AUDIT
TAXATION
ACCOUNTANCY

ОДИТ
СЧЕТОВОДСТВО
ДАНЪЦИ И ФИНАНСИ

# INDEPENDENT AUDITOR'S REPORT

**To the management of**
**Teach for Bulgaria Foundation**
**Sofia**

## REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements **of Teach for Bulgaria Foundation (the Foundation)**, which comprise the balance sheet as at December 31, 2012, and the income statement, statement of changes in equity and cash flow statement then ended, and a summary of significant accounting policies and other explanatory notes (from page 7 to page 11).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Bulgarian Financial Reporting Standards for Small and Medium-sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of **Teach for Bulgaria Foundation** as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with the Bulgarian Financial Reporting Standards for Small and Medium-sized entities.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIERMENTS – Management's report for the year ended 31 December 2012

We have reviewed the management's report for the year ended 31 December 2012 of **Teach for Bulgaria Foundation**, which is not part of the financial statements. The historical financial information in the Management's report, prepared by the management, complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2012, prepared in accordance with National Financial Reporting Standards for Small and Medium Enterprises (NFRSSME) and the national legislation. The preparation of the management's report is responsibility of the management.

**FOR AND ON BEHALF OF**
**ATA CONSULT LTD**

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №014
"АТА консулт" ООД

**Radosveta Vesselinova**
**Certified public accountant**
**CEO**

*April 12, 2013*
*Sofia, Bulgaria*

## BALANCE SHEET
## as at 31 December 2012

| ASSETS | Notes | 31.12.2012 thous. BGN | 31.12.2011 thous. BGN |
|---|---|---|---|
| **Non-current assets, net** | | | |
| Non-current tangible assets | 3 | 27 | 35 |
| Non-current investments | | 1 | 1 |
| | | **28** | **36** |
| **Current assets** | | | |
| Receivables and advance payments | 4 | 15 | 3 |
| Cash and cash equivalents | 5 | 288 | 51 |
| | | **303** | **54** |
| **Total assets** | | **331** | **90** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity and reserves** | | | |
| Reserves | | 2 | 1 |
| Results current year | 6 | 119 | 1 |
| | | **121** | **2** |
| **Non-current liabilities** | | | |
| Financing for fixed assets | 7 | 26 | 35 |
| | | **26** | **35** |
| **Current liabilities** | | | |
| Current liabilities | 8 | 1 | 1 |
| Unspent from financed project | 9 | 183 | 52 |
| | | **184** | **53** |
| **Total equity and liabilities** | | **331** | **90** |

Manager: "Заедно в час" Teach For Bulgaria

Compiler:

12.4.2013

As per auditors report:

"АТА консулт" ООД София Рег. №014 Специализирано одиторско предприятие

## INCOME STATEMENT
**for the year ended 31 december 2012**

| | *Notes* | 2012<br>thous. BGN | 2011<br>thous. BGN |
|---|---|---|---|
| **Operating income** | *10* | **1 370** | **725** |
| **Financial income** | | **1** | **-** |
| ***Total incomes*** | | **1 371** | **725** |
| **Expenses by economic elements** | *11* | | |
| Cost of materials | | (40) | (30) |
| Cost of hired services | *12* | (643) | (243) |
| Employee expenses | *13* | (523) | (417) |
| Depreciation | | (16) | (12) |
| Other costs | *14* | (29) | (22) |
| **Financial expenses** | | **(1)** | **-** |
| ***Total expenses*** | | **(1 252)** | **(724)** |
| **Result from non-economic activities** | | **119** | **1** |
| **Profit/(loss) from economic activities** | | **-** | **-** |
| **Result for the year** | | **119** | **1** |

Manager: "Предано в час" Teach For Bulgaria

Compiler:

12.4.2013

As per auditors report:

## STATEMENT OF CHANGES IN EQUITY
**for the year ended 31 December 2012**

| | Reserves thous. BGN | Financial result thous. BGN | Total equity thous. BGN |
|---|---|---|---|
| **Balance as at 31 December 2010** | **1** | **-** | **1** |
| Financial result for the period | - | 1 | 1 |
| **Balance as at 31 December 2011** | **1** | **1** | **2** |
| Financial result for the period | - | 119 | 119 |
| **Balance as at 31 December 2012** | **1** | **120** | **121** |

Manager:

"Заедно с Teach For Bulgaria

12.4.2013

Compiler:

As per auditors report:

