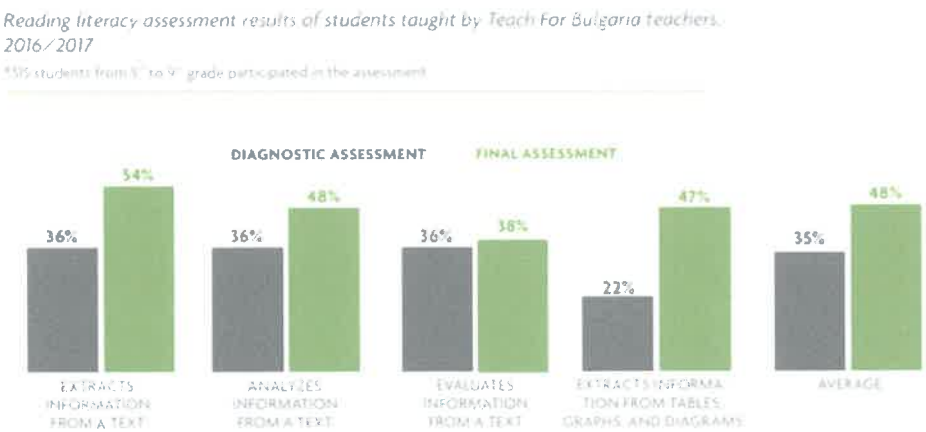
1. Student results

In order to track the progress of students who are taught by Teach For Bulgaria participants, the organisation uses different sources, data, and information. The teachers who teach 4th, 7th, and 12th grade are responsible for their students' performance at the national external assessments and maturity exams. These evaluations, however, do not measure well enough key skills like functional literacy for example. That is why Teach For Bulgaria applies new instruments to evaluate reading and numerical literacy, the level of student engagement, and students' skills to set personal development goals.

We collect information from the teachers about student results, extracurricular activities, and the way students transition into the next stage of their education.

Teach For Bulgaria conducts an internal reading literacy assessment of students from 5th to 9th grade with the help of a test developed in collaboration with the Center for Control and Assessment of the Quality in Education and in compliance with the PISA format. During the 2016/2017 school year the students taught by Teach For Bulgaria teachers achieved a 13% progress compared to their diagnostic assessment in the beginning of the year.

Reading literacy assessment results of students taught by Teach For Bulgaria teachers, 2016/2017
(515 students from 5th to 9th grade participated in the assessment)

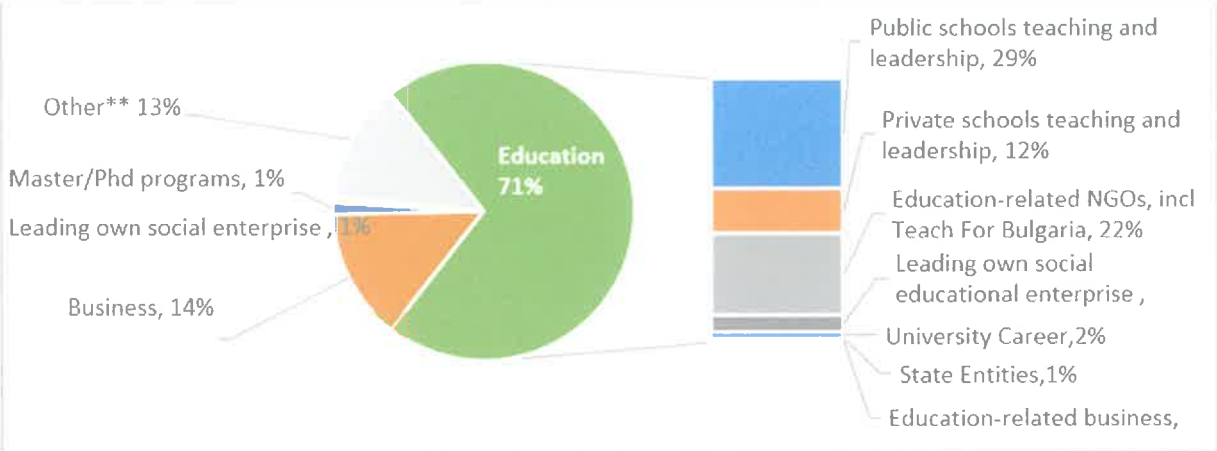


TEACH FOR BULGARIA'S IMPACT FOR 2017 (CONTINUED)

2. Teach For Bulgaria alumni career paths

As of November of 2017 the number of Teach For Bulgaria alumni is 163. They are strongly committed to continue their work in education in their future career pursuits.

