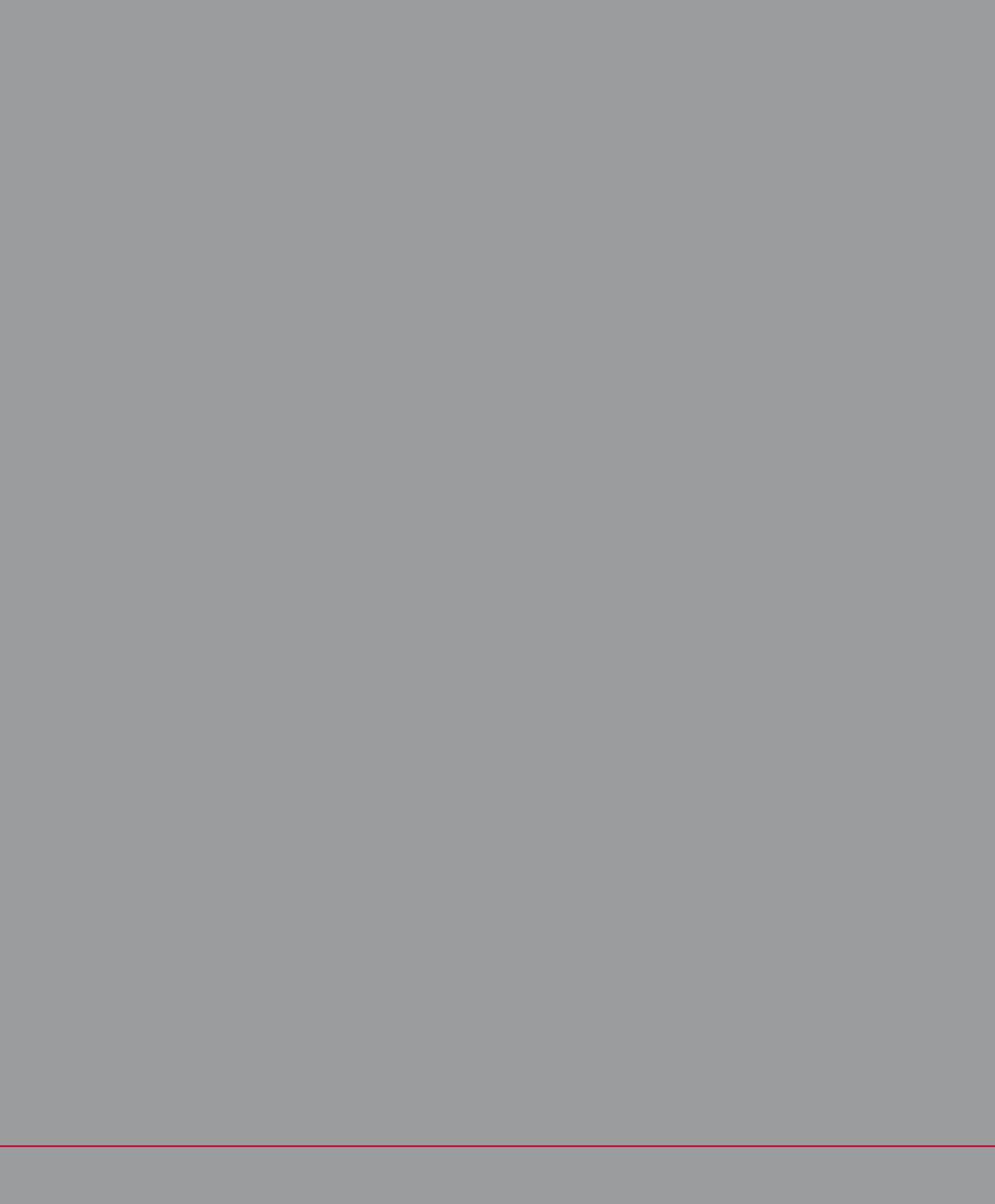


POLISH-AMERICAN FREEDOM FOUNDATION

20
ANNUAL REPORT
08

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LETTER FROM THE PAFF
LEADERSHIP

LETTER FROM THE PAFF LEADERSHIP

It is with great pleasure that we present the Polish-American Freedom Foundation's 2008 Annual Report outlining the Foundation's activities and achievements. In addition to describing the Foundation's program initiatives, we are pleased to present the financial statements of PAFF together with our auditor's evaluation.

Our goals remain unchanged. We continue to support the transformation launched in Poland 20 years ago, while sharing Polish experiences with other countries of Central-Eastern Europe.

Our programs in Poland are focused on two basic issues: the promotion of equal educational opportunities and the modernization of education, as well as strengthening of civic activity and leadership in rural areas and small towns. During the years 2000-2008 the Foundation applied more than \$60 million for these programs and in 2008 the budget exceeded \$12 million.

The most important development in our 2008 activities was the creation of a partnership with the world's largest non-governmental grant-awarding organization, the Bill and Melinda Gates Foundation, in an undertaking to facilitate access of Polish libraries to the Internet through providing computers and training. The Gates Foundation has been establishing similar partnerships in selected countries to provide citizens with free access to information and communication technologies via a public-library network. The objective of Poland's Library Development Program is to transform libraries in rural areas and small towns into modern, multi-purpose information, cultural and educational centers that will also stimulate civic involvement. An essential feature of the Program will be to enhance the competence and professional prestige of librarians through comprehensive training and the creation of coalitions to promote the modernization of libraries.

To carry out this Program, we have established the Information Society Development Foundation (FRSI). It will cooperate with the Book Institute managing the Ministry of Culture and National Heritage's long-range "Library+" project. The Cooperation Agreement between the Ministry and PAFF was signed in June 2008. The planning phase of the Library Development Program, launched in May 2008, was concluded in March 2009 following which the Gates Foundation signed an agreement with the Polish-American Freedom Foundation to implement a five-year program involving more than 3,000 libraries and providing approximately \$30 million to PAFF to execute the undertaking.

During the year, we continued support of other standing programs:

- We added another element to the "Bridge Scholarships" Program (carried out in a coalition with other institutions and non-governmental organizations) – to award PhD scholarships for the first group of university graduates who had participated earlier in the Program. Our venture is now Poland's largest non-governmental scholarship system, having granted more than 10,000 university scholarships.

- There has been yet another year of growth in the "Student Volunteers" Program. Since 2003, more than 6,000 educational projects have been carried out in 1,400 rural schools, of which approximately 2,500 projects were conducted just last year. In 2008, the Ignacy Łukasiewicz PGNiG Foundation joined us as a donor and partner.

- A new component of the "English Teaching" Program is being pursued in cooperation with the American Embassy in Warsaw, under which American citizens in Poland pay visits to participating schools and conduct lessons in English. In addition to the annual countrywide convention for teachers of English, a similar event on a regional scale was held for the first time. It was organized in Zbąszyń in the Wielkopolskie voivodship.

- In the "Third Age Universities" Program, much more emphasis was placed on involving senior citizens in community efforts. More than 500 applications were submitted for a "Seniors in Action" competition, primarily promoting inter-generational cooperation. PAFF grants were awarded to the 30 of the best projects.

- In 2008, three PAFF programs designed to bolster Polish non-profit organizations merged into a single, larger "Support for NGOs" initiative. We want the Program to provide third-sector entities with a broader offering which now includes IT activities such as the Non-Governmental Organizations' Portal, unique in Europe, as well as training seminars in modern non-profit financial management and counseling services on how NGOs can obtain European funds.

- The "Support for NGOs" Program has been supplemented by another initiative, the "Pro Bono Center", set up in March 2008 as part of the "Citizen and Law" Program. It constitutes a platform for cooperation between NGOs and law offices that have agreed to provide free legal services. The concept parallels clearing-house institutions that exist in some other countries – centers where lawyers provide services pro bono to organizations and individuals involved in public-service efforts.

- Continuation of the personal-development program for local project leaders, carried out as part of the Foundation's various initiatives, also helps to support the potential and organizational capacity of Poland's third sector in rural areas. A 2008 innovation was the "Alumni" initiative,

a platform for continuing cooperation and support for former participants of the "PAFF Leaders" Program. For the first time a group of PAFF leaders and their tutors had the opportunity to go on a study tour to the USA where they attended a number of meetings with the authorities and NGOs at a local level.

- Also, last year new initiatives were developed in two of our programs that foster the transfer of the Polish transformation experiences to neighboring countries. Noteworthy were post-scholarship activities of the Lane Kirkland Program's graduates who in 2008, after returning to their home countries, launched joint projects as well as undertakings strengthening their bonds with Poland. Also, some of the study-tour participants within the "RITA" Program, whose hosts had been Polish NGOs, undertook initiatives connected with their earlier stay in Poland.

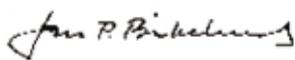
We were proud that our contacts with Central-Eastern Europe were acknowledged by the International Economic Forum in Krynica which bestowed upon PAFF the honor of 2008 Non-Governmental Organization of the Year. The Krynica Forum's Program Council each year honors individuals and firms from the Central-East European region who have accomplished outstanding achievements.

For us, 2009 was ushered in by a sad event. In January, following his struggle with a serious illness, PAFF Director Nicholas A. Rey, who had been the US Ambassador to Poland in 1993-1997, died at the age of 70. He was a direct descendant of one of the most prominent Polish poets, Mikołaj Rej of Nagłowice. After World War Two he emigrated with his parents to the USA. His knowledge and skills in investment banking as well as his knowledge of Polish turned out to be immensely helpful after 1989, when the United States offered to support Polish reforms. He was among the original directors of the Polish-American Enterprise Fund where he later served as Vice-Chairman and Director. The result of his efforts and those of other PAEF Directors was the creation of the Polish-American Freedom Foundation. He was personally involved in various Foundation's undertakings, even during his most difficult period. We sorely valued his wisdom, advice and friendship. He will be greatly missed.

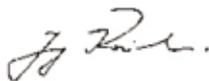
Upon being appointed to a ministerial post in the Polish government, Michał Boni, whose expertise and involvement had been extremely helpful, had to suspend his membership on the PAFF's Board of Directors. We hope that after completing his public service he will resume his place on the Foundation's Board. And, at this time we cordially welcome Geoffrey Hogue and Andrew Nagorski as new Directors.

We would like to thank all those who participated in the implementation of the PAFF's tasks during the year. We greatly appreciate their support and advice. We also continue to recognize our deep debt of gratitude to the Polish-American Enterprise Fund which in recent months contributed its concluding payment of \$31.5 million to our endowment. Without the Fund's enormous success none of PAFF's accomplishments would have been possible.

We are entering a new year of our activities with a sense of gratitude towards all our colleagues – Members of the Board of Directors who have tirelessly been involved in the Foundation's development and have enthusiastically supported the PAFF Team in reaching its goals.