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №014 "АТА консулт" ООД

## CASHFLOW
**for the year ended 31.12.2012**

| | 2012 thous. BGN | 2011 thous. BGN |
|---|---|---|
| **Cash flows non-economic activities** | | |
| Conditional financing received | 1 374 | 751 |
| Financing received | 113 | 1 |
| Payments to suppliers | (673) | (260) |
| Payments to employees and social security | (567) | (430) |
| Payments for long-term assets | (8) | (15) |
| Other cashflows from operating activities | (2) | (23) |
| **Net cash flows from non-economic activities** | **237** | **24** |
| **Net change in cash and cash equivalents** | **237** | **24** |
| **Cash as at 01 January** | **51** | **27** |
| **Cash as at 31 December** | **288** | **51** |

Manager:

"Заедно в час"
Teach For Bulgaria

12.4.2013

Compiler:

As per auditors report:

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended December 31, 2012**

## 1. Incorporation and registration.

The Foundation Teach for Bulgaria is established in 2010 in accordance with the Non-Profit Legal Entities Act and is listed with the Ministry of Justice as devoted to public benefit in the National Public Register for such NGO.

The Foundation's focus of activities:

The Foundation engages and organizes talented and promising young people in Bulgaria into an initiative aiming to improve the educational quality in the country and to overcome the discrepancies inherent to the education system. It also develops programs for improving the quality of access to education for disabled or economically challenged children; participates in national and international projects; offers trainings and qualifications in the field of improving education for disabled and poor children, living in marginalized communities, including schools in the villages and schools with students bodies, predominantly comprised of children from minorities; and is involved in other types of activities related to the Foundation's goals and purpose.

In order to achieve its goals for 2012, the Foundation is currently working on the projects "Teach for Bulgaria" and "High school scholarship program".

## 2. Description of the significant accounting policies

### 2.1. Basis for the preparation of the financial statements

The Foundation annual financial statements for the year 2012 have been prepared in accordance with the requirements of all the National Accounting Standards applicable in 2012, including as of the Balance sheet date of December 31, 2012.

The Foundation organizes and carries out the current accounting reports and prepares its financial statements in accordance with the requirements of the Bulgarian accounting, taxation and commercial legislation.

The Foundation financial statements for the year 2012 are prepared according to the requirements of the principles of accrual basis; going concern; primacy of content over form; prudence; comparability of income and expense; consistency.

These financial statements have been prepared on the basis of the accounting convention of historical price, modified in certain cases with the revaluation of some assets and liabilities in accordance with their fair value, that have been shown in the disclosures accompanying the statements.

All information disclosed for 2011 and 2012 is presented in this financial statement in thousands of Bulgarian leva (BGN in thousands).

### 2.2. Use of accounting estimates and assumptions

The preparation of financial statements under the National Accounting Standards requires that the management makes some accounting estimates and assumptions, which are related to the

Balance sheet reported assets and liabilities as well as to the recognized income and expenses for the period.

### 2.3. Transactions in foreign currencies

Transactions, concluded in foreign currencies during the period, have been translated in Bulgarian leva in accordance with the exchange rate for the respective currency on the date of the transaction. Any assets and liabilities in foreign currencies have been recalculated in accordance with the closing exchange rate of the Bulgarian National Bank, as of the Balance sheet date. Any profit or loss as a result of this has been presented in the Income Statement.

### 2.4. Recognition of income and expense

The sources of the **income from non-economic activity** are the grants and financing received. Solely the disbursed parts of the financing are accounted as income during the year. The disbursed as income grants, for which there are attended clauses, are specified as financing under conditions in the Profit and Loss Account. The income from the grants for fixed assets is recognized only to the extent of the allowances for depreciation and the balance is reflected in the Balance sheet as long–term liabilities /deferred income and financing/. Unrealized financial resources during the year are specified in the Balance sheet as short–term or long–term financing, depending on the period for which they will be disbursed. The realized expenses exceeding the grants received to the date of the financial statement are recognized as income and reported as other short–term receivables in the Balance sheet.

**Expenses for non-economic activity** are recognized in accordance with the principles of accrual basis and comparability with Income. Most of the depreciation expenses are directly assigned to reduction of financing for assets of the Foundation.

### 2.5. Fixed assets

Fixed assets are the established non-financial resources, which have been acquired and are owned by the Foundation, and have a physical existence. It is expected that they will be used during more than one reporting period. The fixed tangible and intangible assets have been valuated at acquisition cost which includes their purchase price plus all expenses in relation to their commissioning and are reduced with the accrued depreciation and impairment.

Any derecognition of fixed assets is made as a result of a sale, reject or retirement when no other economic benefit is expected.

### 2.6. Depreciation of fixed assets and amortization of intangible assets

The Foundation accrues depreciation of fixed assets and intangible assets in view of the useful life of the individual assets, determined for each class of assets. No depreciation is accrued for lands and assets that are under construction or being supplied.

