

# POLISH-AMERICAN FREEDOM FOUNDATION



# TABLE OF CONTENTS

1. Letter from the PAFF Leadership.....	2
2. The Foundation's Programmatic Fields.....	5
3. Seventh Year of Operation.....	7
Initiatives in Education.....	8
Development of Local Communities.....	18
Citizen in a Democratic State of Law.....	26
Sharing Polish Experiences in the Transformation.....	28
4. Financial Statements and Report of Independent Auditors.....	31
Report of Independent Auditors.....	32
Financial Statements.....	33
Notes to Financial Statements.....	36
5. Board of Directors.....	40
6. Management and Staff.....	41

## LETTER FROM THE PAFF LEADERSHIP

The Polish-American Freedom Foundation is completing its seventh year of activity. During this time the Foundation has continued to carry out its mission – support for selected aspects of Poland’s transformation as well as sharing the Polish experience with countries of Central-Eastern Europe. Its goals have been achieved through 22 programs in four areas: initiatives in education, support of local communities, citizen in a democratic state of law and transferring the Polish experience abroad.

The programs in Poland have two principal motifs: equalizing educational opportunities combined with efforts to modernize education, as well as support of the development aspirations of local communities, particularly in rural areas and small towns.

By the end of 2006, the Polish-American Freedom Foundation had made grants to its programs totaling nearly \$39 million: the Foundation’s outreach had primarily included support for 3,300 local projects and the granting of approximately 12,000 scholarships.

Thanks to the growth of the endowment - \$265 million at the end of 2006 - the base of which was provided by the Polish-American Enterprise Fund, we were able to disburse more than \$9 million for our programs last year. And, although these resources are considerable they are no match for the immense needs to which we would like to respond.

For that reason we consider it extremely important for the Foundation’s efforts to be as effective as possible to achieve maximum, sustained impact. Last year, therefore, we strove to further strengthen and coordinate our various activities. We also attached particular importance to ensuring that projects within our programs had follow-up and that their efforts would continue beyond the Foundation’s support. In addition, we threw special support behind replicable initiatives which, after proper testing, could have wider application. Our continuing concerns include establishing and developing cooperation among leaders of local projects, to facilitate their sharing of experiences as well as for mutual inspiration. Equally important are the efforts to leverage our programs by attracting external resources as well as through building coalitions with other organizations.

PAFF’s educational initiatives, which have occupied a very important place in our activities from the very outset, continued to generate great interest among potential beneficiaries. An example is the “Equal Opportunities” Program, which last year attracted a record number of applications –1,194 – for the all-Poland grant competition. Similarly, in the third edition of the “Student Volunteers” Program nearly 1,000 university student volunteers devoted their free time to benefit 17,000 school children: in total, 662 educational projects in 262 rural schools were financed by the Foundation. The Program’s new Manager, the Polish Association of Pedagogues and Animators “Klanza”, has set up a network of partners to support this undertaking. It now involves 40 institutions, including the National Bank of Poland and “pracuj.pl”, Poland’s largest online recruitment. The growing experience of “Student Volunteers” is now being tapped by another pilot initiative – “Third Age Volunteers”, launched in 2006 under the “Third Age Universities” Program. Its purpose is to promote the involvement of senior citizens attending these Universities to help provide equal educational opportunities to youngsters and adolescents, especially in rural communities.



In other 2006 initiatives, we are pleased that our “Diploma of Dreams” campaign was successful, launched in cooperation with the Rzeczpospolita daily newspaper and the Educational Enterprise Foundation. This comprised part of the “Bridge Scholarships” Program. Fifty local non-governmental organizations replied to its organizers’ appeal, agreeing to co-fund scholarships for 200 talented first-year students from rural areas and small towns. Half the cost of those scholarships was covered by PAFF. Under the “Bridge Scholarships” Program, 1,147 young people were able to begin post high school academic studies in 2006.

Of the new activities initiated last year, the “Notebook for an Active Teacher” competition was launched within the Polish Educational Portal Interkl@sa. As a result, the 376 teachers from small towns and villages who had prepared the best multi-media educational projects received modern laptops together with a software package. Also, with each passing year the Interkl@sa.pl Portal consolidates its leading role among Poland’s educational portals and also ranks among the country’s 25 most frequently visited Internet services, including commercial sites. Its resources are used by over a million users per month, including nearly 50,000 registered recipients of the Portal’s newsletter.

The mainstream of the Foundation’s activities continued to contain initiatives for capacity building of non-profit organizations, especially in small towns and rural areas. These included the EURO-NGO Program, through which Polish NGOs were helped to obtain more than \$48 million in European Union funds to carry out 373 individual and 21 partnership projects. At the same time, PAFF Program Managers were able to acquire approximately \$50 million of EU funds for their organizations’ initiatives, including those linked to PAFF programs. With PAFF’s involvement, one of these grants was the \$13 million received by the Center for Citizenship Education Foundation and the Polish Children and Youth Foundation. The grant was allocated to the nationwide “School of Dreams”: a project based on the experience of the “Equal Opportunities” and “Learning Schools” programs. It was successfully concluded last year.

PAFF continued to obtain resources for its activities from domestic donors as well. In the fifth edition of the “Act Locally” Program launched in 2006, in which we cooperate with a network of 45 Local Grant Organizations through the Academy for the Development of Philanthropy in Poland, the organizations as well as our final beneficiaries contributed nearly \$1 million of their own and other non-PAFF resources. The Foundation provided \$500,000. As a result, decentralized grant competitions were able to award grants to 456 worthwhile projects devoted to the solution of local problems and the development of small localities.

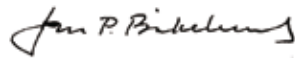
Among other efforts to bolster the capabilities of Poland’s philanthropic organizations was continuation of the “Financial Management for NGOs” Program (FIM@NGO). The free training opportunities offered under the Program have generated growing interest, with 15 applicants per vacancy in 2006. The pilot edition of the “PAFF Leaders” initiative, launched in 2005, was also a success. Last year an additional group of leaders of local projects carried out under the Foundation’s various activities, took part in individualized programs to develop their skills under the watchful eye of expert tutors. The new skills they have acquired will enable them to undertake subsequent initiatives in their communities.

## LETTER FROM THE PAFF LEADERSHIP

In 2006, we reached a new stage in the implementation of two long-range, international programs that involved sharing Poland's transformation experience with other Central-Eastern European countries. We launched the seventh edition of the Lane Kirkland Scholarship Program and, for the first time, we hosted citizens from Azerbaijan and Kazakhstan at Polish institutions of higher learning. At the same time, through the "Region in Transition" (RITA) Program, we continued our support for NGOs conducting projects in cooperation with partners in Central-Eastern European countries. Last year 686 people visited Poland under the "Study Tours to Poland" initiative, started in 2004 as part of the "RITA" Program. The participants were young leaders of academic communities, professionals and experts interested in Poland's reforms.

In summing up the year 2006 we wish to thank all those who have worked with the PAFF by sharing with us their knowledge and experience. We thank our partners for the ideas and efforts they have invested in our joint undertakings and their high standards of performance. And we wish to express our deep gratitude to the Members of the Board of Directors who continued their involvement in the Foundation's development and extended their support to the PAFF Team.

New York / Warsaw, May 2007



John P. Birkelund  
Chairman of the Board of Directors



Jerzy Koźmiński  
President and Chief Executive Officer



# THE FOUNDATION'S PROGRAMMATIC FIELDS

## Initiatives in Education



- Education on the Internet – Polish Educational Portal “Interkl@sa”

- English Teaching

- Training for Health Care Managers

- Equal Opportunities

- Student Volunteers

- Learning Schools (LES)

- Entrepreneurship at School

- Bridge Scholarships

- For Children

- Third Age Universities (UTA)

## Development of Local Communities



- Mutual Information Society (MIS@NGO)

- Act Locally

- PAFF Leaders

- Undoing Unemployment

- “Pro Publico Bono” Award

- EURO-NGO: EU Funds For NGOs

- “Village in Transition”: Developing Information Society (e-VITA)

- Financial Management for NGOs (FIM@NGO)

## Citizen in a Democratic State of Law



- Transparent Poland

- Citizen and Law

## Sharing Polish Experiences in the Transformation



- The Lane Kirkland Scholarship Program

- Region in Transition (RITA)

SEVENTH YEAR OF OPERATION

3

DOROTA TOMASZEWICZ  
 – LAUREATE OF THE “NOTEBOOK  
 FOR AN ACTIVE TEACHER”  
 COMPETITION

*As the School Coordinator of “Interkl@sa” she runs the “Expert Corner” on the “Intekl@sa.pl” Portal devoted to active training.*

*She is a physical education teacher at a Primary School in Jonkowo. She is the author and implementer of the School Proprietary Program of Physical Education for Stage II Education, which in 2006 was awarded distinction in the Competition for alternative physical and sports education programs in the warmińsko-mazurskie voivodship. The Competition seeks to popularize national dances and the Warmia and Mazury Region during physical education classes.*

*In the school year 2005/06, under the nationwide “Dream School” Program, Dorota Tomaszewicz initiated two local projects: “Dancing Across Warmia” and “Integration through swimming”. She is also the community coordinator of the “POST – Strategy For Our Children” project realized by the Center for Citizenship Education Foundation.*

*“The distinction received from the PAFF and Interkl@sa Competition gives me huge satisfaction. It expresses recognition for teachers working in small localities and mobilizes them to take up new challenges. In the 21st century one can hardly imagine working without access to a computer”, says Dorota Tomaszewicz.*



Initiatives in Education

**Education on the Internet – Polish Educational Portal “Interkl@sa”**

This professional, educational portal [www.interklasa.pl](http://www.interklasa.pl) is one of the first and currently the largest such portal in Poland, addressed to students, teachers and parents. It has been in operation since 2001. It is a joint undertaking of the PAFF and the Interkl@sa Initiative. A modern technological infrastructure is provided by the Poznań Super-Computer Network Center (Poznańskie Centrum Superkomputerowo-Sieciowe).

