WESTERN NIS ENTERPRISE FUND

The Western NIS Enterprise Fund is a $150 million regional fund, a pioneer in Ukraine and Moldova with more than two decades of successful experience investing in small and medium-sized companies, funded by the U.S. government via U.S. Agency for International Development (USAID).

WNISEF's original mission was focused on promoting the creation and development of small and medium-sized businesses with solid corporate governance and transparency, and attracting additional capital to Ukraine, Moldova and Belarus. Since its inception, WNISEF has provided loans, equity, grants, technical and other assistance to companies operating in a variety of sectors, including financial institutions, agriculture, manufacturing and services. WNISEF has invested **$168 million in 118 companies employing about 25,000 people, and unlocked $1.4 billion of total capital for Ukrainian and Moldovan companies** over its 20 year tenure with the original $150 million grant.

In 2015, USAID approved the launch of a 3-year $30 million Legacy Program for Ukraine and Moldova focused on export promotion, local economic development, impact investment and economic leadership.

We are proud to share our Legacy Program's first year of accomplishments funding innovative, high-impact, reform-focused programs that transform the lives of ordinary people in Ukraine and Moldova.

USAID
FROM THE AMERICAN PEOPLE

USAID promotes peace and stability by fostering economic growth, protecting human health, providing emergency humanitarian assistance, and nurturing democracy in developing countries. USAID's work in transformational countries enables these nations to build the capacity to sustain their own progress. Since 1992, USAID has provided $1.8 billion worth of technical and humanitarian assistance to Ukraine to further the processes of democratic development, economic restructuring and social sector reform in the region. www.ukraine.usaid.gov

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LETTER FROM MANAGEMENT

Rome was not built in a day. The power of hindsight often makes democratic victories look like a quick and simple – even natural – process. In reality, however, building new foundations for a prosperous European state is a never-ending battle against entrenched bureaucracy and corrupt practices requiring daily coordinated effort from visionaries of a new Ukraine and Moldova.

From this perspective, Ukraine's progress in 2015, though not without fault, has been a confident step forward. The transformations, which took place in the region over the past year, in many ways defied odds. In addition to addressing urgent reforms, Ukraine had to deal with economic recession, national currency devaluation, and the ongoing military conflict in the east of the country. Moldova, in turn, spent the year dealing with the consequences of a major corruption scandal and the resulting fiscal and political crises. Amidst this turmoil, the architects of change managed to stay the course set during the historic events of 2014 and lay the groundwork for a better tomorrow.

To support the European heading of Ukraine and Moldova, WNISEF launched a $30 million Legacy Program. We believe that these funds will be the catalyst that will expedite the transformative process and cement its results for the longer term – until ordinary people feel a tangible impact on their lives and join the ranks of reformers.

Until then, WNISEF will invest in people, providing the tools and knowledge necessary to help citizens and communities shape a new Ukraine and Moldova. Over the next three years, the Fund will finance innovative, high-impact, reform-focused programs that produce sustainable change as well as encourage local activists, businessmen, and NGOs to play an active part in rebuilding their country. This assistance focuses on four key areas – export promotion, local economic development, leadership development, and social entrepreneurship. We selected these areas not only because they are crucial for Ukraine and Moldova at this defining moment, but also because they allow WNISEF to utilize fully the synergy between development of small and medium enterprises and public sector reform.

The advantages of this approach are evident looking at the achievements during the first year of the Legacy Program. We supported development and launch of the ProZorro, an online public procurement system created to prevent corruption in government purchases, which helped save 500 million hryvnias since its implementation. Together with local partners, we developed the first draft of the National Export Strategy to re-orient Ukraine's businesses toward trading with the developed world and took first pragmatic steps to promote Ukrainian and Moldovan producers on the global market. We built the foundation for a $4 million low-interest loan program to stimulate development of social enterprises that are both profitable and have a clear social goal, such as helping victims of military conflict, IDPs, disabled people, and disadvantaged women. We launched the first Ukrainian Leadership Academy to help educate tomorrow's leaders in the values essential for citizens of a new Ukraine. These and many other projects are new initiatives which will have long-lasting consequences for the entire region.

This is only the beginning – in the coming years we will expand the depth and breadth of the Legacy Program to leave a real, tangible impact for future generations of Ukrainians and Moldovans. We aim to have the National Export Strategy officially adopted in Ukraine and to support the exploration of new markets by at least 200 exporters from the region. We expect to fund 100 social enterprises so that social entrepreneurship takes off as a sustainable trend. We plan to expand the Ukrainian Leadership Academy to 15 locations across Ukraine and bequeath it as a self-sustaining organization. We also plan to award 50 grants to Ukrainians and Moldovans accepted to top U.S. business schools over the next 3 years. These and other goals will help create an environment where private entrepreneurship, public reform, and European values can thrive.

We would like to thank all members of the WNISEF Board of Directors, our business partners, and our professional colleagues for their continued support of the development of European values in Ukraine and Moldova. Together, we support leaders who will build the future of the region.

Sincerely,

Dennis A. Johnson
Chairman of the Board

Jaroslawa Zelinsky Johnson
President and Chief Executive Officer

UKRAINE – KEY FIGURES 2015

2015 was expected to be a tough year for Ukraine. The country began to feel the full weight of the economic crisis resulting from political instability, the ongoing military conflict in the East and tense relations with the Russian Federation. Undermined by ongoing disruptions from the war, high inflation, as well as sharply decreasing real incomes, the GDP dropped by 9.9%, the worst decline since 2009. On the upside, however, Ukraine managed to avoid a unilateral debt default and reached agreement on a $17.5 billion credit line with the IMF to support the country in the medium term.

The ongoing economic crisis deepened due to both internal and external negative factors. A drop in international commodity prices and the periodic flaring up of the conflict in the Donbas region caused a larger than expected decline in real GDP in early 2015. This in turn raised questions about the solvency of Ukraine's sovereign debt, compounded by another sharp decline in the valuation of the Ukrainian hryvnia (by over 50%) in February. IMF's bailout program with an immediate $5 billion disbursement in March bolstered National Bank's reserves and managed to stabilize the economy, although the slump continued through early Q3 2015, when Ukraine finalized its debt restructuring agreement with international creditors, receiving a 20% debt write-down.

These macroeconomic difficulties drove a decline in real wages by 20% throughout the year which resulted in a marked drop in household spending, also by 20% compared to the 8.3% decrease in 2014. This steep slide in private spending slowed domestic trade, hurt producers focused on the domestic market, and became one of the principal factors behind Ukraine's recession in 2015. Combined with the hostilities in the East, the crisis transformed the product structure of industrial output in Ukraine with food processing increasing its share of total industrial output from 18% in 2012 to 23% in 2015. Dnipropetrovsk became the largest industrial region in 2015 with a 19.2% share of the total industrial output.

According to most experts, Ukraine's economy bottomed out in late 2015 and is expected to begin recovery already in 2016. It is worth noting that Ukraine's economy began showing signs of recovery starting from Q3 2015. Ukraine's GDP in Q3 2015 and Q4 2015 grew by 0.5% quarter-on-quarter and 1.5% quarter-on-quarter respectively, after 18 months of recession. The year-over-year drop in industrial output ameliorated to -4.0% in Q4 2015, while investments and construction actually resumed growth.

The results of the recovery are reflected in businesses performance; starting in Q3 2015, large and medium-sized Ukrainian enterprises recorded a positive profit before tax of $1.9 billion for the first time since 2013. Thanks to the stabilization of national currency and the crediting from the IMF, NBU reserves increased to $13.3 billion or by 77% since the start of the year. Overall, the GDP decreased by 1.4% in Q4 2015, which leaves hope for positive economic growth in 2016, absent military escalation or renewed political instability.

2016 now looks cautiously optimistic for Ukraine. The country continues to face a multitude of political and economic challenges including the slow progress of reforms in reducing corruption and scaling down the inflow of financial assistance from the IMF and other international creditors. Finally, the plummeting public approval ratings of the country's leadership are threatening another political crisis. 2016 will be a litmus test for Ukraine's sustainability and will either break the economy or become a stepping stone to strong growth in 2017.

Indicators	2008	2009	2010	2011	2012	2013	2014	2015	2016E
Real GDP Growth, %	2.1	(15.1)	4.2	5.2	0.2	0	(6.8)	(9.9)	1.0%
Inflation End of Year, %	22.3	12.3	9.4	4.6	(0.2)	0.5	24.9	43.3	12.0
Average Exchange Rate, USD	5.27	7.79	7.95	7.97	7.99	7.99	11.9	21.8	n/a
Current Account Balance, % of GDP	(6.7)	(1.5)	(0.4)	(5.4)	(8.4)	(9.0)	(3.4)	(0.2)	(1.7)
External Debt (USD billions)	101.7	104.0	117.3	123.1	135.0	137.7	126.3	118.7	139.4
FDI (USD billions, net)	9.9	4.7	4.7	6.6	6.6	3.3	0.3	3.0	5.2

Sources: *International Monetary Fund, The World Bank, National Bank of Ukraine, State Statistics Service of Ukraine, The Bleyzer Foundation.*

MOLDOVA – KEY FIGURES 2015

Despite the positive expectations for 2015, Moldova spent a year dealing with the consequences of a massive political and banking crisis, the full extent of which is yet to be felt in 2016. The failure of Moldova's three major banks in November 2014 left a hole in the country's GDP and raised questions about its fiscal sustainability. Moreover, the apparent involvement of Moldova's top politicians in the large-scale embezzlement that triggered the banking crisis exacerbated the already tense political environment and resulted in freezing of financial assistance by all major international financial institutions. As a result, Moldova finished 2015 with –0.5% GDP growth (preliminary data), 13.6% inflation, and a slew of unresolved issues likely to affect the economy's performance in 2016.