John P. Birkelund
Chairman of the Board of Directors



Jerzy Kozmiński
President and Chief Executive Officer

New York/Warsaw, May 2009

INITIATIVES IN EDUCATION



- English Teaching (ET)
- Education on the Internet - Polish Educational Portal "Interkl@sa"
- Equal Opportunities
- Learning Schools (LES)
- Student Volunteers
- For Children
- Third Age Universities (TAU)
- Entrepreneurship Education
- Bridge Scholarships

DEVELOPMENT OF LOCAL COMMUNITIES



- Act Locally
- Support for NGOs: MIS@NGO/FIM@NGO/EURO-NGO+
- PAFF Leaders
- Work in Poland
- Village in Transition: Developing Information Society (e-VITA)
- "Pro Publico Bono" Competition
- Library Development Program

CITIZEN IN A DEMOCRATIC STATE OF LAW



- Citizen and Law
- Transparent Poland

SHARING THE POLISH EXPERIENCES IN TRANSFORMATION



- Region in Transition (RITA)
- The Lane Kirkland Scholarships

3

THE FOUNDATION'S NINTH
YEAR PROGRAMS

English Teaching (ET)

The Program initiates and supports activities that promote the English language and improve the quality of English teaching to children and youth from small towns and rural areas. Thus it helps equalize students' later educational and professional opportunities.

The Program is the only non-commercial initiative of its kind in Poland that promotes large-scale English teaching and at the same time stimulates and reinforces related initiatives in small local communities. The results of these initiatives often go beyond their initial objectives which is reflected in a more general social activation of these communities. Another added value is providing the individuals and institutions applying to the "ET" Program with the skills to raise EU funds.

In the Program's editions to date (2000-2008), English Language and Anglo-Saxon Culture Clubs were set up in many Polish schools thanks to more than 500 projects that were financed under the competition rules. Children and young people had a chance to watch original versions of English-language films and had discussions with a native speaker. Libraries with English literature and press were created, and theater circles, quizzes on English-language writers, culture and history, as well as song festivals were organized. More than 33,000 people directly participated in the projects: students, teachers, parents, as well as other members of local communities.

Language training courses and language camps were organ-



ized within the Program. Fifty-nine Teaching English Teachers weekend training courses for 2,300 teachers, mainly from outside big cities, were conducted.

Six nationwide educational meetings, "English Teaching Market", were held for teachers of English and for interested institutions, organizations, schools and publishers. Some 3,200 people participated. In 2008, for the first time, the regional English Teaching Market was held in Zbąszyń, in Wielkopolskie Voivodeship. These meetings are important for development of the cooperation network of English teachers from small localities, supported also by the quarterly Program Bulletin and community portal.

PAFF granted a total of \$3,349,841 for the Program, including \$958,169 in 2008.

Program Manager: The „Nida” Development Foundation

Education on the Internet - Polish Educational Portal "Interkl@sa"

Poland's first, professional, non-commercial educational portal www.interklasa.pl, addressed to students, teachers and parents has been in operation since 2001. It is a joint undertaking between PAFF and the Interkl@sa Initiative. The modern technological infrastructure is provided by Poznańskie Centrum Superkomputerowo-Sieciowe (Poznań Supercomputing and Networking Center).

The intention of the Portal's editorial office is to help modernize education as well as equalize educational opportunities for students from different environments. The Portal offers a wealth of educational resources and multimedia teaching aids, including school literature, exams, several hundred lesson scenarios, thematic websites, e.g. "Frantice" (dedicated to teaching French), and

also a multimedia Library (with some 200 publications).

The Portal's editorial staff organizes educational competitions and, in cooperation with the European Schoolnet, provides information on European school projects. It also provides users with e-mail, chat rooms, forums and many other services, including a "Virtual Class" (a distance learning aid) and an "Interactive Map of Schools", offering contact details of more than 32,000 educational institutions. In 2008, the Portal acquired nearly 1000 digital publications such as lesson scenarios, multimedia didactic presentations and audio-video materials. Registered users may use the Portal's blogger service and keep their diaries.

The Portal is also engaged in international events, including the "European Spring Day" celebrations and the "Science Picnic". Reports from these undertakings are published in the Portal's news service.

Equal Opportunities

The objective of this Program, implemented since 2001, is to support civil initiatives that help equalize educational opportunities and provide a better start for the youth, mainly from junior-high schools and high schools, in rural areas and small towns with a population of up to 20,000 inhabitants.

In the Program, non-governmental organizations, non-school educational institutions and informal youth groups apply for grants for projects that favor the development of young people's skills in achieving their objectives, stimulate their cognitive and creative aspirations, develop proactive and open-minded attitudes, and encourage them to act for the benefit of their communities.

Through these projects young people are able to participate in activities extending beyond the standard curricula offered by schools. A database of projects worthy of replication has been developed within the Program and is updated on a regular basis. Information about them is pub-

Year on year the Portal's position has strengthened – more than 21,000 new users registered in 2008 and its resources are now regularly used by over 72,000 people.

The educational activities and resources of the „Interkl@sa" Portal have gained recognition from periodicals and organizations specializing in modern information technologies. That came to light when it was honored with the Safe Website Certificate, awarded by the service www.sieciaki.pl and the Child-Friendly Website title bestowed by the kidprotect.pl Foundation. It was also chosen by the magazine "Komputer Świat" as the best Polish educational site of 2007 and distinguished at the "Webstarfestival" contest promoting the best WWW sites and Internet projects.

PAFF granted a total of \$2,199,227 for the Program, including \$324,438 in 2008.

Program Manager: The Foundation for Economic Education



lished on the www.rownacszans.pl website. Twenty-seven regional and local Educational Forums have been organized, presenting examples of model initiatives implemented under the Program. More than 6,600 people have attended these Forums.

The result of seven editions of the Program has been the implementation of 1,443 educational projects as well as mobilization and integration of local communities involving activities for children and the youth. Numerous projects contin-

THE FOUNDATION'S NINTH YEAR PROGRAMS

ue to operate after termination of the PAFF's financial support for the Program, for example, the "Young Explorer Clubs".

In 2008, the National Grant Competition was conducted according to a new, two-stage formula. First, the applying organization had to prepare an assessment of needs. From among 293 organizations which applied, 52 were invited to take part in the grant competition, and 22 received grants. 536 entries were submitted to the Regional Grant Competition, conducted in cooperation with four regional partners,

and 98 grants were awarded.

In January 2009, a subsequent round of the Program got underway; it will be conducted until December 2010.

PAFF granted a total of \$6,547,295 for the Program, including \$1,119,812 in 2008.

Program Manager: The Polish Children and Youth Foundation

Learning Schools (LES)

The purpose of this Program, implemented together with the Center for Citizenship Education since 2000, is to improve the quality of schools by introducing the „learning organization" principles to the daily practice of teachers. The starting point is a self-evaluation performed in accordance with the procedures developed on the basis of foreign as well as "LES" Program experiences. The Program focuses on improving quality in the following key areas: teaching effectiveness, teaching and learning, the school as an institution, as well as the school and the outside world. Particular emphasis is placed on working with schools from rural areas and small towns.

Schools that have completed the program training and introduced a quality assurance system are eligible to join the Learning Schools Club. The educational institutions affiliated with the Club develop a quality assurance system, help each other with self-evaluation, train teachers and share materials and experiences. Thanks to the "LES" Program, autonomy of school staff is enhanced, teamwork improves, and schools become more open to contact with the outside world.

During eight years, 881 schools have taken part in the core part of the "LES" Program, and 23,000 teachers from these schools were trained.

The "LES" Summer School and the Polish-American Directors Academy have been important elements of good practices' promotion and innovative teaching methods in the



teachers' community. In 2008, 55 teachers - participants of the Summer School's 6th edition - took part in workshops and lectures on influencing students by grading them. There is also a great interest in Educational Leaders' Post-Graduate Studies, launched in 2007, whose purpose is to create within the higher-education system, a modern form of skill improvement for management staff: headmasters, school directors, heads of school-management teams, supervisory staff and school superintendents. In the 2007/08 academic year, 47 school headmasters and deputy headmasters started these studies. In the 2008/09 academic year, 52 are enrolled in the Program.

The other component of the "LES" Program is the undertaking called „Good Teaching and Grading in Local Public Schools" carried out jointly with the Methodological Center of Psychological and Pedagogical Assistance and in cooperation with the Ministry of National Education. Its objective is

to illustrate the opportunities local governments have to develop and implement local educational policies that help schools improve the effectiveness of their teaching and grading methods. 202 schools, most of them from small localities, took part in this project in the 2007/08 school year.

An important task executed within the framework of the "LES" Program is promotion of procedures and other elements of Program experience among teachers from schools that did not participate in the core part of "LES". This has been done mainly by means of "LES" Academy and making the developed Program resources available on the Internet. This effort has reached almost 4,200 teachers.

Student Volunteers

This Program is aimed at equalizing educational opportunities for children and the youth living in rural areas and small towns. Under the Program 5 to 7 student volunteers implement educational projects they have prepared to develop knowledge, skills and interests of children and the 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 other activities that interest both the volunteers and the students.

The Program promotes active attitudes among both school and university students, developing their sense of social responsibility and solidarity, at the same time enabling them to pursue their passions and interests.

Since 2003 approximately 6,000 educational projects have been conducted in over 1,200 schools throughout Poland, in which 5,500 students-volunteers have participated. Last year 2,533 projects were implemented, with almost 37,000 participating children and youth. The Program was supported by two former Polish Prime Ministers of Poland: Prof. Jerzy Buzek and Prof. Marek Belka who volunteered to conduct

In 2002, the "LES" Program provided the inspiration for launching the "School with Class" mass campaign, conducted by the Center for Citizenship Education in cooperation with "Gazeta Wyborcza" daily newspaper. Over 5,000 schools from all over Poland have completed it. The campaign gave birth to the following undertakings: the "Teacher with Class" initiative, the "Student with Class" initiative, and the "School of Thinking" initiative, launched in 2008. The Polish-American Freedom Foundation was a partner in each of these ventures.

PAFF granted a total of \$ 3,676,347 for the Program, including \$ 1,476,152 in 2008.

Program Manager: Center for Citizenship Education



summer classes for the youth in several rural communes.

Under the Program a network of institutional partners is being created, including universities, local authorities and media. Currently, over 40 institutions are involved, including the Ignacy Łukasiewicz PGNiG Foundation, Orange Foundation (former TP Group Foundation), National Bank of Poland and Jagiellonian University.

PAFF granted a total of \$2,066,762 for the Program, including \$747,110 in 2008.

Program Manager: The Polish Association of Pedagogues and Animators „KLANZA"

For Children

This Program, launched in 2005, aims at creating equal educational opportunities for children from rural areas and small towns by creating the best possible developmental environment and improving the quality of elementary education.