The Portal offers a wealth of educational resources and multimedia teaching aids – school readings, examinations tests, lesson scenarios, thematic services, e.g. “Frantice” (a French language teaching aid), and also a Multimedia Library. Editors of the Portal organize educational competitions and, in cooperation with the “European Schoolnet”, provide information on school-related European projects. The Portal also provides users with e-mail, chat, forum and many other additional services, including the Virtual Class (distance learning aid) and an Interactive Schools Map offering access to data from a database of nearly 30,000 educational centers.

The Portal “Interkl@sa” is engaged in international projects, including the European Spring Day celebrations, which in 2006 attracted participation of 1,196 schools from all over Poland (second place in Europe). The most interesting reports from these festivities are published in a special news service of the Portal.

The Portal serves to support the modernization of education, and also to equalize the educational opportunities of students from different backgrounds. From year to year it consolidates its visibility and position among the Polish educational portals. Its popularity is increasing – it presently belongs to 25 of the most frequented Internet services in Poland (including commercial). Its resources are used by over a million users per month, including nearly 50,000 regular recipients of the Portal’s newsletter.

In 2006, as part of the “Education on the Internet” Program, the “Notebook for an Active Teacher” Competition was organized. It attracted the participation of teachers from small towns and rural areas, who had previously taken part in at least one of the PAFF programs. The objective of the Competition was to develop educational mini-projects or useful materials for the “Interkl@sa” Portal. The result was that 376 active pedagogues, who prepared the best projects, received state-of-the-art laptops together with a software package.

The Foundation has granted a total of \$1,491,673 for the Program, including \$496,458 for the year 2006.

**Program Manager:**

*The Foundation for Economic Education*



## Initiatives in Education

### English Teaching

The objective of the Program is to support activities that enhance the quality of English language teaching and promote it among children and youth from small towns and rural areas. The priority is to help equalize the educational opportunities available to children and youth outside of large urban areas.

The Program is the only non-commercial initiative of its kind in Poland, both promoting the teaching of English and supporting initiatives emerging in small local communities. Its additional value is providing the persons and institutions applying to the Program with the skills to be able to draw on EU funding.

In the period 2000 - 2006, 346 projects were funded within the Program. In many Polish schools English Language and Anglo-Saxon Culture Fan Clubs were set up, giving the children and youth a chance to watch original versions of English language movies, and to discuss a variety of interesting topics with native speakers. Libraries with English press and books were created and furnished, theatre circles, quizzes on Anglo-Saxon writers, culture and history, as well as song festivals were organized. In total, more than 30,000 people took part in the "English Teaching" projects – students, teachers, parents and other members of local communities.

Under the auspices of the Program language training camps were organized, as well as special projects for the most disadvantaged communities, including children from foster homes.

46 weekend "Teaching English Teachers" training sessions were conducted for 1,600 teachers coming mainly from areas from large urban centers.

Four nationwide "English Teaching Market" educational meetings were organized for teachers of English and interested institutions, organizations, schools and publishers. They attracted the participation of over 2,000 people. Thanks to these meetings a permanent "English Teaching" teachers' cooperation network was launched and is supported by the quarterly Bulletin of the Program.

The Foundation granted a total of \$1,819,488 for the Program, including \$381,488 for the year 2006.

#### Program Manager:

*The "Nida" Development Foundation*

## THE FOURTH "ENGLISH TEACHING MARKET"

*The nationwide "English Teaching Market" meetings have been organized since 2003. In 2006, a three-day meeting took place in June in Stare Jablonki by Ostróda. Some 450 English teachers from all over Poland participated, mainly coming from small towns and villages.*

*The inaugural lecture was given by Carolyn Graham of Oxford University Press. One of the guests was James Wolfe, Cultural Attaché in the US Embassy, who gave a lecture on "Using American Culture to Teach American English".*

*The "ET Market" provided teachers with the opportunity to take part in workshops on modern English teaching methods. Examples of projects from the "English Teaching" Program and other interesting English learning initiatives in Poland were demonstrated. Presentations of best practices were given – referring to projects supported by the European Social Fund. During the "English Market" fair the educational offer for schools and teachers was presented by Polish publishers of English language learning text books and didactic aids.*



“QUALITY OF HEALTH CARE MANAGERS’ EDUCATION” CONFERENCE

*In May 2006, in Otwock near Warsaw, a national conference took place which was devoted to the presentation of social accreditation systems for post-graduate programs of studies for health care managers. The conference was organized by the Society of Health Care Managers under the PAFF Program.*

*The meeting was attended by heads of post-graduate health care management study programs, health care managers – directors of medical centers from all over Poland, post-graduate study alumnae and representatives of the press.*

*One of the guest speakers was Christine Juskiewicz, Director of Chelsea Hospital in London, who presented the British experiences in the education of health care managers. The participants were also able to become familiar with the models and quality evaluation of programs of post-graduate management studies, developed during the course of the PAFF Program’s implementation, as well as examples of practical utilization of EU funds for the education of health care managers.*



Initiatives in Education

**Training for Health Care Managers**

In 2000, in cooperation with the Society of Health Care Managers (STOMOZ), a Program to modernize health care management in Poland was launched. Twenty two centers offering post-graduate health care management studies qualified to participate in the Program. The centers that submitted the most interesting training improvement plans, received co-financing grants to cover 50 percent of their costs. At the same time, persons from small towns and rural areas participating in post-graduate studies obtained the possibility to receive grants covering a part of their tuition fees.

Experts from Denmark, Netherlands, Great Britain, Portugal and the USA shared their experiences in managing modern health care systems with Polish physicians. Health care organization in large metropolitan areas was presented using examples from New York, Berlin and London. Conferences were held in Warsaw, Toruń, Cracow and Lublin; more than 1,000 doctors attended. The contributions from the foreign speakers were published in five books both in Polish and English.

One of the outcomes of the Program will be the development and implementation of a system of social accreditation for programs of post-graduate studies. Many of the activities undertaken by STOMOZ in 2006 were devoted to this. The accreditation process is expected to be completed in the first half of 2007, after the financial support of PAFF for the Program will be terminated.

The Foundation has granted \$510,000 for the Program.

**Program Manager:**

*The Society of Health Care Managers (STOMOZ)*

## Initiatives in Education

### Equal Opportunities

The objective of the Program, implemented since 2001, is to support local civic initiatives that help equalize educational opportunities for youth in rural areas and localities having under 20,000 residents.

Under this Program, non-governmental organizations, educational centers and informal youth groups may apply for grants for the implementation of educational projects that enhance the quality of the learning process, stimulate cognitive and creative aspirations, develop pro-active and open-minded attitudes, and encourage young people to act for the benefit of their own local communities.

The projects implemented under this Program enable young people to participate in various activities extending beyond the standard syllabus offered by schools. Under the Program a database of projects worthy of replication was developed and is updated on a regular basis. The information is published at: [www.rownaczsanse.pl](http://www.rownaczsanse.pl). Eight Regional Educational Forums were organized, presenting examples of notable projects implemented under the "Equal Opportunities" Program. Some 2,700 participants attended the regional meetings.

The effects of the five editions of the Program realized to date are the implementation of 1,104 educational projects, as well as the mobilization and integration of local communities involving activities for children and youth. Moreover, several dozens new local non-governmental organizations were established and numerous projects continue to operate after termination of financial support provided by PAFF.

In 2006, the sixth edition of the Program, attracted a record number of applications: 1,194 to the National Competition (94 grants were awarded) and 1,027 to the Regional Competition (133 grants awarded).

The Foundation granted \$4,339,465 for the Program, including \$962,881 for the year 2006.

#### Program Manager:

*The Polish Children and Youth Foundation*

### "SCHOOL NEWSLETTERS FORUM"

*The objective of this project, realized at the Secondary Schools Group in Łochów (mazowieckie voivodship), was to stimulate youth and to integrate them in public activity by organizing journalist workshops during their free time.*

*Under this project, students from Łochów were able to participate in training conducted by trainers from the Young Journalists Association "Polis", who supported their work in developing of a school newsletter. Through meetings with representatives of the media organized at the school, and study visits at some editorial offices, participants became familiar with the practical side of a journalist's work. The local community, including many parents, also became involved in these activities. They adapted the premises that presently serve as the office of the school newsletter "Carpe Diem".*

*A district School Newsletter Forum was also launched – as an annual meeting to present various school newsletters and exchange experiences. The most interesting texts of school journalists were published in a special almanac.*



“TREASURES OF OUR VILLAGE”

*The area surrounding the village Podedwórze in the lubelskie voivodship is a farming region known as “Chamomile Country”. In July 2006 a group of five student volunteers helped the pupils from Podedwórze prepare a regional “Chamomile Country Festival”.*

*During a week of workshops the participants learned how to plan, manage and promote popular events. With the support of the volunteers, the pupils prepared advertising slogans, the scenario of the festival and promotional booths. Practical activities in the form of media workshops including basic photography skills, were offered.*

*Moreover, the project contained a historical and cultural dimension. The pupils prepared a study for a national contest on “Treasures of our Village – a Local Product”. In order to do this, they interviewed inhabitants of the surrounding localities about traditional methods of processing flax. Young people used their newly acquired photographic skills taking photos illustrating the different stages in production of linen. Their work was awarded a distinction by the jurors of the competition and subsequently the photos were used for postcards promoting the region of Podedwórze.*



Initiatives in Education

**Student Volunteers**

The Program aims to stimulate learning and to achieve successive levels of education by rural and small town youth. Under this Program groups of student volunteers (2-5 persons) implement educational projects prepared by them which develop the knowledge, skills and interests of children and youth. The activities are conducted during free time in the course of the school year and during summer and winter holidays. The projects involve specific fields of knowledge, a topic or a selected area of activity and consist of activities such as: fine art workshops, sports, information technology, theatre or linguistic studies.

The Program promotes active attitudes amongst both pupils and students, developing their sense of social responsibility and solidarity, at the same time enabling them to pursue their own passions and interests enveloped in an attractive formula.

In the pilot edition of the Program, in 2004, over 300 educational projects were conducted all over Poland. In the second year over 621 projects were realized at over 250 schools.

The third round of the Program started in January 2006, which gave support to 662 educational projects at 262 schools; until December about 950 students and over 17,000 pupils participated.

