



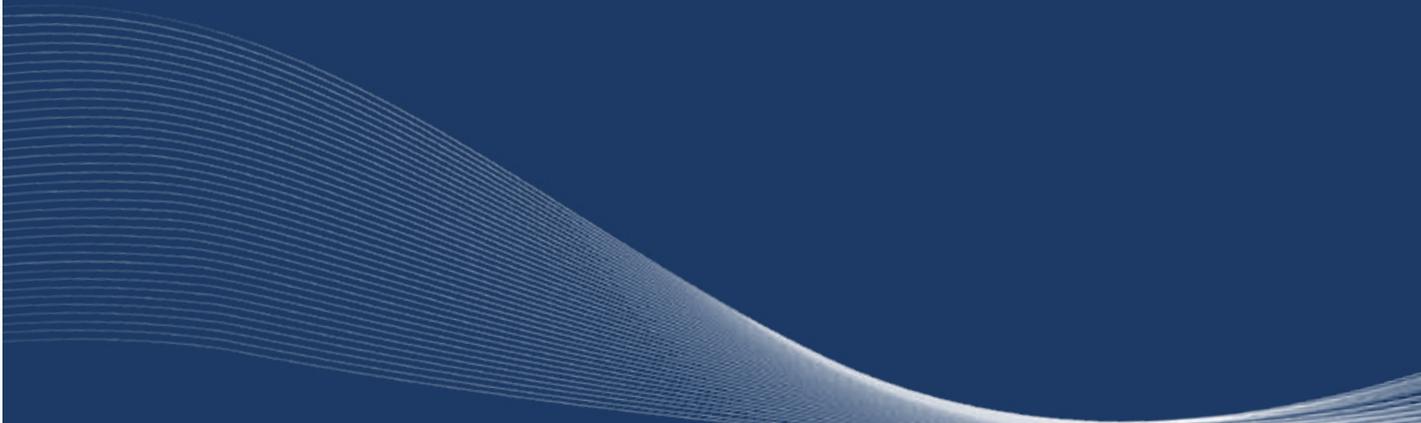
POLISH-AMERICAN FREEDOM FOUNDATION

ANNUAL REPORT

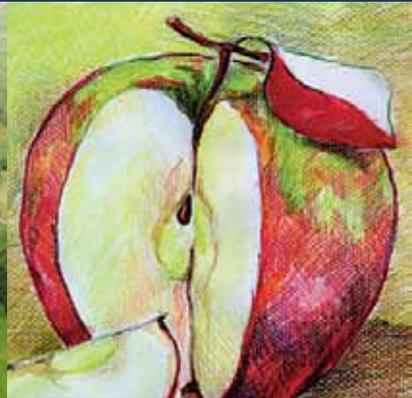
2012

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THE FOUNDATION'S PROGRAMMATIC FIELDS



Initiatives in Education

- THE LEARNING SCHOOLS (LES)
- EQUAL OPPORTUNITIES
- ENGLISH TEACHING
- BRIDGE SCHOLARSHIPS
- PROJECTOR – STUDENT VOLUNTEERS
- THIRD AGE UNIVERSITIES

Development of Local Communities

- ACT LOCALLY
- NEW TECHNOLOGIES LOCALLY
- PAFF LEADERS
- LIBRARY DEVELOPMENT PROGRAM
- PAFF LOCAL PARTNERSHIPS
- SUPPORT FOR NGOS
- THE “PRO PUBLICO BONO” COMPETITION
- CITIZEN AND LAW

Sharing the Polish Experiences in Transformation

- LANE KIRKLAND SCHOLARSHIP PROGRAM
- REGION IN TRANSITION (RITA)

LETTER FROM THE PAFF LEADERSHIP



Letter from the PAFF Leadership

We are pleased to present the Annual Report of the Polish-American Freedom Foundation which highlights the most important developments of the Foundation's thirteenth year of operation. The Foundation's financial statement along with the independent auditor's opinion is also included. In 2012, as in the preceding years, we continued implementing our mission. We addressed these goals within three programmatic areas: initiatives in education, local community development, and sharing the Polish experience in transformation with other countries of the region.

Last year saw an important development in the Foundation's life: a change in the Chairman of our Board of Directors. John P. Birkelund, who had held this position since the Foundation's inception, decided to step down. John has been immersed in Poland for more than 20 years. In the 1990s, as Chairman of the Board of Directors of the Polish-American Enterprise Fund, he was actively engaged in entrepreneurship and private sector development in Poland, and then, with great commitment, in establishing and developing the Polish-American Freedom Foundation, whose endowment derived from the Fund's liquidated investment portfolio. In 1995 John was decorated with the Commander's Cross of the Order of Merit of the Republic of Poland by President Lech Wałęsa, and in 1999 with the Commander's Cross with Star of the Order of Merit of the Republic of Poland by President Aleksander Kwaśniewski.

In a letter to John, President Bronisław Komorowski expressed his acknowledgment and thanks for the Foundation's and the Fund's contributions to the advancement of Poland and excellent relations between Poland and the United States as well as everything John has done for the country in the last two decades. The letter was read aloud by Minister Jacek Michałowski, Chief of the Chancellery of the President of the Republic of Poland, during a farewell ceremony in honor of John that was held in May 2012 in Warsaw. The ceremony was attended by Michał Boni, Minister of Administration and Digitization, U.S. Ambassador to Poland Lee Feinstein and Professor Leszek Balcerowicz.

In 2012 the Foundation's largest undertaking - the Library Development Program in which PAFF is a partner of the Bill and Melinda Gates Foundation - deserves particular attention. We were gratified by the launch of the program's third round, which was made possible thanks to the decision to prolong this undertaking due to effective management of the funds granted by the Gates Foundation and PAFF's financial contribution. Within the third round, the 3,327 public libraries already participating in the program were joined by an additional 486 units and, as a result, a total of 3,813 libraries from more than 1,250 communes (gminas) are taking part, with almost 60% of all libraries located in villages and small towns. The new participants will receive computer equipment and the librarians will undergo library development planning workshops. Those already participating in the program will be provided with additional training support and the opportunity to take part in e-learning courses.

We are pleased that the Information Society Development Foundation (FRSI), which we established in 2008, was presented with the prestigious "E-Inclusion Award" for the implementation of the Library Development Program in a competition organized by the European Commission. The competition rewards initiatives aimed at promoting best practices in the use of new information and communication technologies. In implementing the program, FRSI cooperates with multiple institutions, companies and organizations. As a result of the agreement reached in July 2012 by FRSI, the Ministry of Culture and the

National Heritage, the Ministry of Administration and Digitization, and Orange Polska, all libraries participating in the Library Development Program can use the Internet free of charge for the next three years. This agreement was an extension of the previous one of 2009, in which Telekomunikacja Polska (a Polish telecom operator) committed to provide free Internet connection for all commune public libraries.

Those libraries which do not participate in the Library Development Program can take advantage of the PAFF's pilot initiative, "Job center. Explore your local library", launched last year and carried out by FRSL. Within this project, in three voivodeships with the highest unemployment rates librarians receive professional support to assist the unemployed. For implementation of the project, PAFF has received a grant of USD 1 million from the Open Society Foundations.

In 2012, within the "Third Age Universities" and "Support for NGOs" programs, PAFF partnered two special events. The first was the Third Age Universities Convention concluding the Year of Third Age Universities, which was held in Warsaw with the participation of First Lady Anna Komorowska as well as Prime Minister Donald Tusk. Several weeks later, President Bronisław Komorowski visited the 11th Meeting of Rural Organizations in Maróz near Olsztynek.

Among the Foundation's educational initiatives the Bridge Scholarships Program occupies a special place. The program celebrated its 10th anniversary last year. In the program, which is a joint undertaking of various partners, nearly 16,000 scholarships have been awarded, of which almost 12,000 went to first year students - disadvantaged young people from villages and small towns. The 10th edition of the program was organized under the patronage of First Lady Anna Komorowska, who was also a special guest at an inaugural opening of the 11th edition held in November at the Belvedere Residence. One of the components of the Bridge Scholarships Program is the Polish-American Internship Initiative, which enables some of its scholarship holders as well as "Student Volunteers" Program participants to have internships at renowned American corporations. In June 2012 Michael Camunez, Assistant Secretary of Commerce at the U.S. Department of State, met with a group of interns at the Foundation's Representative Office in Warsaw.

In collaboration with the Chancellery of the President of Poland and under the President's patronage, the Foundation for the Development of Voluntary Service carried out the "Modern Patriotism" project as part of the "Student Volunteers" Program. The President's Ministers and Advisors, including Chief of the Presidential Chancellery Jacek Michałowski, acted as Honorary Volunteers. In cooperation with university students participating in the "Student Volunteers" Program, they carried out eleven educational workshops for schoolchildren from small towns aimed at raising their knowledge about Poland and shaping their patriotic attitudes.

One of the Foundation's first programs, "English Teaching", intended to promote English language learning among children and teenagers from rural areas, entered a new stage with an altered formula. A more advanced offering was addressed to teachers, which gives them the opportunity to take part in training or get individual advice as well as obtain a grant for implementation of an eighteen-month educational project. Other program initiatives are continuing, such as the possibility for the most active teacher-participants to take part in the TESOL Summer Institute at Gonzaga University in the United States as well

as in the annual meeting of English language teachers, methodologists and enthusiasts, which last year attracted almost 500 participants. It was the tenth jubilee English Teaching Market.

The Foundation's mainstream work continued with initiatives strengthening and stimulating civic involvement in rural areas and small towns. Since inception this has been the aim of the "Act Locally" Program. We are delighted to note that today the network of Act Locally Centers comprises as many as 60 organizations, which is four times more than in 2004 when we first launched local grant competitions. In 2012 alone, the Act Locally Centers allocated 722 grants for the implementation of projects stimulating development aspirations of local communities. These organizations put in their own contribution worth nearly USD 400,000, with PAFF's contribution of more than USD 700,000. Last year saw the launch of the third edition of the "PAFF Local Partnerships" Program that draws on the experience of "Act Locally". Seven new partnerships have been established that stimulate local communities and involve about 80 partners. We pay special attention to the fact that the projects supported within this program should have follow-up stages, and their impact on residents' lives needs to be sustainable, with long-lasting effects. Therefore, a pilot offer was presented to 15 alumni partnerships established in the program's first two editions, which provides them know-how support and the opportunity to participate in study visits as well as obtain mini-grants for the popularization of best practices developed over the course of the program.

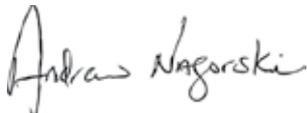
In addition to Poland-based initiatives, we continued to be actively engaged in undertakings aimed at supporting democratic and free-market transitions in other countries of the region. The 12th edition of the Lane Kirkland Scholarship Program has admitted a record number of participants – in the 2011/12 academic year 45 students from 9 countries began studies at Polish universities; of the 363 people who submitted applications to the Program. We are pleased to note that for the "Study Tours to Poland" initiative its Program Manager - the Jan Nowak Jeziorański College of Eastern Europe - received a special award in the "civil society" category in the competition for the best trans-border program during the Eastern European Initiatives Congress held in Lublin in September 2012 under the European Commission's patronage.

In 2012 U.S. Ambassador Lee Feinstein completed his diplomatic mission to Poland. We wish to thank the Ambassador, who participated in the work of PAFF's Board of Directors and supported us with his knowledge and engagement. We appreciate his friendship and personal involvement in the Foundation's activities. It was thanks to our cooperation with the U.S. Embassy in Warsaw that it was possible to launch the Polish-American Internship Initiative. Within the framework of another program - "PAFF Leaders" - its alumni have the opportunity to acquire knowledge and new experience during their study visits to the United States. We are pleased to welcome the new U.S. Ambassador to Poland Stephen Mull. We are sure that the Ambassador, for whom this is not the first assignment in Poland, will support us with his rich experience.

The opening of PAFF's own premises in Poland in December 2011 has brought about new opportunities to us and our partners with regard to organizing various events within the Foundation's programs. In 2012 the Foundation's conference rooms hosted 75 meetings, conferences and workshops with a total attendance of 2,500 people. We are happy that our beneficiaries can take advantage of such an offer and that our new office contributes to developing program initiatives.

Finally, we wish to thank all our Partners for their professionalism, commitment and innovativeness that they demonstrate while implementing PAFF's programs. We extend special thanks to all the Members of the Board of Directors for their invaluable wisdom, support and enormous contributions to the development of the Foundation.

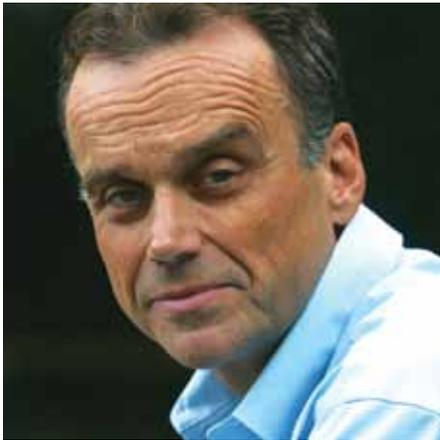
New York/Warsaw, May 2013



Andrew Nagorski
Chairman of the Board of Directors



Jerzy Koźmiński
President and Chief Executive Officer



Andrew Nagorski

Andrew Nagorski, who was born in Scotland to Polish parents, moved to the United States as an infant and has rarely stopped moving since. An award-winning former Newsweek bureau chief in Bonn, Berlin, Moscow, Warsaw, Rome and Hong Kong, he is currently vice president and director of public policy at the EastWest Institute, a New York-based international affairs think tank.

A graduate of Amherst College, Nagorski taught high school social studies in Wayland, Massachusetts for three years before embarking on his journalistic career. While continuing to contribute to numerous publications, he is also an adjunct professor at Bard College's Center for Globalization and International Affairs in New York City, teaching a course on international affairs writing.

Nagorski's most recent book, *Hitlerland: American Eyewitnesses to the Nazi Rise to Power* (2012), has received rave reviews in numerous publications, including *The Economist*, *The New York Review of Books* and *Newsweek*. His other non-fiction books are *Reluctant Farewell: An American Reporter's Candid Look Inside the Soviet Union* (1985); *The Birth of Freedom: Shaping Lives and Societies in the New Eastern Europe* (1993); and *The Greatest Battle: Stalin, Hitler, and the Desperate Struggle for Moscow that Changed the Course of World War II* (2007). His novel *Last Stop Vienna* (2003) was on *The Washington Post's* best-seller list.