Within the Program's pilot edition, carried out in 2005-2006, seven rural communes took part in the "Improving the Quality of Elementary Education at the Local Level" undertaking. The participating partnerships, involving non-governmental organizations and local governments, received grants to realize 10 projects enabling them to put elements of the strategy into practice in their areas. The projects consisted of organizing extracurricular activities for children, setting up day-care centers and conducting speech therapy. Altogether, the Program encompassed more than 1,500 children and over 4,000 adults, including teachers. The experiences gained under the first edition of the Program were presented in the publications „Young Children in our Community - How to Raise the Quality of Elementary Education“, and „Good Practices“.

Another part of the Program was to create a database of non-governmental organizations that support elementary education. The database is available on the www.dladzieci.org.pl website (at present it contains information about 500 organizations). The Program also resulted in preparation of the „Report on the Situation of Young Children in Poland“, one of the first such publications in the country.

In the Program's second edition, launched in 2007, 24 non-governmental organizations took part in training courses propagating modern methods of working with young children and implementing these initiatives in local communities. Collaboration continues with 22 communes where, thanks to the cooperation of local self-governments and non-governmental organizations, the activities aimed at improving the quality of early education are carried out; 15 new communes joined the Program in its second edition and took part in a training course to create a commune strategy for elementary education. At present, 17 communes (7 of them from the first edition and 10 participating in the second edition) implement this strategy in their local communities. Additionally, in 2008, 17 non-



governmental organizations were awarded grants, in a closed competition, to implement selected components of the elementary education strategy.

National Educational Forums as well as local conferences and seminars devoted to early education have been held under the Program, with Polish and foreign experts taking part in them. One important result of the Program has been the emergence of the Partnership for the Education of Small Children, involving 36 NGOs to date. This is a platform for cooperation aimed at fostering activities that promote knowledge about the developmental needs of small children, the importance of early education and good examples worthy of emulation.

One of the innovations has been the creation of a consulting point for non-governmental organizations and communes at the www.dladzieci.org.pl website. Its task is to provide conceptual and technical assistance in the preparation of grant applications for funds from various sources to finance activities that support the development and education of young children. Using the experience and tools gained in the Program, 12 communes directly covered by the Program have obtained a total of almost PLN 8.5 million from European Union funds for implementation of their elementary education strategies.

PAFF granted a total of \$572,277 for the Program, including \$206,057 in 2008.

Program Manager: The Comenius Foundation for Child Development

Third Age Universities (TAU)

The purpose of this Program, launched in 2005, is to support further education and stimulate the social energy of seniors. This purpose is pursued by providing support for Third Age Universities as well as other organizations carrying out activities for seniors. The Program is being implemented at two levels - the first is a grant competition and the second a cooperation platform for experience exchange between Third Age Universities. TAU representatives have the opportunity to exchange their experiences during annual national conferences organized within the framework of the Program. These meetings have so far been held in Kraków, Bydgoszcz, Słupsk, Płock and Warsaw.

In the three editions of the Program, 2005-2007, 131 projects implemented by TAU all over Poland were financed. In the first edition, they were primarily projects improving the quality of the educational offer of TAUs, including computer courses and initiatives reaching out to a broader audience of senior citizens with the TAU offer. In the second and third editions, the competition's priorities have been expanded to include stimulation of seniors' involvement in activities for their local communities, particularly in volunteering.

Since 2008, the grant competition has been conducted according to a broader formula, transcending the



Third Age Universities mode. It is addressed to active seniors, over 55 years of age, involved in community activities in various organizations and institutions. Under the "Seniors in Action" grant competition, 30 intergenerational projects and those activating senior citizens to act for their local communities have been funded. A large part of these initiatives is linked to the TAU activities.

PAFF granted a total of \$1,329,510 for the Program, including \$503,795 in 2008.

Program Managers:

The Association of the Creative Initiatives „ę” (Seniors in Action Competition), The Foundation for the Jagiellonian University.

Entrepreneurship Education

The objective of the Program is to support initiatives aimed at stimulating and fostering an entrepreneurial spirit among junior-high and high school students, especially in villages and small towns.

The main component of the Program is the „Junior-high Enterprise” initiative, implemented toge-

ther with the Junior Achievement Foundation that supports teachers in their efforts to promote creative and entrepreneurial attitudes and teamwork skills among school students. The Program motivates and mobilizes young people to take an interest in the needs of others, especially in their local community. It promotes responsibility for decision-ma-

king, encourages students to develop their own interests and teaches them how to plan and organize work. The teacher acts as a partner of the student and does not make any decisions on his/her behalf but assists the student in analyzing consequences and drawing conclusions.

To meet the needs of this Program, an internet system aimed at distributing educational materials was created and made available at www.junior.org.pl website. More than 1,700 teachers from almost 1,000 schools throughout Poland use it. Training courses for teachers as well as workshops for principals and school staff promoting the Program have been held. A CD with publications and presentations useful for teachers in their work with students and supplementary methodological materials were issued.

The Program participants can take part in the National Competition for Best Student Initiatives „IDEA”. Its purpose is to encourage young people to undertake useful initiatives in their schools and local communities, and to make it possible for students from different parts of Poland to present their achievements to each other and to exchange knowledge and expe-

riences. 16 student representative teams were invited to take part in the national finals in June 2009.

The second component of the Program is support for the National Entrepreneurship Olympics, implemented by the Foundation for the Promotion and Accreditation of Economic Education. In January 2009, the results of a selection process for the 4th edition of the Olympics were announced. 1,508 contestants qualified for the district preliminaries. The district preliminaries were scheduled at the Warsaw School of Economics, the Universities of Economics in Kraków, Poznań and Wrocław and the Economic Academy in Katowice. The finals, for the best contestants, takes place at the Warsaw School of Economics every year in April. The winners receive admission to the schools organizing the competition as well as laptops, palmtops and digital cameras. Prizes are also awarded to subject tutors.

PAFF granted a total of \$672,475 for the Program, including \$244,523 in 2008.

Program Manager: The Junior Achievement Foundation

Bridge Scholarships

This Program was launched in 2002 in response to a serious social problem - the clear disparity of access to higher education between young people living in rural areas and those in urban areas. The Program helps talented young people from small towns and rural areas, especially from former state-owned farm areas, to decide to begin studying at a university level by offering them the possibility of receiving scholarships for their first year of studies. In subsequent years of studies, scholarship assistance is offered to high-performing students as part of the “Top Student” competition, the corporate scholarship initiative, the “Study Abroad” project and the PhD scholarships granted for the first time in the 2008/09 aca-

demic year. Under the current 7th edition (2008/09) of the Program, 1,464 scholarships were awarded, including 926 for the first year of studies.

The Bridge Scholarships Program is a joint undertaking of PAFF, the National Bank of Poland, the PZU (State Insurance Group) Foundation, the BRE Bank Foundation, the Jan Kanty Steczkowski BGK Foundation, the Agricultural Property Agency, the Orange Foundation (former TP Group Foundation), the Rural Development Foundation, the Training and Competence Academy, and a coalition of local non-governmental organizations cooperating with the Stefan Batory Foundation and the Academy for the Devel-

opment of Philanthropy in Poland as well as those which joined the Program under the “Diploma of Dreams” initiative. Nearly PLN 42 million has been earmarked by the donors for all of the editions of the Program, including more than PLN 24 million from PAFF.

Since 2006, the Polish-American Freedom Foundation, the Educational Enterprise Foundation, the Rural Development Foundation and the “Rzeczpospolita” daily have implemented the “Diploma of Dreams” action. The purpose is to encourage and support new local non-governmental organizations in the pursuit of local scholarship initiatives coordinated with the Program’s aims (meant to be a „bridge” between the high school and the university). As a result, more than 80 new NGOs have provided scholarship assistance to 440 recipients. The initiative to organize the international internship, addressed to the best participants of the Bridge Scholarships program, was also launched. Members of the American Chamber of Commerce, willing to accept bridge scholarship recipients as trainees have been invited to take part.

An opinion poll showed that more than half of the bridge scholarship holders stated that they would not have been able to undertake university studies without

financial assistance. One third of the first-year scholarship holders achieved average grades of at least 4.0 (on a 5.0 scale). Nearly 90 percent maintain a high average in their second year as well. Over 90 percent of scholarship holders continue their studies after the first year.

In total more than 10,000 scholarships have been granted since the Program was launched. 8,420 high school alumni have received scholarships for the first year of studies. Additionally, 1,700 winners of the six editions of the “Top Student” competition were granted scholarships for their second year of studies. And, 300 corporate scholarships have been awarded as well as another 78 scholarships as part of the “Study Abroad” initiative. For the first time, 10 PhD scholarships were granted.

Another segment of the Program consists of scholarships for outstanding young people from small towns and rural areas studying economics at private universities and business schools. In 2008, 389 scholarships were awarded.

PAFF granted a total of \$ 9,021,905 for the Program, including \$ 1,633,592 in 2008.

Program Manager: The Educational Enterprise Foundation

Act Locally

The objective of the Program, operating since 2000, is to support civic initiatives that help solve local problems and stimulate new aspirations among rural and small town communities. Through grants awarded in open grant competitions, assistance is offered to help build active local communities, the members of which independently define their own needs and undertake common initiatives. In every community, people are different as are their resources, needs, traditions and experiences. Therefore, the "Act Locally" Program supports diverse undertakings. Each community chooses its own ways to achieve its goals.

Under the first three editions of the "Act Locally" Program, 357 projects were supported in national grant competitions, to which PAFF contributed over \$1 million. Under the 4th edition of the Program, implemented in 2005 and 2006, 99 projects were co-financed in national competitions and 519 grants were awarded through Local Grant Organizations (LGOs), which announced local competitions over an area of several communities or several districts (counties).

The Program's fifth edition, completed in 2008, involved two parallel tracks. One comprised decentralized grant competitions carried out by 45 Local Grant Organizations. The other track involved an all-Poland grant competition initiating the creation of a local coalition, in which grants were awarded to 10 initiative groups composed of at least one non-governmental organization and representatives of local government and business in small localities. Their task was to build a local coalition, conduct a fund-raising campaign, diagnose local needs and then carry out a six-month project activating the local community. Within the decentralized competitions, grants were awarded to 1,028 organizations. The LGOs' contribution to this effort exceeded \$300,000, and the input of local beneficiaries amounted to more than \$1.5 million.

The decentralized way of awarding grants was ef-



fective. A concentration of 8-10 projects in small areas enhanced stimulation of citizens and the development of local social capital. Support was given to cultural and educational projects as well as those concerning the development of tourism, entrepreneurship and vocational activation, social services for the elderly and disabled, projects aimed at preventing social pathologies among children and the youth, improving public safety, as well as reconstructing cultural heritage and protecting the environment. The common denominator was local activity, out of which the residents acquired news skills, and learned how to better organize themselves and how to respond to new problems.