Program development is based on a continually expanded network of institutional partners, such as universities, local authorities and the media of public communications. Presently, over 40 institutions are involved in the cooperation, including the National Bank of Poland, the Jagiellonian University, as well as “pracuj.pl” – the largest portal targeting job seekers in Poland.

The Foundation has granted \$645,259 for the Program, including \$350,000 for the year 2006.

**Program Manager:**

*The Polish Association of Pedagogues and Animators “Klanza”*

## Initiatives in Education

### Learning Schools (LES)

The purpose of the Program, realized jointly with the Center for Citizenship Education Foundation since 2000, is to improve the quality of schools' work by introducing the principles of a "learning organization" into the daily practice of teachers. The process consists of self-evaluation performed in accordance with the guidelines and procedures developed on the basis of the "LES" and of European "School Education Quality Evaluation" programs' experience. The work focuses on improving the quality in: teaching effectiveness, teaching and learning, a school as an institution, and also the school vis-à-vis the outside world. Particular emphasis is attached to working with schools from rural areas and small towns.

Those schools that successfully finish the preliminary training program and introduce the quality assurance system (presently 496 schools), may join the "LES Club". Schools that are members of this Club develop the quality assurance system, assist each other in self-evaluation, train teachers and cooperate by sharing experiences and materials. The "LES" Program enhances the staff's autonomy, contributing to the improvement of team-work and schools become more open to contact with the broader world.

In 2006, a Polish-American "LES Summer School" was organized for the first time. Under the guidance of experts from the Columbia University and Western Michigan University, 70 participants of the "Summer School" became familiar with the most recent developments and trends in the following fields: education, pedagogy and management of educational institutions.

In 2002 the Program provided the inspiration for the launching of a popular campaign entitled "School with Class", undertaken by the Center for Citizenship Education Foundation in cooperation with the "Gazeta Wyborcza" daily. Over 5,000 schools from all over Poland participated. In 2005 the "Teacher with Class" initiative was launched and more than 10,000 teachers declared their desire to participate. This was followed by the "Student with Class" campaign, initiated in 2006. PAFF continues to be a partner in these ventures.

The Foundation granted a total of \$1,903,338 for the Program, including \$443,000 for the year 2006.

#### Program Manager:

*The Center for Citizenship Education Foundation*

### JUNIOR HIGH SCHOOL IN NIEPOŁOMICE – A "LEARNING SCHOOL"

*The King Władysław Jagiełło Junior High School in Niepolomice is the first educational institution in małopolskie voivodship to gain the title of a "Learning School". Participation in the "LES" Program was preceded by winning the title of a "School with Class" in the nationwide campaign, conducted by "Gazeta Wyborcza".*

*Under the "LES" Program, the Junior High School in Niepolomice enabled teachers to participate in training workshops to improve their skills in teaching methods. Based on that knowledge the educators created a topical bibliography concerning teaching methods and make accessible to all those interested. They also organized open classes. Through this, pupils from the Junior High School in Niepolomice gained the opportunity to make up for gaps in their knowledge at additional classes of mathematics and Polish language. They also gained support from their colleagues through the "Peer Emergency Service" initiative.*

*The Junior High School in Niepolomice also gained the Quality Mark of the "InterkI@sa" Initiative, and in 2005 it was admitted to the network of „Health Promoting Schools” of the małopolskie voivodship.*



NATIONAL COMPETITION FOR THE BEST STUDENTS' VENTURE "IDEA 2006"

*The aim of the competition, which is a culmination of the "Entrepreneurship at School" Program, is to encourage young people to start initiatives in the school and local environment, and also to facilitate meetings of pupils from all over Poland to present their achievements, as well as to exchange experiences and knowledge.*

*In the first stage, the pupils realized 75 projects in their school or local environment. This provided the basis for qualification of teams to the final round of the competition. The jury analyzed the activities at the schools and 18 ventures qualified for the final.*

*During the final event of the competition in May 2006, the pupils presented their projects. First place was awarded to the National Education Commission Junior High School No 1 in Lubartów for the project "Safe Holiday – Skating Rink". Form of presentation and arrangement of the display stand were assessed. The teams also participated in other disciplines, where they had to demonstrate not only the knowledge gained while realizing the Program, but also creative thinking skills, ability to cooperate as a team, to prepare their action plan, to present individual and team work in public.*



Initiatives in Education

**Entrepreneurship at School**

The aim of this Program is to support initiatives leading to the stimulation and development of the entrepreneurial spirit among junior high school and high school students in small towns and rural areas.

The first component of the Program is a continuation of the initiative "Junior-High Enterprise", realized by the Junior Achievement Foundation, which supports teachers in shaping creative and entrepreneurial attitudes among students as well as teaching them how to work effectively in a group. This undertaking motivates and mobilizes youth to become interested in the needs of others and of the local community, it promotes responsibility for decisions-making, encourages the students to develop their own interests and teaches them how to plan and organize work. It enables students to take up independent activities; the teacher acts as a partner of the student, does not make any decisions on his/her behalf. Instead, the teacher assists him/her in analyzing consequences and drawing conclusions for the future.

An Internet system of distribution of educational materials was developed, which is accessible on the website of the Junior Achievement Foundation ([www.junior.org.pl](http://www.junior.org.pl)). It is now systematically used by nearly 200 teachers from 161 schools throughout Poland. Workshops and training for teachers have been planned for 2007. A CD will be published to contain publications and presentations useful for working with students, as well as additional educational materials.

The National Competition for Best Students Initiatives "IDEA" is organized under the Program. Its aim is to identify the most active junior high schools which combine learning with students' initiatives (social, educational, business), and subsequently to present the best initiatives. Teams representing 16 schools will be invited to the second national final, which will take place in May 2007.

Another significant Program component is support for the National Entrepreneurship Olympics. In the second edition almost 20,000 high school pupils from all over Poland are participating. Detailed information concerning this Olympics may be found at: [www.olimpiada.edu.pl](http://www.olimpiada.edu.pl).

The Foundation granted \$225,253 for the Program, including \$137,253 for the year 2006.

**Program Manager:**

*The Junior Achievement Foundation*

## Initiatives in Education

### Bridge Scholarships

The Program was initiated in 2002, in response to the disparity of access to university studies between young people living in rural areas and those in urban areas. The Program encourages talented young people from small towns and villages, and especially from former state farms, to continue learning at the university level, by offering scholarships to fund the first year of studies. In subsequent years scholarship assistance is offered to those students who excel in learning, through "Top Student" and "Study Abroad" competitions.

The Program is a joint undertaking involving: PAFF, the National Bank of Poland, Bank Pocztowy S.A. (the Post Bank), Polskie Młyny S.A. (Polish Mills), the Agriculture Property Agency, Rural Development Foundation, the Jan Kanty Steczkowski Foundation (established by the Bank Gospodarstwa Krajowego), as well as a coalition of 71 local non-governmental organizations cooperating with the Stefan Batory Foundation and the Academy for the Development of Philanthropy in Poland. Five editions of the Program have been carried out and the founders have provided over PLN 27 million in total for its implementation, including nearly PLN 13 million from PAFF.

In 2006 a new initiative was taken up under this Program: "Diploma of Dreams", which is a joint project of PAFF, the Educational Enterprise Foundation and the "Rzeczpospolita" daily. Its aim is to encourage further local non-governmental organizations to co-fund scholarships in line with the idea of "Bridge Scholarships". As a result of this new initiative almost 50 local organizations have become engaged in providing help for 200 scholarship holders. Thanks to cooperation with the Foundation of TP Group (Polish Telecommunication), last year additional 25 scholarships were granted to the best third and fourth year students participating in the Program.

More than half of the scholarship holders state that they would not have been able to undertake studies without financial assistance. In their first year 24 percent of the scholarship holders achieve average grades of at least 4.0. Almost all of them maintain this average in the second year.

To date 6,500 secondary school leavers received scholarships to begin their first year of studies leading to a Master's degree. Additionally, in the five editions of the "Top Student" competition 1,064 laureates were selected and 15 scholarships were granted through the initiative "Study Abroad".

Another segment of the Program consists of scholarships targeted at youth from small towns and villages who excel in economics studies at private universities and business schools. In 2006, 813 such scholarships were granted.

The Foundation has granted a total of \$6,398,341 for the Program, including \$1,501,681 for the year 2006.

#### Program Manager:

*The Educational Enterprise Foundation*

## SŁAWOMIR KOŚCIAK

– FIRST PARTICIPANT OF THE  
"INTERNATIONAL INTERNSHIPS  
INITIATIVE"

*"International Internships" is a new offer for participants of the "Bridge Scholarships" Program, initiated in 2006 in cooperation with the American Chamber of Commerce in Poland.*

*Sławomir Kościak comes from Jawornik Niebylecki in rzeszowskie voivodship. He is fluent in English and because of his excellent academic achievements during studies at the Warsaw School of Economics (SGH) he qualified for an internship in the USA at Lincoln Property Company (LPC) – one of the largest multinational property management firms in the world.*

*At Lincoln Property Company in Dallas he worked in the sales and financial departments, which enabled him to gain experience in modern commercial property management and residential housing projects.*

*"The internship at LPC was a wonderful and interesting adventure. I made new friends there and I visited many interesting places, but above all I gained work experience in a large corporation. This will certainly pay off in the future", says Sławomir.*



BARCIANY COMMUNE – A LOCAL ELEMENTARY EDUCATION DEVELOPMENT PROJECT

*In 2006, the commune of Barciany, located in the warmińsko-mazurskie voivodship, participated in the "For Children" Program and received a grant for implementation of its local elementary education development project. The priority was to develop a diverse and high quality offer for young children that would stimulate their development and help equalize their educational opportunities by creating new kindergartens and play groups.*

*Activities in the play groups contributed to better preparation of the children for beginning of learning at school. Parents observed the progress of their children and were more than pleased. The creation of such groups integrated not only the children, but also the parents, who often brought their children to the activities from distant localities.*

*The activities undertaken in this project led to mobilization of the local community in the area of Barciany commune. Parents recognized the need to conduct activities of this kind and indicated their intention to continue them after termination of the project. In order to do so, they begun efforts leading to the establishment of a communal kindergarten center.*



Initiatives in Education

**For Children**

The Program, launched in 2005, aims at creating the conditions conducive to equalizing educational opportunities for children from rural areas and small towns by reinforcing the non-governmental organizations active in this field and supporting model projects of cooperation between local communities, local authorities and NGOs. This cooperation is to enhance the educational environments for small children and thereby improve the quality of elementary education. The Program is a joint undertaking between PAFF and the Comenius Foundation for Child Development.