Alumni career paths:



3. Sharing best practices

3.1 *A round table organized by Teach For Bulgaria and the Bulgarian Union of Teachers dedicated to the recruitment, training, and retention of motivated teachers*

The round table organized by Teach For Bulgaria and the Bulgarian Union of Teachers dedicated to the recruitment, training, and retention of motivated teachers took place on September 14, 2017. The goal was to share best practices in the recruitment and selection of motivated professionals and incentives which would retain beginner teachers in the education system. The Minister of Education and Science, Krasimir Valchev, also participated in the round table.

The White Paper entitled "How to Find, Train, and Retain Successful Teachers" was officially presented for the first time at the round table. It contains best practices for the recruitment, selection, training, and support of motivated teachers and is based on the organisational experience of Teach For Bulgaria and the participants in the program.

3.2 The Education Development Strategy of Plovdiv Municipality

In 2017 the City Council of Plovdiv adopted the 2017-2022 Education Development Strategy of the municipality. The document was drafted in collaboration with Teach For Bulgaria with the purpose to create a contemporary vision for education in Plovdiv.

TEACH FOR BULGARIA'S IMPACT FOR 2017(CONTINUED)

3. Sharing best practices (Continued)

3.2 The Education Development Strategy of Plovdiv Municipality (Continued)

The strategy has specific objectives, areas of influence, actions of priority, and KPIs which meet the needs and capability of local authorities, population, and business.
The ultimate goal of the strategy is for every young citizen of Plovdiv to have attained a basic level of competence of key 21st century skills.

The CEO of Teach For Bulgaria, Evgenia Peeva-Kirova, and Teach For Bulgaria alumni Georgi Dyankov and Kristina Rangelova participated in the working group for the strategy. Program Director, Trayan Trayanov, and Chief Officer of Public Partnerships, Neli Koleva, participated as consultants.

3.3 The international conference "Innovative Partnerships for Educational Leadership"

The Deputy Minister of Education and Science, Tanya Mihaylova, the CEO of Teach For Bulgaria, Evgenia Peeva-Kirova, and the Chief Officer of Public Partnerships, Neli Koleva, took part in the international conference "Innovative Partnerships for Educational Leadership". The conference took place on June 4-6, 2017, in Jerusalem. It was organized by the Israeli Ministry of Education, the non-governmental organization Teach First Israel, and the global network that Teach For Bulgaria is part of - Teach For All (TFA). The conference was an opportunity for the representatives of the executive power, who are responsible for education policy in countries where Teach For All's approach is applied, to share best practices. The conference focused on how to build innovative partnerships which lead to educational leadership.

3.4 A national meeting dedicated to dropout prevention measures

The CEO of Teach For Bulgaria, Evgenia Peeva-Kirova, and the Chief Officer of Public Partnerships, Neli Koleva, took part in a national meeting dedicated to dropout prevention measures which was organized by the Ministry of Education and Science. The meeting was organized as a discussion with the title "Guidelines on Inclusion in Education and Dropout Prevention Measures in Kindergartens and Schools. Effective Institutional Collaboration." The forum took place on June 15, 2017, at Park Hotel Moskva in Sofia. Some of the issues discussed at the meeting were the effective inclusion of all students in the system of education, the necessary dropout prevention measures, and the role of the effective collaboration between all institutions involved in this process.

TEACH FOR BULGARIA'S IMPACT FOR 2017(CONTINUED)

3. Sharing best practices (Continued)

3.5 Best practices in tutoring and mentoring of beginner teachers

Five schools in Sofia shared best practices from their experience in developing school policy for the professional support and mentorship of beginner teachers. This happened at a national conference on June 10, 2017, in Sofia. The conference was organized as part of the Trainee to Trained Teacher (T2TT) project on "Tutoring and Mentoring New Teachers". Teach For Bulgaria is the project coordinator for Bulgaria in this international project funded by Erasmus+, KA2 – Cooperation for innovation and the exchange of good practices. The main goal is to identify strategies, tools, and resources necessary for the development of training packages which would make the transition from a beginner teacher to an expert teacher easier.