In November 2009, Poland's Foreign Minister Radoslaw Sikorski presented Nagorski with the Bene Merito award for his reporting from Poland about the Solidarity movement in the 1980s. In 2011, Poland's President Bronislaw Komorowski awarded him the Cavalry Cross for the same reason.

Nagorski is chairman of the board of the Polish-American Freedom Foundation, and a member of the Council of Foreign Relations and the Overseas Press Club.

For more information, see www.andrewnagorski.com

13 YEAR OF OPERATION

Initiatives in Education

- THE LEARNING SCHOOLS (LES)
- EQUAL OPPORTUNITIES
- ENGLISH TEACHING
- BRIDGE SCHOLARSHIPS
- PROJECTOR – STUDENT VOLUNTEERS
- THIRD AGE UNIVERSITIES

THE LEARNING SCHOOLS (LES)

Within this program, jointly created with the Center for Citizenship Education Foundation since 2000, a wide range of activities is carried out aimed at improving the quality of education in Poland by making use of the best practices from abroad. Those are to promote cooperation between the teaching staff, schools' self-evaluation, improvement of teaching and assessment methods.

Schools develop organizational solutions which lead to the professionalization of teachers' work. They also monitor the results of their activities and share the best practices. Particular emphasis is placed on schools in rural areas and small towns as well as on the cooperation with self-governments. The program's main component includes an extensive training and workshop offer for teaching staff representatives, training courses and conferences for school headmasters as well as other classes for teachers such as summer schools. The program leads to quality improvement in such key areas of schools' activities as effective education, teaching and learning, the school as an institution, and the school's relating to the outside community.

Schools which complete the training cycle are eligible to join the "Learning Schools Club". Schools belonging to the Club develop a system of quality assurance, help each other in self-evaluation, improve their teachers' skills and share materials and experiences. They also participate in the accreditation process of educational institutions vying for the "Learning Schools" title. During eleven years, 1,124 schools have participated in the core part of the "Learning

Schools" Program, and 39,000 teachers have been trained. Thanks to the program, the autonomy of the teaching staff increases, and the schools are opening up contact with the outside world.

Interested schools may also take advantage of the "Learning Schools Academy" offer, which includes training courses and workshops for teaching staff as well as internet courses for teachers. The training courses include junior-high school projects, didactic methods as well as the school's and teacher's development.

Two large undertakings have been implemented since 2009 - the "Teachers Internet Academy" (TIA) and the "Pupils' Academy". The first is the largest project in Poland offering online distance training to teachers of different subjects at schools and levels of every kind, including pre-schools. TIA courses are conducted via a special Internet platform making use of e-learning and e-coaching and they equip teachers with a variety of skills including the use of modern information and communication technologies in their work with pupils. TIA offers seven annual courses. In the 2012/2013 school year 1,900 teachers took part in TIA training courses.

The "Pupils' Academy" initiative, financed from European Union funds, is aimed at promoting mathematics and science subjects among junior-high school students. By 2014 the project is to encompass 300 junior high schools, which will receive funds for conducting extracurricular activities through science clubs for mathematics, physics, chemistry and biology. This will also involve additional remuneration for the overtime hours of teachers overseeing those clubs. The schools will receive Young Explorer's sets and the opportunity to participate in science festivals organized by institutions of higher education. The idea behind the "Pupils Academy" is for each of the 33,000 participating junior high school students to implement at least one cooperative educational project as part of the school scientific club.

Since 2007, the Educational Leaders Postgraduate Studies program has been carried out in cooperation with Collegium Civitas and the All-Poland Educational Management Staff Association. Their objective is a skill improvement training course for management staff: headmasters and supervisory bodies as well as the staff of the



school superintendent's office. So far 260 headmasters and deputy headmasters of all school levels have taken part in the Studies.

PAFF is the strategic partner of the "School with Class 2.0" undertaking, promoting using information and communication technologies in learning and teaching. It expands on the "School with Class" mass campaign, launched in 2002 and inspired by the "LES" Program. It was conducted by the Center for Citizenship Education in cooperation with "Gazeta Wyborcza" daily newspaper. Over 5,000 schools from all over Poland

completed it. The campaign gave birth to the following undertakings: the "Teacher with Class" initiative, "Student with Class", and "School of Thinking".

→ The Foundation has disbursed **\$6,962,838**, including \$794,166 in 2012.

→ Program Manager:
Center for Citizenship Education Foundation

→ more information at:
www.ceo.org.pl/sus

EQUAL OPPORTUNITIES

The objective of the program, implemented since 2001, is to support grassroots initiatives fostering equal opportunities for a better start on the road to adulthood for young people from rural areas and small towns (with a population of up to 20,000 inhabitants) by improving their competencies and developing social skills, such as teamwork, the ability to win support for achieving their goals as well as the ability to plan various activities.

Within this program, NGOs, culture centers, libraries and informal groups apply for grants to finance projects that help develop the skills needed for young people to achieve independently and realistically set goals. Such projects evoke a thirst for knowledge and creative aspirations, promote attitudes of active involvement and openness as well as inspire youth to work for the benefit of their own community.

Through these projects young people are able to participate in activities extending beyond the standard curricula offered by schools. The program is rounded out by skill-enhancing training opportunities for project coordinators. They deal with ways of conducting projects, particularly emphasizing the involvement of young people in the role of active creators, participants and direct implementers of an undertaking. In 2012, within an "All-Poland Grant Competition" and a "Regional Grant Competition", a total of 140 projects were subsidized. Their implementation will end in 2013.

The "Let's Act Together" competition, first announced

in 2012, is a new initiative. It enables young program participants to showcase their backgrounds, achievements and experiences gained when carrying out educational projects as well as implement a joint project with their peers.

Important components of the "Equal Opportunities" Program are its Local Forums, organized cyclically by organizations participating in the program. The forums are a place for institutions and individuals involved in activities benefiting youth in their communities to discuss the potential of the local environment and the obstacles limiting development opportunities of young people living in small localities. So far 65 regional and local educational fo-



13 Year of Operation

Initiatives in Education

rums as well as two all-Poland forums have been organized, attended by more than 8,600 participants.

The program's eleven rounds resulted in the implementation of 1,860 projects involving nearly 125,000 participants (indirectly almost 405,000 people have been affected by the program). Mention should also be made of the activation and integration of local communities around initiatives addressed to children and teenagers. 17 publications have been issued, describing the methodology of selected model projects which can be implemented in various parts of Poland. The publications are available at the program's website. In addition, 150 new local non-governmental organizations have emerged as a result, and many projects are continued after the financial support provided by the program ceases.

Through the "Equal Opportunities" Program the Foundation provides support to the "Young Explorer Clubs" initiative, which is an extension of a model project launched in 2002 by the Education Soci-

ety of Kłodzko as part of the program. The goal of the "Young Explorer Clubs" is to promote interest in science among children and youth. The Clubs are based on learning through discovery and self-directed experiments with simple and easily accessible materials. Currently, 180 "Young Explorer Clubs" are being run in Poland. Since 2009 the initiative has been overseen by the Copernicus Science Center, whose mission is to support individual learning and exploration of the world as well as inspiring social dialogues regarding science.

→ The Foundation has disbursed **\$ 10,049,869**, including \$1,053,055 in 2012.

→ Program Manager:
The Polish Children and Youth Foundation

→ more information at:
www.rownacszansę.pl

ENGLISH TEACHING

Having been in operation since 2000, the program launches and supports activities that promote the English language as well as improve the quality of teaching English to children and teenagers from small towns and rural areas. It promotes students' equal access to educational opportunities and at the same time contributes to the professional development of English language teachers working in small localities.

The program is not only a large-scale undertaking promoting English teaching; it stimulates and develops a variety of civic initiatives as well. The results of such initiatives often transcend the goals initially set and frequently these involve social activity of particular local communities. In the program's editions to date (2000-2012), 784 projects were subsidized in grant competitions addressed to schools and non-governmental organizations from localities of up to 20,000 inhabitants. As a result, English teaching and Anglo-Saxon culture clubs were set up in many Polish schools, book collections of English literature were created and theater cir-

cles, quizzes on English-language writers, culture and history as well as song festivals were organized. Children and young people had a chance to watch English-language films in their original versions and converse with a native speaker of English. More than 49,000 students and approximately 3,000 teachers directly participated in the projects financed within the grant competitions. Indirectly they engaged over 130,000 parents and other members of local communities.

Since 2012 the program has included methodological training for teachers "Teaching English Teachers" and grants for the implementation of projects aimed at equalizing educational opportunities for pupils from small localities. The offer is comprised of two packages. The full package, addressed to English language teachers at public elementary and junior high schools as well as kindergartens in rural areas, includes methodological training and provides teachers with the opportunity to participate in the small grants competition as well as assistance in project preparation in the form of training and individual consultancy. Small

grants are earmarked for subsidizing projects addressed to pupils and local communities and implemented within an 18-month period. The basic package is addressed to English language teachers from localities with a population of up to 20,000 inhabitants, who are provided an opportunity to take part in weekend methodological training courses. The most active teachers participating in the program have a chance to take part in the TESOL (Teaching English to Speakers of Other Languages) Summer Institute organized by Gonzaga University in the United States.

Ten nationwide educational meetings, “English Teaching Markets”, have been held each year for English

→ The Foundation has disbursed **\$5,057,146**, including \$461,154 in 2012.

→ Program Manager:
The “NIDA” Development Foundation

→ more information at:
www.englishteaching.org.pl

teachers as well as interested institutions, organizations, schools and publishers. Some 5,400 people have participated. Such annual gatherings are aimed at the development of cooperation networks of English-language teachers from small localities, additionally supported by the program’s quarterly bulletin and community portal. Last year a jubilee meeting was held; it was attended by Andrew Nagorski, PAFF’s Chairman to the Board of Directors and Vice President and Director of Public Policy at the EastWest Institute.

Additionally, 83 weekend “Teaching English Teachers” training sessions have been held for 3,500 teachers, mainly from villages and small cities.



BRIDGE SCHOLARSHIPS

The undertaking was launched in 2002 in response to a serious social problem – the clear disparity of access to higher education between urban and rural youth. The program helps talented young people from small localities, especially former state-owned farm areas, to make a decision to begin university studies by offering them first-year scholarships.

The “Bridge Scholarships” are currently financed by the Polish-American Freedom Foundation, the National Bank of Poland, the PZU (State Insurance Group) Foun-

ation, the BRE Bank Foundation, the BGK Jan Kanty Steczkowski Foundation, the Orange Foundation, the Rural Development Foundation and a coalition of non-governmental organizations cooperating with the Stefan Batory Foundation and the Academy for the Development of Philanthropy in Poland. Also involved are those NGOs that joined the program as part of the “Diploma of Dreams” campaign. The undertaking is carried out with the support of the Agricultural Property Agency. The Partners have disbursed more than PLN 71 million, including PLN 41 million provided from PAFF.

13 Year of Operation

Initiatives in Education



Nearly 16,000 scholarships have been awarded since the beginning of the program. Scholarships for the first year of full-time day studies leading to a Master's degree have been granted to nearly 11,725 high-school graduates. Under the current 11th edition 790 scholarships have been granted to first year students in the amount of PLN 500 per month. They will be paid out over 10 months.

The "Diploma of Dreams" campaign encourages and supports local non-governmental organizations to sponsor scholarships in accordance with the idea behind the "Bridge Scholarships" Program. Since 2006, 110 such organizations have engaged in assistance to 2,323 young people.

The program is currently a system whose offer transcends support for the first year of studies. Scholarship holders who do extremely well in their academic pursuits have a chance for assistance in successive years of study - for the second year they may enter the "Top Student" competition, try for corporate scholarships for their third and fourth years, a "Study Abroad" initiative and doctoral scholarships.

An initiative to provide summer internships in the USA for bridge scholarships holders has been launched in cooperation with the U.S. Embassy in Warsaw ("Polish-American Internship Initiative"). In 2011, 22 Polish students were hosted by several leading American corporations and another 22 in 2012.

The program's offer also includes language scholarships and workshops preparing scholarship holders for entering the job market. Within the program, educational scholarships are granted to young people from small towns and rural areas who demonstrate high academic achievements in economic studies at non-state universities and private business schools. Since 2001 nearly 7,000 such scholarships have been awarded.

A survey conducted among scholarship holders revealed that nearly 40% of them would not have been able to undertake university studies were it not for the financial assistance of the "Bridge Scholarships" Program. More than 55 percent of graduates had grade averages of "good" or better, and 80 percent completed them without delays. A mere 3 percent dropped out. More than 70 percent of them plan to continue their education after graduation.

As part of the Bridge Scholarships Program, the Foundation also supports activities aimed at development of scholarship initiatives and volunteering carried out by the Good Network Foundation. These include the www.mojestypendium.pl portal – the largest Internet service in Poland dedicated to scholarships as well as the "Good Scholarships" competition promoting the best scholarship programs carried out by self-governments, schools of higher education, companies and non-governmental organizations.

Patronage of the 10th jubilee edition was assumed by First Lady Anna Komorowska.

The program's media partners are Forum Akademickie (the Academic Forum) and Perspektywy (Perspectives) monthly.

→ The Foundation has disbursed **\$ 15,486,044**, including \$1,593,307 in 2012.

→ Program Manager:
Educational Enterprise Foundation
The Good Network Foundation ("My Scholarship" and "e-volunteering")

→ more information at:
www.stypendia-pomostowe.pl
www.dobrasiec.org

PROJECTOR – STUDENT VOLUNTEERS

This program is aimed at equalizing educational opportunities for children and youth living in rural areas and small towns. Within the program groups of student volunteers (2 to 5 persons) implement educational projects they have prepared to develop knowledge, skills and interests of children and youth. The projects are conducted in free time during the school year as well as summer and winter vacations.

The projects involve a specific field of knowledge, a subject or a selected area of activity, and consist of activities such as classes in fine arts, sports, information technology, theater, linguistics, and many other activities.

The program encourages pupils to develop their skills via the use of role models, and shapes the students' sense of social responsibility while enabling them to pursue their passions and interests in a meaningful way.