The first component of the Program consists of an offer addressed to selected, active local communities. Several rural communes took part in the pilot project "Improving the Quality of Elementary Education at the Local Level" and included a cycle of six thematic workshops plus support from experts. The main goal of these activities was to prepare a local strategy for improvement of elementary education in each participating commune.

Additionally, the partnerships of non-governmental organizations and local governments participating in the Program received grants from PAFF to apply elements of the strategy in their local area. Ten grants were awarded. The subject matter of the projects covered organization of additional activities for small children, establishment of day care centers, and conducting speech therapy activities. The Program reached more than 1,500 children and 4,000 adults, including teachers. The experiences of the Program were presented in the two publications: "Young Children In Our Community - How To Raise The Quality Of Elementary Education" and "Good Practices".

Another component of the Program consisted of developing a database of non-governmental organizations that support elementary education which is then placed on the website of the Program: [www.dladzieci.org.pl](http://www.dladzieci.org.pl) (currently, information concerning 329 organizations is available).

An additional result of the Program was the preparation of the "Report on the Educational Situation of Children in Poland". This Report – one of the first studies of its kind in our country – contains the analysis of the current situation of 3-10 year-old children, together with appropriate recommendations and exemplary actions that can be taken. The Report was published in 3,000 copies, and its recipients are non-governmental organizations, local governing authorities, the media, universities, international agencies, etc.

A new edition of the Program is in preparation; it is planned to be launched in the first half of 2007.

The Foundation has granted \$188,323 for the Program.

**Program Manager:**

*The Comenius Foundation for Child Development*



## Initiatives in Education

### Third Age Universities (UTA)

The objective of the Program, which was launched in 2005, is to foster the education and social engagement of senior citizens by supporting the Universities of the Third Age. The Program is implemented at two levels: a grant competition as well as a platform for cooperation and exchange of experiences between Third Age Universities, provided by the website [www.utw.pl](http://www.utw.pl) and annual national conferences.

In the grant competition 37 large and 48 small grants have been awarded to date. In the first edition of the Program the projects serving the quality improvement of the educational offer of UTA were supported, including organization of computer skills classes (working with the computer and using the Internet), as well as initiatives reaching out to a broader audience of elderly people with the UTA offer. The priorities of the competition conducted in the second edition were expanded so as to stimulate the engagement of elderly persons in activities for their local communities, especially in cooperation with non-governmental organizations. Descriptions of the projects realized in the first two editions of this competition can be found on the website: [www.utw.pl](http://www.utw.pl).

In 2006, a new element of the Program was introduced: the promotion of voluntary work by elderly persons. A seminar took place on the activities of UTA participants aiming to equalize the educational opportunities of children and youth. As a result, the pilot phase of the initiative „Third Age Volunteers” was started, supporting the work of small groups of senior volunteers (UTA participants) with children and youth from small localities, involving 2-3 month projects. The idea and methodology of this initiative is patterned after the PAFF „Student Volunteers” Program .

Once per year, representatives of all active UTAs have the opportunity to convene at a national conference organized as part of the Program with the involvement of the local UTA. Thus far, such meetings have taken place in Cracow, Bydgoszcz and Słupsk. At the conference in Słupsk, under the slogan “Third Age University in Poland – for yourself and for others”, 80 UTAs were represented.

The Foundation has granted \$591,073 for the Program, including \$234,776 for the year 2006.

#### Program Manager:

*The Foundation the Jagiellonian University*

### „THIRD AGE VOLUNTEERS”

*The project, implemented since 2006 by Third Age University in Wałbrzych, was intended to integrate seniors with children and youth, as well as to develop cooperation between UTA and other educational institutions in the region.*

*As part of the project, UTA participants – retired teachers – provided tutoring for young people, helping with their homework and organizing games as well as reading fairytales to the youngest children. The concept for this project was in direct response to local needs. Its aim was to bring together social groups exposed to loneliness and marginalization. Withdrawal from active professional life is often depressing for elderly persons and it significantly reduces their contacts with the community. Often the only place where children who are brought up in institutional foster homes can find understanding and acceptance are community day centers. The elderly persons facilitating the activities at these facilities many times become their foster grandparents; a vast need in these children.*



DON'T YOU KNOW? ASK!  
INFORMATORIUM FOR NGOs

*This is one of the segments of the "Mutual Information Society" and its task consists of providing advice concerning the operation of non-governmental organizations in Poland.*

*Those interested may ask questions by traditional mail, e-mail, or by telephone, using the national info-line 0-801-646-719, or by making an appointment to meet in Warsaw. Advice and information is provided by a competent team of employees and volunteers.*

*The Informatorium gives over 5,000 tips per year. Most frequently they concern legal aspects related to the operation of non-governmental organizations, most often concerning the establishment of new organizations. Also contact information and technical support is provided for users of the Portal "ngo.pl".*

*The Informatorium is based in Warsaw at No 5/5 Szpitalna Street. Inquiries are received Monday through Friday between the hours of 9.00 and 18.00.*



Development of Local Communities

**Mutual Information Society (MIS@NGO)**

The Program has been in operation since 2000. Its purpose is to support non-governmental organizations and civil initiatives in accessing reliable information and necessary advice for bettering their operations. Those interested are able to gain direct access to knowledge about legal issues, accounting, other interesting projects, training, conferences and available funding sources. Civil initiatives are promoted in various circles, including business, the media and public administration.

"MIS@NGO" is an information system composed of several segments. The most important is the Portal of Polish Non-Governmental Organizations: [www.ngo.pl](http://www.ngo.pl). At present, the Portal offers 50 services, including 14 regional portals, and regularly updated databases containing some 100,000 records (e.g. databases of Polish and international organizations, and some 5,000 Public Benefit Organizations). In 2006, the English and Russian language versions of the Portal were set up.

The "MIS@NGO" system includes the "Informatorium", a national info-hotline 0-801-646-719, a series of "It Is Worthwhile to Know More" and "Know Your Rights" brochures – free manuals for non-profit organizations available in electronic form on the Portal "ngo.pl", and also the publication "gazeta.ngo.pl", which reaches 19,000 organizations each month.

Under the Program research is conducted, reviewing the condition of the third sector in Poland. An important achievement in this regard was the publication in 2006 of the successive results of comparative studies (conducted in 2004-2006), raising a number of key issues concerning the operation of non-governmental organizations in Poland. Results of this research are presented on the Portal "ngo.pl" in a specially dedicated service "badania.ngo.pl".

This Program, financed for several years by various institutions, relies on the cooperation of several dozen organizations throughout Poland, while thousands of others benefit from the joint effort.

The Foundation has granted a total of \$1,228,89 for the Program, including \$100,151 for the year 2006.

**Program Manager:**

*The Klon/Jawor Society*

## Development of Local Communities

### Act Locally

The objective of the Program, operating since 2000, is to support civil initiatives that help in resolving local problems and stimulate new aspirations among rural and small town communities. Through grants awarded in open competitions assistance is offered to help build active local communities, the members of which independently define their own needs and undertake common initiatives.

Under the first three editions of the "Act Locally" Program support was granted to 357 projects, engaging over \$1 million from PAFF. In the fourth edition of the Program, realized in 2005 and 2006, co-financing was provided for 99 projects in national competitions and 519 grants were given via 30 Local Grant Organizations (LGOs), which announced competitions in areas including several communes to those with a number of districts (poviats). The LGOs received 85 percent of their financial resources from PAFF and obtained the rest from other sources – the total contribution of LGOs reached \$100,000 and the contribution on the part of local beneficiaries amounted to over \$950,000.

The co-financed initiatives included cultural and educational projects, others concerned the development of tourism, entrepreneurial ventures, job activation, social services for elderly and disabled persons, prevention of pathology amongst children and youth, improvement of public safety, reconstruction of cultural heritage, and protection of nature. Their common denominator is local activity which enables the residents to gain new skills, learn to be better self-organized and react to problems as they arise.

In 2006, the fifth edition of the Program was implemented, awarding 456 grants through decentralized competitions now conducted by 45 Local Grant Organizations. Additionally, through a nationwide competition, grants preparing for the LGO role were awarded to 10 action groups from small localities (comprised of a non-governmental organization, local government and business).

Last year, the Foundation also supported the 10th edition of the "Benefactor of the Year" Competition, promoting social commitment of firms contributing to the development of local communities. This is the most recognized initiative in Poland that promotes pro-social undertakings with the participation of the business sector.

The Foundation has granted a total of \$3,893,714 for the Program, including \$597,194 for the year 2006.