The banking crisis not only caused a significant budget deficit, which according to some sources may be as large as 10-15% GDP, but also, combined with a concurrent bank run triggered by political motives, led to an almost 21% devaluation of the national currency, the leu. This, in turn, led to a decrease in private household spending and, consecutively, a decline in production across all major sectors of the economy. Agricultural production also suffered from a poor harvest, with –13.8% growth in 2015.

On the macroeconomic level, the country also suffered from the economic slowdown in Russia since a quarter of Moldova's GDP comes from remittances, a lion's share of which originate in Russia. In 2015, this source of income shrunk by 30%. In addition, the ongoing Ukraine - Russia conflict precipitated export losses for Moldova by 58% to Ukraine and 43% to Russia. Finally, Moldova's accession to the Free Trade Area with the EU, though undoubtedly beneficial for the country's exporters, further divided the country politically, as support for pro-EU policies wanes and tensions grow in the secessionist region of Transdnistria.

Moldova is still expected to show economic recovery or even modest growth in 2016. However, these expectations hinge on a number of factors. First, the National Bank's ability to control the national currency, especially as the funds issued earlier to the three failed banks become part of national debt. Second, the macroeconomic situation will remain a deciding factor. Without a growth in remittances and recovery of export activities, the economy will continue to suffer.

Finally, much depends on the government's ability to attract foreign aid specifically from the EU, its member-states, as well as the IMF, most of which would be strictly conditional on tangible reforms and curbing rampant corrupt practices. This may prove difficult for the recently appointed pro-European government of Pavel Filip to accomplish amidst continuing public protests demanding early elections of the President and Parliament. The new government will need to demonstrate tangible effort in reducing corruption to stabilize the political situation and re-engage its international partners, or 2016 could bring devastating consequences for Moldova's economy.

Indicators	2008	2009	2010	2011	2012	2013	2014	2015(E)
Real GDP Growth, %	7.8	(6.5)	6.9	6.8	(0.8)	8.9	4.8	-0.5
Inflation End of Year, %	7.3	0.4	7.4	7.8	4.1	5.2	5.1	13.6
Average Exchange Rate, USD	10.4	11.1	12.4	11.7	12.1	12.6	14.0	18.8
Current Account Balance, % of GDP	(15.4)	(7.3)	(11.2)	(11.2)	(8.3)	(5.7)	(7.1)	(7.7)

Sources: *International Monetary Fund, The World Bank, United Nations Treasury, National Bureau of Statistics of the Republic of Moldova.*

EXPORT PROMOTION POLICY PROGRAM: GOING GLOBAL THROUGH TRADE AND INVESTMENT

Ukraine and Moldova are two countries with enormous untapped potential for economic growth and prosperity. At WNISEF we have firsthand experience working with this potential and fully understand the enormous challenges that these nations must overcome in order to integrate into the highly competitive global economy and to benefit from their Deep and Comprehensive Free Trade Agreements with the European Union and other bilateral and multilateral trade agreements now in place. WNISEF launched the Export Promotion Policy Program to increase awareness about the benefits of exporting among small and medium sized companies in the region; and to assist the governments of Ukraine and Moldova to develop rational forward looking national export strategies to stimulate economic growth, job creation and prosperity through increased international trade and investment.

“Our technical assistance program is primarily focused on addressing systemic issues, stimulating government support, programs and services to advance trade development and foreign direct investment in Ukraine. We are working on many fronts to introduce best practices where national and regional governments, small and medium sized businesses and stakeholders across the board can come together to effectively increase Ukraine and Moldova’s value added exports and market share in key economic sectors around the world”, said Program Manager Vitaliy Bigdai.

The scale of the Program’s contribution ranges from technical to strategic and from local to international. In Ukraine the Program is working closely with the Ministry of Economic Development and Trade to develop a comprehensive National Export Strategy. Work has been completed on a macroeconomic analysis of Ukraine’s position in the global market place and recommendations on legislative and regulatory reforms required to facilitate trade. In the next phase WNISEF will be supporting the development of a Strategic Trade Development Road Map to be implemented with involvement of key public and private sector stakeholders. The National Export Strategy will ultimately define the country’s vision and goals in trade policy as well as government resources, regulations and laws to be aligned to rapidly increase Ukraine’s export capacity and business climate for business development and foreign investment.

Top U.S. and Ukrainian officials and businessmen gathered for the first U.S.-Ukraine Business Forum in Washington, D.C.

Branded sunflower oil from Ukraine displayed at the Anuga, the world´s leading food fair, in Cologne, Germany

In addition to strategic planning, the Program is supporting and strengthening the Ministry of Economic Development and Trade's capacity to perform its international business development functions. WNISEF, in cooperation with the Foundation for Support of Reforms in Ukraine, established an Export Promotion Office to organize and manage Ukraine's participation in international trade and investment forums and numerous meetings of Ukraine's newly established Export Promotion Council. In 2015, the Export Promotion Office organized ten major meetings on trade facilitation issues with over 1000 industry sector representatives. Also, the Office helped the government to prepare and successfully hold three bilateral business forums in the USA, Kazakhstan, and Germany. "We want to leave a lasting legacy of trade development programs and exporter services in the public sector. The Export Promotion Office is playing an integral governmental role, which has long been neglected in Ukraine, and will serve as a model of what can be achieved when trade facilitation is adopted as an integral function of the MEDT and becomes a number one priority for the government," thinks Vitaliy Bigdai.

On the international arena, WNISEF played a major role to help Ukraine improve and raise its image as a welcoming potential business partner. This effort included the production of four highly acclaimed videos. "Invest in Ukraine", "Experience Ukraine", "Grow Ukraine" and "Ukraine is Changing" were shown at domestic and international conferences, trade shows, in airports, on television and social media to project an honest, positive image of a "New Ukraine" open to millions of prospective business partners and visitors. In addition, accompanying multilingual brochures were produced and printed for distribution to potential business partners.

In keeping with its original mandate, WNISEF has continued to put special emphasis on expanding and diversifying Ukraine's exports of goods and services with the increased participation of small and medium-sized enterprises. Small and medium companies have traditionally operated closely within the local economy or within traditional export markets, and although firms now aspire to expand their business through exports to new markets, many companies find this very challenging. That is why the Program has assisted Ukrainian small and medium businesses expand their presence in foreign markets by supporting their participation in international trade events, most notably the Copenhagen International Fashion Fair and ANUGA, the world's leading food fair in Cologne. In addition, working with municipalities ranging from Kyiv to Lviv and Odessa to Chernivtsi, the Export Promotion Program enabled these regional municipalities to promote their travel and tourism business sectors at WTM in London and ITB in Berlin, Europe's most important international travel and tourism exhibitions.

Ukraine's stand at the WTM, travel and tourism exhibition in London

A variety of branded canned vegetables from Ukraine displayed at the Anuga food fair

WNISEF also began working with companies from Moldova. The Program supported a trade development delegation of Moldovan wine producers to the China Food and Drinks Fair. Plans to further expand our activities in Moldova include support for a U.S. wine buyers' trade mission to Moldova, production of wine industry promotional video, and several other project proposals now being evaluated.

In just one year, the Program became well known and highly respected for its many contributions to the development of trade and investment activities in Ukraine and Moldova. "At the beginning, we encouraged everyone to get their story out, to talk about the positive aspects of business. Today, we are receiving a growing number of unsolicited proposals from organizations and individuals seeking to partner with WNISEF in building a strong and prosperous Ukraine. Interest in Moldova is also growing. This increasing demand for our support is a clear indicator that our effort to shine the light on trade and investment has been a success," explains Vitaliy Bigdai.

WNISEF's Export Promotion Policy Program has become the center of a growing alliance of stakeholders who share our confidence in the region's economic potential and are increasingly committed to helping turn Ukraine and Moldova into the international success stories that we know they will be in time.

LOCAL ECONOMIC DEVELOPMENT PROGRAM: BUILDING TRANSFORMATIVE PARTNERSHIPS

The shaping of the LED Program was influenced by the political, economic, and military challenges Ukraine faced after the Revolution of Dignity and continues to confront today. The start of the Program also coincided with the launch of a number of active reforms in several sectors, which demonstrated potential solutions for nationwide problems with a tangible grassroots impact. Moreover, an increased sense of civic responsibility among Ukrainians, spawning countless volunteer initiatives to cement these positive changes on the local level, provided impetus for numerous reforms.

At the time, we recognized our role in reinforcing this momentum to increase the impact and broaden the scope of changes taking place in Ukraine. Therefore, our approach was to provide the expertise and resources necessary for proactive Ukrainians to establish a sustainable reform process. In other words, the Program's true value lies not only in the seed funding it provides for change-making projects, but in the ideas it highlights and the partnerships it establishes in the process. It is the responsible involvement of individual activists at the local level that will ensure sustainability of our efforts in the long run.

This is why the Local Economic Development Program is built around three core requirements: engagement of local communities, co-financing, and, as a result sustainable, transformational change. In addition, the Fund actively encourages cooperation with other funds and institutions both in Ukraine and abroad. All of this gives Ukrainians a sense of ownership over the projects supported by the WNISEF and ensures that they have a long-term impact. Overall, in 2015 the Program spearheaded an impressive number of initiatives: the ProZorro electronic public procurement system, CANactions School of Urban Studies, Open Court Reporter, as well as a number of social projects in areas affected by the war in the east of Ukraine.