In all the editions of this program conducted since 2003, over 19,000 educational projects have been conducted in 1,562 schools all over Poland in which almost 9,000 student volunteers have taken part. Last year, 3,297 projects were carried out with the participation of nearly 33,000 pupils.

→ The Foundation has disbursed **\$4,356,711**, including \$503,971 in 2012.

→ Program Manager:
Foundation for the Development of Voluntary Service

→ more information at:
www.projektor.org.pl

The program was supported by two former prime ministers, Professor Jerzy Buzek and Professor Marek Belka, who in 2007 took part in summer-vacation activities with school children in several rural communes.

Last year the Foundation for the Development of Voluntary Service, in cooperation with the Chancellery of the President of Poland, implemented the “Modern Patriotism” project, in which Ministers and Advisors at the President’s Chancellery visited eight schools in small localities. President Bronisław Komorowski assumed honorary patronage of the initiative, which sought to popularize knowledge of patriotism, instill civic values among young people, teach local traditions and national symbols, as well as to encourage tolerance and respect for other people.

For years the “PROJECTOR – Student Volunteers” Program has been supported by the network of institutional partners: schools of higher education, local authorities and media. It now affiliates more than 40 institutions, including the Ignacy Łukasiewicz Polish Oil and Gas Foundation, which is the strategic partner, as well as the Orange Foundation, Microsoft, Polish Oil and Gas Company (PGNiG Group), the Ministry of Treasury, IBM, Euro<26, TVP Info and the non-governmental organizations’ portal www.ngo.pl.



THIRD AGE UNIVERSITIES

The objective of this program, launched in 2005, is to support education and stimulate social energy of the elderly as well as to promote their civic involvement.

This is pursued through the support and promotion of civic initiatives undertaken by seniors as well as by making use of their potential, knowledge and time for the benefit of their communities. Support for the Third Age Universities' environment is also provided.

Within the "Seniors in Action" grant competition, grants and training are offered to people over 60 years of age, who wish to carry out civic and intergenerational actions based on their own ideas. The competition is addressed to active senior citizens involved in activities both within the framework of Third Age Universities (TAU) and in cooperation with various organizations and institutions. So far 134 intergenerational projects that stimulate seniors to act for the benefit of their communities and promote their voluntary work have been carried out. 33 projects are implemented within the current edition of the competition. An account of their implementation has been provided at the "Seniors in Action" blog.

Within the framework of support for Third Age Uni-

versities, the program offers training, workshops and an opportunity to share experiences at national conferences for TAU representatives. In 2004-2012 all-Poland gatherings were held in Kraków, Bydgoszcz, Słupsk, Płock, Warszawa Nowy Sącz and Katowice. Since 2011 selected regional TAU meetings are supported within the program.

Between 2005 and 2008, within the grant competition addressed to Third Age Universities 131 grants were awarded for projects improving the quality of the educational offer, including computer and Internet courses, outreach to a broader audience of senior citizens, and stimulating seniors' involvement in activities benefiting their local communities, particularly through voluntary work.

The year 2012 was the "European Year for Active Ageing and Intergenerational Solidarity" and, in Poland, it was also "The Year of Third Age Universities". One of the most important events was the All-Poland Congress of Third Age Universities which was held in March 2012 in Warsaw (PAFF was its partner). First Lady Anna Komorowska has assumed patronage over "The Year of Third Age Universities".



→ The Foundation has disbursed **\$2,791,451**, including \$359,390 in 2012.

→ Program Manager:
The Association of the Creative Initiatives „e”

→ more information at:
www.seniorzywacji.pl

13 YEAR OF OPERATION

Development of Local Communities

- ACT LOCALLY
- NEW TECHNOLOGIES LOCALLY
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- CITIZEN AND LAW

ACT LOCALLY

The objective of the program, operating since 2000, is to assist and encourage local communities in villages and small towns by lending support to civil initiatives that foster developmental aspirations, improve the quality of life and contribute to building social capital.

Support is offered to encourage the activity of local communities, the members of which define their own needs and embark upon common initiatives. Because people and communities are different, as are their needs, traditions, experiences, and available resources, the program supports a wide range of projects. Each community follows its own path to achieve its goals.

Grants are awarded at the local level in open grant competitions organized once a year by a network of Act Locally Centers (ALC), which encompasses associations and foundations from localities with up to 50,000 inhabitants, operating in an area of from four communes up to a few districts. The ALC network is gradually expanding – beginning with 15 organizations in 2004 to 53 ALCs in 2012. It currently covers 540 communes all over Poland with at least one ALC in each voivodeship. New ALCs are selected in an open recruitment process by a Competition Committee. The beneficiaries of local grant competitions include non-governmental organizations and informal citizen groups, on behalf of which applications may be submitted by organizations and

local public institutions (schools, community centers, libraries) operating in localities of up to 20,000 inhabitants.

In the first three editions of the “Act Locally” Program, 357 projects were supported in the national grant competition, involving more than \$1 million from PAFF funds. In 2004 local competitions were launched through the agency of Local Grant Organizations (currently known as Act Locally Centers). In the years 2004-2009 (the 4th, 5th and 6th editions) a total of 99 projects received funding in countrywide competitions, and 2,837 grants were awarded via the network of Act Locally Centers, which held local competitions encompassing several communes or several districts. Within the current 7th edition of the program (2010-2012), in three local grant competition rounds, 2,047 grants were awarded.

The subsidized initiatives mainly deal with strengthening cooperation and involvement in local communities, creating new opportunities for personal development and spending free time as well as highlighting regional attractions. Local involvement, providing citizens with new skills and teaching them how to organize and react to new problems, constitutes their common denominator. Implementation of all of the projects have attracted nearly 2 million people, including 100,000 volunteers. The “Tell me...” Competition is organized for the beneficiaries of the “Act Locally” Program, in which the most interesting forms of promoting and communicating about the activities are awarded.

The program’s experiences have been harnessed by the „PAFF Local Partnerships”, an initiative implemented since 2009. The beneficiaries of various PAFF programs set up partnerships whose objective is to carry out civic projects for the common good that are important to local communities.

Within the program, PAFF supports the „Benefactor of the Year” Competition and maintains patronage of the “Local Dimension of Corporate Social Commitment” category that promotes the civic engagement of companies which, in cooperation with ALCs, contribute to long-term local changes. The Foundation is also the main partner of the “Civic Leader of the Year” Competition, organized by Newsweek Polska (the Academy for the Development of Philanthro-



py in Poland is the strategic partner). The aim of the Competition is to award pro-civic attitudes and promote the activities of individual people and organizations standing behind them in solving various social problems.

In January 2013 the 8th edition of the program was launched.

→ The Foundation has disbursed **\$9,276,755**, including \$861,531 in 2012.

→ Program Manager:
The Academy for the Development of Philanthropy in Poland

→ more information at:
www.dzialajlokalnie.pl

NEW TECHNOLOGIES LOCALLY

Information technologies bring about benefits to all institutions, including the reduction of operation costs, improvement of communication processes and time saving. Broader ICT use in everyday work of non-governmental organizations can significantly improve their activities, especially in small communities.

The aim of the “New Technologies Locally” Program is to broaden knowledge and skills of non-governmental organizations’ employees and activists in the practical use of modern information and communication technologies. The program comprises an educational component and a support system, including financial aid, for a group of selected non-profit organizations. Particular emphasis is placed on providing knowledge about potential areas of ICT use in non-governmental organizations. As a result they will be able to pursue their objectives more effectively, which also means streamlining cooperation between the organizations themselves and the environment in which they operate. A special grant program will be launched that is aimed at providing equipment and innovative ICT solutions to NGOs as well as offering advice.

The program is a continuation of PAFF’s activities aimed at supporting the use of new technologies in local development. The implementation of the undertaking was preceded by a preparatory period within which the Unit for Social Innovation and Research “Shipyard” Foundation conducted research and a series of analyses. Also, numerous consultations with Polish and foreign experts were held. Information was collected on the current level of

non-governmental organizations in the use of ICT as well as the staff’s knowledge and competencies in those areas. The preparation process brought about a diagnosis of numerous obstacles and deficits facing local communities but also uncovered opportunities.

An important component of the program are its annual all-Poland “Sector 3.0” conferences and Regional Technological Forums. The events gather representatives of non-governmental organizations, ICT experts, academics as well as foreign experts - they constitute a platform for the exchange of information about the current trends in Internet use in civic activities as well as the practical use of ICT. So far 400 people have participated in the two editions of the “Sector 3.0” conference organized



in Warsaw. Three Regional Technological Forums, which were held in Gdynia, Rzeszów and Gliwice, also drew serious interest and attracted 300 participants.

→ PAFF granted a total of **\$ 312,506** for the program.

→ Program Manager:
Information Society Development Foundation

→ more information at:
www.technologielokalnie.pl

PAFF LEADERS

The objective of this program, implemented by the School for Leaders Association, is to support the development of qualifications and skills by individuals involved in community efforts. This is achieved mainly through the use of the innovative tutoring methods in the third sector based on constant cooperation between the participant (leader) and the experienced tutor.

The program is addressed to participants active in local projects financed by various programs of the Polish-American Freedom Foundation, in particular: “Act Locally”, “Equal Opportunities”, “English Teaching”, “Region in Transition (RITA)”, “PAFF Local Partnerships” and the Library Development Program.

The core part of the program is a twelve-month cooperation between a leader and a tutor as well as a series of training sessions adapted to the participants’ needs and priorities which focuses on: interpersonal development planning, team building, managing an organization, communication, community involvement and creating local partnerships. The skills acquired from participating in the program help leaders in the implementation of activities that they undertake for the benefit of their local communities.

An essential component of the program is an offer for program graduates. This is the “Alumni” Initiative, which provides an opportunity to participate in meetings with well-known figures of public life and in workshops adapted to the alumni’s needs. Also, within the development fund, they may obtain grants for enhancing their leadership skills. Thanks to the subscription of the electronic newsletter, the

alumni regularly receive information about current undertakings carried out within the program. Leaders may also exchange experiences during annual meetings of participants as well as via civic portals.

Since 2008, within the International Visitor Leadership Program and in cooperation with the American Embassy in Poland, study tours to the USA have been regularly organized. In 2012 another group of leaders and tutors took part in such a visit, during which they had the opportunity to meet representatives of local American non-governmental organizations acting in the field of culture.

The Unit for Social Innovation and Research “Shipyard” Foundation has prepared a report entitled “Visionaries, activists and resource brokers”, to answer the question about what influence local leaders have on their surrounding social environments. The research shows that the “PAFF Leaders” Program alumni are at the forefront of the local third sector and through various activities engaging, e.g. self-governments and the public sector, they introduce innovative solutions in their communities. The conclusions from the report were presented during a seminar “Local Leaders: A Course for Innovations”, organized in October 2012. The guests included Professor Jerzy Hausner, former Deputy Prime Minister, Minister of Economy of Work and Social Policy, Krzysztof Pawłowski, PhD, President of the Higher School of Business – National Louis University in Nowy Sącz and a Member of the PAFF’s Board of Directors as well as 80 local leaders and representatives of non-governmental organizations, corporate foundations, centers supporting innovative activities, think-tanks and schools of higher education.

Last year a group of program alumni took part in consultations on the draft of the “Report on the condition of territorial self-governance in Poland” drawn by a team of experts led by Professor Jerzy Hausner. The report was published in January 2013.

The seven editions of the program carried out to date

→ The Foundation has disbursed **\$2,552,332**, including \$385,441 in 2012.

→ Program Manager:
School for Leaders Association

→ more information at:
www.liderzy.pl

have helped improve the qualifications of 375 local leaders from all over Poland, led to the creation of an active countrywide network and training of nearly 50 experts at tutoring. In the 8th and current edition, which began in 2012, 47 leaders and 14 tutors are participating.



LIBRARY DEVELOPMENT PROGRAM

The Polish-American Freedom Foundation is a partner with the Bill and Melinda Gates Foundation in an initiative intended to facilitate access to computers, the Internet and training opportunities for Poland’s public libraries.

The program is conducted as part of “Global Libraries”, a broader undertaking in which the Gates Foundation creates partnerships in selected countries for the purpose of providing citizens with free access to information and communication technologies via a public-library network. In Poland, the program is carried out by the Information Society Development Foundation (FRSI) that was created by PAFF in 2008.

Libraries and their branches in rural areas and small towns (up to 20,000 inhabitants) participate in this undertaking. The goal of the Library Development

Program is to assist them in transforming themselves into modern, multi-functional information, cultural, education and civic activity centers. Thanks to the assistance received by these libraries, people gain an opportunity to improve their quality of life. Librarians, on an ongoing basis, expand the libraries’ offer of providing courses on computer and Internet use, the possibility to enroll in a film club as well as organizing meetings with authors and exhibitions. As a result libraries become the “third place” in their localities – a place open to all.

In 2008, a planning phase of the program was carried out. A detailed plan of assistance to Polish libraries was developed to provide them with computer equipment and software and to train librarians and library users. An Agreement on cooperation was also signed with the Ministry of Culture and National Heritage which is conducting a parallel pro-

gram called „Library+” - managed by the Book Institute. The aims of both undertakings are convergent so the programs are developed to reinforce and complement each other.

In 2009 the actual implementation of the program got under way. 1,873 libraries qualified for the first round. 1,454 libraries qualified for the second round of the program in the spring of 2011. As a result 3,327 libraries from all over Poland were involved in the program constituting more than a half of libraries located in villages and small towns.

Program participants received content-related support in the form of various training courses such as workshops on planning the library’s work followed by the preparation of the library’s development plan, computer and vocational training, specifying further development of the library and taking into account the needs of the local community. They also obtained technical assistance in the form of modern computer equipment, including multifunctional devices, printers, laptops, projectors and digital cameras, together with software provided for free by Microsoft. Additionally, libraries have had an opportunity to apply for grants to finance activities included in the libraries’ development plans, which enhance and develop their offers for library users. Also, they may receive grants for the organization of meetings for cooperating institutions aimed at integrating the local librarians’ environment and sharing experiences.

The Library Development Program is supported by a national Partnership for Library Development, which comprises more than 100 representatives from the worlds of science, art, economy, media, politics and the non-governmental sector. In addition, 16 Regional Partnerships with provincial authorities were established by FRSI. Their task is to promote the modernization of public libraries in small localities. Partnerships for the development of libraries may also be set up at the commune level; they are of an open character. In addition to self-governments, other institutions important to social life locally may also participate: schools, non-governmental organizations, business organizations, media as well as local leaders.