During the Program's sixth edition, carried out in 2008, grants were awarded to 645 projects (from the 1,136 submitted). Their subject matter centered mainly on strengthening local community cooperation and involvement, the creation of new opportunities for personal development and how to spend free time as well as enhancing the beauty of a given locality. The projects involved participation of many volunteers. The beneficiaries of the Program include non-governmental organizations, local public institutions (schools, community centers, libraries and sport clubs) as well as informal groups.

As in the past, last year PAFF supported the "Benefactor of the Year" Competition, which is the most recognized initiative promoting corporate social re-

sponsibility. PAFF was the founder of the “Local Dimension of Corporate Social Commitment” category, promoting the social involvement of firms in the development of local communities in places where Local Grant Organizations operate.

PAFF granted a total of \$5,398,837 including \$1,136,848 in 2008.

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

Support for NGOs: MIS@NGO/FIM@NGO/EURO-NGO+

This Program consolidates the offers of non-financial PAFF support for civil initiatives that were previously funded and implemented as three separate PAFF programs: “MIS@NGO” (Mutual Information Society - Information System for and about Non-Governmental Organizations), “FIM@NGO” (Financial Management for Non-Governmental Organizations) and “EURO-NGO” (EU Funds for NGOs).

The aim of this consolidated Program is to provide institutional support to non-governmental organizations and community leaders in Poland, especially in small towns and rural areas. The support includes access to information, advice and training. The objective is to improve the conditions in which organizations operate as well as the quality of their management, enabling more effective implementation of civic projects.

The Program comprises three parallel paths. The first one – Mutual Information Society (“MIS@NGO”) – is aimed at further development of basic resources of the information system for non-governmental organizations such as „ngo.pl” Portal, the information center with the 0-801-646-719 hotline, as well as research and publications including the free brochures „It’s Worth Knowing More – 3W*” and the „gazeta. ngo.pl” bimonthly. Also the quarterly „Trzeci Sektor” („Third Sector”), published by the Institute of Public Affairs, was subsidized.

The second path – “FIM@NGO” – includes training courses, counseling and publications for people, most-

ly from small towns and villages, responsible for managing the finances of non-governmental organizations.

Finally, within the „EURO-NGO+” path, information activities and expert support were provided to non-governmental organizations, aimed at obtaining more EU funds. This was a continuation of PAFF’s “EURO-NGO” Program, implemented in 2003-2006 by the SPLOT Network and by the Association for the Forum of Non-Governmental Initiatives. The result of the Program was the creation of a widely available system of information and advice on EU funds conducted by trained “EURO-NGO” specialists.

Additionally, in 2008, the 5th All-Poland Non-Governmental Initiative Forum was co-financed within the Program.

PAFF granted a total of:

- **“MIS@NGO”:** \$1,569,080 including \$320,075 in 2008.
- **“FIM@NGO”:** \$643,073 including \$166,500 in 2008.
- **“EURO-NGO+”:** \$1,294,365 including \$137,213 in 2008.

Program Managers:

- **“MIS@NGO”:** Klon/Jawor Association
- **“FIM@NGO”:** Civil Society Development Foundation
- **“EURO-NGO+”:** Klon/Jawor Association, Szpitalna NGO Federation Center, National Federation of Polish NGOs

PAFF Leaders

The objective of this Program, implemented by the School for Leaders Association, is to support the development of qualifications and skills by persons involved in activities for the benefit of their communities. This is achieved through an innovative tutoring based on steady and consistent cooperation between the participant (the leader) and the experienced tutor. The Program is addressed to active participants of local projects funded by programs of the Polish-American Freedom Foundation, in particular "Act Locally", "Equal Opportunities", "English Teaching", "Region in Transition" (RITA), "Village in Transition: Developing Information Society" (e-VITA), "For Children" and "Citizen and Law".

The main part of the Program is a series of training courses adapted to the needs and priorities of the participants, taking into account such issues as team building, project management, managing an organization, strategic planning, interpersonal communication, involving the community, as well as building local partnerships.

Also, within the Development Fund the leaders have an opportunity to obtain small grants for projects serving their communities, they can work as interns in non-governmental organizations as well as obtain the support of experts in various fields. In 2008, 32 small grants for projects serving the development of leaders' qualifications and skills were granted.



The "Alumni" initiative is an innovation, in which graduates of the "PAFF Leaders" Program share their experiences for the benefit of their local communities which should foster new civic initiatives to be launched. Last year, for the first time, a group of leaders and their tutors had the opportunity to travel to the USA where they met with community leaders and became familiarized with the activities of local NGOs.

As a result of the Program's four editions, the qualifications of 240 local leaders from all over Poland have been developed, they have created a national network, and a group of 41 tutors has been trained in this particular tutoring method.

PAFF granted a total of \$1,245,127 for the Program, including \$445,822 in 2008.

Program Manager: The School for Leaders Association

Work in Poland

This undertaking stems from the experience of the "Undoing Unemployment" Program, implemented from 2001 to 2006. Its purpose is to improve the competence and efficiency of non-governmental organizations in providing labor market services.

The Program comprises several interconnected segments: research and analyses, education and information activities addressed to non-governmental organizations, and grants funding labor market projects using information technology.

As part of the first segment, a team of experts prepared three reports. The first of them - "Contemporary Migration Processes in Poland and the Involvement of NGOs in Areas Linked to the Job Market" - was the result of efforts made by a research team and experts' workshops which dealt with Poland's labor market within the context of migration and the role and possibilities available to NGOs in that regard. The second report - "New Technologies in Non-Governmental Organizations"- diagnosed opportunities and needs of NGOs active in the job market and analyzed their potential and competence, especially with regard to their use of modern ICT methods. In addition, four case studies were prepared containing examples of how ICT methods and tools can be used in efforts relating to the job market based on foreign experiences.

The Program's implementation also involves information (the portal www.bezrobocie.org.pl) and educational efforts (seminars, training sessions) addressed to NGOs involved with the unemployed and their local partners. As a result of such efforts, nearly 500 peo-

ple have participated in 10 seminars devoted to the labor-market conditions in the context of migration, the use of modern technologies, and the role of NGOs as well as opportunities for cooperation with business and local government. Of the 30 taking part in the training sessions the five organizations which submitted the best proposals received supplementary funding in a grant competition for projects dealing with migration and the use of new ICT methods, taking into account the needs of the local job market. In addition, 10 other organizations received consultative assistance.

The current edition has also resulted in including the "Job-Seeking Migration" section on the Program's website. The section includes materials collected and developed within the Program.

PAFF granted a total of \$640,031 for the Program, including \$451,336 in 2008.

Program Manager: The Foundation for Social and Economic Initiatives

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

This Program was preceded by the „Village in Transition” (VITA) undertaking, implemented in 2001-2003. Its objective is to promote the use of information technologies in local development. The „e-VITA” Program is addressed to rural and small town communities – in particular, to local governments, entrepreneurs, non-governmental organizations and young people.

A pilot stage of the „e-VITA” Program was implemented in 2004-2005 in six communes selected in a competition: Bialogard, Cekcyn, Mały Płock, Recz, Stoszowice and Żelów. In these communes, a program of telecommunications and IT infrastructure was planned and developed in 41 local government institutions. The institutions (including schools, libraries, municipal councils and municipal information centers) were equipped with public broadband In-



ternet access. In addition, the Program offered training courses, advisory services and grants for the implementation of local ICT projects. The Program enabled the inhabitants of the participating communes to develop and improve their skills in using computers and the Internet for job seeking, business development and implementation of

different social projects. The local government also acquired knowledge indispensable for preparing projects financed by the EU structural funds.

The Program's pilot edition made it possible to develop and verify the "e-VITA Method" of bringing information technology that is adjusted to the Polish reality. The method was developed by PAFF and the Rural Development Foundation; it consists of comprehensive activities leading to the use of information technologies for the development of local communities. It takes into account technical, economic as well as social factors. It can be implemented using national and foreign financial resources, including EU funds. It makes it possible to activate local communities to solve their problems and take on new challenges using ICT.

Implementation of the second edition was completed in September 2008. 66 partnerships applied in a grant competition; they consisted of local governments, non-governmental organizations and other institutions. Thirteen of them were invited to the Program (eight new and five that had participated in the pilot edition). As a result of the second edition of the Program, non-commercial computer networks were set up in 11 communes, enabling the residents of 60 villages to gain access to the Internet. In 12 communes 1,360 inhabitants enhanced their computer and Internet literacy through locally organized training courses, and 500 people took part in training course on project de-

velopment. A number of initiatives involving the Internet were carried out, including the creation of social and educational commune websites. In addition, IT strategies were developed for 13 communes.

In December 2008, implementation of the Program's third edition got under way. Its main objective is to assist commune-level partnerships in making use of European funds earmarked for the creation of Internet-access networks in rural areas. At the same time, educational activities are being continued to show how the Internet and ICT tools may be used to stimulate the community and business activities of small-town and rural residents. Five partnerships have qualified for the third edition of the "e-VITA" Program as a result of open nationwide recruitment. They will be carrying out inter-commune projects aimed at developing the information society using the "e-VITA Method". In addition to infrastructure development the joint undertakings planned by partnership members will encompass the education of commune employees and residents in the ICT use and development of online services and resources available to residents.

PAFF granted a total of \$1,300,134 for the Program, including \$92,500 in 2008.

Program Manager and Co-Financing Partner: The Rural Development Foundation

"Pro Publico Bono" Competition

The "Pro Publico Bono" Competition for the Best Civil initiative was initiated in 1999 by then Prime Minister Jerzy Buzek. Since 2000, the Polish-American Freedom Foundation has funded the prizes awarded in the Competition.

The purpose of the Competition, organized under the auspices of the Polish Ombudsman, is to support development of civil society by annually selecting and promoting the most valuable initiatives of non-governmental organizations on a national, regional and especially local



level in the fields of education, culture and national heritage, health care, social aid and charity, regional development and environmental protection, as well as public diplomacy and European integration.

The Competition Chapter (Jury), chaired by Professor Andrzej Zoll, is composed of well-known personalities as well as the previous year's prizewinners. The first honorary Chairman of the Chapter was Jan Nowak-Jeziorański.

When evaluating the initiatives, the Chapter takes into account their social significance, innovativeness, their impact on the development and competitiveness of local communities, and the effectiveness and transparency in using social resources. In addition, the Chapter assesses the stability of the organization, compliance with ethical standards in its activities, and also the quality of cooperation with public administrations and other institutions. The winning organizations receive cash awards which are usually used to continue their programs.

In 2008, the 10th edition of the Competition, the Chapter awarded 13 organizations. The Award Ceremony took place in Cracow on November 11th, Poland's In-

dependence Day. The main prize went to the "Nida" Development Foundation for its overall efforts in support of self-government ideals in the local community and in particular for the creation of "Potters' Village" – the Nidzica district's first social enterprise operating in Kamiionka village. The undertaking is an example of how EU funds can be successfully used.