Public discussion "How to become world famous: ProZorro case". From left to right: Deputy Minister of Economic Development and Trade Maxym Nefyodov, WNISEF Program Manager Iryna Ozymok, ProZorro founder Oleksandr Starodubtsev, and Deputy Head of Presidential Administration Dmytro Shymkiv

“Sustainability of any given project is one of the most important considerations for us. We have to ensure that the initiatives we support will continue to benefit Ukrainians in five, ten years. Our Program is not about funding short-term projects for immediate impact; it’s about building productive, sustainable partnerships,” said Iryna Ozymok, Manager of the LED Program.

These partnerships are diverse. Civil society provides the ideas and human resources to implement them; government authorities provide top-level regulatory and informational support; while private companies in Ukraine and abroad act as partners or donors. The LED Program is the “missing” link in this triangle, building bridges between the stakeholder groups. “The ultimate goal of the LED Program is to strengthen the ties between civil society, government, and business to the point where they can cooperate without our input. It’s an uphill battle, but the first year brought a number of breakthroughs,” Iryna Ozymok explained.

The most significant breakthrough is probably the implementation of ProZorro, an online public procurement system developed by Ukrainian experts. WNISEF was the first to back the new system, which assured ProZorro`s survival and immediately attracted the attention of other major donors such as USAID, DFID, Germany’s Federal Ministry for Economic Cooperation and Development among others. Significant support from Ukraine’s Ministry of Economic Development and Trade helped promote the initiative and enact a law making the system’s full-scale implementation possible. The fact that ProZorro saved over UAH 500 million of budget funds via open and transparent public procurement procedures within just one year of the pilot project illustrates the effectiveness of the partnerships we established. Now that the Law on Public Procurement is in effect, ProZorro will continue to expand its role as a tool for preventing corruption as well as encouraging closer cooperation between SMEs and the government, a groundbreaking format for Ukraine.

Another key project emphasizing Ukraine's commitment to transparency was the "Open Court Reporter" initiative founded by the "Open Ukraine" NGO and financed by WNISEF. The project`s goal was to initiate reform of Ukraine`s judicial system by bringing attention to every citizen's right to observe and videotape court proceedings, thus bringing increased transparency and public control to the courts. "Open Court Reporter" was a true grassroots initiative. The 3-month project attracted over 470 participants and 20 universities throughout Ukraine, who helped film and publish over 2,300 videos of court proceedings. The NGO also signed a cooperation agreement with the Supreme Court of Ukraine, which supported the initiative as a way to improve its oversight over lower courts' activities as well as provide the public with incentive to trust the judicial system at large (short of full transformation of the system). While the short-term project is over, "Open Court Reporter" remains active, continuing to monitor court activities throughout Ukraine, and regularly posts videos and reports of judicial impropriety on social media. It will continue to use the experience and connections gained to promote grassroots reform of the judicial sector and promote the people's undeniable right to an open and transparent judicial system.

Responding to the challenges in eastern Ukraine, WNISEF collaborated with the "New Donbas" NGO in the reconstruction of schools in areas destroyed by war. Partnering with four major Ukrainian companies (manufacturers of bricks, sweets, beverages and express delivery), volunteers repaired four schools; installed hundreds of windows; patched walls and fixed roofs, making these schools again suitable for teaching. Most importantly, however, local parents were engaged in the process, while children worked with volunteers in language, art, geography and history workshops. The true impact of these and other ongoing projects will emerge by the end of the initiative, although current results are already impressive. "We are working with a myriad of unrelated projects. What we really focus on is building the foundations that will last until the projects begin producing visible results," added Program Manager Iryna Ozymok.

This is also the case for CANactions School of Urban Studies, which aims to teach proactive Ukrainians how to cooperate with local government officials to improve urban living environments and encourage local initiatives. Here, WNISEF is focusing on laying the groundwork by developing a program of study, building connections with government and academic institutions, and partnering with other donors who can help school alumni implement their ideas and projects. The first Studio focused on cities with historic heritage and taught the students to develop "urban constitutions" as a tool for strategic planning of their cities' development.

In 2016, the Program will not only expand the breadth and depth of existing projects, but also explore new areas where it can offer national solutions for local problems. These may include the following directions:

Support for the development of an IT and startup ecosystem and incubation program for IT specialists in Ukraine.

Improvement of public management at local level through the School of Mayors by implementing an innovative capacity building program for actual and/or potential mayors and their teams for building new practices based on performance evaluation, results and strong partnerships with civil society and business community.

Practical urban transformation through the launch of small grants program with CANactions School of Urban Studies to allow Ukrainian activists and responsible citizens to find creative solutions for local problems through urban initiative supported by WNISEF co funding.

Other projects under consideration cover the areas of women's entrepreneurship in Eastern Ukraine, development of the waste utilization and processing market, cooperative in the agricultural sector, IT education for people with disabilities, support to cities' development agencies, etc.

WNISEF will continue to encourage Ukrainians and Moldovans to be responsible citizens of their country and help train the 'agents of change', who will be instrumental to transforming Ukraine and Moldova into a prosperous and successful countries in the medium term.

Presentation of small grants program results within CANctions school of urban studies

IMPACT INVESTMENT PROGRAM: SMALL LOANS, BIG IMPACT

How does one evaluate economic progress? Beyond the statistics and raw data, one thing to watch for is the moment when economic interest becomes a vehicle for social values. We at WNISEF believe that by reaching this tipping point, Ukraine can also encourage positive change in other sectors. This is why one of WNISEF's legacy programs focuses on low-interest lending to social enterprises. Social entrepreneurship can encourage people to take responsibility for their future and the future of their country which is the ultimate goal of all WNISEF legacy programs. Through Impact Investment, we aim to build a system where such companies are able to work effectively and popularize this new form of business on the Ukrainian market.

Within the scope of the Impact Investment Program, a social enterprise is a company that is profitable, has a clear and formalized social goal, clear division of profits between social and business investment, and is democratically governed. When considering applicants for loans, WNISEF will select companies with the largest social impact, while partnering banks will choose those who are economically viable and sustainable. By striking this balance, the Program will not only bolster the country's economic development, but will also identify and endorse social value as a key component of modern business.

Social entrepreneurship is not a new idea in Ukraine. In the past attempts have been made to promote it, including grants and training programs organized by USAID and the British Council. However, the idea of framing such support as a credit line is unprecedented, and, within the current environment of heightened social awareness and civic responsibility, should leave a lasting impact.

This approach is effective for several reasons. First, financial accountability stimulates an overall sense of ownership and responsibility for each project, encouraging participants to do their utmost to ensure that the enterprise is both profitable and beneficial to the society. Second, the fact that the loans will be administered through commercial banks, which currently do not work with social enterprises, means that the Program will become a platform for transformative change in the banking sector. And finally, through the connections built between enterprises, their clients, banks, and donors, the Program's mission will live on as a new facet of social development in Ukraine.

Launched in mid-2015, the Program is currently focusing on building the foundations for sustainable operation. This includes promotion of the Program among potential participants as well as negotiations with local banks who could administer the loans. "We know we are breaking new ground here, because so far we've had to explain how our model works every step of the way. It's difficult for the banks to see social enterprises as a profitable investment, just as it is difficult for the potential participants to try and build relations with organizations, which systematically used to ignore them in the past. Step by step we are breaking these stereotypes and building a system that will change Ukrainians' attitude toward social entrepreneurship," says Program Manager Vasyl Nazaruk.

Once the first loans are issued, its team will not only help banks select best applicants and administer the loans, but also support participating companies via mentorship, training, and connections with other relevant programs and donor organizations. Later on, the Impact Investment Program may also work with the Government of Ukraine to help improve the mechanism to allow public organizations lead commercial activity, including social entrepreneurship.

Launch of low-interest loan program for social enterprises in partnership with Oshchadbank

ECONOMIC LEADERSHIP PROGRAM: INVESTING IN PEOPLE

The most important foundation of any country are its people. People define and shape every aspect of a society: its values, mentality, and development. And it's the people who lead change, spearhead innovation, create new startups, and bring about economic growth. Therefore, developing human resources is the first obvious task for a country seeking to shed its communist past and emerge as a prosperous, democratic, European state. WNISEF's Economic Leadership Program aims to do precisely that: to create a new generation of leaders in Ukraine and Moldova, who have both the skills, values and the will to transform their countries.

"We are tackling one of the most deeply seated, but also one of the most fundamental issues in Ukraine and Moldova. The shortage of new quality people with the up-to-date skills and ability to study, with a free mindset and strong values at all levels is one of the biggest things holding back these countries' growth," thinks Program Manager Roman Tychkivskyy. To address this problem, the Economic Leadership Program is providing education opportunities and funding to a wide variety of audiences ranging from high school students to CEOs of major state-owned corporations. The goal is to create a new community of professionals at all levels, who would lead the countries forward. WNISEF also actively encourages program participants to transform the intellectual environment around them and to use their newly acquired knowledge and skills for the good of their communities, thus ensuring that the Program's efforts are both transformative and sustainable.