Actions are also taken to promote libraries such as civic campaigns organized within the program e.g. an all-Poland action “Library: A place of read-

ing. A place of activity.” and an Internet competition “Let’s meet in the library” as well as a national public libraries’ convention held each year since 2010 with the participation of approximately 500 people, mainly librarians from small localities. The LABiB initiative is also being developed, which encompasses a network of more than one hundred librarian-innovators who, via civic portals, create and popularize best practices in libraries’ activities.

Also engaged in actions benefiting libraries are third sector organizations such as the Center for Citizenship Education, the KARTA Center Foundation, the Comenius Foundation for Child Development and the Association of Creative Initiatives “ę”. Within the “Non-governmental organizations for libraries” offer, they have prepared proposals of joint initiatives broadening the libraries’ services. Other activities are also undertaken to enhance the whole library system by cooperating with the National Library, voivodeship public libraries, the Association of Polish Librarians and the Polish Bibliological Association.

In 2012 the Ministry of Culture and National Heritage, the Ministry of Administration and Digitization, the Information Society Development Foundation and Orange Polska concluded an agreement important to the Library Development Program, prolonging for the next three years their joint efforts for the benefit of all Polish public libraries. The agreement was first signed in 2009. The Telekomunikacja Polska Group, Poland’s largest telecom operator, committed then to provide all public libraries with free Internet access as well as exemption from subscription fees. So far more than 3,500 libraries have benefited from the offer.

In June 2012, the Information Society Development Foundation was presented with the “E-Inclusion Award 2012”, in the competition organized by the European Commission for its Library Development Program. The competition awards initiatives aimed at promoting best practices in the use of new information and communication technologies as well as those counteracting digital exclusion. Almost 300 hundred initiatives from 35 countries were submitted to the competition.

After three years of the program’s implementation, the Unit for Social Innovation and Research “Shipyard” Foundation conducted quantity and quality

studies in communes covered by the program in order to explore how Poles benefit from library use. The research results have been presented in the “What do Poles need libraries for?” report available at the program’s website.

In January 2013, beyond this reporting period, the recruitment process for the Library Development Program’s third round began. Its implementation is possible thanks to a decision to prolong the program until the end of March 2015 made by the Polish-American Freedom Foundation and the Bill and Melinda Gates Foundation due to the judicious management of funds provided by the Gates

Foundation as well as a financial contribution made by PAFF. Support will be provided both to new library units as well as to those already participating in the program. All told the program will encompass more than 3,800 libraries located in rural areas and small towns from more than 1,250 communes, which constitutes nearly 60% of the target group.

The Library Development Program has been largely financed by a \$30 million grant made available to the Polish-American Freedom Foundation by the Gates Foundation. The Microsoft Group has provided the libraries with free software worth a total of \$5 million.

→ The Foundation has disbursed **\$674,149**, including \$179,740 in 2012.

→ Program Manager:
Information Society Development Foundation

→ more information at:
www.biblioteki.org



PAFF LOCAL PARTNERSHIPS

The purpose of the “PAFF Local Partnerships” Program is to initiate and develop cooperation among the beneficiaries of various PAFF programs promoting the creation of partnerships around the implementation of social projects important to local communities. The program animates local communities and brings them together around the idea of the common good, which is defined on the basis of a previously conducted social diagnosis.

Following the PAFF’s broad and diversified program offer, projects have been carried out in many local communities in Poland which provided experience and developed rich resources creating chances to unleash new civic energy and enhance local social capital. The “PAFF Local Partnerships” Program provides various beneficiaries of the Foundation’s programs with an opportunity to launch partner initiatives by tapping into the huge social potential stemming from efforts toward the common good, which is understood as a specific goal whose achievement benefits their communities. Local partnerships comprising self-governments, NGOs, firms and local media emerge in communities where several projects financed within PAFF programs have been carried out. They are led by the Act Locally Centers from the “Act Locally” Program. The projects focus on changes in public ar-

reas, civic integration around tourism as well as cultivating local traditions. Numerous local inhabitants and volunteers are engaged in the implementation of the program.

Within the program’s first two editions (in 2009 and 2010) grants were awarded for initiatives submitted by fifteen partnerships. They were implemented in 30 communes (gminas) in various regions of Poland with the participation of more than 200 partners. The results of the projects carried out include a change of legal regulations in order to decrease air pollution in Żywiec, setting up the first Internet youth radio in Nidzica, creating a mobile facility for civic participation in Pelplin and Gniew and the creation of the “Rafter’s Club” in Solec.

The partnerships established within the first two editions of the program have been provided with an opportunity to participate in a pilot offer for the alumni called “The Common Good Lab”, which aims at popularizing cooperation of local communities working for the common good, promoting methods of animating local communities and enhancing the sustainability of the existing partnerships. The initiative offers access to resources such as publications, films, workshop scenarios, civic games, experts’ support, participation in study tours and meetings that enable the sharing of best practices as well as the possibility to receive a mini-grant for the implementation of educational and training projects.

The third edition of the program began in January 2012. Grants have been awarded to seven partnerships active in 19 communes. With the participation of nearly 80 partners they implement projects aimed at developing civic space and the natural environment, creating regional products, preserving local culture, as well as integrating neighboring communes.

Regional meetings, workshops and an e-bulletin of the program enhance the sustainability of the partnerships and enable the sharing of experience.

The experience gathered during the pursuit of vari-



ous initiatives showed that work on efforts to achieve the common good was an effective way to involve local partners and activate the community. The program has also resulted in creating a method of animating local communities, developed in cooperation with experts of the Unit for Social Innovation and Research and then presented in the publication “How to build the common good”, published by the Academy for the Development of Philanthropy in Poland.

→ The Foundation has disbursed **\$ 1,067,714**, including \$175,490 in 2012.

→ Program Manager:
The Academy for the Development of Philanthropy in Poland

→ more information at:
www.lokalnepartnerstwa.org.pl

SUPPORT FOR NGOS

The program provides institutional support for non-governmental organizations and community leaders in Poland, especially in small towns and rural areas. The support includes access to information, advice and training. This leads to the improvement of the conditions in which third sector organizations operate and thus to the improvement of the quality of their management.

The program comprises three parallel paths.

The first is the “Mutual Information Society” (MIS@NGO) - the NGO information system whose main component is the Non-Governmental Organizations’ Portal “ngo.pl”. In 2012 it recorded an average of more than 3 million hits a month and has more than 580,000 users. The system also includes an Informatorium (information center) with its 801-646-719 hotline, research and publications, and the quarterly “Third Sector”, published by the Institute of Public Affairs.

The second is the “EURO-NGO+” – it is aimed at increasing non-profit organizations’ ability to acquire European Union funds. Those activities constitute a continuation of PAFF’s “EURO-NGO” Program carried out in 2003-2006 by the SPLOT network and the Association for the Forum of Non-Governmental Initiatives, thanks to which Polish organizations learned about structural funds and increased the competencies that enabled them to successfully apply for EU funds. Additionally, the program supported third sector organiza-

tions in building partnerships, advocacy activities and becoming involved in the planning of structural funds for the years 2007-2013 and currently for 2014-2020. Information activities, such as the www.eu.ngo.pl service, are carried out by the Federation of Polish NGOs “Szpitalna Center”, and advocacy activities by the National Federation of Polish NGOs. The offer also includes experts’ support.

The third path is the “Financial Management for NGOs” (FIM@NGO) which includes training, counseling and publications for people responsible for the financial management of non-profit organizations, mainly in small localities. All told, in the years 2000-2012, more than 3,100 people (including 408 participants last year) representing 2,500 organizations from all over Poland took advantage of these training opportunities. The training courses are implemented by the Civil Society Development Foundation.

→ The Foundation has allocated **\$ 5,491,450**, including \$553,621 in 2012.

→ Program Managers:
Klon/Jawor Society
Civil Society Development Foundation („FIM@NGO”)

→ more information at:
www.ngo.pl
www.frso.pl

THE “PRO PUBLICO BONO” COMPETITION

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 funded prizes awarded in the Competition.

The purpose of the Competition is to support the development of civil society by awarding the most valuable and creative activities undertaken by non-governmental organizations – on a national, regional, and especially local level – in the fields of education, culture and national heritage, health protection, social and charitable assistance, environmental protection and regional development, public diplomacy and European integration.

The Competition’s Jury (its first honorary President was Jan Nowak-Jeziorański†), in evaluating projects, pays attention to the social importance of the initiative, its innovativeness, the impact on the development and competitiveness of local communities, the effectiveness and transparency in using public funds. Also, the Jury considers the institutional stability of the nominee, compliance with ethical standards in its activity, and its cooperation with public administration and other organizations. The winners are given financial support for the continuation of their efforts in the majority of cases.

In 2011 the competition awarded the Pro Publico Bono Prize to the Aleksander Tasman’s Association for the Promotion of Culture from Łódź and to the Association for the Assistance to Children and Youth - the House of the Guardian Angels from Katowice as well as the “Academia Iuris” Foundation from Warsaw. And, honorable mentions were awarded to St. Lazarus Hospice – the Society of Friends to People in Disease from Cracow, the Association for the Activation of the Polesie Lubelskie from Hołowno, the Aleksander Fredro Drama Society “Fredrum” from Przemyśl, and the “Community of Hope” Foundation – the “Farm” Center for Knowledge and Life from Cracow.

Also presented as part of the program is the Polish Journalists Association’s Bolesław Wierzbiański Prize for local newspapers. In 2011, it was awarded to the editorial staff of the Nowy Łowiczanie weekly.

→ The Foundation has disbursed **\$ 2,122,450**, including \$14,621 in 2012.

→ Program Manager:
The „Pro Publico Bono” Competition Foundation

→ more information at:
www.propublicobono.pl

CITIZEN AND LAW

The purpose of the program, launched in 2002, is to support the development of various forms of civic and legal counseling. It does so by providing support to non-governmental organizations which dispense free, expert legal information and advice and by encouraging citizens to avail themselves of their rights in the public sphere.

Thanks to the development of the free legal counseling the program provides assistance to individuals in difficult financial straits or life situations. At the same time, it has fostered public debate on reforming the system of access to legal assistance.

A grant competition for non-governmental organizations that dispense civic and legal advice is organized within the program. In 2002-2012, over the course of the program’s six editions, supplementary funding has been awarded to a total of 172 projects, including 132 undertakings within open grant competitions and 40 as part of re-granting pursued by the Legal Clinics Foundation and the Union of Citizens’ Advice Bureaus. Those projects made it possible to provide some 160,000 legal and civic consultations. In addition, the legal and civic consultation centers have been created, publications have been issued,

and training seminars and conferences have been organized.

Another 18 projects have been selected in the current edition of the program. Their implementation will last until October 2013. As in the previous edition, the current one, focuses on specialist legal counseling for people of civic groups with specific legal needs e.g. the disabled, homeless, and refugees.

The activities within the program are overseen by a Council of Experts comprised of authorities from the legal community. The Council's task is to recommend solutions facilitating access to legal aid. The Council stimulates public discussions by holding open seminars attended by representatives of legal communities and the media. Discussions have dealt with access to free legal assistance and information as well as the need for organizational and legislative changes resulting from it, limited access to legal professions, legal ethics and challenges facing the judicial system. The Council also commissions pilot projects dealing with systemic issues. These include strategic litigation concerning selected aspects of citizen access to legal aid, popularization of civil mediation as an alternative way of resolving disputes and cooperation

between NGOs and lawyers' associations in order to increase access of impoverished citizens to legal assistance, methods of communication between courts and citizens, defining basic terms of legal counseling and access to information on legal acts and the administration of justice as well as NGOs' cooperation with law sociologists. The effects of the Council of Experts' efforts have been popularized among non-governmental consulting organizations, in the legal community and among the decision-makers of the justice administration. The work of the Council has led to the creation of the website www.mediacjajestemza.pl promoting civil mediation and the Pro Bono Center, thanks to which NGOs may obtain free legal assistance from well-known law offices.

The Active Citizen Forum operates as part of the program. This is an independent consultative body which studies the organizational barriers limiting voter turnout. It is also involved in developing recommendations on how to improve citizens' voting involvement. The Forum affiliates more than a dozen individuals engaged in promoting improved voter turnout, including experts (sociologists, psychologists, political scientists and constitutional-law specialists) as well as NGO leaders.

→ The Foundation has disbursed **\$3,101,571**, including \$297,194 in 2012.

→ Program Manager:
The Institute of Public Affairs

→ more information at
www.isp.org.pl/ojp



13 YEAR OF OPERATION

Sharing the Polish Experiences in Transformation



- **LANE KIRKLAND SCHOLARSHIP PROGRAM**
- **REGION IN TRANSITION (RITA)**

LANE KIRKLAND SCHOLARSHIP PROGRAM

The objective of the program, implemented since 2000, is to share the Polish experience in transformation with young people from Eastern European countries through two semester complementary studies at Polish universities. The program is addressed to candidates from Ukraine, Russia, Belarus, Moldova as well as Georgia, Armenia, Azerbaijan, Kazakhstan and Kirgizstan. Under individual study programs, Lane Kirkland scholarship holders study selected aspects of such fields as economics and management, public administration and business, law, social and political sciences.

The program begins with an “introduction course”, the purpose of which is to provide knowledge about the history of Poland as well as its current political and social situation. After the “introduction program”, the Kirkland scholars proceed with their studies at universities in Warsaw, Cracow, Poznań, Wrocław and Lublin. They prepare papers and theses under the supervision of academic tutors. The scholars participate in integration meetings. Thematic integration gatherings are held and traineeship in state institutions (including the Supreme Court, the National Bank of Poland and marshal offices) as well as non-governmental organizations and the private sector are organized. Courses in project implementation and teamwork are an additional element of the program.

Between 2000 and 2012, 509 scholarship holders com-

pleted the program. Of that number 254 were from Ukraine, 111 from Belarus, 38 - Georgia, 31 - Russia, 18 - Armenia, 14 - Kazakhstan, 13 - Moldova, 12 - Lithuania, 10 - Slovakia, 5 - Azerbaijan and 3 from Kyrgyzstan. The majority of scholarship holders studied economics and management – 178, law – 86 as well as public administration - 75. Academic staff have accounted for the largest professional group (194 persons) followed by public officials and experts (111 persons).