3.6 Education Conference 2017

Education Conference is one of the largest forums for education policies and best practices in education both from Bulgaria and internationally. Education Conference 2017 took place on November 10 and was organized by Education Bulgaria 2030 and Teach For Bulgaria with the support of the European Commission, the America for Bulgaria Foundation, and Forbes. It gathered representatives of government and local institutions, civic organizations, representatives from the business sector, teachers, principals, Bulgarian and international education experts in pursuit of the right path towards equal access to high-quality education to every child. The Minister of Education and Science, Krasimir Valchev, also participated in the forum.

3.7 Innovation Days

In order to support communication and collaboration between participants from different classes of the program, Teach For Bulgaria organized Innovations Days in the beginning of 2017. Their main goal was to encourage the sharing of best practices, new approaches, and creative solutions both within the community and by borrowing from inspiring practices outside of it. Some of the guest speakers in 2017 were the principal of Bialik Rogozin School in Tel Aviv, Ellie Nehama, Katilyan Kostadinov, principal of Secondary School "Tsanko Tserkovski" in the village of Nikola Kozlevo in Shumen, and Malina Edreva, chairperson of the Culture and Education Committee at Sofia Municipal Council.

Alumni and Teach For Bulgaria participants had the chance to share their ideas about education and social projects, as well as effective good practices tested in their classrooms to help their colleagues.

KEY EVENTS OF 2017

Date/Period	Event
February 2017	Teach For Bulgaria alumni from the first class of participants (2011-2013) - Emiliyan Kadiyski and Stanimira Hristova were included in Darik Radio's 40 Under 40 list for 2017. 40 Under 40 celebrates Bulgarians under 40 years of age who strive to change the status quo - creative innovators, entrepreneurs, and brave visionaries. Emiliyan Kadiyski was one of the social entrepreneurs who were included in Forbes "30 Under 30" list for Europe for 2017.
May 24, 2017	Three Teach For Bulgaria participants who teach in Northwestern Bulgaria, Kristina Todorova, Nevyana Teodosieva, and Yanko Morunov, received formal recognition for their work on the Day of Bulgarian Education, Culture and the Slavonic Alphabet - May 24.
June 10, 2017	The Big Adventure *It's Up to Me* - a student conference which gathered over 200 children from different schools across Bulgaria
July 1, 2017	Teach For Bulgaria class of 2015-2017 completed the program
July 10, 2017	The start of the intensive Summer Institute for Teach For Bulgaria class of 2017-2019 which took place in Lukovit
July 21, 2017	Vice-President of the European Commission and European Commissioner of Jobs, Growth, Investment and Competitiveness, Jyrki Katainen, participated in a discussion in Sofia with representatives of the association Education Bulgaria 2030. Teach For Bulgaria is a member of Education Bulgaria 2030.
July 31, 2017	The start of the seventh Summer Academy where children have fun and learn how to be successful organized by Teach For Bulgaria
September 14, 2017	A round table organized by Teach For Bulgaria and the Bulgarian Union of Teachers dedicated to the recruitment, training, and retention of motivated teachers
September 15, 2017	Teach For Bulgaria started working in two new regions - Veliko Tarnovo and Pleven.
September 15, 2017	Teach For Bulgaria class of 2017-2019 started their first year as teachers.
September 20, 2017	The start of the recruitment campaign for Teach For Bulgaria class of 2018-2020
October 24, 2017	Teach For Bulgaria received an entrepreneurship award by GEM Bulgaria in the NGO Initiative category. The organization was recognized for its impact on the entrepreneurial ecosystem in Bulgaria.
October 24-26, 2017	Teach For Bulgaria was selected to present an innovation at the Teach For All Global Conference which took place in Bogota, Colombia. Over 400 people from 40 partner organizations, part of the Teach For All global network, participated in the conference. The forum gathered key partners of the organizations as well.
November 8, 2017	Four initiatives by Teach For Bulgaria alumni and the innovative master's program developed by Plovdiv University in partnership with Teach For Bulgaria and the Ministry of Education and Science as part of the international Erasmus+ project "A New Way for New Talents in Teaching" were awarded by Innovators in Education. The 2017 Innovators in Education initiative was organized by ERP Academy.
November 10, 2017	Education Conference 2017
November 23, 2017	Inspirational Leaders Charity Auction 2017

PLANS FOR FUTURE GROWTH

The organizational focus of Teach For Bulgaria for the next few years is in the following areas:
1. We keep growing and recruiting new people to join us in our cause of quality education for every child.
2. We increase our impact in regions and at schools where we are most needed to help them bring about qualitative change and improvement for their students.
3. We work with Teach For Bulgaria alumni in order to support them in their next steps - the implementation of workable solutions to overcome the unequal access to quality education.
4. Our partnerships get more effective over time; we share the same long-term vision, values, focus, and sense of urgency in our work to overcome the challenges in education in Bulgaria with our partners and supporters.
5. We deepen our understanding and improve our methods for the training, induction, and professional development of new teachers in the education system, along with their ability to teach key 21st-century skills, so that their students could be successful.
6. We share our experience with the new organizations which join the global network of Teach For All and facilitate the exchange of best practices in Bulgaria and internationally.