Ukraine's next generation:
students of Ukrainian Leadership Academy meet with young parliamentarians

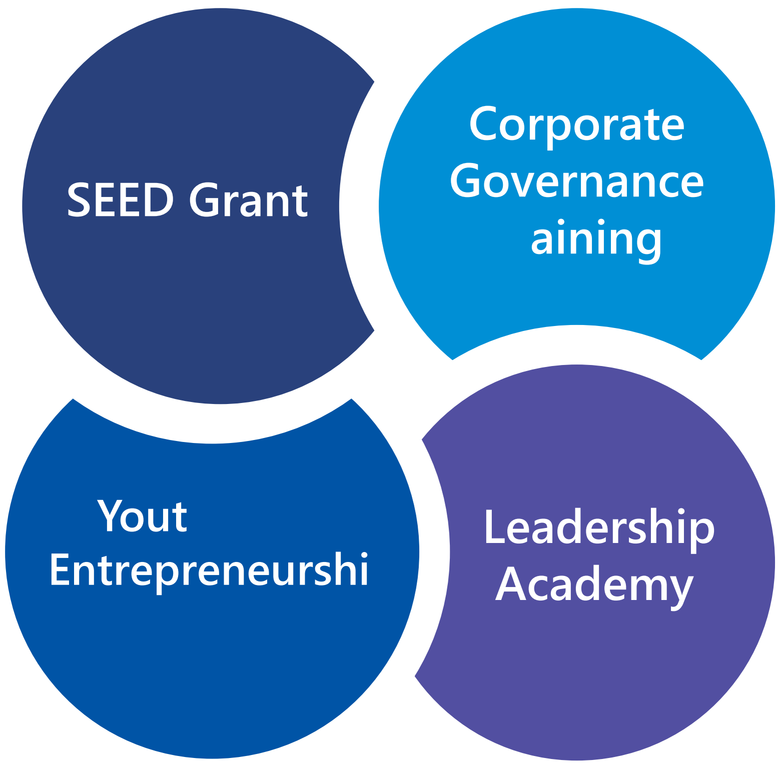
Award of SEED Grants to 2015 recipients

The Program's biggest milestone is the successful launch of the SEED Grant in 2015 which aims to help Ukraine and Moldova overcome the lack of sufficiently qualified middle and top management in both the private and public sectors by supporting young talent accepted to top U.S. MBA and MPA programs. Grant recipients are required to work in their chosen fields in Ukraine and Moldova for 3 years after graduation, ensuring their contribution to their countries' development. In 2015, the Program fully financed the study of five Ukrainians accepted to MBA programs at UCLA, UC Berkeley, Duke, and University of Chicago. But more importantly, WNISEF made a strong effort to promote professional education in Ukraine in partnership with Ukraine's leading academic institutions and the U.S. diplomatic community. "It is equally important that the society at large understands the value of education. A shift from a relationship-based to a merit-based culture will not only stimulate progress, but will also help Ukraine and Moldova tackle the overbearing issue of corruption," explains Roman Tychkivskyy. The Program's broad communication campaign addressed exactly that, and the number of applicants should continue to grow in the coming years. It is, however, important to prepare the ground for these young professionals to be truly effective.

One area where such change is imperative is in the public sector, where a large number of state-owned companies (SOEs) still exists and remains a drain on the economy due to ineffective management. In 2015, the Economic Leadership program organized corporate governance training for top managers of 50 key SOEs to help them adapt their companies to Western business standards in preparation for privatization. Foreign experts lectured on strategic management, managerial accounting, corporate governance, ethics, new market entry, and other topics to teach Ukrainian managers how to operate and communicate in the modern business environment. And once again, Ukraine's media and business community closely followed the initiative to explain and promote professional education at all levels.

To make sure that needed changes in business culture persist, however, it is important to ensure that the next generation of leaders is better skilled in understanding and working in a business environment. To prepare them for this important role, the Program established two initiatives in 2015: Youth Entrepreneurship and the Ukrainian Leadership Academy. The Youth Entrepreneurship program sponsored a delegation of 15 innovators from Ukraine and Moldova under age 20 to meet with the Silicon Valley's brightest minds, to learn about the global opportunities available for them and their country, and to help them join the international community of inventors. Conversely, the Leadership Academy, a program of community and individual development, taught recent high school graduates the importance of socially responsible leadership, national and personal identity, and provided the physical, psychological and communicational, and intellectual training necessary to unlock their country's potential from within. Starting next year, more academies will be established to ensure that a new generation of Ukrainians benefits from a more modern, healthy and proactive value system.

In 2016, these initiatives will be further expanded. More importantly, the Economic Leadership Program will seek to fill educational gaps to assure that a broader range of future leaders from Ukraine and Moldova have access to world's best knowledge and experience. This will include fellowships with leading Ukrainian startups, mentorships for high school students and other training opportunities. The end goal is to create a self-perpetuating culture of openness, continuing education, excellence, merit, and social responsibility so that both Ukraine and Moldova have enlightened citizens, who will lead qualitative transformation in the years to come.



FINANCIAL STATEMENTS

Western NIS Enterprise Fund

Years ended September 30, 2015 and 2014
with Report of Independent Auditors

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Independent Auditors' Report

The Board of Directors
Western NIS Enterprise Fund

We have audited the accompanying financial statements of Western NIS Enterprise Fund (the Fund), which comprise the statements of assets and liabilities including the condensed schedules of investments as of September 30, 2015 and 2014, and the related statements of operations and changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western NIS Enterprise Fund as of September 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis Of Matter

We draw attention to Note 1(b) to the financial statements, which describes the political and social unrest and regional tensions that started in November 2013 and escalated in 2014 and 2015 in Ukraine. The events referred to in Note 1(b) could adversely affect the Fund's activities in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

JSC KPMG Audit

JSC KPMG Audit
February 10, 2016

Statements of Assets and Liabilities

September 30, 2015 and 2014
Expressed in US Dollars

	2015	2014
Assets		
Investments, at fair value:		
Equity and debt securities (cost of $34,699,691 and $35,419,736 as of September 30, 2015 and 2014, respectively)	$ 12,514,381	$ 13,975,740
Emerging Europe Growth Fund, L.P. (cost of $10,381,188 and $12,520,200 as of September 30, 2015 and 2014, respectively)	5,144,054	6,769,630
Cash and cash equivalents *(note 6)*	69,021,841	69,322,935
Interest, dividend and other receivables	74,166	65,366
Prepaid expenses:		
Investment management fees *(note 14)*	160,179	162,577
Program management fees *(note 14)*	132,329	-
Other	117,886	42,773
Fixed assets, net of accumulated depreciation and amortization *(note 7)*	42,852	5,079
Other assets	14,299	2,467
Total assets	$ 87,221,987	$ 90,346,567
Liabilities and fund balance		
Deposits received on sale *(note 5)*	$ 325,000	$ 325,000
Accounts payable and other accrued expenses	239,922	137,693
Grants payable *(note 12)*	27,947	-
Exit-based incentive payable *(note 9)*	-	42,668
Other liabilities	35,659	10,500
Total liabilities	628,528	515,861
Fund balance (temporarily restricted)	86,593,459	89,830,706
Total liabilities and fund balance	$ 87,221,987	$ 90,346,567

See accompanying notes to financial statements.

Statements of Operations and Changes in Fund Balance

Year ended September 30, 2015
Expressed in US Dollars

	Temporarily restricted	Unrestricted	Total
Investment income			
Interest income	$ 105,120	-	$ 105,120
Other income	40,113	-	40,113
Total investment income	145,233	-	145,233
Net assets released from restrictions			
Satisfaction of program restrictions (investing activities)	(1,209,319)	1,209,319	-
Operating expenses for investment activities *(note 10)*	-	(1,209,319)	(1,209,319)
Net investment loss	(1,064,086)	-	(1,064,086)
Net realized loss and change in unrealized loss on investments			
Net realized loss on investments *(note 5)*	(375,853)	-	(375,853)
Net change in unrealized loss on investments *(note 5)*	(154,695)	-	(154,695)
Net realized loss and change in unrealized loss on investments	(530,548)	-	(530,548)
Net decrease in fund balance from investment activities	(1,594,634)	-	(1,594,634)
Net assets released from restrictions			
Satisfaction of program restrictions (Legacy Programs)	(1,685,281)	1,685,281	-
Legacy Programs			
Economic Leadership Program	-	(606,447)	(606,447)
Local Economic Development Program	-	(173,446)	(173,446)
Export Promotion Policy Program	-	(167,099)	(167,099)
Impact Investing Program	-	(23,206)	(23,206)
Administration *(note 11)*	-	(715,083)	(715,083)
Net decrease in fund balance from Legacy Programs	-	(1,685,281)	(1,685,281)
Net decrease in fund balance from operations	(3,279,915)	-	(3,279,915)
Deferred exit-based incentive *(note 9)*	42,668	-	42,668
Net decrease in fund balance	(3,237,247)	-	(3,237,247)
Fund balance, beginning of year	89,830,706	-	89,830,706
Fund balance, end of year	$ 86,593,459	-	$ 86,593,459

See accompanying notes to financial statements.