During the 2012/13 academic year 56 scholarship recipients have participated, including 26 from Ukraine, 14 from Belarus, 4 from Russia, 3 each from Georgia, Armenia and Kazakhstan, 2 from Moldova as well as one person from Azerbaijan. The majority of scholarship holders have studied economics and management as well as law. Also of great interest are public administration, journalism, political science and international relations.

Following the program’s completion, contact with graduates is regularly maintained thanks to the bulletin, reunions of graduates and the website www.kirkland.edu.pl. Former scholarship holders receive backup from the Coordinator of Post-Scholarship Projects whose task is to maintain graduates’ contacts with Poland and encourage them to undertake joint initiatives such as graduates’ associations.

→ The Foundation has disbursed **\$8,980,787**, including \$755,480 in 2012.

→ Program Manager:
The Polish-U.S. Fulbright Commission

→ more information at
www.kirkland.edu.pl



REGION IN TRANSITION (RITA)

The program was initiated in 2000 and is addressed to non-governmental organizations and educational institutions wishing to share Poland's experiences of social and economic transformation with partners from other Central and Eastern European countries, the Caucasus and Central Asia.

This program's open grant competitions award grants to Polish non-governmental organizations for projects designed to share the Polish experience, especially in building civil society, strengthening the third sector, promoting local government transformation, reforming education and media functioning. Grants are also provided for establishing and developing cooperation at a local level with partners from countries participating in the program. All told, 703 projects have received funding since the program's inception.

In addition, Polish NGOs and schools have been offered training opportunities and experts' support as well as assistance in establishing ties and developing cooperation with foreign partners. The community

portal www.civicportal.org facilitates information sharing between organizations and civic leaders.

An essential part of the program, in existence since 2004, have been its "Study Tours to Poland". Their purpose is to familiarize citizens of Eastern Europe with the realities of Poland and the European Union. This especially pertains to student leaders from Ukraine, Belarus, Russia and Moldova as well as professionals from those and other countries in the region. In Poland, the foreign visitors meet representatives of public life, the academic environment and the business community. They become acquainted with the activities of non-governmental organizations, central-government institutions and self-governments as well as making other valuable contacts.

Between 2004 and 2012 a total of 6,137 individuals, including 2,782 university students and 3,355 professionals representing various sectors, took part in different types of study visits hosted by Polish NGOs.



→ The Foundation has disbursed **\$ 13,485,641**, including \$1,230,385 in 2012.

→ Program Managers:
„RITA” - The Education for Democracy Foundation
„Study Tours to Poland” – Jan Nowak Jeziorański College of Eastern Europe

→ more information at
www.rita.edudemo.org.pl
www.studytours.pl

PEOPLE, PROJECTS, INITIATIVES

"ENGLISH TEACHING"

The "English Teaching Market" Jubilee Meeting

"STUDENT VOLUNTEERS"

The „Modern Patriotism” Project

POLISH-AMERICAN INTERNSHIP INITIATIVE

Meeting of U.S. Summer Internships' Participants

"EQUAL OPPORTUNITIES"

The „Scientists' Garden” Project

"THIRD AGE UNIVERSITIES" (TAU)

The Third Age Universities' Congress

"ACT LOCALLY"

The "Extraordinary People's Corner" Project

"SUPPORT FOR NGOS"

President Bronisław Komorowski Attended a Meeting in Maróz

LIBRARY DEVELOPMENT PROGRAM

Digital Education for Seniors – "In Trzcianka 'The Senior C@n Do It!'"

"PAFF LEADERS"

Małgorzata Halber – a Leader and Librarian

"NEW TECHNOLOGIES LOCALLY"

"Sector 3.0" Regional Technological Forums

LANE KIRKLAND SCHOLARSHIP PROGRAM

Yelena Gordeeva – Forestry Policy in Poland and Russia

"REGION IN TRANSITION" (RITA)

Polish-Ukrainian Journalist Workshops

People, Projects, Initiatives

“ENGLISH TEACHING”

The “English Teaching Market” Jubilee Meeting

Nearly 500 English teaching enthusiasts, both teachers and methodologists from all over Poland, attended the 10th jubilee meeting of the “English Teaching Market” organized by the “NIDA” Development Foundation in Ryn as part of the Polish-American Freedom Foundation’s “English Teaching” Program.

“Teaching is something I’ve always enjoyed; I’ve always been part of”, Andrew Nagorski, the event’s special guest told the participants. Referring in his speech to the job of a foreign language teacher, the Chairman of the PAFF Board of Directors compared it to book writing: „If you are a good teacher you find stories from your own life, from the history of your area, from the history of your pupils, and you bring them to life - you make the subject interesting”. Nagorski emphasized that learning a language is not an end in and of itself: by knowing a language one may not only freely communicate but also learn about the country, culture and way of thinking of that language’s speakers. “Those who speak only their mother tongue are lacking in this experience”, he added. Chairman Nagorski congratulated the teachers on their participation in the “English Teaching” Program, pointing to the fact that it is thanks to their hard work and passion that so many schools and students are involved in this undertaking.

The three-day meeting’s participants could choose from more than fifty different methodological workshops covering, among other topics, making use of games and fun as well as modern information and communication technologies in the language classroom, effective motivating, development of problem-based thinking, project-based work or exciting ways to encourage students to learn grammar. A vigorous discussion between the teachers was sparked by the debate organized on the “English Teaching Market’s” 10th anniversary about the differences in elementary school examination results between schoolchildren from rural areas and large cities. This debate was also attended by representatives of the Cen-

”

If you are a good teacher you find stories from your own life, from the history of your area, from the history of your pupils, and you bring them to life - you make the subject interesting.

Andrew Nagorski
Chairman of the PAFF’s Board of Directors



tral Examination Commission and the European Fund for the Development of Polish Villages.

Breaks between the sessions were a good opportunity for the teachers to visit the educational fair and familiarize themselves with the offer presented by English language publishers and non-governmental organizations as well as programs offering ways of obtaining funds for educational purposes.

The annual “English Teaching Market” is intended to provide teachers with ways to perfect their methodological expertise, develop their didactic skills, as well as help build a cooperation network between teachers from schools in villages and small towns. Poland’s largest meeting of English language teachers has attracted more than 5,000 participants during the ten annual meetings.

“STUDENT VOLUNTEERS”

The „Modern Patriotism” Project

For two months Ministers and Advisors at the Chancellery of the President of Poland, acting as Honorary Volunteers in cooperation with university students participating in the “Student Volunteers” Program, carried out educational workshops for children and teenagers from schools in small towns. The objective was to raise young people’s knowledge about patriotism, develop civic attitudes, familiarize them with local traditions and national symbols, as well as teach them tolerance and respect.

The initiative was organized by the Foundation for the Development of Voluntary Service as part of the “Student Volunteers” Program under the patronage of President Bronisław Komorowski.

During five-day workshops teams of two student volunteers familiarized schoolchildren with subjects related to patriotism. On the last day of each workshop young people had an opportunity to meet a special guest.

At the Stegna School Complex in the Pomorskie Voivodeship, the lesson was conducted by Minister Jacek Michałowski, Chief of the Chancellery of the President of Poland. “Modern patriotism gives us joy of being together in our environment, in our town, with our friends. Irrespective of the differences between us regarding our age, sex, political beliefs, we have something that links us – our common roots. It links us instead of separating since one may always find a thread of sympathy within another person” – he emphasized. As he was speaking of Polish history, he drew everybody’s attention to how important it is that we live in a free and democratic country. In another meeting, the role of a diplomat, using diplomatic protocol, the procedure of awarding national medals were all topics discussed by Minister Maciej Klimczak, Undersecretary of State at the Chancellery of the President of Poland, former ambassador to Latvia, who visited the Non-public School and Pre-School Complex in Idzbark in the Warmińsko-Mazurskie Voivodeship. Professor Tomasz Nałęcz, Advisor to the President, took part in the knowledge of Poland and Europe competition with children from the Primary School in Sobieszczany in the Lubelskie Voivodeship. Jan Lityński, Advisor to the President, met with children from the elementary school in Łaziec in the Śląskie Voivodeship who had prepared a multimedia chronicle and a

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mockup layout of their town with the most important events in its history. Other Honorary Volunteers included Henryk Wujec, Advisor to the President, Sławomir Rybicki, Secretary of State, Minister Olgierd Dziekoński, Secretary of State, and Irena Wóycicka, Undersecretary of State at the Chancellery of the President of Poland. In total, the Honorary Volunteers visited eight schools situated in villages and small towns.

“During one of our meetings a young person said that he had at last understood that a patriot need not be miserable, need not die or fight, but that they may also be joyful” – said Zdzisław Hofman, President of the Foundation for the Development of Voluntary Service while pointing also to the benefits reaped by both the student volunteers and the children: they came to appreciate their own towns and villages and discerned their good sides.

”
Modern patriotism gives us joy of being together in our environment, in our town, with our friends. Irrespective of the differences between us regarding our age, sex, political beliefs, we have something that links us – our common roots. It links us instead of separating since one may always find a thread of sympathy within another person.

Jacek Michałowski
Chief of the Chancellery
of the President of Poland



POLISH-AMERICAN INTERNSHIP INITIATIVE

Meeting of U.S. Summer Internships' Participants

The outstanding students participating in the PAFF “Bridge Scholarships” and “Student Volunteers” Programs met with Michael Camunez, Assistant Secretary of Commerce at the U.S. Department of Commerce. These students were participants in the summer internships in the United States organized by the Polish-American Freedom Foundation in cooperation with the U.S. Embassy in Warsaw.

The meeting took place at the Polish-American Freedom Foundation’s Representative Office in Poland and was attended by, among other guests, U.S. Ambassador to Poland Lee Feinstein, Minister Jacek Michałowski, Chief of the Chancellery of the President of Poland, Henryka Bochniarz, Head of the Polish Private Employers Confederation “Leviathan” and Alfred Bieć, Member of the PAFF Board of Directors. Also present were representatives of the U.S. companies offering the internships.

“We are very proud of your accomplishments; very proud of what you represent. You are the future not just of your own country but you are the future of the ties that bind our two nations together” – with these words Secretary Camunez addressed the interns of the renowned U.S. companies. In his speech he emphasized that it was the Polish-American Enterprise Fund, the PAFF founder established in 1990 by U.S. Congress, and the Freedom Foundation that to a great extent contributed to the strengthening of the Polish-American relations, which resulted in such initiatives as the U.S. internships. Mr. Camunez reassured the participants that the initiative has the full support of the U.S. Department of Commerce and thanked the corporations that organized the internships.

In his speech, Ambassador Lee Feinstein noted that the idea of organizing summer internships for Polish students at American corporations was reflected in the official Joint Statement of U.S. and Polish Presidents following their meeting in the White House in December 2010. He also emphasized that this initiative is a prime example of effective cooperation between non-governmental organizations and business, with some support of the U.S. Administration.

In 2011, 22 students completed internships and another group of 22 left for the USA in 2012. Their hosting companies included Chevron North America, General Electric, Hitachi, Pittsburgh Glass Works LLC, Raytheon BBN Technologies, Sikorsky Aircraft Corporation, and Westinghouse Electric Company.



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We are very proud of your accomplishments; very proud of what you represent. You are the future not just of your own country but you are the future of the ties that bind our two nations together.

Michael Camunez
Assistant Secretary of Commerce
at the U.S. Department of Commerce

“EQUAL OPPORTUNITIES”

The „Scientists’ Garden” Project

Space fans from the town of Rakszawa, inspired by the „Let’s Discover the Face of the Sun” initiative that was carried out within the “Equal Opportunities” Program in 2006, decided to set up a Youth Astronomical Center. This informal group is based at the Tex-

People, Projects, Initiatives

tile and Economics High School and it encourages young people to explore the intricacies of pure science by implementing exciting projects.

One of these is the “Scientists’ Garden”, also financed within the “Equal Opportunities” Program. In the course of the project, a group of high school students from Rakszawa eagerly carried out scientific experiments in quest of answers to physical phenomena that were unintelligible to them. Among other experiments, they tried to prove the Earth’s rotation by using the Foucault mini-pendulum, checked how solar stoves worked, assembled untypical space ships – rockets and quadcopters, and made solar balloons in order to trace their flight routes later on. This inspired young people to pursue their own observations and discoveries.

The commitment and passion these young astronomy practitioners demonstrated while carrying out their experiments led other members of the local community to become interested in the project, including teachers and parents. The experiment also aroused an interest among schoolchildren from nearby schools. “I saw lots of older and younger folks staring at us who were full of interest and admiration for the results of our work. For them the most attractive were those involving a solar stove, a levitating spinning top, and those connected with aviation” – said one of the “Scientists’ Garden” participants. By taking part in the project a group of teenagers acquired the ability to read and comprehend written directions and simple technical diagrams, use some tools, as well as explain certain physical phenomena to others. They also gained confidence in their own abilities. “I’m extremely happy about the implementation of the project. I must admit that prior to the project none of the young people in Rakszawa had come across such a form of exercise as making structures and carrying out experiments. It made these young people very excited” – said Wojciech Figiela, the project coordinator.

The Youth Astronomical Centre of Rakszawa intends to formalize their operations in the future by founding an association in order to work more effectively for young people’s equal educational opportunities through promotion of space science and other pure and natural sciences.

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None of the young people in Rakszawa had come across such a form of exercise as making structures and carrying out experiments. It made these young people very excited.

Wojciech Figiela
project coordinator



“THIRD AGE UNIVERSITIES” (TAU)

The Third Age Universities’ Congress

“Innovative Third Age Universities for a Civic Society and the Economy” was the slogan of the Third Age Universities’ Congress held in Warsaw in March 2012 with the attendance of 2,500 people. This was the peak of the Universities of the Third Age Year celebrations. The honorary guests included First Lady Anna Komorowska, Prime Minister Donald Tusk, Maria Pańczyk-Pozdziej, Vice-Speaker of the Senate as well as Ministers: Władysław Kosiniak-Kamysz and Bartosz Arłukowicz.