FINANCIAL INFORMATION

1. Fundraising

Inspirational Leaders Charity Auction 2017

For the sixth year in a row representatives from the business sector and Bulgarian public figures were united by the mission to provide equal access to high-quality education to every child at the Inspirational Leaders Charity Auction on Nov 23, 2017, at the Hilton Hotel. The charity auction is an annual event co-organized by Teach For Bulgaria and the Bulgarian Business Leaders Forum. Sixteen famous public figures and representatives of 40 companies from different sectors participated in the auction in 2017 and fundraised over 200 000 BGN for the training and professional development and support of Teach For Bulgaria teachers.

A network of supporters and ambassadors among the Bulgarian diaspora around the world

In 2017 Teach For Bulgaria managed to develop the network of supporters, partners, and ambassadors among the Bulgarian diaspora mainly in Europe and USA. This stronger network helped Teach For Bulgaria raise significantly more individual donations - 27% of all donations for 2017 were made by individual donors.

2. Financial indicators

In the past year the Foundation recognized revenue from conditional grants amounting to 4,289 thousand BGN (in 2016: 4,364 thousand BGN). The unconditional grants received by the Foundation in 2017 amount to 428 thousand BGN (in 2016: 278 thousand BGN). The result (profit) from non-profit activity in 2017 amounts to 419 thousand BGN (in 2016: 213 thousand BGN).

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

There are no significant events which require corrections or additional disclosures in the financial statements of the Foundation occurring after the balance sheet date.

BRANCHES

The Foundation has no branches.

RESEARCH AND DEVELOPMENT

The Foundation is not active in research and development.

FINANCIAL RISKS

Information about the financial risks is included in the financial statements in note 22 (Financial instruments).

MANAGEMENT RESPONSIBILITY

According to Bulgarian legislation, the Management should prepare financial statements for every fiscal year which present a true and fair view of the state of the Foundation at the end of the year, its financial performance and cash flows. The financial statements are to be prepared in accordance with the National Accounting Standards applicable in Bulgaria.

The Management confirms that it has consistently applied adequate accounting policies to prepare the annual financial statements as of December 31, 2017, and it has made reasonable and cautious assessments, assumptions, and estimates.

The Management also confirms that it has abided by the accounting standards in force and the financial statements have been prepared according to the going-concern principle.

The Management is responsible for the proper keeping of accounting records, appropriate asset management, and taking the necessary measures to prevent or detect potential abuse and other irregularities.

The Management confirms that in preparing the financial statements it has provided a true and fair presentation of the development and results of the Foundation's activities over the past period, as well as its financial state and major risks it may be facing.

The Management has approved the issuing of the impact report and financial statements for 2017.

Evgenia Peeva-Kirova
Executive Director
Date: 29.03.2018

"СЪЗДАНО В ЧАС"
Teach For Bulgaria

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INDEPENDENT AUDITORS' REPORT

To the Founder of
Teach for Bulgaria Foundation

Opinion

We have audited the separate financial statements of Teach for Bulgaria (the Foundation) as set out on pages 1 to 22, which comprise the separate balance sheet as at 31 December 2017, and the separate income statement for non-profit activities, separate income statement for business activities, separate statement of changes in reserves and separate cash flows statement for the year then ended, and notes to the separate financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Foundation as at 31 December 2017, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with Accounting Standard (AS) 9 - Presentation of Financial Statements of Non-Profit Entities and the applicable National Accounting Standards (NAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 'Auditors' 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 separate 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Separate Financial Statements and Auditors' 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 auditors' 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 New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). 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.

Opinion in connection with Art. 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 for the financial year for which the separate 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 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.

Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' 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 the separate financial statements, including the disclosures, and whether the separate

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 Audit OOD

Maria Peneva
Authorised representative

Dobrina Kaloyanova
Registered auditor, responsible for the audit

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

14 June 2018

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

Separate income statement for non-profit activities
for the year ended 31 December 2017

In thousands of BGN

Expenses	Note	2017	2016
I. Expenses for the activity			
A. Expenses for regulated activity			
1. Expenses on grants	6.1	1,426	1,356
2. Other expenses	6.2	224	376
Total A:		**1,650**	**1,732**
B. Administrative expenses	7	**2,636**	**2,691**
Total I:		**4,286**	**4,423**
II. Finance costs			
3. Other finance costs for financial transactions	8	13	7
Total II:		**13**	**7**
III. Total expenses		**4,299**	**4,430**
IV. Profit from non-profit activities		**419**	**213**
V. Result from business activities – profit or loss		**2**	**-**
VI. Total result from profit and non-profit activities - profit		**421**	**213**

Revenues	Note	2017	2016
I. Revenue from the activity			
A. Revenue from regulated activity			
1. Revenue from conditional grants	9.1	4,289	4,364
2. Revenue from unconditional grants	9.2	428	278
Total I:		**4,717**	**4,642**
II. Finance income			
4. Foreign currency exchange gains	10	1	1
Total II:		**1**	**1**
III. Total revenue		**4,718**	**4,643**
IV. Loss from non-profit activities		-	-
V. Result from business activities – profit or loss		-	-
VI. Total result from profit and non-profit activities - loss		-	-

The Separate income statement should be read together with the notes to the financial statements on page 8 to page 22, 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 29.03.2018.

Evgenia Peeva-Kirova
Executive Director

"Заедно в час" Teach For Bulgaria

AFA Consultants OOD
Valia Iordanova, *General Manager*
Preparer

ACCOUNTING • FINANCE • TAX • AFA CONSULTANTS OOD - SOFIA

In accordance with an Independent Auditors' Report:
KPMG Audit OOD

Maria Peneva
Authorised representative

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ БДИТ ООД

Dobrina Kaloyanova
Registered Auditor, responsible for the audit

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

Separate income statement for business activities for the year ended 31 December 2017

In thousands of BGN

Expenses	Note	2017	2016
A. Operating expenses			
1. Materials and service expenses incl.:		**26**	**-**
a) service expenses	11	26	-
Total operating expenses		**26**	**-**
Total expenses		**26**	
2. Accounting profit (total revenues – total expenses)		**2**	**-**
3. Tax (expense)/benefit on profit		-	-
4. Net profit for the year (2 - 3)		**2**	**-**
Total (Total expenses + 3 +4)		**28**	**-**

Revenues	Note	2017	2016
B. Revenue			
1. Net revenue, incl.:		**28**	**-**
a) services	12	28	
Total income from operating activity		**28**	**-**
Total income		**28**	
2. Accounting loss (total revenues – total expenses)		**-**	**-**
3. Net loss for the year (2 + line 3 from Section A)		**-**	**-**
Total (Total revenues +3)		**28**	**-**

The Separate income statement should be read together with the notes to the financial statements on page 8 to page 22, 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 29.03.2018.

Evgenia Peeva-Kirova
Executive Director

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Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

Separate balance sheet
As at 31 December 2017

In thousands of BGN	Note	31.12.2017	31.12.2016
Assets			
A. Non–current (long-term) assets			
I. Intangible assets			
1. Advances granted and intangible assets in progress	13	17	-
Group I total:		**17**	-
II. Tangible fixed assets			
1. Equipment and other	14	38	32
Group II total:		**38**	**32**
Section A total:		**55**	**32**
B. Current (short-term) assets			
I. Debtors			
1. Other receivables		4	2
Group I total:	15	**4**	**2**
II. Investments			
1. Shares in affiliated undertakings		3	3
Group II total:	23	**3**	**3**
III. Cash and cash equivalents, including:		**2,555**	**1,496**
- cash in current bank accounts (deposits)	16	2,555	1,496
Group III total:		**2,555**	**1,496**
Section B total:		**2,562**	**1,501**
C. Deferred expenses	17	**19**	**3**
Total assets (A + B + C)		**2,636**	**1,536**

	Note	31.12.2017	31.12.2016
Equity and liabilities			
A. Equity			
I. Reserves			
1. Reserve as per incorporation documents		1	1
2. Other reserves, including:		1,111	690
- for prior years		690	477
- for the current year		421	213
Group I total:	18	**1,112**	**691**
Section A total:		**1,112**	**691**
B. Creditors			
1. Trade payables, including:		45	34
up to 1 year	19	*45*	*34*
2. Other payables, including:		65	50
up to 1 year	20	*65*	*50*
- payable to personnel, including:		*62*	*45*
up to 1 year		*62*	*45*
Section B total, including:		**110**	**84**
up to 1 year		**110**	***84***
C. Grant and deferred income, including:	21	**1,414**	**761**
- grants		*1,414*	*761*
Total net assets and liabilities (A + B + C)		**2,636**	**1,536**

The Separate balance statement should be read together with the notes to the financial statements on page 8 to page 22, 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 29.03.2018.