#### Program Manager:

*The Academy for the Development of Philanthropy in Poland*

### "THE LONGEST DRAWING IN THE WORLD"

*The Kwidzyn Cultural Society, as initiator of this project, invited local non-governmental organizations, elementary schools and other institutions from the area of Kwidzyn (pomorskie voivodhsip) to organize an open air event for children, youth and their parents.*

*The project was supposed to be an impulse to bring the non-governmental organizations and inhabitants of the community of Kwidzyn to cooperate.*

*In the local park, over 500 people painted their part of a huge drawing entitled "Kwidzyn, my Town", which subsequently served as its decoration. Along with individual inhabitants, the action attracted the engagement of 4 schools, 5 non-governmental organizations, the local Cultural Center and the Library.*

*The "Longest Drawing In The World" initiative came to be a regular event in the calendar of the town, thanks to which the local organizations have begun to plan other, broader projects serving interests of local community.*

*The project was supported by the Local Grant Organization from Kwidzyn as part of the fifth edition of the "Act Locally" Program.*



**BARTOSZ JĘDRZEJCZAK – TUTOR OF LEADERS**

*Participated in the second edition of the “PAFF Leaders”. Program, in which he worked with five leaders on their individual development paths. He educated them about teamwork, inspired actions on behalf of others as well as teaching them how to be a leader.*

*A graduate of Law and Administration from Szczecin University, and involved in other PAFF initiatives (as coordinator of the “Region in Transition” Program at the Education for Democracy Foundation), he is also the author of the “East-West Bridges” Program, which shares experiences of non-governmental organizations from Central-Eastern Europe and Central Asia with third sector organizations operating in Western countries. Bartosz is also a member of the “Ashoka” Academy for Social Innovators and acts as a volunteer at the Piotr Janaszek “Pass On” Foundation in Konin.*

*“This Program is innovative, opening new opportunities for all participants – both leaders and tutors. I am glad that I can contribute to it. I am proud of the progress made by “my” leaders”, says Bartosz Jędrzejczak.*



**Development of Local Communities**

**PAFF Leaders**

The aim of the Program, developed together with the School for Leaders Association, is to support the improvement of qualifications and skills of persons undertaking actions for the benefit of their own communities, primarily by means of an innovative tutoring method in the third sector. The Program is addressed to active participants of local projects financed by various PAFF programs, such as “Act Locally”, “Equal Opportunities”, “English Teaching”, “EURO-NGO”, and “Region in Transition” (RITA).

In 2005, as part of the first edition 60 leaders of local communities, selected by competition, worked on their personal development plans under the supervision of 13 experienced tutors; their individual development paths comprised issues such as: identification of their strengths and weaknesses, analysis of training needs, defining goals and possible ways of reaching them.

The leaders were given the opportunity to obtain small grants for projects serving their communities so that they could practically apply the acquired know-how. The offer was supplemented by educational internships at non-governmental organizations, and also by the support of experts in a variety of fields. Each element of the Program was aligned with the needs and priorities of the participants and took into account the following issues: team building, project management, leading an organization, strategic planning, interpersonal communication, engaging others, creating local partnerships and fund-raising. The skills acquired should help the participants in implementing their own future undertakings.

In 2006, the second edition was launched, which will last until the middle of 2007. The first group of leaders was joined by 60 people from all over Poland, who will work with the help of 14 tutors on their personal career paths. The start of the third edition with the next group of several dozen people was planned for the beginning of 2007.

The Foundation has granted a total of \$695,000, including \$173,321 for the most recent edition of the Program.

**Program Manager:**

*The School for Leaders Association*

## Development of Local Communities

### Undoing Unemployment

The objective of the Program, implemented since 2001, has been to trigger local initiatives to fight unemployment and its consequences. Since 2005 the Program focused on promoting the outplacement method, which was adapted to the needs and capabilities of non-governmental organizations and local partners.

In the pilot edition of the Program (2001-2002), five projects were implemented, addressed to different professional and social groups: nurses, railway workers, and young people just entering the labor market. The beneficiaries were provided with psychological counseling, legal advice, vocational counseling, and also had the opportunity to take additional training courses. Each participant took advantage of employment agency services, supported by a specially organized databank with three thousand job offers. The pilot activities reached 1,165 persons in total. In a relatively short time, nearly half of the Program participants found new employment or created their own jobs by starting up a business of their own. Until the year 2003 the Program was managed by the Enterprise Development Foundation in Suwalki.

Between 2004-2005 non-governmental organizations were given the opportunity to apply for grants for projects using the outplacement methodology; 9 counseling projects and 12 grants for advisory activities were awarded.

An important part of the Program was training provided by the "Outplacement Academy", addressed to labor market specialists, who wished to develop their skills concerning this methodology. In 2004-2006 there were thirteen editions of the "Academy", with the participation of 291 specialists.

As part of the successive edition of the Program realized in 2006, action was undertaken to analyze the situation and the role of non-governmental organizations in the labor market. As a result, a database of NGOs active in the labor market was created (1,500 records) and 15 reports were issued in a special publication with a CD attached and was also accessible on the portal: [www.bezrobocie.org.pl](http://www.bezrobocie.org.pl).

The Foundation has granted a total of \$917,268 for the Program, including \$30,029 for the year 2006.

#### Program Manager:

*The Foundation for Social and Economic Initiatives*

### "HOW TO FIND YOUR PLACE IN THE LABOR MARKET? EXAMPLES OF BENCHMARK ACTIONS FOR DISADVANTAGED GROUPS"

*Under the "Undoing Unemployment" Program a manual was developed, addressed to NGO activists, intended to help them in their work with disadvantaged groups. It is a compendium of "best practices", introducing persons in the Program to the open labor market. In a reader-friendly way, the publication presents basic legal regulations, together with practical tips. The model solutions presented in successive chapters are of universal value and may be applied in different environments.*

*This book appears at a time when emigration, driven by job-seeking, and a favorable business cycle require viewing the problem of unemployment in Poland from a different perspective.*



SOLEC KUJAWSKI DEVELOPMENT ASSOCIATION – “INTERNSHIP TODAY, EMPLOYMENT TOMORROW”

*The Association was awarded with distinction in the 8th edition of the “Pro Publico Bono” Competition in the category “Development of the environment and of the region, with particular focus on cooperation of the organization with local government”. The main goals of the Association consist of inspiring and promoting the entrepreneurial spirit and supporting the development of small and medium size enterprises, and also in helping people start their own business.*

*The “Internship Today, Employment Tomorrow” project was distinguished in the Competition, as it combined actions seeking to reduce unemployment and develop business enterprise, with vocational stimulation of the residents of the Solec Kujawski area (kujawsko-pomorskie voivodship). The aim of the initiative was to enhance the opportunities for employment of young people who had not yet gained any work experience. The Association organized internships, enabling the participants to gain practical work experience consistent with their interests and talents. As a result, over 80 percent of its participants found jobs.*



Development of Local Communities

**“Pro Publico Bono” Award**

The “Pro Publico Bono” Competition for the Best Civil Initiative was initiated in 1999 by Prime Minister Jerzy Buzek. Since 2000, the Polish-American Freedom Foundation has been funding the prizes awarded through this Competition.

The purpose of the Competition, organized under the auspices of the Polish Ombudsman, is to support the development of civil society by selecting and promoting each year the most valuable civic initiatives – on national, regional and especially local levels – in the fields of education, culture and national heritage, health care, social aid and charity, regional development and enhancement of the environment, as well as public diplomacy and European integration. The Competition’s Chapter, chaired by Professor Andrzej Zoll, is composed of well-known personalities and previous edition Award winners. The first Honorary Chairman of the Chapter was Jan Nowak-Jeziorański.

When evaluating the initiatives, the Chapter takes into account their social significance, innovativeness, the impact on development of the locality concerned, and the efficiency and transparency of the use of public resources. Additionally, the Chapter considers the institutional stability of the organization, compliance with ethical standards in its activities, and also the quality of cooperation with public administration and other institutions. The winning organizations receive cash awards which usually serve the purposes of continuation of the selected projects.

In 2006, in the eighth edition of the Competition, the Chapter awarded 17 organizations. The Awards Ceremony took place on November 11 in Cracow. The main award for a nationwide organization was granted to the Catholic Intelligentsia Club in Warsaw, and the main prize for a local organization was awarded to the Eastern Borderland Music Foundation.

The Foundation has granted a total of \$1,086,488 for the Program, including \$204,822 for the year 2006.

**Program Manager:**

*The “Pro Publico Bono” Competition Foundation*

## Development of Local Communities

### EURO-NGO: EU Funds For NGOs

The objective of the Program, implemented since 2003, is to assist non-governmental organizations in operating efficiently under the conditions of Poland's EU membership. Under the Program a publicly accessible information and counseling system concerning the rules and practicalities of EU funds was created, dedicated mainly to serving civil initiative leaders and non-governmental organizations from small towns and rural areas.

"EURO-NGO" Specialists were selected, by national competition, from almost 800 candidates and were trained in EU funds' issues by experts from Polish and EU public institutions and non-governmental organizations. The training ended with a final examination and the Specialists received certificates confirming their competence. On the website [splot.grupy.net](http://splot.grupy.net) an e-learning platform was set up, where training materials for the Specialists may be accessed.

In 2006, a group of over 120 "EURO-NGO" Specialists gave some 3,000 tips and consultations, organized over 200 training sessions and 118 informational meetings for non-governmental organizations and social/civic leaders. Thanks to the support from the Specialists, 350 organizations prepared their applications for EU funding (including 47 from local communities of less than 20,000 inhabitants), and 172 of them actually obtained funding exceeding \$27 million. At the same time, the Specialists helped in drafting 48 partner applications, 13 of which were successful in obtaining EU funding.

Concurrently, the Association of Forums for Non-Governmental Initiatives offered expert support to the Specialists and their beneficiaries. This consisted of collecting and disseminating information about EU funds as well as participation of the non-governmental organizations in the programming of Structural Funds for the years 2007-2013.

In 2004-2006, thanks to the advice of the counseling network of "EURO-NGO" Specialists, Polish NGOs gained over \$48 million from EU funds for the implementation of 373 individual projects and 21 partnership projects. Regional centers of the Program Manager – the SPLIT Network for Support of NGOs – provided resources for the governmental counseling system of Regional European Social Fund Centers. Many "EURO-NGO" Specialists found jobs at those Centers.

The Foundation has granted a total of \$1,110,387 for the Program, including \$340,845 for the year 2006.