“It’s hard to deny the saying that being young is not so much about your age as it is about the state of your mind and spirits. People who are active mentally and physically will look for new challenges and be full of energy, optimism, and the joy of life. This is the kind of attitude that improves your health and supports longevity, helps you to move on as you come across hurdles, adapt to changes, and effectively use your knowledge and skills” – said the First Lady, who assumed an honorary patronage over the Congress. She also acknowledged that this way of stimulating seniors receives ever greater recognition and is increasingly promoted.

Also Prime Minister Donald Tusk emphasized the fact that being senior and active is not perceived as extravagant anymore. Prime Minister Tusk stated that the experience gained from TAU shows that if proper conditions are created, if there are people and resources then the educational, professional and civic involvement of the elderly comes as a natural outcome, not the “whim of a bored old man”. It is also up to your ideas and involvement that the future relies on those people who are 30, 15, or even 5 today” – he said.

Those TAUs which effectively cooperate with local communities, promote voluntary work of the elderly as well as intergenerational cooperation, and their operations extend beyond the TAUs, received prizes in the PAFF’s “Seniors in Action. Third Age Universities for the



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It is also up to your ideas and involvement that the future relies on those people who are 30, 15, or even 5 today.

Donald Tusk
Prime Minister of the Republic of Poland

People, Projects, Initiatives

Communities” competition organized by the Association of the Creative Initiatives “ę”. Also TAU volunteers involved in social work were awarded. The prizes were presented by Jacek Michałowski, Chief of the Chancellery of the President of Poland and Honorary Chairman of the Competition’s Jury, Jerzy Koźmiński, President of the Polish-American Freedom Foundation as well as Marta Białek-Graczyk, President of the Association of the Creative Initiatives “ę”.

The Congress participants had an opportunity to listen to discussions by two panel debates. The first one addressed the mission of the Universities of the Third Age and the challenges this movement faces. The second one concentrated on issues concerning innovative forms of cooperation, best practices, and TAU action strategy.

The Polish-American Freedom Foundation was a partner of the Third Age Universities’ Congress as part of the “Third Age Universities” Program.

“ACT LOCALLY”

The “Extraordinary People’s Corner” Project

A rundown plot in the Wielkopolskie Voivodeship’s village of Piaski, which was formerly a car repair garage, was converted into a unique meeting place for the local community. Preparing the place for use was made possible thanks to the great involvement and hard work of people with disabilities – the participants in the project run in 2012 by an informal group “Creative People” as part of the “Act Locally” Program. This initiative was intended to build a positive image of people with disabilities and involve the local community in working for their benefit, which was implemented during the occupational therapy workshops.

“This old venue was given ‘a second life’ – it became a center of recreation and rest, which in principle is supposed to integrate people with disabilities, their families and organizations, as well as those who just want to meet and spend a good time together” – said Gerard Misiaczyk, the project’s coordinator. Local leaders, civic activists, the local authorities and members of the local communities all got involved in the project’s implementation. Through collective effort a complex makeover of the building was carried out, with a new canopied arbor put in place, and all walls being replaced. A lot of work was put into preparing the recreational part, for example oak benches and tables for seventy people. The efforts undertaken by this group of handicapped people contributed to the integration of the whole community, and played a therapeutic role as a practical training of interacting with the environment.

The experiences gained during the project implementation became an inspiration to create an association working for the disabled called “Creative People”. “This was the first informal group that, thanks to its determination and hard work, achieved the difficult goal of registering the organization. Their zeal is not ebbing away though. They are undertaking new initiatives, seeking to raise funds, and are also effectively promoting their operations in the local community”- says Ewa Misiaczyk, representative of the Act Locally Center which allocated the grant for this project’s implementation. “It’s amazing how the funds obtained from the “Act Locally” Program sparked a whole series of positive developments and help from different directions. Through our joint

activities we have broken certain stereotypes that used to be commonplace. I'm convinced that this change will open up new opportunities for the implementation of other undertakings" – says Gerard Misiaczyk, President of the newly created "Creative People" Association for the disabled.



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It's amazing how the funds obtained from the "Act Locally" Program sparked a whole series of positive developments and help from different directions. Through our joint activities we have broken certain stereotypes that used to be commonplace.

Gerard Misiaczyk
President of the "Creative People"
Association

"SUPPORT FOR NGOS"

President Bronisław Komorowski Attended a Meeting in Maróz

"People working actively for their local communities in villages and small towns are an example of how Polish rural areas can change. They can be perceived as what is called the achievement of the civic Poland" – said President Bronisław Komorowski, special guest at the 11th Meeting of Organizations Operating in Rural Areas, which brought together 400 representatives of 200 organizations from all over Poland involved in community efforts. The meeting was held on May 24-26, in Maróz near Olsztynek in the Warmińsko-Mazurskie Voivodeship and addressed the subject of cooperation between non-governmental organizations and the local government.

President Komorowski emphasized the role of local leaders in setting a good example to people who are inactive, and the significance of grassroots initiatives and integration of local communities for the common good. Representatives of four organizations had a chance to tell the President about their activities as well as about opportunities and challenges that they face in their everyday work.

The participants in the Maróz meeting took part in a number of lectures and workshops that were conducted in three topical areas: law, communication and best practices. The opening speech „Local Government and Non-governmental Organizations – Together or Separately” was given by Tomasz Schimanek from the Academy for the Development of Philanthropy in

People, Projects, Initiatives

Poland, who presented the benefits derived from cooperation between an NGO and a local government as well as tools of an effective communication between them. Krzysztof Więckiewicz, Director of the Public Benefit Department at the Ministry of Labor and Social Policy, discussed the significance of citizens in creating social policies at different administration levels.

During the workshops the participants learned about negotiation and mediation techniques and familiarized themselves with best practices of cooperation with the local government. During the “open space” conference topical groups discussed the educational system and the role of women in rural areas.

The annual meeting of rural organizations in Maróz is intended to foster integration, experience sharing and acquiring of new knowledge and skills, as well as cooperation between organizations from all over Poland. This event is organized by the Rural Development Foundation and the “NIDA” Development Foundation. The Polish-American Freedom Foundation is a partner within its “Support for NGOs” Program.

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People working actively for their local communities in villages and small towns are an example of how Polish rural areas can change. They can be perceived as what is called the achievement of the civic Poland.

Bronisław Komorowski
President of the Republic of Poland



LIBRARY DEVELOPMENT PROGRAM

Digital Education for Seniors – “In Trzcianka ‘The Senior C@n Do It!’”

The Kazimiera Iłłakowiczówna Municipal Public Library in Trzcianka (Wielkopolskie Voivodeship), which participates in the Library Development Program, organizes computer courses for the elderly “The Senior C@n Do It”. “We have noticed that elderly people have taken an inter-

est in the computers available at the library. They wanted to use them but didn't know how; they also feared they could damage them. It became obvious to us that it's in the library that we can pull this ICT world closer to them" – said Krzysztof Makowski, a librarian from Trzcianka about the beginnings of the initiative.

The courses enjoy an unfaltering popularity – more than 200 people have so far benefitted from the nine workshops. Free-of-charge and in a friendly atmosphere, seniors are acquiring useful skills. They feel safe in the library and always receive the help they need. Taking part in the course also gives them an opportunity to meet other people: they are learning together, in small groups, which makes it easier to overcome difficulties.

There is a course agenda that is adjusted to the participants' needs and proficiency levels. The sessions take place five days a week, usually in the evenings, and they last two hours. The course comprises the theoretical part and practical exercises. The participants learn about the basics of computer functioning, learn how to use the Internet and take advantage of its resources in practice. "Seniors get excited really soon once they find out that what they are learning about is both interesting and useful in their everyday life" – says a librarian from Trzcianka.

The classes also cover word-processing and writing emails. During the training special emphasis is placed on the security on the net. The Trzcianka library staff draws the participants' attention to threats connected with personal data maintenance, and scams. They also explain why an Internet user's anonymity is deceptive. The participants have also computer literature at their disposal.

"Completion of the course doesn't mean that the seniors finish learning and are left alone with their problems. We always offer them help and advice. If we add to this the respectability of a cultural institution, the feeling of safety, and the high level of confidence in the library and its staff, we have a ready answer to the question "why in the library"? – sums up Krzysztof Makowski.



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Seniors get excited really soon once they find out that what they are learning about is both interesting and useful in their everyday life.

Krzysztof Makowski
a librarian from Trzcianka

People, Projects, Initiatives

“PAFF LEADERS”

Małgorzata Halber – a Leader and Librarian

The participant in the “PAFF Leaders” Program’s sixth edition comes from Warsaw but has lived in Pobiedziska in the Wielkopolskie Voivodeship for more than a dozen years. For her local community she is not only a municipal library librarian, but also the leader of changes that she helps introduce along with other residents of Pobiedziska.

Małgorzata Halber participated in the “PAFF Leaders” Program in 2009 and 2010, while a year later she was recruited to a ten-member leaders’ group that was sent on a study visit to the United States organized by the U.S. Department of State as part of the International Visitor Leadership Program. The main subject of the visit was local community leadership. “Participating in the “PAFF Leaders” Program was one of the greatest experiences in my life. Strengthening my personal qualifications, opening up perspectives for leadership activities and networking the program alumni all bring about concrete changes in civic and local work in our country. We are a force that is able to act positively and activate local changes” – she says.

Małgorzata Halber combines her work at the Municipal Library of Pobiedziska with her social work – she runs the Association for Handicapped Children and Teenagers. As the Association’s President, she can be credited for its impressive development in that she has expanded its scope of operations by introducing new ways of rehabilitation, therapy and workshops for the patients, their parents and volunteers. She organizes summer vacation and looks for integration forms of support for people with disabilities. She also looks for ways of developing the rehabilitation and therapeutic base.

For many years she has also activated the senior community. “In my everyday work at the library and the association I try to follow the principle that one needs to listen to people, use their capacity, build teams around projects and activities as well as unite and connect people” – says a PAFF Leader.

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In my everyday work at the library and the association I try to follow the principle that one needs to listen to people, use their capacity, build teams around projects and activities as well as unite and connect people.

Małgorzata Halber



The Pobiedziska library's participation in the Library Development Program involved a transfer to a new venue. The new library can be a prime example of how to effectively use the space for the library user's comfort. "We have a great collection of books at our disposal that is continually upgraded by new publications coming in. Our readers can use the computer room and the spacious reading room in which during meetings we can accommodate up to 50 people" – says Malgorzata Halber.

Her civic activity has been acknowledged by the local community. Thanks to her victory in the 2010 local elections, she became a councilor of Poznań county. She is also the winner of the 5th edition of the Helena Radlińska Social Activators' Competition, in which she received the special prize for a librarian-activator. In a vote run by the TVP program "Challenge" she won the title of the "Person with a Great Heart 2009".

"NEW TECHNOLOGIES LOCALLY"

"Sector 3.0" Regional Technological Forums

"If you are interested in using our experiences and you want to use our knowledge of ICT by introducing it in your organizations, do not be afraid to do it" – was how Terry Stokes, Chief Executive of the UK LASA Foundation inspired representatives of non-governmental organizations. The special guest of the first regional "Sector 3.0" Technological Forum held in October 2012 at the Pomorski Science and Technology Park in Gdynia talked about his experiences in ICT implementation in British non-governmental organizations. The second Regional Technological Forum was held in Rzeszów, and the third in Gliwice. All events attracted a total of over 300 participants.

The "Sector 3.0" Regional Technological Forums organized by the Polish-American Free-



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If you are interested in using our experiences and you want to use our knowledge of ICT by introducing it in your organizations, do not be afraid to do it.

Terry Stokes
Chief Executive of the LASA Foundation

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dom Foundation and the Information Society Development Foundation as part of the “New Technologies Locally” Program, are a follow-up to the Poland-wide conference “Sector 3.0 – Technologies in Non-Governmental Organizations” that is organized annually in Warsaw. The regional forums’ objective is to raise the awareness of ICT use in the work of foundations, associations and other third sector entities. The organization of the forums in different regions of Poland was supposed to give local organizations access to knowledge and experts at ICT use from Poland and abroad. “NGO representatives can appreciate the effectiveness of new technologies and use them in their everyday work. Today deployment of ICT is a question of ‘to be or not to be?’ for every non-governmental organization” – said Włodzimierz Marciński, Digitization Leader and Plenipotentiary of the Minister of Administration and Digitization during the Rzeszów Forum.

The speakers included both representatives of such large technological corporations as Microsoft and Orange, as well as smaller ones. The Forum consisted of seminars on ICT use in organizations, for example in management and communication, and networking sessions enabling NGOs to establish contacts with ICT companies. Local governments were actively involved in the organization of the forums.

LANE KIRKLAND SCHOLARSHIP PROGRAM

Yelena Gordeeva – Forestry Policy in Poland and Russia

The Poznań University of Natural Sciences is one of the schools of higher education cooperating within the Lane Kirkland Scholarship Program and its scholarship students from many countries can familiarize themselves with the structure and functioning of forestry economies in Central and Eastern Europe and share their experiences in this field. Yelena Gordeeva from Russia is one of the Kirkland Program’s graduates of 2011/12. It was this subject she was busy working on during her stay in Poland.

“Poland is a country whose forestry economy is perceived as one of Europe’s most efficient. Thanks to the Kirkland scholarship I was able to come to Poland to take advantage of the experiences of Polish foresters. I’m going to use my knowledge in my work connected with forest management in my country” – the Kirkland student explains the key area of her study.

As part of her scholarship Yelena M. Gordeeva completed internships at the Ministry of Agriculture, General Directorate of State Forests, and the Barlinek Forest District in the Pomorskie Voivodeship. She also participated in scientific conferences dealing with forestry economy in Poland and other European countries, where she gave speeches on forestry economy in Russia and global problems connected with forestry economies.

“The very important result of my studies in Poland was establishing contact with schools educating forestry specialists. Thanks to it, e.g. the Warcin School Complex in the Lubuskie Voivodeship established cooperation with the Forestry Technical School in Sovetsk in the Kirov province in Russia” – says Yelena Gordeeva. The conclusive part of her Polish

scholarship was her Master's thesis written under the supervision of Maciej Skorupski PhD, entitled "Nature 2000 system overview in selected European countries", which she defended with honors.



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Thanks to the Kirkland scholarship I was able to come to Poland to take advantage of the experiences of Polish foresters. I'm going to use my knowledge in my work connected with forest management in my country.