Evgenia Peeva-Kirova
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KPMG Audit OOD

Одиторско дружество София Рег. № 045 КПМГ ОДИТ ООД

Maria Peneva
Authorised representative

Dobrina Kaloyanova
Registered Auditor, responsible for the audit

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

Separate statement of changes in reserves for the year ended 31 December 2017

In thousands of BGN	Note	Reserve as per incorporation documents	Other reserves	Financial result from prior years	Financial result for the current year	Total
1. Balance at 1 January 2017		**1**	**477**	**213**	**-**	**691**
2. Financial result from for the year, including:		-	-	-	421	421
- result from business activities		-	-	-	*2*	*2*
- result from non-profit activities		-	-	-	*419*	*419*
3. Transfer to other reserves		-	213	(213)	-	-
4. Balance at 31 December 2017	18	**1**	**690**	**-**	**421**	**1,112**

The Separate statement of changes in reserves should be read together with the notes to the financial statements on page 8 to page 22, 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 29.03.2018.

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Registered Auditor, authorized representative

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Separate cash flow statement
for the year ended 31 December 2017

In thousands of BGN

	Note	2017	2016
I. Cash and cash equivalents at the beginning of the period		1,496	2,212
II. Cash flows from non-profit activities			
A. Proceeds from non-profit activities			
1. Conditional grants received		4,942	3,441
2. Unconditional grants received		428	278
3. Other operating proceeds		19	46
Total proceeds from non-profit activities		5,389	3,765
B. Payments for non-profit activities			
1. Payments for grants		1,426	1,356
2. Payments related to personnel and social security		1,126	1,118
3. Payments for services rendered		1,698	1,940
4. Payments on banking and foreign currency transactions		12	7
5. Other payments		67	63
Total payments for non-profit activities		4,329	4,484
B. Net cash flows from non-profit activities		**1,060**	**(719)**
III. Cash flows from business activities			
A. Proceeds from business activities			
1. Receipts from customers		25	3
Total proceeds from business activities		25	3
B. Payments for business activities			
1. Payments for services rendered		26	-
Total payments for business activities		26	-
B. Net cash flows from business activities		(1)	3
IV. Cash and cash equivalents at 31 December	16	2,555	1,496
V. Change in the cash flows for the year		1,059	(716)

The Separate cash flow statement should be read together with the notes to the financial statements on page 8 to page 22, 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 29.03.2018.

Evgenia Peeva-Kirova
Executive Director

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Dobrina Kaloyanova
Register Auditor, responsible for the audit

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Notes to the Separate financial statements

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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 1784 Sofia, 111V Tsarigradsko shose blvd., Collider Activity Center.

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 2017 r. Foundation's personnel include 39 full time employees working under agreements (as at 31 December 2016 r.: 37).

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.

Since 01.01.2016 a new Accounting Act is into force, which repeals the existing Accounting Act till 31.12.2015. With the new Act are transposed into National Accounting Legislation the rules and requirements of Directive 2013/34/EU of the European Parliament and of the Council of 26.03.2013 on the Annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

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.

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 2016 and 2017.

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. Therefore, the Foundation's management has taken a decision to keep the full financial statements model applied until 31 December 2016, following the specific requirements of NAS 9.

Notes to the financial statements

2. Basis of preparation (continued)

(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 from 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.

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 (l).

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on 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.

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

The cost includes all expenses directly associated with the acquisition of the asset. The cost of assets constructed by the Foundation includes expenses on materials and labour, all other costs to bring the asset to a condition suitable for its envisaged use, as well as any decommissioning and site recovery costs. Software, without which equipment acquired cannot operate, is capitalised as part of such equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in the income statement as incurred.

When items of property, plant and equipment comprise components having different useful lives, such components are accounted for individually.

(ii) Subsequent costs

When part of an item of property, plant and equipment is replaced, subsequent costs incurred are capitalised in the carrying amount of the asset, if and only if it is probable that future economic benefits associated with this part of the asset will flow into the Foundation and when the costs can be measured reliably. The carrying amount of the replaced part is derecognised. Servicing costs related to the daily maintenance of the asset are taken to the income statement and expensed as incurred.