Statements of Operations and Changes in Fund Balance

Year ended September 30, 2014
Expressed in US Dollars

	Temporarily restricted	Unrestricted	Total
Investment income			
Interest income	$ 1,478,834	-	$ 1,478,834
Other income	42,651	-	42,651
Total investment income	1,521,485	-	1,521,485
Net assets released from restrictions			
Satisfaction of program restrictions (investing activities)	(1,395,978)	1,395,978	-
Operating expenses for investment activities *(note 10)*	-	(1,395,978)	(1,395,978)
Net investment gain	125,507	-	125,507
Net realized gain and change in unrealized loss on investments			
Net realized gain on investments *(note 5)*	7,927,369	-	7,927,369
Net change in unrealized loss on investments *(note 5)*	(12,229,073)	-	(12,229,073)
Net realized gain and change in unrealized loss on investments	(4,301,704)	-	(4,301,704)
Net decrease in fund balance from investment activities	(4,176,197)	-	(4,176,197)
Net decrease in fund balance from operations	(4,176,197)	-	(4,176,197)
Deferred exit-based incentive *(note 9)*	85,336	-	85,336
Net decrease in fund balance	(4,090,861)	-	(4,090,861)
Fund balance, beginning of year	93,921,567	-	93,921,567
Fund balance, end of year	$ 89,830,706	-	$ 89,830,706

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended September 30, 2015 and 2014
Expressed in US Dollars

	2015	2014
Cash flows from operating activities		
Net decrease in fund balance from operations	$ (3,279,915)	$ (4,176,197)
Adjustments to reconcile net decrease in fund balance to net cash (used in) provided by operating activities:		
Proceeds from:		
Emerging Europe Growth Fund, L.P. distributions	2,406,232	12,787,328
Equity securities – sale to third parties, net of advisory fees	311,290	4,145,460
Debt securities	244,185	214,434
Disbursements for:		
Emerging Europe Growth Fund, L.P. capital calls	(405,320)	(167,795)
Fixed assets	(42,902)	-
Decrease in cash on deposit	-	25,000,000
Depreciation and amortization	5,129	2,792
Net realized loss (gain) from sale of investments	375,853	(7,927,369)
Net change in unrealized loss on investments	154,695	12,229,073
Loss on disposal of fixed assets	-	516
Deferred exit-based incentive	42,668	85,336
(Increase) decrease in interest, dividend and other receivables	(8,800)	576,516
Decrease in prepaid investment management fees	2,398	25,207
Increase in prepaid program management fees	(132,329)	-
(Increase) decrease in other prepaid expenses	(75,113)	1,432
(Increase) decrease in other assets	(11,832)	5,884
Increase in accounts payable and other accrued expenses	102,229	22,905
Increase in grants payable	27,947	-
Decrease in exit-based incentive payable	(42,668)	(85,336)
Increase (decrease) in other liabilities	25,159	(2,149)
Net cash (used in) provided by operating activities	(301,094)	42,738,037
Cash and cash equivalents, beginning of year	69,322,935	26,584,898
Cash and cash equivalents, end of year	$ 69,021,841	$ 69,322,935

See accompanying notes to financial statements.

Condensed Schedule of Investments

September 30, 2015
Expressed in US Dollars

Investments (20.4%)[1]	Principal/ Shares/Interest	Cost	Fair Value
Limited Partnership Interest (6.0%)			
Emerging Europe Growth Fund, L.P.			$ 5,144,054
Total Limited Partnership Interest		$ 10,381,188	5,144,054
Equity (12.8%)			
Moldova (8.5%)			
Manufacturing (6.1%)			
Glass Container Company S.A.			5,300,000
Financial services (2.4%)			2,088,889
Ukraine (4.3%)			
Manufacturing (4.3%)			3,725,000
Total Equity		33,299,199	11,113,889
Debt (1.6%)			
Moldova (1.6%)			
Manufacturing (1.6%)[2]	$ 1,400,492		1,400,492
Total Debt		1,400,492	1,400,492
TOTAL INVESTMENTS		$ 45,080,879	$ 17,658,435

1 Percentages indicated are based on fund balance as of September 30, 2015. The Fund's investments are closed-end investments with no periodic liquidity.

2 The Fund converted the accrued interest receivable from this portfolio company of $1,859,111 in January 2012 to debt on pari passu terms as new debt provided by a third-party lender. This was a condition precedent to disbursement of debt financing by the third-party lender. This amount is not considered to be invested capital as no funds were disbursed; rather overdue interest receivable was converted to long-term debt.

See accompanying notes to financial statements.

Condensed Schedule of Investments

September 30, 2014
Expressed in US Dollars

Investments (23.1%)[1]	Principal/ Shares/Interest	Cost	Fair Value
Limited Partnership Interest (7.6%)			
Emerging Europe Growth Fund, L.P.			$ 6,769,630
Total Limited Partnership Interest		$ 12,520,200	6,769,630
Equity (13.7%)			
Moldova (10.0%)			
Manufacturing (7.3%)			
Glass Container Company S.A.			6,625,000
Financial services (2.7%)			2,406,063
Ukraine (3.7%)			
Manufacturing (3.7%)			3,300,000
Total Equity		33,775,059	12,331,063
Debt (1.8%)			
Moldova (1.8%)			
Manufacturing (1.8%)[2]	$ 1,644,677		1,644,677
Total Debt		1,644,677	1,644,677
TOTAL INVESTMENTS		$ 47,939,936	$ 20,745,370

1 Percentages indicated are based on fund balance as of September 30, 2014. The Fund's investments are closed-end investments with no periodic liquidity.

2 The Fund converted the accrued interest receivable from this portfolio company of $1,859,111 in January 2012 to debt on pari passu terms as new debt provided by a third-party lender. This was a condition precedent to disbursement of debt financing by the third-party lender. This amount is not considered to be invested capital as no funds were disbursed; rather overdue interest receivable was converted to long-term debt.

See accompanying notes to financial statements.

1. Background
(a) Organization and Description of Business

Western NIS Enterprise Fund (the Fund) is a not-for-profit corporation for tax purposes formed pursuant to the Support for East European Democracy Act of 1989 (the SEED Act) and the 1992 Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act (the FREEDOM Support Act) to promote the development of the private sector in the Western Newly Independent States region (the Region), which consists of Ukraine, Moldova and Belarus. The United States Government (USG) authorized appropriations of $150 million, which have been committed by the United States Agency for International Development (USAID) for the Fund program purposes and administrative expenditures (the Grant). Grants received from USAID are conditioned upon the Fund's compliance with the requirements of the Grant agreement with USAID and the SEED and FREEDOM Support Acts, which impose certain U.S. policy objectives and reporting obligations. The full amount of the Grant has been provided to the Fund by USAID, with the final tranche received in fiscal year 2007. Under the terms of this Grant agreement, the Fund may retain investment and realized gain income for program purposes.

According to the Grant agreement, USAID must establish a Termination Commencement Date (TCD) after which the Fund cannot make any new commitments or investments without the prior written consent of USAID, and will commence the winding up of its affairs and sale of its assets. Under this authority, USAID originally established the TCD as August 26, 2009, and during fiscal 2009, granted an extension to August 26, 2011. During fiscal 2011, the Fund obtained a second extension from USAID of the TCD to August 26, 2013, with the understanding that the Fund's proposal for establishment of a future legacy foundation was to be submitted prior to August 26, 2011. The Fund's proposal was submitted to USAID as required, including confirmation that as of August 26, 2011, the Fund will make no new investments, no new follow-on investments in its existing portfolio (beyond one follow-on investment approved prior to this date) and only continue to fund, as legally required, its unfunded commitment in Emerging Europe Growth Fund, L.P. (EEGF). In June 2013, rather than further extend the TCD, the Grant Agreement was amended to establish August 26, 2016 as the Target Liquidation Date (TLD) requiring the Fund to use best efforts to ensure the wind-up and liquidation of all of its assets on or before this date. Effective January 28, 2015, USAID approved the Fund's proposal to continue the mission of the FREEDOM Support Act of 1992 and the Foreign Assistance Act of 1961, through the existing WNISEF structure. As such, the Grant Agreement was amended to change the Termination Commencement Date from August 26, 2013 to December 31, 2017 and change the Target Liquidation Date from August 26, 2016 to December 31, 2018 to allow the Fund to carry out the program activities described in its proposal. The TLD may only be extended with the prior written approval of USAID.

(a) Organization and Description of Business (continued)

Legacy Programs

In February 2015 the Fund started Legacy Programs specified by proposal that envisioned a $30 million three-year legacy program funded by a portion of the reflows earned by the Fund from its investment activities. The goals and objectives of the legacy program are to assist Ukraine and Moldova with further development of sound economic policies and leadership during this critical time in their respective histories. Both Ukraine and Moldova signed Deep and Comprehensive Free Trade Agreements (DCFTA) with the European Union (EU) and must now undertake significant changes to their economic policies and to build cadres of well-trained leaders to fully benefit from the DCFTA. The four programs set forth in the Fund's proposal to USAID focus on:

i) mobilizing capital to address complex social issues (Impact Investing Program);

ii) developing innovative market-based solutions linking local government and the business community to improve the provision of services to citizens while supporting the SME sector (Local Economic Development Program);

iii) investing in people to broaden and deepen the human capacity necessary to advance private sector development in Ukraine and Moldova (Economic Leadership Program); and

iv) improving the ability of Ukrainian exporters to access new markets (Export Promotion Policy Program).

As of September 30, 2015, a cumulative amount of $1,685,281 was expensed for Legacy Program purposes out of an available approved amount of $30,000,000, resulting in a remaining unused balance of $28,314,719.

The fund balance of the Fund is reported as temporarily restricted as USAID imposed certain restrictions on net assets: on further commitments or investments as described in Organization and Description of Business subsection and on usage of liquidation proceeds as described in Note 4.

Investment activities

The Fund makes no new investments, no new follow-on investments in its existing portfolio and only continues to fund, as legally required, its unfunded commitment in Emerging Europe Growth Fund, L.P. (EEGF). At the same time the Fund continues to be engaged in a private investment program in the Region, which through equity, debt investments, technical assistance and other measures, emphasizes a commitment to small and medium-sized private businesses (SME sector). Through its direct role in investments in the Region's private sector, the Fund seeks to generate profits that will further support its activities and attract investment by others.

(a) Organization and Description of Business (continued)

Following the precedent of USAID-financed Enterprise Funds in Central and Eastern Europe, the Fund actively pursued its mission of attracting significant private capital to the Region by supporting the establishment of a private management company, Horizon Capital Associates, LLC (HCA, Investment Manager) and the launch of a private successor fund, EEGF. Based on USAID and Congressional approval, in 2006, the Board of Directors of the Fund committed $25 million to EEGF and approved the sale of five Fund investments to EEGF in anticipation of its initial closing as well as the transfer of one Fund subsidiary to EEGF.