Yelena M. Gordeeva

“REGION IN TRANSITION” (RITA)

Polish-Ukrainian Journalist Workshops

Polish journalists shared their experiences in use of digital media on the national and local levels with their Ukrainian colleagues as part of the project implemented in 2012 by the Konaszewicz-Sahajdaczny Foundation in Brzozów (Podkarpackie Voivodeship) in collaboration with the Ukrainian organization “Freedom of Speech” as part of the “Region in Transition” (RITA) Program.

The training effort organized in Ukraine brought together local media journalists interested in developing online communication in their regions and in their own newspapers' work. The workshops were conducted by Polish trainers with experience in journalism and in running local media. Adam Cyło, editor-in-chief of the gospodarkapodkarpacka.pl website, discussed an online functioning of a regional newspaper by presenting the nowiny24.pl service, and the process of creating an economy-oriented portal. Marek Cynkar, reporter of Polish Radio Rzeszów, discussed the functioning of a regional radio station's website by presenting the website of Polish Radio Rzeszów. Adam Lelonek discussed the process of creating and maintaining the website of the town of Ząbki www.zabki24.pl. “This is an interesting and useful seminar at a time when news is first presented online. It's good to get to know the characteristics of it and learn from Polish partners as well as share interesting facts with my colleagues from Ukraine” – said Viktor Czubenko, a journalist from Poltava.

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The Ukrainian journalists also had an opportunity to present their own websites. During the discussion they shared opinions and experiences by comparing digital media in Poland and Ukraine. The speeches also addressed organizational and financial aspects, as well as strategy development of local media editions.

The project's next step was a study visit of the workshop participants to Poland. The Ukrainian journalists visited the newsroom of Polish Radio Rzeszów, the Regional Branch of Polish TV, and the office of the local newspaper Nowiny. This afforded them an opportunity to get to know the everyday work of their Polish colleagues and discuss the challenges facing regional media due to the development of the digital ones

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It's good to get to know the characteristics of it and learn from Polish partners as well as share interesting facts with my colleagues from Ukraine.

Wiktor Czubenko
a journalist from Poltava, Ukraine

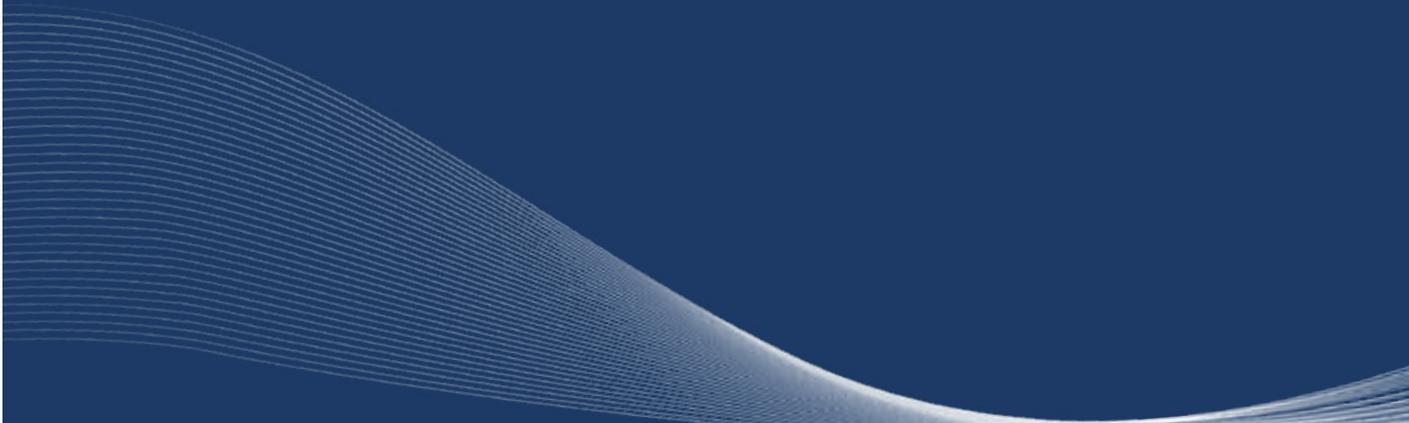


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**Notes to the Consolidated Financial
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Independent Auditor's Report

Financial Statements

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

We have audited the accompanying consolidated financial statements of the Polish-American Freedom Foundation (the "Corporation"), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

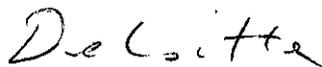
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Warsaw, May 17, 2013

Consolidated Financial Statements*Financial Statements***CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012****ASSETS**

ASSETS:

Investments, at fair value (Notes 3 and 7):

Common and Preferred Stocks	\$ 51,163,571
Public Mutual Funds - Equity	73,704,592
Private Mutual Funds - Equity	17,139,430
Alternative Investments	64,064,220
Fixed Income Securities	28,311,652
Public Mutual Funds – Fixed Income	12,685,348
Cash and cash equivalents	11,761,295
Restricted Cash (Note 4)	5,690,128
Grants Receivable (Note 4)	2,112,786
Land and fixed assets, net (Note 8)	5,005,482
Loans, net of loan loss reserve of \$400,632 (Note 9)	4,819,082
Prepaid expenses and other assets	157,632

Total assets	<u>\$ 276,615,218</u>
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LIABILITIES AND NET ASSETS

LIABILITIES:

Grants payable (Note 3)	\$ 8,184,564
Accounts payable and accrued expenses	325,857

Total liabilities	<u>8,510,421</u>
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UNRESTRICTED NET ASSETS (Note 2)	260,301,883
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TEMPORARILY-RESTRICTED NET ASSETS (Note 2)	7,802,914
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<u>268,104,797</u>

Total liabilities and net assets	<u>\$ 276,615,218</u>
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The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Financial Statements

Financial Statements

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
Changes in net assets:			
Income:			
Interest and dividend income	\$ 3,698,790	\$ 247,446	\$ 3,946,236
Contribution from Polish-American Enterprise Fund	195,250	-	195,250
Other contributions	8,841	1,000,000	1,008,841
	3,902,881	1,247,446	5,150,327
Net assets released from restrictions	3,977,157	(3,977,157)	-
	7,880,038	(2,729,711)	5,150,327
Expenses:			
Employee compensation and benefits	1,249,649	-	1,249,649
Operating expenses	836,738	-	836,738
Occupancy	107,855	-	107,855
Depreciation and amortization	157,748	-	157,748
	2,351,990	-	2,351,990
Grants (Note 3)	(9,041,083)	-	(9,041,083)
	(3,513,035)	(2,729,711)	(6,242,746)
Grants and expenses in excess of income	(3,513,035)	(2,729,711)	(6,242,746)
Net realized gain on investments (Note 7)	8,659,663	-	8,659,663
Net unrealized appreciation on investments (Note 7)	13,163,144	-	13,163,144
Net currency remeasurement gain (Note 3)	4,281,636	-	4,281,636
	22,591,408	(2,729,711)	19,861,697
Total increase (decrease) in net assets	22,591,408	(2,729,711)	19,861,697
Net assets, beginning of the year	237,710,475	10,532,625	248,243,100
	\$ 260,301,883	\$ 7,802,914	\$ 268,104,797
Net assets, end of the year	\$ 260,301,883	\$ 7,802,914	\$ 268,104,797

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

Cash flows from operating activities:	
Increase in net assets	\$ 19,861,697
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Net realized gain on investments	(8,659,663)
Net unrealized appreciation on investments	(13,163,144)
Net currency re-measurement gain	(4,281,636)
Provision for loan losses	137,614
Depreciation and amortization	157,748
Increase in restricted cash	(777,375)
Decrease in grants receivables	3,883,000
Increase in accrued interest on loans	(64,316)
Decrease in prepaid expenses	81,832
Increase in accounts payable and accrued expenses	19,410
Decrease in grants payable	(5,548,381)
Net cash used in operating activities	<u>(8,353,214)</u>
Cash flows from investing activities:	
Proceeds from sales/redemption of investments	85,400,860
Cost of investments purchased	(93,081,191)
Loans disbursed	(3,307,966)
Proceeds from loans repayments	3,092,821
Cost of fixed assets	(39,701)
Net cash used in investing activities	<u>(7,935,177)</u>
Effects of exchange rate changes on cash and cash equivalents	1,741,611
Net decrease in cash and cash equivalents	(14,546,780)
Cash and cash equivalents, beginning of year	<u>26,308,075</u>
Cash and cash equivalents, end of year	<u>\$ 11,761,295</u>

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

1. ORGANIZATION

The Polish-American Freedom Foundation (the “Foundation,” and, together with its subsidiary, the “Corporation”) is a U.S. not-for-profit corporation established on August 11, 1999. The Foundation was created by the Polish-American Enterprise Fund (the “Fund”) 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 Fund has contributed \$255.3 million to the Foundation.

The Foundation concentrates its efforts in three main program areas: (i) Initiatives in Education, (ii) Development of Local Communities, and (iii) Sharing the Polish Experiences in Transformation. 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. The Foundation does not have ownership or control of the external program managers.

With the permission of the Minister of Foreign Affairs of Poland, the Foundation maintains a representative office in Poland (the “Representative Office”), the purpose of which is to engage in activities to promote the Foundation and to provide information and consultation to the Foundation with respect to its activities.

Polsko-Amerykanski Fundusz Pozyczkowy Inicjatyw Obywatelskich Sp. z o.o. (“PAFPIO”) is a separately managed subsidiary of the Foundation which extends loans to non-governmental organizations, associations and other non-profit initiatives in Poland. On May 31, 2011, the Fund contributed 100% of the shares (the “Shares”) of PAFPIO as a grant to the Foundation. PAFPIO is an independent and distinct business unit from the Foundation and, given that the Foundation owns all the outstanding shares, PAFPIO is consolidated with the accounts of the Foundation, as required by accounting principles generally accepted in the United States of America (“U.S. GAAP”).

2. BASIS OF PRESENTATION

In accordance with U.S. GAAP, the Corporation is required to classify information regarding its consolidated financial position and consolidated activities into certain classes of net assets:

- **Temporarily restricted net assets:** Contributions to the Corporation are reported as temporarily restricted net assets if received with donor stipulations that limit the use of the contribution. When a donor restriction expires, i.e. when the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.
- **Unrestricted net assets:** Unrestricted net assets are those net assets that are not restricted by donor imposed stipulations. The entire balance of net assets received from the Fund, including income received thereon, net of expenses, is classified as unrestricted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements are prepared in conformity with U.S. GAAP and include the accounts of the Foundation and PAFPIO, the Foundation's only subsidiary. All intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ materially from those estimates.

INVESTMENTS, AT FAIR VALUE

The Corporation records investment transactions on the trade date. Interest and dividend income, unrealized appreciation and depreciation and realized gains and losses are reported in the consolidated statement of activities. The Corporation's investments are assets of the Foundation. The Corporation engages professional investment managers and advisors who manage and monitor the Corporation's investments. See Note 7 for more detailed disclosures of the Corporation's investments, at fair value.

The Corporation's investments are valued at fair value and disclosed according to the "fair value hierarchy" in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures. The fair value hierarchy defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Corporation's investments are classified within the level of the fair value hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy, and their applicability to the Corporation's investments, are described below:

- **Level 1:** Inputs to the valuation methodology are unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date;
- **Level 2:** Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- **Level 3:** Inputs to the valuation methodology are unobservable in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk. The inputs into the determination of fair value require significant judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these assets and liabilities existed.

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

A financial instrument's level within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. Certain instruments are valued using the net asset value ("NAV") of the investment vehicle. The NAV is based on the value of the underlying assets owned by the investment vehicle, minus its liabilities, and then divided by the number of shares or ownership units outstanding. A description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the fair value hierarchy, is presented below:

- **Common and Preferred Stocks and Fixed Income Securities:** Equity and fixed income securities (primarily Polish government treasury securities) are valued based upon the closing price as quoted on major exchanges. Common and preferred stocks and certain fixed income securities are classified within level 1 of the fair value hierarchy.
- **Public Mutual Funds – Equity and Fixed Income:** These investments are public investment vehicles valued using the NAV provided by the administrator of the investment vehicle. The NAV for public mutual funds is a quoted price in an active market and classified within level 1 of the fair value hierarchy.
- **Private Mutual Funds – Equity:** These investments are private investment vehicles valued using the NAV provided by the administrator of the investment vehicle. The NAV for private mutual funds is classified within level 2 of the fair value hierarchy as the NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market and the Corporation can redeem its investment at the measurement date or within the near term without redemption restrictions.
- **Alternative Investments:** These investments are private investment vehicles valued using the NAV provided by the investment vehicle manager. Underlying investments that are determined by the investment vehicle manager to be illiquid and/or lacking a readily accessible market value are valued using current estimates provided by the investment vehicle manager. Valuation inputs and methodologies are determined by the investment vehicle manager. Alternative Investments are classified within level 3 of the fair value hierarchy.

CASH AND CASH EQUIVALENTS

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

GRANTS AND GRANTS PAYABLE

Grants are recorded as grant expense in the consolidated statement of activities and grants payable in the consolidated 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.

CONTRIBUTIONS

Contributions are reported as income in the consolidated statement of activities in the period the grant agreement is signed to the extent there are no donor-imposed conditions or there are donor-imposed conditions but the likelihood of the Corporation not meeting such conditions is remote.

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

INTEREST AND DIVIDEND INCOME

Interest income is recognized on an accrual basis. Dividend income is recorded in the period in which the dividend is declared and the Corporation was the holder of the security as of the ex-dividend date.

FOREIGN CURRENCY

The Corporation's functional and reporting currency is the U.S. dollar. The functional currency of the Representative Office and PAFPIO is the Polish Zloty. Remeasurement and translation adjustments are reflected in the consolidated statement of activities.

DONATED SERVICES

The Corporation's American directors receive no compensation or fees for serving as directors. Such directors donate significant amounts of their time to the Corporation. No amounts have been reflected in the accompanying consolidated financial statements for such donated services, inasmuch as no objective basis is available to measure the value of such services. The Corporation's non-executive Polish directors receive a fee for providing advice and assistance to the Corporation. The Corporation's chairman of the board of directors (the "Chairman") receives an honorarium in exchange for his services as the Chairman. For the year ended December 31, 2012, the total fees paid to all Polish directors and the Chairman amounted to \$36,200.