Gains or losses upon derecognition of the asset (being the difference between the net proceeds from the sale, if any, and the carrying amount of the asset) are taken to the income statement when the asset is derecognised.

(iii) Depreciation

Depreciation is charged to the income statement on the basis of the straight-line depreciation method over the estimated useful life of items of property, plant and equipment that are carried individually.

The estimated useful lives during the current and the prior period are as follows:

- Computer equipment 2 years
- Motor vehicles 4 years

The depreciation methods, useful lives and residual amounts of the assets are reviewed at each financial statements date.

As at 31 December 2017 and 31 December 2016 the Foundation does not hold any property, plant and equipment, acquired for business purposes.

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 2017 the Foundation has intangible assets in progress and as at 31 December 2016 the Foundation does not have any non-current intangible assets acquired for business purposes.

(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 weighted average 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.

Notes to the financial statements

3. Significant accounting policies (continued)

(g) Impairment

(i) Financial assets

The Foundation 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 exist. 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.

(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.

(i) 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.

Notes to the financial statements

3. Significant accounting policies (continued)

(j) 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 for 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.

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. If 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.

Notes to the financial statements

3. Significant accounting policies (continued)

(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.

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 comprises 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 2017 and 31 December 2016 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 2017 and 31 December 2016 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 it 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 BGN

	2017	2016
	1,426	1,356
	1,426	1,356

6.2. Other expenses

In thousands of BGN

	2017	2016
Expenses on business trips	152	340
Other	72	36
	224	376

7. Administrative expenses, including:

7.1. Expenses on materials

In thousands of BGN

	2017	2016
Stationery and office consumables	21	28
Expenses on training and project activities	10	23
Expenses on fuel	10	8
Expenses on spare parts for cars	3	5
	44	64

7.2. Expenses on hired services

In thousands of BGN

	2017	2016
Expenses on remuneration of teachers	786	725
Expenses related to project activities	458	656
Social security contributions for teachers	166	104
Office and communication expenses	-	14
	1,410	1,499

7.3. Employee benefit expenses

In thousands of BGN

	2017	2016
Wages and salaries	998	965
Compulsory social security contributions	153	140
	1,151	1,105

The average number of the Foundation's personnel as at 31 December 2017 is 37 employees (31.12.2016: 35 employees).

Notes to the financial statements

7.4. Depreciation

In thousands of BGN

	2017	2016
Depreciation	31	23
	31	23

8. Other finance costs for financial transactions

In thousands of BGN

	2017	2016
Bank charges	8	6
Foreign currency exchange costs	5	1
	13	7

9. Revenue from regulated activity, including:

9.1. Revenue from conditional grants

In 2017 the Foundation recognises revenues from conditional grants at the amount of BGN 4,289 thousand. In 2016 the revenues from grants are BGN 4,364 thousand.

9.2. Revenue from unconditional grants

The received unconditional grants in 2017 are at the amount of BGN 428 thousand. In 2016 - BGN 278 thousand.

10. Foreign currency exchange gains

Foreign currency exchange gains are in result of transactions in foreign currency. In 2017 r. they are at the amount of BGN 1 thousand (2016: BGN 1 thousand).

11. Operating expenses from business activities

During 2017 the Foundation performed also business activities under Plovdiv Municipality project. The expenses related to this project amounted to BGN 26 thousand and represent expenses related to the management of the project (2016: none).

12. Revenues from business activities

Revenues from business activities are in result of rendered services by the Foundation under Plovdiv Municipality project at the amount of BGN 28 thousand (2016: none).

Notes to the financial statements

13. Intangible assets

In 2017 the Foundation has intangible assets in progress amounting to BGN 17 thousand (2016: none).

14. Equipment and other

In thousands of BGN	Transport vehicles	Fixtures and fittings	Total
Book value			
Balance at 1 January 2016	35	54	89
Additions	-	31	31
Disposals	-	-	-
Balance at 31 December 2016	35	85	120
Balance at 1 January 2017	35	85	120
Additions	-	40	40
Disposals	-	29	29
Balance at 31 December 2017	35	96	131
Depreciation			
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
Balance at 1 January 2017	30	58	88
Depreciation charge for the year	5	26	31
Depreciation of assets disposed	-	26	26
Balance at 31 December 2017	35	58	93
Carrying amounts			
At 1 January 2016	11	13	24
At 31 December 2016	5	27	32
At 31 December 2017	-	38	38

15. Trade receivables

The receivables of the Foundation as at 31 December 2017 amount to BGN 4 thousand and are prepayments to suppliers. As at 31 December 2016 they amount to BGN 2 thousand.