Following the initial closing of EEGF, as of March 1, 2006, all employees, excluding employees based in the Fund's U.S. office, became employees of HCA's wholly-owned subsidiary, Horizon Capital Advisors, LLC (HCAD), resulting in the transfer of employee compensation, operating and other expenses from the Fund to HCA and HCAD. However during fiscal 2015 the Fund has hired certain employees for Legacy Programs realization. Their compensation is included in the Legacy Programs section of the statement of operations and changes in fund balance.

(b) Business environment

The Region has been experiencing political and economic change which has affected, and may continue to affect, the activities of entities operating in this environment. Consequently, operations in the Region involve risks that do not typically exist in other markets. In particular, Ukraine's political and economic situation has significantly deteriorated since the end of November 2013 after the former Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union. In late February 2014, the Ukrainian Parliament ousted the former President, this was followed by Russia proceeding with an illegal and internationally unrecognized annexation of Crimea and fomenting unrest and military conflict in the eastern regions of Donetsk and Luhansk. As of the date of issuance of these financial statements, the situation remains very volatile and the ultimate outcome uncertain.

The illegal annexation of Crimea and ongoing conflict in Donetsk and Luhansk have deepened the economic crisis facing Ukraine and has resulted in the widening of the state budget deficit, the depletion of the National Bank of Ukraine's foreign currency reserves and further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and transitioned to a floating foreign exchange rate regime. Since that time, the national currency has devalued from 7.993 to the US dollar as of February 1, 2014 to 21.528 as of September 30, 2015. The final resolution and the effects of the ongoing crisis in Ukraine are difficult to predict but it may have further severe effects on the Ukrainian economy.

(b) Business environment (continued)

Whilst management believes it is taking appropriate measures to support the sustainability of the Fund's business in the current circumstances, continued deterioration in the business environment could negatively affect the Fund's results and financial position in a manner not currently determinable. Deteriorating operating conditions for the portfolio companies may also have an impact on the Fund's cash flow forecasts and assessment of the impairment of financial and non-financial assets. The ability to assess the valuation of Fund's investments is also significantly influenced by the current economic conditions.

These financial statements reflect management's assessment of the impact of the business environment in the Region on the operations and the financial position of the Fund. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the Fund may be significant.

Due to the potential for these economic uncertainties to continue in the foreseeable future, there is a possibility that the assets may not be recovered at their carrying amounts in the ordinary course of business, with a corresponding impact on profitability in the future periods. The Fund continually assesses the potential impact of the economic uncertainties on revenues and profitability and, as a consequence, on the recoverability of its current and non-current assets.

2. Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The Fund is an investment company and follows accounting policies contained in the Accounting Standard Codification (ASC) Topic 946, *Financial Services - Investment Companies* (the Investment Company Guide), which requires investment companies to account for their investments at fair value, as opposed to consolidation or using the equity method. As such this presentation provides more useful information to users of the financial statements regarding performance of an investment company. Changes were made to the Investment Company Guide that redefined the criteria used to determine whether an entity is an investment company; however, these changes are effective for annual reporting periods in fiscal years beginning after December 15, 2013.

In 2015 the Fund started its activities under Legacy Programs and started to follow the Accounting Standard Codification (ASC) Topic 958, *Not-for-Profit Entities*, which requires additional disclosures, resulting in related changes in the presentation of the financial statements and notes to them.

2. Basis of Presentation (continued)

Effective October 1, 2008, the Fund adopted ASC Subtopic 820 *Fair Value Measurement* that requires funds to classify investments into a fair value hierarchy as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or,
- Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk), and are developed based on the best information available in the circumstances, which includes the Fund's own data.

3. Summary of Significant Accounting Policies

Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount 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. The most significant item subject to estimates and assumptions is the fair value of investments. Actual results could differ from those estimates.

Investments in Equity and Debt Securities

Investments, which include both debt and equity components, are not readily marketable and are typically not listed on an exchange or quoted in an open market and, accordingly, are classified as Level 3 in the fair value hierarchy. These investments are stated at fair value by applying the guidance contained in the International Private Equity and Venture Capital Valuation Guidelines, edition December 2012, which is consistent with the requirements of the Investment Company Guide, as determined in good faith by management and approved by the Board of Directors. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Equity investments may be made in cash or with in-kind equipment contributions and are initially reflected at cost. Subsequent valuation is determined by considering relevant available qualitative and quantitative information. This information may include the financial condition and operating results of each investee, current economic conditions affecting operations, recent purchase or sale of securities of the investee, any subsequent events or financing transactions that may indicate a change in fair value and available market comparables. For equity investments in financial institutions, fair value is estimated by applying a multiple to net assets. Multiples are determined

3. Summary of Significant Accounting Policies (continued)

based on observed market transactions, adjusted for factors specific to the investment. For equity investments in other companies, the Fund estimates fair value by applying a multiple to earnings before interest, taxes, depreciation and amortization (EBITDA).

In some cases, EBITDA may be adjusted to remove non-recurring items or to reflect results on a more sustainable basis. Multiples are determined by reference to third-party data. These factors are subject to change over time and are reviewed periodically. Changes in fair value are reported on an annual basis or in the period in which they become known.

For debt securities, fair values are based upon the Investment Manager's continuing review and evaluation of these investments with consideration of current interest rates for similar loans, past experience, sovereign and currency risk, the financial condition of the borrowers, current economic conditions in the Region, and other relevant factors such as the non-collection of principal and interest when due in accordance with the contractual terms of the agreement.

The carrying values assigned to the investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future circumstances and cannot be determined with certainty until the individual positions are liquidated, and such differences could be material.

Investment transactions are recorded on a trade date basis with the resulting realized and unrealized gains and losses recorded in the statements of operations and changes in fund balance. For purposes of determining gains or losses on sales of investments, the cost of investments sold is determined on the specific identification basis.

Grants and grants payable

Grants are recorded as grant expense in the accompanying statements of operations and changes in fund balance and grants payable in the accompanying statements of assets and liabilities in the period in which the grantee meets the terms of conditions.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank accounts as well as any highly liquid financial instruments purchased with original maturities of three months or less.

Dividend Income

Due to the irregular nature of dividends from investments, dividend income is recorded on the ex-dividend date, when possible, and on a cash basis when dividends that were not previously known are received.

3. Summary of Significant Accounting Policies (continued)

Interest Income

Interest on debt securities is accrued at the contractual rate based upon the principal amount outstanding and credited to income as earned.

Depreciation and Amortization

Computer equipment and software, furniture and other office equipment are depreciated on a straight-line basis over their estimated useful lives, principally 5-7 years.

Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

Translation of Foreign Currency

The functional currency is the U.S. dollar. Generally, operating transactions are denominated in U.S. dollars; however, on occasion transactions are contracted in foreign currencies.

Investments, which are denominated in foreign currencies, are initially recorded at the U.S. dollar equivalent on the date of the transaction and valued at September 30, 2015 and 2014 in accordance with the valuation policies. Items of income or expense that are denominated in a foreign currency are translated at the average rate for the month in which the transaction occurred.

Technical Assistance

Historically, the Fund has provided technical assistance to certain of its portfolio companies including, but not limited to, transfer of used fixed assets, payment of expenses for portfolio company system implementations, consulting, training and other costs. Such amounts are expensed as incurred and included in professional fees in the accompanying statements of operations and changes in fund balance. No technical assistance expense was incurred for the years ended September 30, 2015 and 2014. In December 2013, a vehicle owned by the Fund was transferred to a portfolio company at a net book value of nil.

Long-Term Equity Incentive Plan

The Board of Directors established a Long-Term Equity Incentive Plan (the LTEI Plan) with an effective date of October 1, 2002 for certain employees. This LTEI Plan, as approved by Congress and USAID, awards an interest in the net realized gain upon sale of the equity interest in a portfolio company. Interests are granted by the Board of Directors generally at the time of purchase of an investment. For LTEI Plan purposes, the calculation of net realized gain includes proceeds from

3. Summary of Significant Accounting Policies (continued)

sale, as well as cumulative dividends and preferred returns received from the portfolio company, net of any applicable financial participation rights. Interests are subject to a three-year vesting period and vest in one-third increments on each anniversary of the date of grant.

Under the terms of the LTEI Plan, the Board of Directors may, in its sole discretion, accelerate vesting, extend the term or period of exercisability, modify the exercise price or waive any terms of conditions applicable to any interests. Accordingly, no liability is recognized and no LTEI Plan expenses are recorded in the financial statements until a sale of an investment is realized.

In February 2006, the Board of Directors amended the LTEI Plan to enable continuation of LTEI Plan rights for eligible participants who remain an officer and/or key employee of the Fund or of HCA, or its affiliate, and HCA is retained as investment manager to the Fund. In February 2012, the Board of Directors further amended the LTEI Plan to extend the termination date of the Plan from September 30, 2012 to September 30, 2018.

4. U.S. Government Grants

The Fund has drawn down the $150 million Grant in full. Under the terms of the Grant Modification, any liquidation proceeds realized by the Fund pursuant to winding up its affairs and selling its assets shall be retained by the Fund and deposited into a separate, interest-bearing, dollar-denominated account in a U.S. or European Union bank.