DEPRECIATION AND AMORTIZATION

Land and fixed assets are initially recorded at cost. All fixed assets, other than land, which is not depreciated, are depreciated on a straight-line basis over their estimated useful lives as follows: land improvements, 15 years, building, 39 years, and computer equipment, software, furniture, equipment and automobiles, from three to five years.

OPERATING EXPENSES

Professional services, expenses of Board of Directors meetings, expenses for travel, lodging and meals incurred in connection with the Corporation's operations, administrative expenses and PAFPIO Polish income tax and loan loss provision are classified as operating expenses.

CREDIT RISK

Credit risk is the possibility that loss may occur from counterparty failure to perform according to the terms of a contract. Unless noted otherwise, collateral or other security is not normally required by the Corporation to support financial instruments or loans with credit risk. At December 31, 2012, the Corporation had credit exposure mainly from debt instruments in the Corporation's investment portfolio and loans extended by PAFPIO. The maximum risk of loss from these assets is represented by their respective consolidated statement of financial position amounts.

4. GRANTS RECEIVABLE AND RESTRICTED CASH

At December 31, 2012, restricted cash of \$5,690,128 and grants receivable of \$2,112,786 total \$7,802,914, the total amount of temporarily restricted net assets. Grants receivable are expected to be collected in 2013, and include approximately \$1.5 million receivable from the Bill and Melinda Gates Foundation (the “Gates Foundation”) for the Library Development Project, as described in Note 6. Restricted cash represents cash received from grantors, including the Gates Foundation, not yet disbursed for program purposes.

5. POLISH-AMERICAN ENTERPRISE FUND SUB-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 “Grant Agreement”), the Fund returned \$120 million of the Fund’s assets to the U.S. Treasury and contributed \$255.3 million (the “Endowment Amount”) to the Foundation through December 31, 2012, which was recorded as unrestricted net assets. Pursuant to an agreement signed in 2011 between the Fund and the U.S. Government, the Fund and the Foundation terminated the Grant Agreement and entered into a sub-grant dated May 16, 2011 (the “Sub-Grant”). According to the terms of the Sub-Grant, the U.S. Government may require the Foundation to return the Endowment Amount, together with any earnings generated thereby, to the U.S. Treasury if the U. S. Government determines that the Foundation has provided grants to or otherwise financed certain prohibited activities.

6. BILL AND MELINDA GATES FOUNDATION GRANT

In March 2009, the Global Development Program of the Gates Foundation awarded the Foundation a project support grant in the amount of \$28 million for the five-year period from April 1, 2009 to March 31, 2014, which was amended in 2012 to extend the period to March 31, 2015 (the “Library Project Grant”). Funds received from the Library Project Grant, including amounts derived from the Library Project Grant such as interest on cash deposits held by the Foundation, are to be spent exclusively to implement a program to increase access to computers and the internet through public libraries in rural areas of Poland (the “Library Program”). The Library Project Grant was recorded as temporarily restricted net assets when the grant agreement was signed and is reclassified to unrestricted net assets when funds are disbursed. Through December 31, 2012, the Foundation had received \$26.5 million from the Gates Foundation.

7. INVESTMENTS, CARRIED AT FAIR VALUE

See “Investments, at Fair Value” in Note 3, above, for discussion of the methodologies and assumptions used to determine the fair value of the Corporation’s Investments. The cost, fair value and accumulated unrealized appreciation on investments at December 31, 2012 is presented in the table below:

	Cost	Fair Value	Accumulated Unrealized Appreciation
Common and Preferred Stocks	\$ 31,617,529	\$ 51,163,571	\$ 19,546,042
Public Mutual Funds - Equity	70,462,855	73,704,592	3,241,737
Private Mutual Funds - Equity	15,000,606	17,139,430	2,138,824
Alternative Investments	52,082,754	64,064,220	11,981,466
Fixed Income Securities	26,765,923	28,311,652	1,545,729
Public Mutual Funds - Fixed Income	12,623,204	12,685,348	62,144
	<u>\$ 208,552,871</u>	<u>\$ 247,068,813</u>	<u>\$ 38,515,942</u>

The net unrealized appreciation (depreciation) and net realized gain on investments for the year-ended December 31, 2012 is presented in the table below:

	Net Unrealized Appreciation (Depreciation)	Net Realized Gain
Common and Preferred Stocks	\$ 5,044,262	\$ 2,953,308
Public Mutual Funds - Equity	4,909,752	2,123,156
Private Mutual Funds - Equity	2,359,051	-
Alternative Investments	832,623	2,926,401
Fixed Income Securities	(2,282)	488,782
Public Mutual Funds - Fixed Income	19,738	168,016
	<u>\$ 13,163,144</u>	<u>\$ 8,659,663</u>

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

Notes to the Consolidated Financial Statements as of December 31, 2012

Financial Statements

Set forth in the table below are the Corporation's investments as of December 31, 2012, at fair value on a recurring basis by the hierarchy levels described in Note 3:

	Fair Value at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common and Preferred Stock	\$ 51,163,571	\$ -	\$ -	\$ 51,163,571
Public Mutual Funds - Equity	73,704,592	-	-	73,704,592
Private Mutual Funds - Equity	-	17,139,430	-	17,139,430
Alternative Investments	-	-	64,064,220	64,064,220
Fixed Income Securities	28,311,652	-	-	28,311,652
Public Mutual Funds - Fixed Income	12,685,348	-	-	12,685,348
	<u>\$ 165,865,163</u>	<u>\$ 17,139,430</u>	<u>\$ 64,064,220</u>	<u>\$ 247,068,813</u>
% of total	67.1%	7.0%	25.9%	100.0%

During the year ended December 31, 2012, there were no transfers of investments between levels 1, 2 and 3.

Set forth in the table below is a summary of changes in fair value of the Corporation's Level 3 Alternative Investments as of December 31, 2012:

Beginning Fair Value	Net Realized Gain	Net Unrealized Appreciation	Purchases	Sales	Ending Fair Value	Net Accumulated Unrealized Appreciation Outstanding at Year-End
\$ 71,582,117	\$ 2,926,401	\$ 832,623	\$ 16,000,000	\$ (27,276,921)	\$ 64,064,220	\$ 11,981,466

Net realized gain and net unrealized appreciation on Level 3 investments are included in the respective line items in the consolidated statement of activities.

Included in the amount reported as interest and dividend income in the consolidated statement of activities is approximately \$1.3 million that represents amounts distributed from the Corporation's various mutual fund investments as dividend income.

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

Presented in the table below is information about the Corporation's Level 2 and Level 3 investments valued using the NAV of the investment vehicle as a practical expedient, categorized by investment strategy, as of December 31, 2012:

	Fair Value	Redemption Frequency	Redemption Notice Period	
Event-driven	\$ 39,789,802	Quarterly/semi-annually	45-90 days	(a)
Long/short equity	8,613,530	Monthly	15 days	(b)
Multi-strategy	15,660,888	Over 3 years/at manager's discretion	65 days	(c)
	64,064,220			
International	17,139,430	Daily	10 business days	(d)
	<u>\$ 81,203,650</u>			

Note: There are no unfunded commitments to the Corporation's investments valued using the NAV of the investment vehicle.

- (a) **Event driven:** This category includes alternative investment funds that invest in event driven situations such as mergers, acquisitions, recapitalizations, liquidations or other corporate restructuring transactions where there is a perceived differential between the value to be received upon successful consummation of the anticipated transaction or event and the current market price.
- (b) **Long/short equity:** This category is comprised of two alternative investments funds. One fund representing 94% of this category invests in long/short equity, bonds, commodities and futures on a global basis. The Corporation has provided notice to the second investment in this category requesting a full redemption.
- (c) **Multi-strategy:** This category includes alternative investment funds that pursue multiple investment strategies, including long/short equity, event driven, credit, private transactions, and commodity and derivative strategies. Investments representing 36% of this category cannot be redeemed currently because the investment manager requires three years for an investor to fully redeem its investment. The Corporation has provided notice to an investment representing 9% of this category requesting a full redemption; distributions from this investment will be received through the liquidation of the underlying assets of the fund and, as of December 31, 2012, it is probable that distributions received will be in an amount different from the NAV of the Corporation's ownership interest in the fund.
- (d) **International:** This category has one investment fund whose objective is to achieve long-term growth primarily by investing in a diversified portfolio of equity securities of companies located in any country other than the United States. The fund invests primarily in established international markets; however a portion of the fund's assets may be invested in emerging markets.

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

8. LAND AND FIXED ASSETS

As of December 31, 2012, land and fixed assets consisted of:

Land	\$ 1,913,359
Land improvements	174,158
Building	2,769,692
Computer equipment and software	153,955
Furniture and equipment	265,305
Automobiles	80,101
	<u>5,356,570</u>
Less - Accumulated depreciation and amortization	351,088
Net book value	<u>\$ 5,005,482</u>

9. LOANS AND LOAN LOSS RESERVE

Loans are generated by PAFPIO and are stated at the principal amount outstanding plus accrued interest reduced by a loan loss reserve. Interest on loans is credited to income based on principal amounts outstanding at applicable rates. The accrual of interest is discontinued when the loan agreement is terminated or there is doubt regarding collectability.

The loan loss reserve is maintained at a level determined by PAFPIO management to adequately absorb potential losses in the loan portfolio. This determination is based on the exposure to loss related to specific borrower situations, including their financial position, payment history and collateral values, and other relevant factors and estimates which are subject to change over time. Estimating the risk of loss and amount of loss on any loan is necessarily subjective and ultimate losses may vary from current estimates. These estimates are reviewed by PAFPIO management periodically and, as adjustments become necessary, are reported in the periods in which they become known. The loan loss reserve is increased by provisions for loan losses charged against income and decreased by write-offs, net of recoveries. Collection efforts continue after a loan is charged-off by PAFPIO Management and future recoveries may occur.

Changes in the PAFPIO loan loss reserve for the year ended December 31, 2012 were as follows:

Beginning balance	\$ 255,108
Additional provision charged to operations, net	137,614
Loans written-off	(18,235)
Foreign currency translation adjustment	26,145
Balance, end of year	<u>\$ 400,632</u>

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

10. COMMITMENTS

As of December 31, 2012, the Corporation had approved 16 programs totaling \$21.7 million that were subject to the completion of grant negotiations and the signing of grant agreements to the satisfaction of all parties. Subsequent to December 31, 2012 the Corporation signed grant agreements for these approved programs in the total amount of \$13.0 million.

11. 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 state and local income taxes.

POLAND

The Representative Office is not subject to Polish corporate income taxation. PAFPIO is a Polish limited liability corporation subject to Polish Corporate income tax. For the year ended December 31, 2012, PAFPIO incurred \$38,850 of income tax expense, which is included in operating expenses in the consolidated statement of activities.

12. SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events through May 17, 2013, the date the consolidated financial statements were available to be issued, and has determined there were no additional events requiring consideration as adjustments to, or disclosures in, the consolidated financial statements as of and for the year ended December 31, 2012.

Board of Directors

JOHN P. BIRKELUND - CHAIRMAN (*until May 2012*)

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

ANDREW NAGORSKI - CHAIRMAN

Vice President and Director of Public Policy at the EastWest Institute, former Senior Editor of Newsweek International

MAREK BELKA (*until June 2010*)

Former Prime Minister of Poland, former Executive Secretary of the United Nations Commission for Europe, former Director of the European Department of the International Monetary Fund, President of the National Bank of Poland

JOSEPH C. BELL

Senior Partner, Hogan Lovells

ALFRED B. BIEĆ

Former Undersecretary of State, Office of the Council of Ministers, Secretary of the Government's Economic Committee, former President and CEO of the Bank PEKAO New York and the Post Bank

FREDERICK M. BOHEN

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

MICHAŁ BONI (*until January 2008*)

Minister of Administration and Digitization, 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), former Director of the Polish-American Enterprise Fund

ROBERT G. FARIS

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

ANNA FORNALCZYK

Former President of the Polish Office for Competition and Consumer Protection

CHRISTOPHER HILL

Dean, Josef Korbel School of International Studies, University of Denver, former U.S. Ambassador to Iraq, Republic of Korea, Poland, Macedonia, and Special Envoy to Kosovo, former Assistant Secretary for East Asia/Pacific Affairs, head of the US delegation to the 6 party talks on North Korean denuclearization

GEOFFREY HOGUET

Managing Member, GRH Holdings, LLC

ALEKSANDER KOJ *until November 2010, currently: Director Emeritus*

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

DAVID NIEMIEC

Senior Advisor Saratoga Partners

KRZYSZTOF PAWŁOWSKI

President of the High School of Business-National Louis University in Nowy Sacz, former Polish Senator

NICHOLAS A. REY

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

CARLA H. SKODINSKI

Vice President and Chief Investment Officer, Van Beuren Management, Inc.

U.S. AMBASSADOR TO POLAND, PARTICIPATING IN THE WORK OF THE BOARD OF DIRECTORS

LEE FEINSTEIN (*until October 2012*)

STEPHEN D. MULL (*from October 2012*)

Management and Staff

President and Chief Executive Officer
JERZY KOŹMIŃSKI

Head of the Representative Office
GRZEGORZ JĘDRYS

Program Directors:
RADOSŁAW JASIŃSKI
RENATA KOŹLICKA-GLIŃSKA
RAFAŁ KRAMZA (*until January 2012*)

Program Officers:
MIROSŁAW CZYŻEWSKI
AGNIESZKA MAZUR

Chief Accountant
AGNIESZKA KWIATKOWSKA

Programs' Financial Controller
MIRA OSIECKA

Information and Public Relations
PRZEMYSŁAW ZAROŃ

Program Coordinators:
KATARZYNA ŚWIĄTKIEWICZ
JOANNA LEMPART-WINNICKA

Accounting:
GRAŻYNA SKRZYPIEC
ADELA MAKAREWICZ

Assistants / Administration:
KALINA GRZESZUK-ZAJĄCZKOWSKA
AGNIESZKA ŁUKASIK
JOANNA RECHNIO
RAFAŁ MILEWSKI
IZABELA JAROŃ
JUSTYNA FLORCZAK

Treasurer and Chief Financial Officer
NORMAN E. HASLUN III

Secretary to the Board of Directors
C. DOUGLAS ADES

Financial Analyst
GRZEGORZ BORCZYK

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REPRESENTATIVE OFFICE IN POLAND

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