#### Program Managers:

*The Network of Information and Support for Non-Governmental Organizations "SPLIT" – Silesian Center*

*The Association of Forum for Non-Governmental Initiatives*

### SYLWIA MIELCZAREK – "EURO-NGO" SPECIALIST

*Active as adviser on EU funds to non-governmental organizations. She gained this knowledge thanks to her training through the "EURO-NGO" Program.*

*Sylwia Mielczarek is educated in economics. She is currently engaged in implementation of the EU "LEADER +" Program in the Klodzko District. For two years she has coordinated the activities of a partnership group covering 9 communes composed of NGOs, local governments and businesses. As a trainer she participates in the project "Women Have Skills – Competence Development Program For Rural Women", sharing her abundant knowledge about the operation of NGOs and the preparation of social projects.*

*Work for the local community gives her a great deal of satisfaction. She dreams of developing recognition for the image of Klodzko as a place particularly friendly to visitors, which offers a unique atmosphere because of its people, its culture and natural environment.*



MYSZYNIEC COMMUNE  
– THE INTERNET IN LOCAL  
DEVELOPMENT

*Myszyniec is a commune in the mazowieckie voivodship, inhabited by 11,000 people, which participates in the second edition of the "e-VITA" Program. An optical fiber network was laid in the commune, which provided Internet access for the residents of Myszyniec and the surrounding villages. Training has also been conducted in computer and Internet usage.*

*Within the "Internet In Local Development" grant competition, the Youth for Myszyniec Association (in collaboration with the "Internauts From Kurpie Region"), prepared a website promoting their commune. It is used by the residents, by business people and tourists. An excellent supplement consists of an interactive map of the commune with important locations marked, such as: public institutions, retail stores, business enterprises and agro-tourism farms. Promotion of the region consists of the Kurpie Portal, with a gallery of photographs and a virtual museum devoted to the local culture and folk artists of the Kurpie Region.*

*"The Internet is not just an innovation for us any longer. We know how to use it effectively to promote our commune. This was a very good investment", declares Bogdan Glinka, the Mayor of Myszyniec.*



Development of Local Communities

**"Village in Transition": Developing Information Society (e-VITA)**

This undertaking stems from the experience of the "Village in Transition (VITA)" Program, realized in 2001-2003. The objective is to promote the use of information technology for the benefit of local development. The Program is addressed to rural and small town communities – to local government authorities, business people, non-governmental organizations and youth.

The pilot stage of the Program was implemented in 2004-2005 in six communes selected by competition: Bialogard, Cekcyń, Mały Płock, Recz, Stoszowice, Żelów. At these communes the telecommunications and information technology infrastructure was planned and developed, e.g. at 41 local government institutions, which were provided with public broadband Internet access (schools, libraries, municipal offices and local information centers). The Program's offer also included training, counseling and grants for the implementation of local IT projects.

Its participants gained knowledge and expanded their practical skills in using computers and the Internet in such areas as job seeking, business development or the implementation of various social/civic projects. Local government authorities also gained know-how useful in preparing projects financed from EU funds.

Implementation of the second edition started in February 2006, with a grant awards competition for local partnerships consisting of local governments, non-governmental organizations and other institutions. 66 partnerships submitted their applications, and 13 of them were invited to the Program (8 new and 5 that had participated in the pilot edition).

The experience and knowledge gained in the pilot phase were transmitted to other local communities through seminars, publications and on portal dedicated to rural areas – "Witryna Wiejska" ([www.witrynawiejska.org.pl](http://www.witrynawiejska.org.pl)). A substantial achievement of the Program is the development and transfer of know-how presently described as the "e-VITA Methodology".

The Foundation has granted a total of \$1,130,000 for the Program, including \$424,590 for the year 2006.

**Program Manager and Co-Financing Partner:**

*The Rural Development Foundation*



## Development of Local Communities

### Financial Management for NGOs (FIM@NGO)

The Program was initiated in 2001. Its objective is to improve the quality of financial management of non-profit organizations. By the end of 2006 four editions of the Program were successfully implemented, during which over 1,300 accountants and people in charge of finance at NGOs, (mostly from small localities), took part in free training.

Participants gained knowledge about such areas as the accountancy law, public procurement procedures, business management, writing of grant applications, cooperation with local government, settling accounts with sponsors. Sessions devoted to e-banking and computerized accounting were very popular. The training sessions are conducted using modern information technologies.

A supplementary offer to training consists of the Internet service "Ask The Expert". Also, a series of ten manuals for accountants, as well as a CD with legal regulations and document templates were published.

Taking into account strong interest in the Program as well as its usefulness, a fourth edition of the Program was launched at the end of 2005. In 2006, during ten sessions, another 300 people were trained free of charge.

The Program was co-financed by the Leopold Kronenberg Banking Foundation.

PAFF has granted a total of \$464,300 for the Program, including \$130,120 for the year 2006.

#### **Program Manager:**

*The Civil Society Development Foundation*

#### STANISŁAW SZWAJCA

– PARTICIPANT OF "FIMA@NGO"  
TRAINING

*Took part in the fourth edition of the Program. The training enabled him to gain the knowledge necessary to manage NGO finances, as well as specifics about drafting grant applications and cooperating with local governments.*

*Stanisław Szwejca graduated in geography from Nicholas Copernicus University in Toruń. For over 20 years he has been professionally attached to the school system; presently he is the director of the Aniela hr. Potulicka Group of Schools in Wojnowo. He is active in the local community as founder of the Local Initiative Society in Wojnowo, which seeks to equalize the educational opportunities of rural children and youth in the Bydgoszcz District.*

*He coordinated implementation of several projects supported by grants from the PAFF programs: "Equal Opportunities" and "English Teaching". He belongs to the Network of Leaders of the "Equal Opportunities" Program and regularly takes part in training sessions organized by the "Equal Opportunities Academy" and "Regional Educational Forums".*



## LEGIONOWO – THE TRANSPARENT COMMUNE

*Legionowo is a suburban municipality with 50,000 inhabitants on the periphery of Warsaw, which obtained the certificate of the “Transparent Poland” campaign in 2005, and in 2006 it implemented its follow-up tasks.*

*Concurrently with new municipal utility investment projects, Legionowo is implementing solutions to provide better services to the residents and encouraging them to participate in the management of the town. Important urban development investments are consulted in public.*

*As part of this activity, an ethical code for its officers has been introduced in the Town Hall. All vacant positions at the municipal office are filled by competitive selection. A Customer Service Office has been set up to streamline and speed up the service to residents; it is even open on Saturdays.*

*“I am proud of the participation by Legionowo in the “Transparent Poland” Action. It is an excellent opportunity to mobilize the people and to invite them to participate in the management of our town”, comments Roman Smogorzewski, the President of Legionowo.*



## Citizen in a Democratic State of Law

### Transparent Poland

The “Transparent Poland” Action is the product of a partnership between the Polish-American Freedom Foundation, the Foundation in Support of Local Democracy, Stefan Batory Foundation, “Gazeta Wyborcza” daily, Agora Foundation, the Center for Citizenship Education Foundation as well as the World Bank.

The main objective of this initiative is to support and promote the efforts of local communities to improve the functioning of local government and stimulate civil activities in small towns and rural areas. The target of this initiative are local government authorities which, in cooperation with the local community, have voluntarily committed themselves to introduce the application of six rules of good governance: transparency, social/civic participation, predictability, accountability, professionalism and zero tolerance towards corruption. Each rule had specific tasks attached (including mandatory tasks, which defined the respective rule). Examples of such tasks are: to draft an ethical code for the local authority officer and local counselor, development of a map of local initiatives, bringing the strategy and the budget of the commune closer to its inhabitants, drafting of a summary description of the services provided through the local government.

Implementation of the Action started in 2004 with the pilot phase entitled the “Transparent Community”. It consisted of an annual program for fifteen communes and one district, largely relying on earlier experience of the PAFF Program “Citizens and Local Government” (2001-2003).

In 2005, the 16 local governments that participated in the pilot phase acted as consultants for the “Transparent Poland” mass campaign, to which almost 800 local governments applied from all over Poland (including Warsaw and almost all the large cities). 426 of them implemented the mandatory tasks and thereby completed the project, which was confirmed by a special certificate. Out of this group, 127 local governments have implemented successive tasks in continuation of the campaign in 2006.

Under the auspices of this campaign over 3,000 officers of local authorities were trained. The participants implemented more than 4,500 tasks, which they informed others about via the information platform: [www.przejrzystapolska.pl](http://www.przejrzystapolska.pl).

In response to the requests of the local governments, support for the successful participants of the “Transparent Poland” campaign will be continued in the year 2007.

The Foundation has granted a total of \$326,967 for the Program, including \$155,000 for the year 2006.

#### Program Manager:

*The Foundation in Support of Local Democracy*

## Citizen in a Democratic State of Law

### Citizen and Law

The objective of the Program, which started in 2002, is to support the development of various forms of civic counseling and the dissemination of legal information by providing grants to non-governmental organizations that offer free legal information and advice. The Program offers assistance to individuals in difficult situations, especially persons from socially marginalized groups or from small localities.

In the first edition 22 projects were funded, implemented by Citizen Advice Bureaus, University Law Clinics and other organizations working for the benefit of the unemployed, patients of psychiatric institutions, Romas, members of families at risk, and handicapped persons.

In 2005, the second edition of the Program was launched under the patronage of the "Gazeta Prawna" daily, in which two types of activities were conducted in parallel: in the grant award competition 28 NGOs obtained financial support, whereas the newly established Expert Committee took care of the pilot implementation facilitating access of citizens to legal assistance. This was accomplished by propagating civil mediation and engagement of lawyers in pro bono legal assistance, as well as through the promotion of publication standards concerning legal information manuals targeting selected legal problems of the citizens.

The third edition of the Program, under the patronage of the "Rzeczpospolita" daily, was started in the middle of 2006. The grants competition resulted in the awarding of 25 grants to counseling organizations. Implementation of the projects began in December 2006 and will last until November 2007. Under this edition the Expert Committee promotes the solutions developed in the course of the second edition on a wider scale (concerning civil mediation and pro bono engagement of lawyers), and also considers the issue of accessibility to legal professions and the problem of providing legal assistance to persons in need.

The Foundation has granted a total of \$1,290,778 for the Program, including \$210,696 for the year 2006.