16. Cash and cash equivalents

In thousands of BGN	31 December 2017	31 December 2016
Cash at current bank accounts (deposits)	2,555	1,496
	2,555	1,496

Notes to the financial statements

17. Deferred expenses

As at 31 December 2017 deferred expenses amounted to BGN 19 thousand (2016: BGN 3 thousand). Deferred expenses as at 31 December 2017 include medical insurance of the personnel amounting to BGN 15 thousand, expenses on additional subscriptions amounting to BGN 3 thousand and office insurance amounting to BGN 1 thousand.

18. Reserves

Reserve as per incorporation document

In accordance with the Incorporation document of the Foundation reserve amounting to BGN 1 thousand 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 2017 reserves comprise non-profit activities result amounting to BGN 1,099 thousand and business activities result amounting to BGN 12 thousand. As at 31 December 2016 reserves comprise non-profit activities result amounting to BGN 680 thousands and business activities result amounting to BGN 10 thousand.

19. Trade payables

In thousands of BGN	31 December 2017	31 December 2016
Payables to suppliers	45	34
	45	34

20. Other liabilities

In thousands of BGN	31 December 2017	31 December 2016
Payables to personnel and social security payables	62	45
Liable persons	3	2
Advances received	-	3
	65	50

21. Payables on unutilised financing

In thousands of BGN	31 December 2017	31 December 2016
Non-current portion		
Financing for acquisition of property, plant and equipment	8	8
	8	8
Current portion		
Financing for acquisition of property, plant and equipment	33	24
Financing for operating activities	1,373	729
	1,406	753

Notes to the financial statements

21. Payables on unutilised financing (continued)

Financing for operating activities

In thousands of BGN

Nature of the financing contract	Deferred income as at 01.01.2017	Financing received in 2017	Income from financing recognised in 2017	Reclassification to unconditional grants	Fixed assets acquisition	Funds repaid in 2017	Deferred income as at 31.12.2017
Financing from America for Bulgaria Foundation	618	2,100	2,581	-	40	-	97
Financing from European commission	35	2,333	1,353	-	-	-	1,015
Financing from other donors	76	509	324	-	-	-	261
Total	**729**	**4,942**	**4,258**	**-**	**40**	**-**	**1,373**

In thousands of BGN

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**

Notes to the financial statements

21. Payables on unutilised financing (continued)

Financing for fixed assets

In thousands of BGN

Nature of the financing contract	Deferred income as at 01.01.2017 г.	Income from financing recognised in 2017 up to the amount of depreciation and amortization expense	Fixed assets acquisition	Deferred income as at 31.12.2017
Financing from America for Bulgaria Foundation	32	31	40	41
Total	**32**	**31**	**40**	**41**

In thousands of BGN

Nature of the financing contract	Deferred income as at 01.01.2016	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
Общо	**24**	**23**	**31**	**32**

22. 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 BGN

	31 December 2017	31 December 2016
Cash and cash equivalents, cash in hand excluded	2,555	1,496
	2,555	1,496

Impairment losses

As at 31 December 2017 and 31 December 2016 the Foundation has no overdue receivables that require the recognition of impairment losses.

Liquidity risk

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

31 December 2017

In thousands of BGN

	Carrying amount	Contractual cash flows	Up to 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
Payables to suppliers	45	(45)	(45)	-	-	-	-
	45	(45)	(45)	-	-	-	-

Notes to the financial statements

22. Financial instruments (continued)

Liquidity risk (continued)

31 December 2016
In thousands of BGN

	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)	-	-	-	-
	34	(34)	(34)	-	-	-	-

23. Investments in affiliated undertakings

The Foundation reports investments in subsidiaries at acquisition cost.

	31 December 2017		31 December 2016	
	Shares	Amount	Shares	Amount
"Zaedno 2011" EOOD	100%	3	100%	3

24. Related parties

Related party disclosures

As at 31 December 2017 and 31 December 2016 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 2017 amounts to BGN 237 thousand. In 2016 it amounted to BGN 387 thousand.

Related party transactions

In 2017 no transactions have been performed with related parties.

25. Contingent liabilities

Lawsuits

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

26. 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 2017.