Honorary prizes were awarded to the "Karta" Center Foundation of Warsaw and the "Pogranicze" Foundation of Sejny. The laureates included the International Youth Meeting Center of Oświęcim and Gorlice district's Village of Kwiatonowice Educational Association.

Cardinal Stanisław Dziwisz assumed honorary patronage over the "Pro Publico Bono" Competition.

Within the Program's framework, the PAFF was also a partner of the Second and Third Civic Congress.

PAFF granted a total of \$1,680,157 for the Program, including \$294,815 in 2008.

Program Manager: The "Pro Publico Bono" Competition Foundation

Library Development Program

The Polish-American Freedom Foundation is a partner of 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 will be 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 being implemented by the Information Society Development Foundation (FRSI), set up in 2008 by the Polish-American Freedom Foundation.



The Library Development Program is addressed to libraries and their branches in Polish villages and village-town communes and towns with up to 20,000

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DEVELOPMENT OF LOCAL COMMUNITIES

inhabitants. Its principal goal is to assist libraries in transforming themselves into modern, multi-function information, cultural and education centers stimulating civic involvement. Thanks to the assistance to be received by approximately 3,350 libraries in more than one thousand communes, tens of thousands of rural residents and small townfolk will acquire access to modern information and communication technologies, thereby gaining an opportunity to improve their quality of life. An essential aspect of the Library Development Program will be to enhance the competence and prestige of the librarian's profession, through a wide-scale, new vision of a librarian training.

In 2008, the planning phase was realized, which was to draw up a detailed plan to provide Polish libraries with computer equipment, software and training for libraries and library users. In several dozen localities, surveys were taken to identify the condition and perception of libraries and librarians as well as the needs of local communities. The available tele-information infrastructure was also analyzed.

The Library Development Program is being carried out in cooperation with the Ministry of Culture and National Heritage which is also conducting a long-range parallel "Library+" program implemented by the Book Institute. The goals of both programs are fully convergent, and the Cooperation Agreement

between the Ministry of Culture and National Heritage and the Polish-American Freedom Foundation, signed in June 2008, envisages that both undertakings are to be conducted in such a way as to strengthen and complement each other.

The Library Development Program is also supported by: the Ministry of Interior and Administration, the Office of Electronic Communication, the National Library, the Polish Librarians Association, the Union of Rural Communities, provincial assembly chairmen and governors as well as the Onet.pl Group. The Microsoft Corporation will make available to Polish libraries software with a total value of approximately \$5 million free of charge. As a result, 1,900 libraries will receive 2,050 software packages.

The Library Development Program, to be carried out over a five-year period, will be financed primarily through a \$28 million grant made available to the Polish-American Freedom Foundation by the Bill and Melinda Gates Foundation.

For the planning stage implemented in 2008, the Bill and Melinda Gates Foundation allocated \$1,655,961 and PAFF's grant amounted to \$156,740.

Program Manager: Information Society Development Foundation (FRSI)

Citizen and Law

The purpose of this Program, launched in 2002, is to support the development of various voluntary forms of civic and legal advice for individuals by supporting non-governmental organizations that offer free legal information and advice as well as to encourage citizens to exercise their rights in the public sphere. The Program provides people with assistance in difficult situations and stimulates public debate on reforming the system of access to legal assistance.



Grant competitions held in the course of the Program's four editions helped finance 91 projects, most of which were initiatives carried out by NGOs in small localities. Those projects made it possible to dispense more than 120,000 legal consultations, chiefly to people from marginalized social groups such as victims of violence, ethnic minorities, families of missing persons and the sick. As part of those projects, new legal and civic consultation centers were set up, publications were issued and training seminars and conferences were held. All told, the PAFF financed the grant competitions for a total of \$1,359,688.

Starting with the Program's second edition, a Council of Experts comprising authorities from the legal community has overseen its activities. It is the Council's task to recommend solutions facilitating access of citizens to legal counseling. In addition, the Council commissions pilot projects involving issues of a systemic nature, such as litigation, effective methods of developing and distributing legal information for citizens, promotion of civil mediation as an alternative way of resolving disputes, as well as cooperation between NGOs and a legal association in order to increase access of impoverished citizens to legal assistance. The Council encourages public debate by organizing open seminars for representatives of the legal community and the media. The discussion has included limited access to legal

professions, limited access of citizens to free legal assistance and challenges facing the judicial system. As a result of the Council's efforts, the www.mediacja.jestemza.pl portal has been set up to promote civil mediation, as has the "Pro Bono" Center, enabling NGOs to receive free legal assistance from well-known law offices.

An innovation of the Program's fourth edition is the Active Citizen's Forum, an independent consultative body. It studies obstacles that limit voter turnout as well as developing and propagating recommendations for improving voter involvement. The Forum affiliates more than a dozen individuals involved in initiatives promoting voter participation – experts (sociologists, psychologists, political scientist and constitutional law specialists) as well as NGO leaders and journalists. The Forum is also a platform for cooperation and experience exchange between institutions and individuals committed to greater turnout at elections.

The Program has been under the media patronage of the "Rzeczpospolita" and "Gazeta Prawna" dailies.

PAFF granted a total of \$1,881,113 for the Program, including \$544,394 in 2008.

Program Manager: The Institute of Public Affairs

Transparent Poland

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

The primary objective of the Campaign is to improve the quality of public life and the functioning of local governments, as well as to stimulate civic activity, particularly in small towns and rural areas. The participants in the Campaign were local governments that, in cooperation with their local communities, voluntarily obliged themselves to introduce and improve the application of six principles of good governance in their communes and districts: transparency, social participation, predictability, professionalism, accountability and lack of tolerance for corruption. Specific tasks were attached to each principle (including obligatory tasks that best defined each principle), such as creating an ethical code of behavior for officials and councilors, drafting a map of local initiatives, developing materials to familiarize people with the commune's strategy and budget, and drawing up charts of services provided by the local government.

The venture was launched in 2004 with the implementation of its pilot stage called "Transparent Community". It consisted of a year-long program carried out in fifteen communes and one district. In 2005, the 16 local governments that had taken part in the pilot phase acted as consultants together with the Program's experts for the participants in the "Transparent Poland" mass campaign, in which nearly 800 local governments from all over Poland took part (including many from larger cities). Of these, 426 implemented the mandatory tasks and completed the Program and received a special certificate. From that group, 128 local governments im-

plemented other tasks in the 2006 continuation of the Campaign. The participating local governments were able to obtain experts' support. In total, more than 3,000 local officials underwent training. The participants carried out more than 4,000 tasks, which they reported at an internet platform created specifically for the Program.

In response to the demand of local governments support for the winners of the Campaign continued in 2007 and 2008. The "Transparent Poland Forum" was created, which is a cooperation platform affiliating the most active local governments that are most advanced in implementing the six principles. Forum participants reviewed (audited) selected tasks implemented as part of the 2005 and 2006 campaigns in order to evaluate their effectiveness and additionally to verify the Public Information Bulletins. Local officials and councilors belonging to the Forum had at their disposal experts who could be consulted during the evaluation procedure and were able to provide additional training to bolster the organizational potential of local authorities. The activities of the Forum evolved to a new version of the Transparent Poland Model.

Experiences from the Campaign were shared with interested local governments in other countries, including Ukraine, as well as Georgia, Bulgaria, Romania, Kazakhstan and the Balkan countries. In some of these countries pilot projects have now been launched to test the principles developed during Transparent Poland; for example the Transparent Ukraine Campaign, implemented in cooperation with the Polish Ministry of Foreign Affairs.

PAFF granted a total of \$472,556 for the Program, including \$20,791 in 2008.

Program Manager: The Foundation in Support of Local Democracy

Region in Transition (RITA)

This Program, initiated in 2000, 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, and also the Caucasus and Central Asia countries.

Through competition grants are awarded to Polish non-governmental organizations for the projects aimed at sharing Polish experiences, particularly in the areas of civil society development, strengthening the third sector, transformation of local governments, development of education, and the free media. Grants are also awarded for establishing and developing cooperation on a local level with partners from the countries covered by the Program. Since the Program's launch, a total of more than 500 projects have been funded.

Additionally, Polish non-governmental organizations and schools are offered training and experts' support, as well as assistance in developing relations and cooperation with foreign partners. Sharing information with organizations and community leaders is also possible via the www.civicportal.org community portal. Under the Program, each year, one of the initiatives of the International Economic Forum in Krynica is supported.

An important part of the Program is the "Study Tours to Poland" (STP) that have been organized since 2004. The purpose has been to familiarize the citizens of Central-Eastern Europe, mainly university student leaders from Belarus, Russia, and Ukraine as well as young professionals from these and other countries of the region, with the realities of Poland and the European Union. Foreign visitors meet public repre-



sentatives, those from academia, and the business community. They are familiarized with the activities of NGOs and local councils as well as they establish other valuable contacts.

All told, in the 2004-2008 period, more than 2,500 people including about 1,140 university students and 1,390 active representatives of other areas took part in various "Study Tours to Poland", hosted by Polish NGOs.

More than 900 students from Ukraine, Belarus and Russia have expressed an interest in taking part in "Study Tours to Poland" in the first half of 2009.

PAFF granted a total of \$ 8,637,739 for the Program, including \$1,565,890 in 2008.

Program Managers:

- "RITA" - The Education for Democracy Foundation
- "Study Tours to Poland" - The Jan Nowak-Jeziorański College of Eastern Europe

The Lane Kirkland Scholarships

This Program, implemented since 2000, is aimed at sharing Poland's experience of systemic transformation with representatives of Central and Eastern European countries by conducting two semes-

ter complementary studies at Polish universities. The Program is currently addressed to candidates from Ukraine, Russia, Belarus, as well as Moldova, Georgia, Armenia, Azerbaijan and Kazakhstan. Under in-

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dividual educational programs, the Kirkland scholarship holders focus on selected aspects of economics and management, business and public administration, law, and social and political science.

The Program begins with a 10-day introduction courses to provide and structure knowledge about the history of Poland, as well as its political and social conditions. Next, the scholarship holders pursue individual programs at various universities: Warsaw, Cracow, Poznań, Wrocław and Lublin. They prepare papers and theses under the supervision of academic tutors. Integration meetings, seminars and internships in public or private institutions are organized.

Between 2000 and 2008, 321 scholarship holders have participated in the Program, including 165 from Ukraine, 86 from Belarus, 16 from Russia (Kalinin-grad District), 12 from Lithuania, 10 from Slovakia, 17 from Georgia, 7 from Moldova, 5 from Armenia, 1 from Azerbaijan, and 2 from Kazakhstan. The interests of the largest groups was in economics and man-

agement - 111 people, law - 53, and public administration - 52. The majority were academics (123 people), civil servants and experts (62 people).

Following the Program's termination, contact with graduates is maintained via a bulletin, graduate reunions and the Web site www.kirkland.edu.pl. Former scholarship recipients enjoy the support of the Post-Scholarship Projects Coordinator, whose role is to help foster the graduates' contacts with Poland and inspire them to undertake joint projects.