#### **Program Manager:**

*The Institute of Public Affairs*

## "OVUM" ASSOCIATION – CIVIL EDUCATION AND ASSISTANCE

*The Association provides free legal counseling for the residents of Gdynia and its surrounding area (pomorskie voivodship). Over 300,000 people make use of its services, most of them are in difficult financial situations.*

*As part of the second edition of the "Citizen and Law" Program, the Association opened a Citizen Advice Bureau, with the objective of reaching an even greater group of persons in need of legal assistance. The opening of the Office was preceded by a sweeping information campaign in the press, mainly locally. The Citizen Advice Bureau also prepared information leaflets with answers to some of the most frequently raised problems. The work of the Bureau was also supported by student volunteers.*

*Over the implementation period (October 2005 - May 2006) the Office gave civil advice to nearly 4,000 people. To supplement the counseling, training was also provided in the law for the employees of public institutions, non-governmental organizations and employees of Civil Information Points, as well as open lectures for the residents, in which 330 persons took part.*



MARYNA GORBACH – LANE  
KIRKLAND SCHOLARSHIP HOLDER

*She comes from Ukraine. Graduate of the State Theatre Academy in Kiev, where she presented her Master's thesis on "Documentary Event on TV".*

*Since 2004 she works as a movie director and producer. In her films she focuses on the problems of Ukrainian women. Her works have won awards at international festivals, i.a. in Azerbaijan, Sweden and Russia.*

*Her "Cottage" project, on which she worked during her stay on the Kirkland scholarship in Poland at the Andrzej Wajda Master School of Film Directing, is devoted to the issues experienced by women in Ukraine. The film by Maryna Gorbach found great recognition in the eyes of the faculty of the School, who regard her as a very talented film director.*



Sharing Polish Experiences in the Transformation

**The Lane Kirkland Scholarship Program**

The objective of the Program implemented since 2000 is to share Poland's experiences in the systemic transformation with young leaders from Central and Eastern European countries by offering them two semester studies at Polish universities. The Program is currently addressed to candidates from Ukraine, Belarus and Russia, as well as Armenia, Azerbaijan, Kazakhstan, Georgia and Moldova. Under individual study programs the Kirkland scholarship holders focus on selected aspects of economics and management, business and public administration, law, social and political science.

The Program begins with an introduction course, the purpose of which is to transmit and structure some knowledge concerning the history of Poland, as well as its current political, social and economic situation. The students continue with their individual programs at the Universities of Warsaw, Cracow, Poznań, Wrocław and Lublin. Under the guidance of academic tutors they prepare papers for the end of semester and final dissertations for their diplomas. During the academic year several convocations for Kirkland scholars are organized. Internships at public and private institutions are also offered. In 2006/2007 cooperation was initiated with Andrzej Wajda Master School of Film Directing, thanks to which cultural animators may now take advantage of the Lane Kirkland Program.

In the academic years 2000-2007 the Program was attended by 276 scholarship holders; from Ukraine – 137 persons, Belarus – 79, Russia (Kaliningrad District) – 16, Lithuania – 12, Slovakia – 10, Georgia – 11, Moldova – 2, Armenia – 3 and Azerbaijan – 1. They studied the following subjects: economics and management – 99 persons, law – 47 and public administration – 46. Most of these individuals were scientists, business people and civil servants.

After the end of the Program contact with the alumni is maintained by means of a newsletter, reunions of alumni (every 2-3 years), the website [www.programkirklanda.engo.pl](http://www.programkirklanda.engo.pl), and also various post-scholarship projects organized by the alumni of the Program with support from PAFF.

In 2006 the publication "On the Path of Transition, Poland and its Neighbors in the Transition Process" was issued. It contains 13 academic papers written by Kirkland scholars from the years 2001-2005. Authors of the articles used the knowledge, experience and contacts gained during their studies in Poland.

The Foundation has granted a total of \$3,931,034 for the Program, including \$579,943 for the year 2006.

**Program Manager:**

*Polish-U.S. Fulbright Commission*

## Sharing Polish Experiences in the Transformation

### Region in Transition (RITA)

The Program, which was initiated in 2000, is addressed to non-governmental organizations and educational institutions that are prepared to share Poland's experiences in its social and economic transformation with partners from other Central and Eastern European countries.

Under the Program grants are awarded in two categories: "We Cooperate Locally" – for cross-border initiatives of a local nature, implemented together with partners from neighboring countries. And, "We Share Polish Experiences" – under which Polish non-governmental organizations offer to share relevant experience and expertise, especially in the area of civil society development, strengthening the third sector, transformation of local self-government, development of education and the functioning of the free press and media of public communications. In total 399 projects have been funded.

Since 2004, "Study Tours to Poland" are organized under the Program, targeted mainly at student leaders and young professionals from countries of the region, especially Ukraine, Belarus and the Kaliningrad District of the Russian Federation. Their purpose is to familiarize them with the realities of Poland and Europe. They are given the opportunity to meet representatives of public life and academic and business circles, and to become familiar with the activities of non-governmental organizations, local governments, as well as to establish valuable contacts. Important to the region is the special cycle of visits for civil servants and experts from Ukraine (approximately 200 persons per year). This initiative started in 2005 following the Orange Revolution. The purpose of these visits is to help adapt Ukrainian law and administrative practice to comply with European standards.

In 2006, almost 2,000 students from Ukraine, Belarus and the Kaliningrad District signaled their interest in taking part in the autumn round of the "Study Tours to Poland". The selection committee chose 686 persons, mainly from Ukraine. Since 2004 almost 1,300 persons have participated.

The Foundation has granted a total of \$5,046,000 for the Program, including \$1,421,494 for the year 2006.

#### Program Managers:

*Education for Democracy Foundation*

*Jan Nowak-Jeziorański College of Eastern Europe („Study Tours to Poland“)*

### "EXCHANGE PROGRAM BETWEEN POLISH AND UKRAINIAN YOUTH"

*The Group of Mining and Power Engineering Schools in Konin (wielkopolskie voivodship) is the only school in Poland specializing in education focused on the use of renewable energy sources. The school belongs to European leaders in this field and sets its mission to broadly share its experiences. In fulfillment of this mission, in 2006, the teachers and students from Konin have invited Ukrainian junior high school students and teachers from Czerniowce, Kamieniec Podolski and Chocim.*

*During the visit, the Ukrainian guests got to know the principles of operation of the Renewable Energy Workshop and gained knowledge concerning the construction and operation of a Solar School. Ukrainian youth also met with the President of the Town of Konin and with local government representatives. They also became familiar with the principles of co-operation between partner cities. The project was implemented through support obtained from the "RITA" Program ("We Cooperate Locally").*



FINANCIAL STATEMENTS AND REPORT  
OF INDEPENDENT AUDITORS

4

# REPORT OF INDEPENDENT AUDITORS

## To the Board of Directors of the Polish-American Freedom Foundation:

In our opinion, the accompanying statement of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of the Polish-American Freedom Foundation (the "Foundation") at December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



May 4, 2007



# FINANCIAL STATEMENTS

## Statement of Financial Position as of December 31, 2006

### Assets

#### ASSETS:

#### Investments, at fair value:

Equity investments (Note 5)	\$ 214,855,653
Fixed income investments (Note 5)	18,331,609
Cash equivalents (Note 5)	35,759,948
	<u>268,947,210</u>

Cash (Note 5)	194,313
Fixed assets, net (Note 6)	113,247
Prepaid expenses and other assets	55,932
Total assets	<u>\$ 269,310,702</u>

### Liabilities and Unrestricted Net Assets

#### LIABILITIES

Grants payable (Note 1)	\$ 3,938,031
Accounts payable and accrued expenses	147,966
Total liabilities	<u>4,085,997</u>

#### UNRESTRICTED NET ASSETS (NOTES 2, 4)

	<u>265,224,705</u>
Total liabilities and unrestricted net assets	<u>\$ 269,310,702</u>

*The accompanying notes are an integral part of these financial statements.*



FINANCIAL STATEMENTS

**Statement of Activities for the Year Ended  
December 31, 2006**

Changes in unrestricted net assets:

Income:

Interest and dividend income	\$ 5,351,140
Net realized and unrealized appreciation on investments	29,963,229
Support	<u>5,500,000</u>
Total income	<u>40,814,369</u>

Expenses:

Employee compensation and benefits	873,810
Operating expenses	463,998
Occupancy	151,623
Depreciation	<u>32,486</u>
Total operating expenses	<u>1,521,917</u>

Excess of income over expenses, before grants 39,292,452

Grants (Note 1) (9,479,216)

Total increase in unrestricted net assets 29,813,236

Unrestricted net assets, beginning of the year 235,411,469

Unrestricted net assets, end of the year \$ 265,224,705

*The accompanying notes are an integral part of these financial statements.*

## Statement of Cash Flows for the Year Ended December 31, 2006

### Cash flows from operating activities:

Increase in unrestricted net assets	\$ 29,813,236
-------------------------------------	---------------

### Adjustments to reconcile increase in net assets to net cash provided by operating activities:

Net realized and unrealized appreciation on investments	(30,593,540)
Depreciation	32,486
Increase in prepaid expenses and other assets	(2,673)
Decrease in liabilities	(59,880)
Increase in grants payable	889,795
Net cash used in operating activities	<u>(29,733,812)</u>

### Cash flows from investing activities:

Proceeds from sales/redemption of investments	77,915,365
Cost of investments purchased	(77,883,624)
Cost of fixed assets purchased	(60,196)
Net cash used in investing activities	<u>(28,455)</u>

Net increase in cash and cash equivalents	50,969
---	--------

Cash and cash equivalents, beginning of year	<u>143,344</u>
--	----------------

Cash and cash equivalents, end of year	<u><u>\$ 194,313</u></u>
--	--------------------------

*The accompanying notes are an integral part of these financial statements.*

## Notes to Financial Statements as of December 31, 2006

### 1. Organization

The Polish-American Freedom Foundation (the "Foundation") is a U.S. not-for-profit corporation established on August 11, 1999 pursuant to an agreement between the Polish-American Enterprise Fund (the "Fund") and the U.S. Government. The Foundation was created to advance the purposes of the Support for East European Democracy Act of 1989 by building upon the successful assistance programs and sound practices established by the Fund, and to undertake other developmental initiatives designed to solidify Poland's successful transition to democracy and free markets.

The Foundation concentrates its efforts in four main program areas: (i) Initiatives in Education, (ii) Support for Local Initiatives, (iii) Sharing the Polish Experiences in Transformation, and (iv) Citizen in a Democratic State of Law. The Foundation generally seeks an external program manager (typically a well established non-governmental organization in Poland) to execute the objectives of each individual grant, thereby leveraging the Foundation's resources.