5. Investments

In the accompanying statements of assets and liabilities, investments are stated at fair value. During the year ended September 30, 2015, the Fund recorded a realized loss of $211,283, reflecting its pro-rata share of EEGF realized losses incurred during this period, and a net realized loss of $164,570 from partial sale of one of the Fund's equity investments, resulting in a total net realized loss on investments of $375,853. During the year ended September 30, 2014, the Fund received a distribution from EEGF of net realized gains totaling $8,782,023, partially offset by a net realized loss of $854,654 from sale of one of the Fund's equity investments, resulting in a net realized gain on investments of $7,927,369.

In addition, the Fund recorded an unrealized loss on investments of $154,695 and $12,229,073 for the years ended September 30, 2015 and 2014, respectively, based on valuation of the investment portfolio at fair value as of September 30.

In May 2008, a sale-purchase agreement was entered into to sell the shares of an equity investment for the Ukrainian Hryvnia (UAH) equivalent of $600,000 to be paid in tranches with the last

5. Investments (continued)

payment to be received in May 2009. Subsequent to December 2008, given the financial crisis, no further payments have been made to the Fund. The Fund has received the UAH equivalent of $325,000 and recorded a full allowance against the remaining amount due pursuant to the sale-purchase agreement. Amounts relating to these transactions are included in deposits received on sale in the accompanying statement of assets and liabilities.

The following additional disclosures relate to the changes in fair value of the Level 3 investments as of September 30, 2015 and 2014:

Fair value at October 1, 2014	$	20,745,370
Net realized loss from sales		(375,853)
Net change in unrealized loss on investments in earnings		(154,695)
Purchases for the year ended September 30, 2015		405,320
Proceeds for the year ended September 30, 2015		(2,961,707)
Fair value at September 30, 2015		17,658,435
Change in unrealized loss in earnings relating to assets still held	$	(154,695)

Fair value at October 1, 2013	$	42,026,501
Net realized gain from sales		7,927,369
Net change in unrealized loss on investments in earnings		(12,229,073)
Purchases for the year ended September 30, 2014		167,795
Proceeds for the year ended September 30, 2014		(17,147,222)
Fair value at September 30, 2014		20,745,370
Change in unrealized loss in earnings relating to assets still held	$	(12,229,073)

The table below presents the ranges of significant unobservable inputs used to value Level 3 financial instruments representing the equity and debt investments. These ranges represent the significant unobservable inputs that were used in the valuation of these financial instruments. These inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Fund's Level 3 financial instruments.

5. Investments (continued)

Level 3 Financial Instruments	Significant Unobservable Inputs By Valuation Technique	Range of Significant Unobservable Inputs as of September 30, 2015
Equity Investments	P/B multiple	0.9
	EV/EBITDA multiple	4.5 – 4.8

The significant unobservable inputs used in the fair value measurement of equity investments are P/B (Price to book value) multiples and EV/EBITDA (Enterprise value to EBIDTA) multiples for recent, relevant, verifiable, comparable companies. In addition, current multiples have been applied to Forecast 2015 EBITDA as this more accurately reflects the current value of these entities and the challenges they face due to market conditions, including devaluation and declining performance. In certain cases, the Fund assesses the fair value of its investments based on third-party offers expressing interest in buying the underlying portfolio companies. Significant increases (decreases) in these inputs may result in a significantly higher (lower) fair value measurement. The Fund's investment in EEGF represents the Fund's limited partnership interest in EEGF. In the process of valuing its equity investments, EEGF applies substantially the same unobservable inputs as applied by the Fund as EEGF's investments also relate to entities operating in the Region.

6. Concentration of Credit Risk and Liquidity

By statute, all investments are in business activities conducted in the Region. As such, these investments and cash balances held in the Region's local banks are subject to the political and economic uncertainties associated with doing business in the Region. As of September 30, 2015 and 2014, the Fund had investments in debt securities of $1,400,492 and $1,644,677, respectively. As of September 30, 2015 and 2014, the Fund held cash and cash equivalents of $34,938,227 and $35,002,602 with a commercial bank based in the United Kingdom, $34,023,485 and $34,297,895 with commercial banks based in the United States and held remaining cash balances equaling $60,129 and $22,438 in the Region, respectively.

As of September 30, 2015 and 2014, all assets of the Fund are considered to be current excluding investments and fixed assets.

As of September 30, 2015 and 2014, all liabilities of the Fund are considered to be current.

7. Fixed Assets

As of September 30, 2015 and 2014, fixed assets consisted of:

	2015	2014
Computer equipment and software	$ 165,087	$ 131,988
Furniture, fixtures and equipment	14,470	10,127
Leasehold improvements	4,646	-
Telephone equipment	3,826	3,012
	188,029	145,127
Accumulated depreciation and amortization	(145,177)	(140,048)
Fixed assets, net	$ 42,852	$ 5,079

8. Retirement Plan

The Fund established a defined contribution retirement plan (the Plan) designed to be qualified under Section 403(b) of the US Internal Revenue Code. All eligible employees meeting certain age and service requirements may participate. Eligible employees may contribute amounts up to $18,000 in calendar year 2015 and $17,500 in calendar year 2014. Eligible employees who are age 50 or over at the end of the calendar year can also make catch-up contributions of $6,000 in calendar year 2015 and $5,500 in calendar year 2014 beyond the basic limit on elective deferrals. In addition, the Fund makes monthly contributions to each eligible employee's account equal to 25% of the employee's base monthly salary, as defined, plus 5.7% of the amount of salary in excess of the Social Security Taxable Wage Base ($118,500 as of January 1, 2015 and $117,000 as of January 1, 2014).

Employees are eligible to participate in the Plan immediately and are fully vested in the employer's portion after two years of service.

Employer contributions to the Plan totaled approximately $46,804 and $17,200 for the years ended September 30, 2015 and 2014, respectively, and the related expense is included in employee compensation and benefits in the accompanying statements of operations and changes in fund balance.

9. Long-Term Equity Incentive Plan

Since the inception of the LTEI Plan as of October 1, 2002, the Fund has realized exits on eight qualifying portfolio companies resulting in incentive awards to LTEI participants during the fiscal years ended 2003 to 2015. As of September 30, 2015 and 2014 and for the years then ended, nil and $42,668, respectively, are recorded as exit-based incentive payable and $42,668 and $85,336, respectively, are recorded as exit-based incentive expense. For the years ended September 30, 2015 and 2014, $42,668 (increase) and $85,336 (increase), respectively, are recorded as deferred

9. Long-Term Equity Incentive Plan (continued)

exit-based incentive and are charged to expense over the remaining vesting period. The exit-based incentive expense, exit-based incentive payable and deferred exit-based incentive amounts include related taxes.

10. Operating expenses for investment activities

The table below provides a breakdown of the operating expenses for investment activities for the years ended September 30, 2015 and 2014, respectively.

	2015	2014
Investment management fees *(note 14)*	$ 642,609	$ 670,214
Professional fees	213,469	258,704
Employee compensation and benefits	133,725	114,426
Business travel	65,246	161,404
Exit-based incentive expense - equity incentive plan *(note 9)*	42,668	85,336
Occupancy	30,412	29,902
Depreciation and amortization	4,483	2,792
Other operating	76,707	73,200
Total operating expenses for investment activities	$ 1,209,319	$ 1,395,978

11. Administration expenses of Legacy Programs

The table below provides a breakdown of the administration expenses of Legacy Programs for the years ended September 30, 2015 and 2014, respectively.

	2015	2014
Program management fees *(note 14)*	$ 348,082	$ -
Employee compensation and benefits	244,917	-
Occupancy	56,257	-
Business travel	36,406	-
Professional fees	7,132	-
Depreciation and amortization	225	-
Other operating	22,064	-
Total administration expenses of Legacy Programs	$ 715,083	$ -

12. Commitments

Investments

As of September 30, 2015 and 2014, the Fund has outstanding investment commitments to EEGF totaling approximately $100,000 and $600,000, respectively.

Grants

Under the Economic Leadership Program, the Fund has signed certain conditional awards of grant to support studies of five MBA students. A part of these awards amounting to $144,443 for which the grantees met the terms of the conditions of the grant is included in Economic Leadership Program expense in the statement of operations and changes in Fund balance out of which $27,947 is included in grants payable in the statements of assets and liabilities. The remaining part of grant awards for which these terms were not met totals $404,959 and will be disbursed during the years 2016-2017.

As of September 30, 2015 the Fund has contractual obligations to others of $40,000 that will become liabilities in the future when the terms of those contracts or agreements are met.

Operating Leases

Rent expense for the years ended September 30, 2015 and 2014 is $86,669 and $29,902, respectively. In January 2008, the Fund entered into a lease agreement (Lease Agreement) for the Chicago, Illinois premises that took effect on February 1, 2008 and was in effect until January 31, 2010. The lease has been extended on several occasions and is in effect until January 31, 2016.

Monthly rental payments are required under the lease and, as the Grant Agreement with USAID mandates that the Fund maintain a U.S. office, continue to be an obligation of the Fund. Future lease payments under the lease agreement total $10,127 as of September 30, 2015.

In addition, as of March 1, 2006, the lease obligations in Kyiv, Ukraine and Chisinau, Moldova were transferred to HCAD, except for a nominal portion of these office leases in order to maintain the Fund's status in the Region. These nominal rental payments were paid by the Fund and reimbursed in full by HCAD, in accordance with the investment management agreement between the Fund and HCA. Starting from February 2015 and due to the Legacy Programs launch lease costs in Ukraine are allocated as follows: 1/3 to the Fund and 2/3 to HCAD based on the estimated usage of space by each organization. Future lease payments under lease agreement as of September 30, 2015 to be paid by the Fund are as follows:

12. Commitments (continued)

Financial year 2016	$	84,472
Financial year 2017		38,149
Total operating lease commitments	$	122,621

On September 17, 2015 the Fund entered into a lease agreement for the premises of the Ukrainian Leadership Academy (UAL). Rent expenses for the year ended September 30, 2015 amounting to $22,616 are included in Economic Leadership Program expenses. Future lease payments under lease agreement total $156,643 as of September 30, 2015.