In the 2008/09 academic year, 49 scholarship recipients from six countries: Ukraine - 24, Belarus - 10, Georgia - 7, Kazakhstan - 4, Armenia - 3 and Moldova - 1, took part in the Program.

PAFF granted a total of \$5,686,172 for the Program, including \$1,183,603 in 2008.

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

4

PEOPLE, PROJECTS,
INITIATIVES

Student Volunteers

PROMOTING STUDENT VOLUNTEERS ("PASJOBUS")

In 2008, the "PASJOBUS" project once again set out across Poland to inspire, teach, encourage students' personal development and suggest a way for them to creatively spend their time. In May the bus visited 13 academic centers where training sessions, lectures, meetings, events, happenings and concerts were organized. This nationwide information campaign is part of the PAFF's "Student Volunteers" Program.

The purpose of the campaign is to attract new university student volunteers who wish to share their hobbies with children and teenagers from small towns and rural

areas in order to inspire them to think and act creatively. The campaign is addressed to active, energetic university students interested in acquiring new skills, testing themselves in action, visiting unknown parts of the country and getting to know new and interesting people.

- "PASJOBUS visits Polish cities and in this way we promote a Program which is aimed at equalizing educational opportunities for youngsters and adolescents - emphasized Tomasz Rogowski, the regional coordinator of the "Student Volunteers" Program. - "It really isn't all that difficult; it requires the stu-

dent to have good ideas and some spare time to actively spend it with young people" - he added.

Over the past year, "PASJOBUS" visited Lublin, Gniezno, Kielce, Radom, Olsztyn, Tarnów, Warsaw, Elbląg, Siedlce, Słupsk, Białystok and Opole. At each of those venues the "Student Volunteers" Program was promoted, and "PASJOBUS" stands were set up at the busiest campus locations.

During numerous events the results of the student volunteers' summer-vacation projects were highlighted. In this way the campaign's organizers demonstrated how to effectively combine studies with community involvement. - "We want to encourage university students to travel to small localities during their vacation to conduct self-designed educational projects. They are free to choose the subject matter of the projects. We do not interfere in the concepts students wish to develop as part of the Program. For us it is their creativity that counts" - said Mariusz Michalak, Program coordinator.

In 2008, more than 2,500 educational projects involving nearly 37,000 pupils were carried out as part of the "Student Volunteers" Program.



English Teaching

A NATIVE SPEAKER IN OUR SCHOOL ENGLISH LESSONS WITH DOUGLAS ADES

The purpose of the “English Teaching” Program is to support activities aimed at improving the quality of English language teaching and promoting English language learning among children and teenagers from small towns and rural areas. Classes conducted by native speakers are becoming an increasingly important element of the Program.

In 2008, Douglas Ades, Secretary of the Polish-American Freedom Foundation's Board of Directors, visited two schools in Mazowieckie voivodship, where he conducted English classes for schoolchildren participating in projects supported by the “English Teaching” Program. The lessons focused on places worth visiting in the USA.

At the Władysław Jagiełło Primary School in Śladow, pupils viewed with interest a presentation enhanced by slides and asked questions, displaying a good knowledge of English. They then acquainted their guest from the Foundation with the results of their “About Nature in English” project, carried out in Śladow, especially an educational nature track created thanks to the “English Teaching” Program's grant. – *“That was a splendid opportunity to improve English-language skills and an exceptional meeting for the entire school com-*

munity” – a project coordinator, Joanna Buniowska said, summing up the initiative.

Douglas Ades also visited the Norwid Republic Consolidated Schools in the village of Strachówka near Łochów. The project known as “English at the Village Mayor's” was being implemented thanks to a grant received by the school in the “Small Grants” competition as part of the “English Teaching” Program. The project involved developing extracurricular activities for pupils. A “Winnie the Pooh” Club

was set up for children in grades 1-3. Monthly gatherings were held at the village mayor's office aimed at popularizing English language learning and teaching in Strachówka and neighboring localities. – *“The children of Poland in these small towns are eager to learn and simply delightful. It's a joy to share with them,”* – Douglas Ades remarked.

Douglas Ades also met the teaching staff and viewed photographs highlighting “The Beauty of Strachówka”, on the basis of which a 2009 calendar was designed.



Bridge Scholarships

AGNIESZKA DYBIZBAŃSKA A PARTICIPANT OF THE BRIDGE SCHOLARSHIPS PROGRAM

Agnieszka comes from Byczyny, a small town in the Opolskie voivodship. Thanks to her excellent scholastic performance in secondary school, in 2003 she received a first-year scholarship from the Bridge Scholarships Program. That enabled her to begin studying at the Wrocław University of Economics (within the international-relations major at Economic Sciences Faculty). – *“The scholarship enabled me to fulfill my dreams. I was able to concentrate on my studies and expand my knowledge of Europe’s monetary integration which was my major interest”* - Agnieszka recalled.

During her studies she won the “Best of the Best” competition, conducted by the “Wiggor” Student Association among the University of Economics’ students. Thanks to her high grade-point average she also won the Bridge Scholarships Program’s “Top Student” Competition and received a second-year scholarship provided by the Polish-American Freedom Foundation. – *“The Foundation’s assistance enabled me to undertake additional activities during my studies, enhancing my professional knowledge and skills. In 2007, I took part in a specialist internship at the National Bank of Poland’s Euro*

pe Zone Integration Bureau and received a commendation for my work” - the scholarship recipient said. She made use of the experience she acquired as an NBP trainee while writing her Master’s thesis on the costs and advantages of joining the euro zone and received a very high mark.

- *“After completing my Master’s studies, I found myself at a crossroads as to where to go from there. The doctoral scholarship funded by PAFF helped me make up my mind and enabled me to begin doctoral studies combining political sciences, philosophy and sociology at Wrocław University”* - Agnieszka said.

Agnieszka Dybizbańska believes the world belongs to people with the courage to dream and take risks in order to make their dreams come true. In the near future, she wants to further expand her knowledge and make use of her experience to aid young people faced with difficult choices in life, as she once was. Through her own example she hopes to help them fulfill their dreams.



Equal Opportunities

ASTRONAUT GEORGE ZAMKA IN POLAND

In November, Colonel George Zamka, an American astronaut of Polish descent, visited Poland at the invitation of the Polish-American Freedom Foundation and the US Embassy.

During his stay, the pilot of the space-shuttle Discovery visited Warsaw, Olsztyn, Kraków and Chorzów, where he met participants of PAFF programs. As a guest of young Poles interested in space exploration and astronomy, at the Chorzów Planetarium he opened an exhibition entitled „A New Era of Discoveries – NASA’s 50th Anniversary”. It comprised photos of outer space taken during the course of several different NASA missions.

The astronaut’s visit was a major event for the young people of Sopotnia Wielka. Astronomy buffs from all over Poland travel to this small town in the Śląsk voivodship. The reason for this attraction is its “Polaris” Beskid Region Astronomy Club which has received grants under the PAFF’s “Equal Opportunities” Program to pursue three different projects. The projects are: “Together to the Stars”, “Youth Space Station or Life in Orbit” and the “Universe in the Countryside”.

The “Youth Space Station or Life in Orbit” project made it possible to recreate the full-scale interior of NASA’s Destiny Laboratory space-station module, the only one of its

kind in Poland. According to a project coordinator, Piotr Nawalkowski, who heads the “Polaris” Club – *“We were focused on the method itself, on the idea, the notion of motivating and involving young people. In all certainty that has already succeeded, and the passing months have shown that the results have withstood the test of time.”*

Astronaut Zamka met youngsters and teenagers in Sopotnia Wielka. He told them about NASA’s space-exploration plans, dreams of a mission to Mars and the new space-shuttle Orion. He also answered questions regarding how long it takes to travel to the Moon, what

life is like aboard a space station and how long it takes to train an astronaut. The NASA visitor inspected the imitation space station. – *“How pristine and sterile things are, like in a real space station”* – the astronaut remarked approvingly.

George Zamka impressed upon his young listeners that its worth having dreams of becoming an astronaut as well, saying: – *“If you’re persistent and hard-working, even such seemingly unrealistic plans may come true”*. He showed them some of his childhood snapshots and explained: – *“I was just like you. Maybe there’s a future astronaut right here among you.”*



Third Age Universities (UTA)

SUPER GRANNIES SCHOOL

The first and only "Grannies School" in Poland was established in Lublin in 2008 at the initiative of Zofia Zaorska, PhD, an academic instructor and co-founder of Lublin's Third Age University. She is also honorary president of "Klanza", Polish Pedagogues and Animators' Association. The undertaking received a grant from the "Seniors in Action" competition, conducted by the Association of Creative Initiatives "ę" under the PAFF's "Third Age Universities" Program.

The project was born out of the need to assist the elderly in their relations with their grandchildren of preschool age and their parents. It is worthwhile to supplement older people's valuable experience with information about fostering child development through

creative pastimes. The point of the project is to help grandparents care for their grandchildren without interfering with the children's parents' responsibility for their development and upbringing. Zofia Zaorska, who pioneered the school, wants grandmothers to realize their power in numbers, and to muster their motivation to be active.

At the "Super Grannies" School, older ladies can learn different kinds of children's games as well ways of telling true stories and tales based on literary fiction. They can exchange experiences about development of children under the watchful eye of a pedagogue, psychologist and "Super Mum" – someone experienced in making use of grandmotherly assistance. Krystyna Koczan is the grandmother of

three-and-a-half-year-old Grzegorz. – *"I am looking for the best ways to spend time with my grandson. I don't want to be limited to watching cartoons together or painting"* – Mrs. Koczan explained.

Meetings and workshops also provide an opportunity to discuss and reflect on such topics as what it means to love grandchildren differently than one's own children and how to maintain contact with parents in difficult situations. Concerned about the personal development of its elderly students, the school also organizes relaxation activities and provides access to cultural events. The students include veteran grandmas as well as those with grandchildren who are still on the way. – *"We are open to all of them, but our chief concern is for the knowledge and skills we provide to be used in practice not only with one's own grandchildren. This should also benefit children in orphanages and hospitals as well as in families without contacts with the elderly"* – Zofia Zaorska explained.

– *"This was really on target"* – say the participants of the "Super Grannies" School. Zofia Zaorska wants to continue the school's activities and also invite grandfathers to join the project. – *"I hope the idea of a School for Super Grannies and Granddads will catch on. I would like to encourage grandfathers to become involved in our group and jointly discover the joy of having grandchildren. I believe the gentlemen, who so far have been less active in this field, will also want to develop their skills and become keen about being super granddads"* – Mrs. Zaorska confided.