With the permission of the Minister of Foreign Affairs of Poland, the Foundation has opened a Representative Office in Poland whose purpose is to engage in activities to promote the Foundation and to provide information and consultation to the Foundation with respect to its activities.

### 2. Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations, the Foundation is required to classify information regarding its financial position and activities into certain classes of net assets. Pursuant to the Grant Agreement (defined in note 4), at December 31, 2006, the entire balance of net assets was classified as unrestricted. Unrestricted net assets are those net assets that are not restricted by donor imposed stipulations.

### 3. Summary of Significant Accounting Policies

#### Use of Estimates

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

#### Investments

Equity and fixed income investments are generally valued based upon the closing price as quoted on major exchanges. However, certain securities are valued based upon yields or prices of securities of comparable quality, coupon, maturity and type as well as indications as to values from brokers and dealers. Investments that are determined by a fund manager to be illiquid or and/or lacking a readily accessible market value ("Special Investments"), are valued using current estimates provided by the fund manager. Since Special Investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market existed.



The Foundation engages professional investment managers who make investment decisions according to the Foundation's investment policy and monitor the Foundation's investments.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Foundation considers all highly liquid financial instruments with original maturity of three months or less to be cash equivalents.

**Grants**

Grants are recorded as grant expense in the statement of activities and grants payable in the statement of financial position when the grant is approved in accordance with policies set by the Board of Directors, negotiations have been finalized with the grantee, and the parties have signed the grant agreement.

**Translation of Foreign Currency**

The functional currency of the Polish representative office is the Polish zloty. Expenses transacted in Polish zlotys are translated into United States dollars at the average exchange rates in effect during the period. Polish zloty denominated assets and liabilities are translated at the year-end spot currency rate.

Translation adjustments are reflected in the statement of activities.

**Donated Services**

The Foundation's directors receive no compensation or fees for serving as directors. Such directors donate significant amounts of their time to the Foundation's programs. No amounts have been reflected in the accompanying financial statements for such donated services, inasmuch as no objective basis is available to measure the value of such services. The Foundation's non-executive Polish directors receive a fee for providing advice and assistance to the Foundation. For the year ended December 31, 2006 the total fees paid to all Polish directors amounted to \$41,110.

**Depreciation and Amortization**

Computer hardware, furniture, equipment and automobiles are depreciated on a straight-line basis over their estimated useful lives, ranging from three to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

**Operating Expenses**

Professional services, expenses of Board of Directors meetings, expenses for travel, lodging and meals incurred in connection with the Foundation's operations and administrative expenses are classified as operating expenses.

**Credit risk**

Credit risk is the possibility that loss may occur from counter party failure to perform according to the terms of a contract. Unless noted otherwise, collateral or other security is not normally required by the Foundation to support financial instruments with credit risk. At December 31, 2006, the Foundation had credit exposure mainly from debt instruments in the Foundation's portfolio. The maximum risk of accounting loss from these financial instruments is represented by their respective balance sheet amounts.

FINANCIAL STATEMENTS

**4. Polish-American Enterprise Fund Grant**

Pursuant to an agreement signed in 1999 between the Fund and the U.S. Government and in consultation with the Government of Poland, the Fund has returned \$120 million of the Fund’s assets to the U.S. Treasury and has contributed \$216.5 million to the Foundation through December 31, 2006.

According to the terms of the grant agreement between the Fund and the Foundation, as amended, (the “Grant Agreement”), the Foundation shall be operated as a perpetual endowment, with the long-term objective of earning an average annual return on the Endowment Amount which exceeds average annual disbursements to beneficiaries and for expenses as defined in the Grant Agreement.

According to the terms of the Grant Agreement, the Fund has the right to require repayment or transfer of all or any portion of the Endowment Amount paid or transferred to the Foundation together with any interest thereon if foreign policy grounds exist, as described in Section 801 of the SEED Act.

**5. Cash and Cash Equivalents and Investments**

**Cash and cash equivalents**

As of December 31, 2006, the Foundation’s cash and cash equivalents consisted of \$35.7 million in cash (principally money market funds) that was held on deposit at various high-quality financial institutions by the Foundation’s various investment managers.

**Investments**

Following is the cost, fair value and percentage of fair value by classification for investments in the Foundation’s investment portfolio:

	Costs	Fair Value	% of Fair Value
U.S. fixed income mutual funds	\$ 17,716,315	\$ 16,982,344	6.3%
Polish Government treasury bills	1,341,467	1,349,265	0.6%
Fixed income investments	<u>19,057,782</u>	<u>18,331,609</u>	<u>6.9%</u>
Common stock	38,510,480	52,008,613	19.3%
U.S. equity mutual funds	34,111,727	38,569,618	14.3%
International equity mutual funds	60,537,385	80,507,338	29.9%
Alternative investments	<u>33,527,294</u>	<u>43,770,084</u>	<u>16.3%</u>
Equity investments	166,686,886	214,855,653	79.8%
Cash equivalents	<u>35,736,339</u>	<u>35,759,948</u>	<u>13.3%</u>
	<u>\$ 221,481,007</u>	<u>\$ 268,947,210</u>	<u>100.0%</u>

Investments and cash held in Polish Zlotys were translated into US dollars at the year end exchange rate. As a result, a translation adjustment of \$348,704 increased investments and cash at December 31, 2006.

The Foundation evaluates investment manager performance on a total return basis, net of custodial, investment management and advisory fees and reports income net of such fees. The total amount of such fees reflected in the statement of activities was \$702,676, which represents 0.3% of the total value of investments under management at December 31, 2006. Of this amount, \$684,018 was reflected in net realized and unrealized appreciation on securities and \$18,658 was reflected in interest and dividend income. Included in the amount reported as interest and dividend income in the Statement of Activities is approximately \$2.8 million that represents amounts distributed from and classified by the Foundation's various mutual fund investments as dividend income. Part of the Foundation's investment in three alternative investment funds consists of \$5,026,348 (1.9% of the total fair value of investments) of Special Investments.

## 6. Fixed Assets

As of December 31, 2006, fixed assets consisted of:

Computer equipment and software	\$ 139,175
Furniture and equipment	93,923
Automobiles	58,463
Leasehold improvements	3,654
	<u>295,215</u>
Less - Accumulated depreciation	181,968
Net book value	<u>\$ 113,247</u>

## 7. Lease Commitments

The Foundation is committed to make minimum annual rental payments for office space under an operating lease which expires December 31, 2008. Lease commitments for the twelve months are approximately \$130,800 per annum for 2006 through 2008.

## 9. Tax Status

### United States

The Foundation is exempt from U.S. Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"), and has been classified as an organization that is not a private foundation as defined in Section 509(a)(1) of the Code. In addition, the Foundation is exempt from payments of state and local income taxes.

### Poland

The Foundation's Representative Office in Poland is not subject to Polish corporate income taxation.

## BOARD OF DIRECTORS

**John P. Birkelund** - *Chairman*

Chairman of the Board of Directors of the Polish-American Enterprise Fund,  
Senior Advisor Saratoga Partners

**Marek Belka**

Former Prime Minister of Poland, Under-Secretary-General of the United Nations,  
Executive Secretary of the United Nations Commission for Europe

**Joseph C. Bell**

Senior Partner, Hogan & Hartson

**Frederick M. Bohlen**

Former Executive Vice President and Chief Operating Officer, The Rockefeller  
University

**Michał Boni**

Former Advisor to Polish Deputy Prime Minister and Labor Minister, former  
Minister of Labor and Social Policy, Labor Market and Social Policy Expert

**Zbigniew Brzeziński**

Former National Security Advisor to the U.S. President, Counselor and Trustee  
at the Washington Center for Strategic and International Studies (CSIS), Director  
of the Polish-American Enterprise Fund

**Robert G. Faris**

Chairman of the Board of Directors of Enterprise Investors Corporation, President,  
Chief Executive Officer and Director of the Polish-American Enterprise Fund

**Anna Fornalczyk**

Former President of the Polish Office for Competition and Consumer Protection

**Aleksander Koj**

Professor at the Molecular Biology Institute at the Jagiellonian University, former  
Rector of the Jagiellonian University

**Jerzy Koźmiński**

Former Polish Ambassador to the United States, President and Chief Executive  
Officer of the Polish-American Freedom Foundation

**Krzysztof Pawłowski**

Rector of the High School of Business-National Louis University in Nowy Sącz,  
former Polish Senator

**Nicholas A. Rey**

Former U.S. Ambassador to Poland, Director of the Polish-American Enterprise  
Fund

U.S. Government Liaison to the Board

**Victor Ashe**

U.S. Ambassador to Poland, participating in the work of the Board of Directors



# MANAGEMENT AND STAFF

President and Chief Executive Officer

**Jerzy Koźmiński**

Administrator of the Representative Office

**Grzegorz Jędryś**

Treasurer and Chief Financial Officer

**Norman E. Haslun III**

Secretary to the Board of Directors

**C. Douglas Ades**

Program Directors

**Jacek Michałowski**

**Radosław Jasiński**

**Anna Wojakowska-Skiba**

Program Officers

**Renata Koźlicka-Glińska**

**Robert Milewski**

Chief Accountant

**Agnieszka Kwiatkowska**

Financial Analyst

**Mira Osiecka**

Information and Public Relations

**Przemysław Zaroń**

Program Assistants and Secretariat

**Kalina Grzeszuk-Zajczkowska**

**Agnieszka Łukasik**

**Katarzyna Świątkiewicz**



# CONTACT

## **Polish-American Freedom Foundation**

410 Park Avenue 15th Floor  
New York, NY 10022, USA  
Tel. (917) 210-8083

## **Representative Office in Poland**

ul. Dobra 72  
00-312 Warszawa  
Tel. (22) 828-43-73  
Fax (22) 828-43-72

e-mail: [\*\*paff@pafw.pl\*\*](mailto:paff@pafw.pl)  
[\*\*www.pafw.pl\*\*](http://www.pafw.pl)