For depreciable assets the company uses the straight-line method. In 2012 the following depreciation rates have been used:

| | |
|---|---|
| Computers | - 50 % |
| Vehicles | - 25% |

### 2.7. Receivables

The receivables have been valuated at their incidence cost.

### 2.8. Cash

Any cash in BGN has been valuated at face value, while cash in foreign currencies – in accordance with the closing exchange rate of the Bulgarian National Bank on December 31, 2012. For the purposes of the Cash Flow Statement, the cash includes all cash in hand and at bank as of December 31, 2012.

### 2.9. Current liabilities

Any current liabilities in BGN are valuated at their incidence cost.

### 2.10. Income taxes

Under the Bulgarian tax legislation, the Foundation is liable to withholding corporate taxation for its payments for technical services rendered by foreigners and corporate expenditure tax for social expenses.

### 3. Fixed assets

| | **Vehicles** BGN'000 | **Computers** BGN'000 | **Total BGN'000** |
|---|---|---|---|
| **Book value:** | | | |
| **Balance on Jan 1, 2012** | **33** | **15** | **48** |
| Purchased | - | 8 | 8 |
| **Balance on Dec 31, 2012** | **33** | **23** | **56** |
| | | | |
| **Depreciation :** | | | |
| **Balance on Jan 1, 2012** | **6** | **7** | **13** |
| Charge for the period | 8 | 8 | 16 |
| **Balance on Dec 31, 2012** | **14** | **15** | **29** |
| | | | |
| **Net Book value on Jan 1, 2012** | **27** | **8** | **35** |
| **Net Book value on Dec 31, 2012** | **19** | **8** | **27** |

## 4. Current assets

| | 31.12. 2012 BGN thous. | 31.12. 2011 BGN thous. |
|---|---|---|
| Guarantees | 3 | 3 |
| Receivables | 12 | - |
| **Total** | 15 | 3 |

## 5. Cash

| | 31.12. 2012 BGN thous. | 31.12. 2011 BGN thous. |
|---|---|---|
| Cash in BGN | 288 | 51 |
| Cash in foreign currency | - | - |
| **Total** | **288** | **51** |

## 6. Capital and Reserves

| | 31.12. 2012 BGN thous. | 31.12. 2011 BGN thous. |
|---|---|---|
| Reserves | 2 | 1 |
| Result for the current year | 119 | 1 |
| **Total** | **121** | **2** |

## 7. Long-term liabilities

| | 31.12. 2012 BGN thous. | 31.12. 2011 BGN thous. |
|---|---|---|
| Financing for fixed assets | 26 | 35 |
| **Total** | **26** | **35** |

## 8. Current Liabilities

| | 31.12. 2012 BGN thous. | 31.12. 2011 BGN thous. |
|---|---|---|
| Liabilities to suppliers | 1 | 1 |
| **Total** | **1** | **1** |

## 9. Financing

| | 31.12. 2012 BGN thous. | 31.12. 2011 BGN thous. |
|---|---|---|
| Unspent from financed projects | 183 | 52 |
| **Total** | **183** | **52** |

Not expended amounts of the received project financing, which the Foundation is realizing to the end of the year.

## 10. Revenues from regulated activity- non-economic activity

| | For the year ended 31.12.2012 BGN thous. | For the year ended 31.12.2011 BGN thous. |
|---|---|---|
| Recognized income from grants under conditions | 1252 | 724 |
| Recognized income from donations | 115 | 1 |
| Other income | 3 | - |
| **Total** | **1370** | **725** |

## 11. Expenses for regulated activity- non-economic activity

| | For the year ended 31.12.2012 BGN thous. | For the year ended 31.12.2011 BGN thous. |
|---|---|---|
| Project costs | 1251 | 724 |
| **Total** | **1251** | **724** |

## 12. Expenses for hired services

| | For the year ended 31.12.2012 BGN thous. | For the year ended 31.12.2011 BGN thous. |
|---|---|---|
| Expenses for hired services | 412 | 129 |
| Expenses for consultants | 182 | 68 |
| Office expenses and comunications | 49 | 46 |
| **Total** | **643** | **243** |

## 13. Employee expenses

| | For the year ended 31.12.2012 BGN thous. | For the year ended 31.12.2011 BGN thous. |
|---|---|---|
| Salaries | 442 | 369 |
| Social security | 81 | 48 |
| **Total** | **523** | **417** |

## 14. Other expenses

| | For the year ended 31.12.2012 BGN thous. | For the year ended 31.12.2011 BGN thous. |
|---|---|---|
| Administrative expenses | 4 | 4 |
| Travel expenses | 22 | 16 |
| Others | 3 | 2 |
| **Total** | **29** | **22** |