PAFF Leaders

PAFF LEADERS IN THE USA

In 2008, for the first time, graduates and participants of the "PAFF Leaders" Program visited the United States. That was possible through the Foundation's cooperation with the American Embassy in Warsaw and the US Department of State. The main purpose of the visit of the 10-member group of leaders and their tutors was to familiarize them with the activities of American NGOs of different types. It also aimed at developing the participants' leadership potential and inspire them towards new forms of community involvement.

The leaders and tutors visited four cities: Cleveland, Ohio, Scottsdale and Phoenix, Arizona and Austin, Texas. Their program included meetings with representatives of non-profit organizations (including the Polish-American Center and the Ohio Youth Agenda), local government representatives (a meeting with the Mayor of Scottsdale), as well as experts and young people.

Tour participants shared their impressions. Adam Paluszkiwicz, a leader from Stolpno, said: - *"I am counting on my life's first long trip to produce benefits in the form of closer cooperation with one of the organizations. The tour was also a chance to see the Grand Canyon, whose enormously beautiful red formations and several-hundred-meter-deep chasms were awesome."*

- *"We encountered solutions to ecological, social and educational problems that are different than those of Poland and Europe"* - remarked another tour participant, Leszek Gorgol, a tutor from the project's first and second editions. - *"Many different forms of activity constitute a mosaic of ideas, and I am already thinking of ways of using them to modify the activities of my own organization, social involvement and local-government."*

The first study tour of PAFF local leaders took place under the US Department of State's "International Visitors Program". This Program is addressed to public figures active in such areas as politics, media, busi-

ness, education, science and culture. Program participants take part in a series of study visits specially adapted to specific needs and interests in various regions of the United States. The purpose of the Program, among other things, is to establish contacts between public leaders in the USA and partner countries. Since the inception of the "International Visitors Program" and "Voluntary Visitors Program" in 1948, more than 110,000 people from around the globe have participated in them.

The next study tour of PAFF local leaders to the US is planned for 2009.



Act Locally

A PARK INSTEAD OF A RUBBISH DUMP

Paniówki, a village of nearly 2,300 inhabitants, is part of the municipality of Gierałtowiec in the Śląsk voivodship.

The project to create a park in Paniówki was a local community initiative to develop the wasteland along the Paniówka stream and to remove the rubbish heap there.

The purpose of this ambitious plan was to create a recreation area for Paniówki residents which would foster the building and strengthening of community bonds. – “We want this site to

promote community integration as a place for youngsters and teenagers to engage in games and sports as well as a corner of peace and relaxation for all of us” - explained village mayor Małgorzata Domin.

Paniówki villagers have eagerly pitched in to make this plan a reality. Young people, adults and senior citizens alike joined forces to transform the neglected area along the stream into a beautiful park. Working together, they cleaned up and leveled the area to prepare it for further development. Next, they laid out paving stones, planted decorative

shrubs and built an entire park infrastructure.

Backed by the “Act Locally” Program, the project was completed in 2008. Numerous local residents as well as the local authorities, businessmen, schoolchildren and civic organizations in Paniówki became involved. Resources for the project were obtained from the Young Local Government Forum in Gierałtowiec, one of Poland’s most effective Local Grant Organizations belonging to the network of the LGOs in the “Act Locally” Program.

The park has become an integral part of the local landscape and has been successfully serving the local community ever since. – “I have great satisfaction that our grant was put to good use” - beamed Mateusz Papkala, president of the Young Local Government Forum.



“Pro Publico Bono” Competition

THE “NIDA” DEVELOPMENT FOUNDATION – TOP PRIZE WINNER OF THE 2008 “PRO PUBLICO BONO” COMPETITION

The Foundation was recognized for its overall activity of promoting the idea of civil self-government in the local community as well as for one of its specific projects – the “Potters’ Village”.

The “NIDA” Foundation was set up in 1994 at the initiative of then mayor Krzysztof Margol who wanted to establish a credit-guarantee fund for the region’s small businesses. He gathered a group of 17 founders and registered the foundation, which then set up Poland’s first credit-guarantee fund financed with European Union funds.

From its very inception, the people setting up the “NIDA” Foundation knew they wanted to help local entrepreneurs and individuals just starting out in business. The Foundation’s statutory aims are to support the development of small and medium-size business ventures, tourism and all initiatives that decrease unemployment and promote economic growth. It is also supposed to support initiatives in the fields of education, culture, environmental protection and monument preservation as well as to promote and support initiatives in the field of social economics.

The Foundation has been pursuing these aims through several different programs. It services the credit-guarantee fund and grants micro-loans to small firms specializing in agricultural, wild-game and forestry production as well as commerce, tourism and agrotourism. It also operates a consulting office which dispenses advice on the financial and legal aspects of business

activity and enterprise management. The Foundation is also involved in numerous initiatives supporting the third sector, leaders of local initiatives and the charges of local welfare institutions. The Foundation also operates beyond Poland’s borders, lending support to a Polish Foreign Ministry initiative in Moldova, Ukraine and Armenia by providing consulting services on how to establish and operate credit-guarantee funds.

The “Potters’ Village” is a community enterprise operating in Kamiönka near Nidzica. It came into being at the initiative of the Nidzica Partnership as part of a project called “Towards a Polish Model of Communal Economy – Building a new Lisków.” It was implemented

with European Union funds and based on a pilot project carried out as part of the PAFF’s “Act Locally” Program. The “Potters’ Village” employs individuals mainly engaged in such crafts as tailoring, ceramics, souvenirs and handmade paper. The enterprise holds training sessions, seminars and conferences for those interested in learning a craft including workshops devoted to stained-glass-windows, ceramics, handmade paper, and reverse glass paintings. This year’s “Pro Publico Bono” award will be earmarked for the further development of the “Potters’ Village”.

The “NIDA” Development Foundation is also the manager of the PAFF’s “English Teaching” Program.



The Lane Kirkland Scholarships

"29 DAYS IN POLAND – A MONTH IN EREVAN"

A photo exhibition held in Erevan, Armenia from July to October 2008 was the brainchild of Vahram Mkhitarian, who participated in the Lane Kirkland Scholarship Program during the 2005/06 academic year. It was organized by the Alumni Association of the Lane Kirkland Program in Armenia with the support of the Polish Embassy.

Vahram Mkhitarian is a film director by training. He has worked as a cameraman, photographer and lecturer. He is involved in social advertising and documentary films.

As a scholarship recipient in Poland, he completed post-graduate studies at Warsaw's Fine Arts Academy's Art

Media Institute, where he conducted research into public-service advertising in Poland. He also did apprenticeships in the Polish branch offices of two international advertising agencies, DDB and NOS/BBDO. Currently he is studying at the Andrzej Wajda Master School of Film Directing where he is enrolled in the Rehearsal Studio course. He is working on his first short feature film as well as a full-length documentary.

The exhibition tells the story of a month-long visit to Poland of Vahram Mkhitarian and his wife Alexandra. – *"In the course of those 29 days we traveled across Poland in a clockwise fashion, beginning our trip*

in Gdańsk and ending it in the heart of Poland, in Warsaw" - Mkhitarian recalled. – *"Our destinations superbly reflected the character and climate of different Polish regions."* The exhibition comprised twenty-nine 1 x 2 meter photos. Each day was illustrated by one picture together with interesting information about the historical backgrounds of the localities being depicted.

This unique photo-journal was presented at the very center of Erevan on Terian Street. The exhibition, which was seen by nearly 100,000 visitors, received good media coverage. The photographs on display were subsequently published in the form of a 2009 calendar.

- *"Through this exhibition I wanted to show Poland the way I perceived it during my stay there on a Lane Kirkland scholarship. It is also an expression of my gratitude for the opportunity to promote Armenia during my exhibitions"* - Vahram Mkhitarian explained.

The Association of the Lane Kirkland Program's Graduates has been operating in Armenia since 2008. It serves as a platform for cooperation among graduates of the Program to promote Armenia and works to strengthen Polish-Armenian contacts as well as promote cultural dialogue and sharing. Members of the association have already conducted two projects devoted to trans-border cooperation between Polish and Armenian NGOs.



5

FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT AUDITORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Polish-American Freedom Foundation (the "Foundation") as of December 31, 2008, and the related statements of activities and changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3 to the financial statements, effective January 1, 2008, the Foundation adopted Financial Accounting Standards Board (FASB) Statements No. 157, Fair Value Measurements, and No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte Audyt Sp. z o.o.

April 29, 2009

Statement of Financial Position as of December 31, 2008

ASSETS:

ASSETS:

Investments, at fair value (Notes 3 and 6):

Common and Preferred Stocks	\$ 37,128,871
Public Mutual Funds - Equity	66,987,855
Private Mutual Funds - Equity	16,649,024
Alternative Investments	37,123,283
Fixed Income Securities	28,456,000
Cash and Money Market Funds	<u>18,874,709</u>
	205,219,742

Cash and cash equivalents	351,194
Fixed assets, net (Note 7)	88,978
Prepaid expenses and other assets	<u>122,578</u>

Total assets	<u><u>\$ 205,782,492</u></u>
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LIABILITIES AND UNRESTRICTED NET ASSETS

LIABILITIES:

Grants payable (Note 3)	\$ 5,332,606
Accounts payable and accrued expenses	<u>189,902</u>
Total liabilities	<u>5,522,508</u>

UNRESTRICTED NET ASSETS (Note 2)	<u>200,259,984</u>
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Total liabilities and unrestricted net assets	<u><u>\$ 205,782,492</u></u>
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The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

Statement of Activities for the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Changes in net assets:			
Income:			
Interest and dividend income	\$ 4,360,562	\$ –	\$ 4,360,562
Support:			
Polish-American Enterprise Fund (Note 4)	19,000,000	–	19,000,000
Bill and Melinda Gates Foundation (Note 5)	–	2,000,094	2,000,094
	<u>23,360,562</u>	<u>2,000,094</u>	<u>25,360,656</u>
Net assets released from restrictions	<u>2,000,094</u>	<u>(2,000,094)</u>	<u>–</u>
Total income	25,360,656	–	25,360,656
Expenses:			
Employee compensation and benefits	1,243,170	–	1,243,170
Operating expenses	647,598	–	647,598
Occupancy	162,544	–	162,544
Depreciation and amortization	47,766	–	47,766
Total operating expenses	<u>2,101,078</u>	<u>–</u>	<u>2,101,078</u>
Grants (Note 3)	<u>(17,062,073)</u>	<u>–</u>	<u>(17,062,073)</u>
Income in excess of grants and expenses	6,197,505	–	6,197,505
Net realized losses on investments (Note 6)	(12,144,119)	–	(12,144,119)
Net unrealized depreciation on investments	(67,579,347)	–	(67,579,347)
Net currency remeasurement losses (Note 3)	<u>(5,258,934)</u>	<u>–</u>	<u>(5,258,934)</u>
Total decrease in unrestricted net assets	(78,784,895)	–	(78,784,895)
Unrestricted net assets, beginning of the year	<u>279,044,879</u>	<u>–</u>	<u>279,044,879</u>
Unrestricted net assets, end of the year	<u>\$ 200,259,984</u>	<u>\$ –</u>	<u>\$ 200,259,984</u>

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

Statement of Cash Flows for the Year Ended December 31, 2008

Cash flows from operating activities:	
Decrease in unrestricted net assets	\$ (78,784,895)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net realized losses on investments	11,509,346
Net unrealized depreciation on investments	67,579,347
Depreciation and amortization	47,766
Increase in prepaid expenses and other assets	(54,902)
Decrease in accounts payable and accrued expenses	(15,890)
Increase in grants payable	<u>487,257</u>
Net cash provided by operating activities	768,029
Cash flows from investing activities:	
Proceeds from sales/redemption of investments	120,348,583
Cost of investments purchased	(121,181,421)
Cost of fixed assets	<u>(24,884)</u>
Net cash used in investing activities	(857,722)
Net decrease in cash and cash equivalents	<u>(89,693)</u>
Cash and cash equivalents, beginning of year	<u>440,887</u>
Cash and cash equivalents, end of year	<u>\$ 351,194</u>

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

Notes to Financial Statements as of December 31, 2008

1. ORGANIZATION

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

The Foundation concentrates its efforts in four main program areas: (i) Initiatives in Education, (ii) Development of Local Communities, (iii) Citizen in a Democratic State of Law, and (iv) 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.