13. Tax Status

United States

Historically, the Fund has been exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and, because it was funded through U.S. government grants, has been classified as an organization that is not a private foundation as defined in Section 509(a)(1) of the Code. The Fund changed its classification during 2010 from an organization that is not a private foundation under Section 509(a)(1) to a public charity as defined in Section 509(a)(2) of the Code, given that its income is no longer derived primarily from grants. The Fund continues to maintain its 501(c)(3) designation and is exempt from payment of state and local income taxes. The Fund is registered as a Charitable Trust in Illinois.

Western NIS Region

The registration of the Fund's accredited representative offices in Ukraine and Moldova occurred on March 31 and July 28, 1995, respectively. Under a bilateral agreement between the Government of the United States of America and the Governments of Ukraine and Moldova regarding cooperation to facilitate the provision of assistance, the Fund is exempt from taxation on income received in connection with implementation of the United States assistance programs. During fiscal year 2003, the Fund ceased activities of its representative office in Ukraine, electing to conduct its operations as an international technical assistance project, as defined by the Governments of the United States and Ukraine.

14. Related Party Transactions

In February 2006, the Fund entered into an investment management agreement with HCA, approved by the Board of Directors, to manage the Fund's investments on the same terms as the investment management agreement between EEGF and HCA. The agreement envisioned a fee of 2.5% of committed capital to manage its portfolio during the commitment period, payable semi-annually in advance on January 2 and July 1, decreasing to 2.0% of funded commitments after the expiration of the commitment period. As the commitment period of EEGF ended December 31, 2008, the step-down in management fees to 2.0% of funded commitments took effect as of January 1, 2009. The management fee expense from October 1, 2014 through September 30, 2015 totaled $642,609 and a prepaid balance of $160,179 is included in the statement of assets and liabilities as of September 30, 2015. The management fee expense from October 1, 2013 through September 30, 2014 totaled $670,214 and a prepaid balance of $162,577 is included in the statement of assets and liabilities as of September 30, 2014.

In February 2015, the Fund entered into a shared services agreement with HCA, approved by the Board of Directors, to provide additional program management and administrative services for Legacy Programs. The agreement envisioned a fee of $525,000, payable annually in advance on the first business day of January, with the first payment made in May 2015 for the period from February 1, 2015 through December 31, 2015. The Program management fee expense from February 1, 2015 through September 30, 2015 totaled $348,082 and a prepaid balance of $132,329 is included in the statement of assets and liabilities as of September 30, 2015.
The Fund also entered into the following arrangements with EEGF:

- In January 2007, the Fund co-invested $2,000,000 with EEGF in Kerameya LLC. In November 2008, the Fund increased its investment by $1,000,000 to $3,000,000 and in September 2011, the Fund increased its investment by $1,250,000 to $4,250,000;
- In May 2007, the Fund participated in a $100,000,000 new equity issue of Platinum Bank (formerly IMB Group) in the amount of $5,000,115. In November 2013 the Fund sold its full stake in Platinum Bank; and,
- In June 2007, the Fund subscribed for 323,897 shares in Banca de Finante si Comert S.A. (Fincombank) for $7,999,740 and entered into an agreement with EEGF whereby EEGF provided $5,000,000 to the Fund in return for the right to acquire 202,440 shares or 15.63% in the Fincombank investment and share in the net risks and rewards of this investment. In the statement of assets and liabilities, the $5,000,000 provided by EEGF to the Fund, in relation to these 202,440 shares, is netted against the $7,999,740 acquisition cost for the full share stake. In March 2009, a new share emission was concluded and the Fund's interest in Fincombank became 24.62%. In January 2015, the Fund realized a partial exit of its stake in Fincombank by participating in a planned buy-back of shares into treasury resulting in a decrease of the Fund's interest in Fincombank to 20.72% including 12.95% held on behalf of EEGF.

14. Related Party Transactions (continued)

Subsequent to the initial closing of EEGF, a majority of the Fund's personnel, administrative and operating expenses were transferred to HCAD. During fiscal years 2015 and 2014, the Fund made payments on behalf of HCAD totaling $27,773 and $33,883, respectively, and HCAD made payments on behalf of the Fund totaling $177,897 and $113,596, respectively. As of September 30, 2015, there was an outstanding balance of $25,159 due from the Fund to HCAD and included in other liabilities in the accompanying statements of assets and liabilities. As of September 30, 2014, there was an outstanding balance of $33 due from HCAD to the Fund and included in other assets in the accompanying statements of assets and liabilities. These balances were fully reimbursed subsequent to year-end.

Effective March 1, 2006, based on approval by the Board of Directors, the Fund entered into a five-year agreement to lease certain vehicles and assets under temporary import status to HCAD. The rental rate was $46.88 per day, the daily depreciation rate of these assets, payable on a quarterly basis. Effective March 1, 2011, the lease agreement between the Fund and HCAD was extended for an additional three years for rental of one of the two vehicles under temporary import status previously leased, at a rental rate consistent with the original lease agreement of $23.36 per day, with the second vehicle disposed of in February 2013 by the Fund. In terms of the leased vehicle, all expenses, including but not limited to insurance, repairs and maintenance, taxes and operating costs, were paid initially by the Fund as legal owner and reimbursed by HCAD. The remaining vehicle was transferred as technical assistance to a portfolio company in December 2013. As of September 30, 2015 and 2014, no outstanding lease payments were due to the Fund from HCAD. Effective as of January 1, 2007, the Fund and HCAD entered into an agreement for the use by HCAD of the Fund's Chicago office and services of personnel based in this office for a fee of $2,000 per month payable quarterly in advance by HCAD to the Fund. Beginning in 2009 this amount was increased to $3,000. Another agreement was entered into in 2009 in relation to employment by the Fund of an individual based in Chicago, Illinois to perform work on behalf of HCAD and requires $500 per month payable quarterly in advance by HCAD to the Fund as well as reimbursement of agreed-upon expenses.

During the years ended September 30, 2015 and 2014, the Fund earned $4,113 and $4,502, respectively, of director's fees from its portfolio investments.

The Fund pays certain costs on behalf of its portfolio companies for which the Fund seeks reimbursement. Amounts not ultimately reimbursed to the Fund are written off and expensed in the accompanying statements of operations and changes in fund balance.

15. Contingencies

In the ordinary course of business, the Fund is involved in various claims and legal actions and may bear material legal costs relating to such matters. In the opinion of management, no provision is required and none is included in the accompanying financial statements as the loss, if any, will not have a material adverse effect on the financial position or changes in fund balance.

16. Guarantees

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, management believes the risk of loss to be remote.

17. Financial Highlights

The financial highlights for the years ended September 30, 2015 and 2014 are as follows:

	2015	2014
Ratios to average fund balance		
Net investment (loss) gain	(1.2)%	0.1 %
Net realized (loss) gain on investments	(0.4)%	8.6 %
Operating expenses for investment activities, including exit-based incentive expense – current	1.4 %	1.5 %
Less exit-based incentive expense – current	(0.1)%	(0.1)%
Operating expenses for investment activities, excluding exit-based incentive expense – current	1.3 %	1.4 %
Legacy Programs	1.9 %	0.0 %
Total return, including exit based incentive expense – current and deferred	(3.6)%	(4.4)%
Less exit-based incentive expense – current and deferred	0.0 %	0.0 %
Total return, excluding exit based incentive expense – current and deferred	(3.6)%	(4.4)%

17. Financial Highlights (continued)

	2015	2014
Ratios to committed capital		
Net investment (loss) gain	(0.7)%	0.1%
Net realized (loss) gain on investments	(0.3)%	5.3%
Operating expenses for investment activities, including exit-based incentive expense – current	0.8 %	0.9 %
Less exit-based incentive expense – current	0.0 %	0.0%
Operating expenses for investment activities, excluding exit-based incentive expense – current	0.8 %	0.9 %
Legacy Programs	1.1 %	0.0 %

Ratios to average fund balance are computed as net investment gain or loss (total investment income less total expenses), net realized gain or loss on investments (excluding realized losses from the write-off of investments) and expenses divided by the average fund balance for the years ended September 30. The total return represents the change in the value of an investment, and is measured by comparing the aggregate ending value of fund balance to the aggregate beginning value of the fund balance.

The total return and ratios are presented before and after the effects of exit-based incentive expense, which includes expenses related to financial participation rights and the LTEI Plan.

Ratios to committed capital are computed as net investment gain or loss (total investment income less total expenses), net realized gain or loss on investments (excluding realized losses from the write-off of investments) and expenses divided by committed capital. Committed capital is the total letter of credit commitment from USAID. As of September 30, 2015 and 2014, these amounts were $150,000,000 and $150,000,000, respectively.

18. Subsequent Events

In December 2015, the Fund signed an Amendment to the Lease Agreement for the Chicago, Illinois premises that will take effect from February 1, 2016 through January 31, 2019. Future minimum lease payments pursuant to the Lease Agreement are as follows:

Financial year 2016	$ 23,120
Financial year 2017	35,020
Financial year 2018	35,530
Financial year 2019	11,900
Total operating lease commitments	$ 105,570

Management has evaluated events from the date of the statement of assets and liabilities through February 10, 2016, the date at which the financial statements were available to be issued, and has determined that there are no other items to disclose.

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