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

2. BASIS OF PRESENTATION

In accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations, the Foundation is required to classify information regarding its financial position and activities into certain classes of net assets:

Temporarily restricted net assets: Contributions to the Foundation 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 statement of activities as net assets released from restrictions. Contributions received from the Bill and Melinda Gates Foundation were recorded as temporarily restricted net assets when received.

Unrestricted net assets: Unrestricted net assets are those net assets that are not restricted by donor imposed stipulations. Pursuant to the grant agreement between the Fund and the Foundation (see note 4), at December 31, 2008, the entire balance of net assets received from the Fund are classified as unrestricted.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Investments

The Foundation records investment transactions on the trade date. Interest and dividend income and unrealized and realized gains and losses are reported in the statement of activities. The Foundation engages professional investment managers who make investment decisions according to the Foundation's investment policy and monitor the Foundation's investments. See Note 6 for fair value of investments.

Cash and Cash Equivalents

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

Interest and Dividend Income

Interest and dividend income is recorded when earned.

Grants and Grants Payable

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

Foreign Currency

The Foundation's functional and reporting currency is the U.S. dollar. Substantially all of the Foundation's Polish Zloty denominated assets and liabilities are held by the U.S. Foundation and are remeasured into U.S. dollars at period end spot exchange rates. The functional currency of the Polish representative office is the Polish Zloty. Remeasurement and translation adjustments are reflected in the Statement of Activities.

Donated Services

The Foundation's American directors receive no compensation or fees for serving as directors. Such directors donate significant amounts of their time to the Foundation. No amounts have been reflected in the ac-

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

FINANCIAL STATEMENTS

companying financial statements for such donated services, inasmuch as no objective basis is available to measure the value of such services. The Foundation's non-executive Polish directors receive a fee for providing advice and assistance to the Foundation. For the year ended December 31, 2008 the total fees paid to all Polish directors amounted to \$40,435.

Depreciation and Amortization

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

Operating Expenses

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

Credit risk

Credit risk is the possibility that loss may occur from counter party failure to perform according to the terms of a contract. Unless noted otherwise, collateral or other security is not normally required by the Foundation to support financial instruments with credit risk. At December 31, 2008, the Foundation had credit exposure mainly from debt instruments in the Foundation's investment portfolio. The maximum risk of loss from these financial instruments is represented by their respective statement of financial position amounts.

Recently Adopted Accounting Standards

As of January 1, 2008, the Foundation adopted Statement of Financial Accounting Standard ("SFAS") 157, Fair Value Measurements ("SFAS 157"). SFAS 157 was issued in September 2006 by the Financial Accounting Standards Board ("FASB").

SFAS 157 (i) defines fair value, (ii) establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement and (iii) enhances disclosures about fair value measurements. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in such asset's or liability's principal or most advantageous market, in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. Adoption of SFAS 157 did not have a material impact on the Foundation's financial statements.

SFAS 157 describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs to the valuation methodology are 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

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

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 inputs 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.

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. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Common and Preferred Stocks and Fixed Income Securities: Equity and fixed income securities are valued based upon the closing price as quoted on major exchanges. Common and Preferred Stocks and fixed Income Securities are classified within level 1 of the valuation hierarchy.

Public Mutual Funds – Equity: These investments are public investment vehicles valued using the net asset value (“NAV”) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV for public mutual funds is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Private Mutual Funds – Equity: These investments are private investment vehicles valued using the NAV provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV for private mutual funds is classified within level 2 of the valuation hierarchy because 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.

Alternative Investments: Investments that are determined by a fund manager to be illiquid and/or lacking a readily accessible market value are valued using current estimates provided by the fund manager. Alternative Investments are classified within level 3 of the valuation hierarchy.

Cash and Money Market Funds: These investments are held either as cash or in money market funds, which are public investment vehicles, valued using \$1 per unit for the net asset value and are classified within level 1 of the valuation hierarchy.

In February 2007, the FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – including an amendment of FASB Statement No. 115 (“SFAS 159”), which permits entities to choose to measure certain financial instruments at fair value that are not currently required to be measured at fair value. SFAS 159 was effective for the Foundation's fiscal year beginning after November 15, 2007. The Foundation did not apply the fair value option to any existing financial assets or liabilities as of January 1, 2008. Consequently, the initial adoption of SFAS 159 had no impact on the Foundation's financial statements.

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

4. POLISH-AMERICAN ENTERPRISE FUND GRANT

Pursuant to an agreement signed in 1999 between the Fund and the U.S. Government and in consultation with the Government of Poland, the Fund has returned \$120 million of the Fund's assets to the U.S. Treasury and has contributed \$237.5 million to the Foundation through December 31, 2008. During the year ended December 31, 2008, \$19 million was contributed by the Fund to the Foundation. In April 2009, \$12.5 million was contributed by the Fund to the Foundation, bringing the total amount contributed by the Fund to \$250.0 million.

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

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

5. BILL AND MELINDA GATES FOUNDATION GRANT

In 2008, the Global Development Program of the Bill and Melinda Gates Foundation (the "Gates Foundation") awarded the Foundation a project support grant in the amount of \$2.0 million to be spent exclusively to plan for increased access to computers and the Internet through public libraries in rural areas of Poland (the "Library Project Planning Grant"). The Library Project Planning Grant term was from April 1, 2008 to March 31, 2009. The Library Project Planning Grant was recorded as temporarily restricted net assets when received and reclassified to unrestricted net assets when funds were disbursed. As of December 31, 2008, the Foundation had disbursed the full amount of the Library Project Planning Grant.

In March 2009, 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 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 Project Grant"). Funds received are required to be spent exclusively for the Library Project and, in April 2009 the Foundation received the first installment of \$10 million.

6. FAIR VALUE OF FINANCIAL INVESTMENTS, CARRIED AT FAIR VALUE

See "Recently Adopted Accounting Standards" in Note 3, above, for discussions of the methodologies and assumptions used to determine the fair value of the Foundation's Investments.

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

Below are the Foundation's financial instruments carried at fair value on a recurring basis by the FAS 157 hierarchy levels described in Note 3:

	At December 31, 2008			
	Level 1	Level 2	Level 3	Total
Common and Preferred Stocks	\$ 37,128,871	\$ –	\$ –	\$ 37,128,871
Public Mutual Funds - Equity	66,987,855	–	–	66,987,855
Private Mutual Funds - Equity	–	16,649,024	–	16,649,024
Alternative Investments	–	–	37,123,283	37,123,283
Fixed Income Securities	28,456,000	–	–	28,456,000
Cash and Money Market Funds	18,874,709	–	–	\$ 18,874,709
	<u>\$ 151,447,435</u>	<u>\$ 16,649,024</u>	<u>\$ 37,123,283</u>	<u>\$ 205,219,742</u>
% of total	74%	8%	18%	100%

The table below sets forth a summary of changes in fair value of the Foundation's level 3 investment assets and liabilities for the year ended December 31, 2008:

	Beginning Fair Value	Net Unrealized Losses	Transfers In or Out	Ending Fair Value
Alternative Investments	\$ 45,511,997	\$ (8,388,714)	\$ –	\$ 37,123,283

The Foundation evaluates investment manager performance on a total return basis, net of custodial, investment management and advisory fees and reports income net of such fees. The total amount of such fees reflected in the statement of activities was \$696,401, which represents 0.3% of the total value of investments under management at December 31, 2008. Of this amount, \$634,773 was reflected in net realized losses on investments and \$61,628 was reflected in interest and dividend income. Included in the amount reported as interest and dividend income in the Statement of Activities is approximately \$0.3 million that represents amounts distributed from and classified by the Foundation's various mutual fund investments as dividend income.

7. FIXED ASSETS

As of December 31, 2008, fixed assets consisted of:

Computer equipment and software	\$ 150,777
Furniture and equipment	96,321
Automobiles	58,463
Leasehold improvements	<u>3,654</u>
	309,215
Less - Accumulated depreciation	<u>220,237</u>
Net book value	<u>\$ 88,978</u>

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

8. COMMITMENTS

At December 31, 2008, the Foundation had approved 18 programs totaling \$17.5 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, 2008 the Foundation signed grant agreements for these programs totaling \$5.1 million.

In addition, the Foundation is committed to make minimum annual rental payments for office space under an operating lease which expires December 31, 2011. Lease commitments for the twelve months are approximately \$165,500 for 2009, \$165,500 for 2010 and \$165,500 for 2011.

9. TAX STATUS**United States**

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

Poland

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

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

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U.S. Government Liaison to the Board

Victor Ashe

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

MANAGEMENT AND STAFF

President and Chief Executive Officer
Jerzy Koźmiński

Administrator of the Representative Office
Grzegorz Jędryś

Program Directors
Jacek Michałowski
Radosław Jasiński
Anna Wojakowska-Skiba - till March 2009

Program Officers
Renata Koźlicka-Glińska
Robert Milewski
Mirosław Czyżewski

Chief Accountant
Agnieszka Kwiatkowska

Programs' Financial Controller
Mira Osiecka

Accounting
Grażyna Skrzypiec
Adela Makarewicz

Information and PR
Przemysław Zaroń

Program Assistants and Secretariat
Kalina Grzeszuk-Zajączkowska
Agnieszka Łukasik
Katarzyna Świątkiewicz
Paulina Kołaczyńska

Administrative Assistant
Rafał Milewski

Treasurer and Chief Financial Officer
Norman E. Haslun III

Secretary to the Board of Directors
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Rafał Kramza

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