

Western NIS
Enterprise Fund



ANNUAL REPORT 2019

Western NIS Enterprise Fund

The Western NIS Enterprise Fund (WNISEF) is a \$150 million regional fund, a pioneering initiative in Ukraine and Moldova with over 25 years of successful experience investing in small and medium-sized enterprises (SMEs). WNISEF was funded by the U.S. government via the U.S. Agency for International Development (USAID).

The Fund's original mission focused on developing small and medium-sized businesses, supporting solid corporate governance and transparency, and attracting additional capital to Ukraine, Moldova, and Belarus. Since its inception in 1994, WNISEF has provided loans, equity, grants, technical and other assistance to companies operating in a variety of sectors. This included financial institutions, agriculture, manufacturing, and services. WNISEF has invested \$186 million in 130 companies, employing over 26,000 people in Ukraine and Moldova. Since inception, WNISEF has unlocked an estimated \$1.85 billion of capital for Ukrainian and Moldovan companies based on the original \$150 million grant from USAID.

In March 2015, USAID approved the launch of a \$30 million Legacy Program funded by a portion of the profits earned from its investment activities. The program focuses on export promotion, local economic development, impact investing and economic leadership. In April 2016, USAID approved i) expanding the Legacy Program to \$35 million; ii) \$5 million earmarked for direct investments in SMEs, primarily start-ups; and iii) a \$30 million commitment to Emerging Europe Growth Fund III, L.P. (EEGF III), a fund raised by Horizon Capital and focused on providing financing to SMEs in Ukraine and Moldova. In June 2017, the Fund committed \$30 million to EEGF III.

In November 2017, WNISEF launched U.Ventures, a new \$5 million fund for early stage technology startups offering co-financing and scaling assistance for Seed to Series A startups with Ukrainian or Moldovan co-founders.

This new activity inspired the wording for the new mission of the Fund: Transforming the lives of ordinary people in Ukraine and Moldova. Presently, WNISEF is funding innovative, transformational, reform-focused programs. The Fund aims to support both countries in this critical period by fostering the development of sound economic policies and leadership.

We are proud to share details of this new phase in our investment activities and the fifth year of our Legacy Program, marked by the launch of new projects, the expansion of fruitful cooperation with local partners and continuation of learning from hundreds of individuals involved in our projects in Ukraine and Moldova.



USAID is the world's premier international development agency and a catalytic actor driving development results. USAID's work demonstrates American generosity and promotes a path to recipient self-reliance and resilience, and advances U.S. national security and economic prosperity. USAID has partnered with Ukraine since 1992, providing nearly \$5 billion in assistance. USAID's current strategic priorities include strengthening democracy and good governance, promoting economic development and energy security, improving health care systems, and mitigating the effects of the conflict in the east, as well as health and humanitarian assistance to mitigate the spread of the COVID-19 outbreak in Ukraine.

www.usaid.gov/ukraine



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Letter from Management

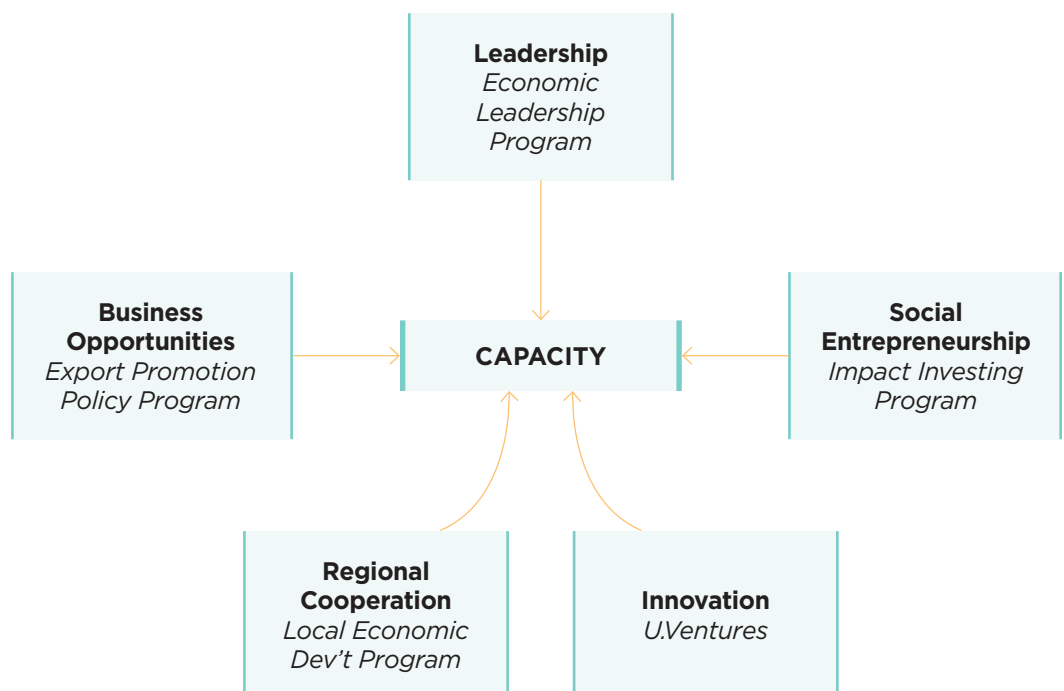
WNISEF's Legacy Programs were established in 2015 to promote growth and also to build the region's capacity for change. Five years later, a sustainable ecosystem of growth is emerging as a consequence of WNISEF's efforts.

Although there is no consensually shared metric for assessing capacity, WNISEF defines capacity as the ability of an individual or organization to respond to challenges, produce change and realize opportunities. We have identified and focused on five dimensions of capacity beneficial to producing growth, which are the foundation for our four Legacy Programs and later — U.Ventures.

The Export Promotion Policy Program focuses on building business capacity, helping businesses in Ukraine and Moldova locate opportunities for growth while promoting the region to foreign investors. With the Export Promotion and Investment Promotion Offices now sustained by government funding, the Program is focusing on building a network of support for potential exporters operating out of Ukraine and Moldova.

The Local Economic Development Program emphasizes capacity for cooperation, ensuring that transformative change originates at the grassroots level. To ensure that regional efforts are effective, the Program empowers local activists to implement high-impact projects in growing partnerships with local authorities and private businesses to ensure long-term sustainability.

The Impact Investing Program introduces the social capacity of business to the region, building a social system where social entrepreneurship is both profitable and beneficial. In 2019, the Program revised the lending mechanism and joined the founding of the Ukrainian Social Venture Fund to promote sustainability and expand its reach.



Capacity (*n.*) — the ability of an individual or organization to respond to challenges, produce change and realize opportunities.

The Economic Leadership Program nurtures leadership capacity, fostering a new generation of leaders to take responsibility for tomorrow's change in the region. As the number of the Program's alumni grows each year, so does its impact.

The U.Ventures fund provides resources for innovation capacity to help accelerate the growth promoted by WNISEF's four Legacy Programs. Having advanced some of its portfolio companies successful transition from Seed stage to Series A, the Fund is now eyeing untapped opportunities in Ukraine's regions.

Partnership is a common thread in all five vectors. Every new WNISEF project in 2019 attracted new partners from motivated activists with bright ideas and organizations eager to support them. We are excited to build productive relations with not only NGOs, donors, businesses, government offices and international organizations, but also between them. In 2020, we are looking forward to reinforcing and expanding the networks built by each Legacy Program, as well as connecting them into a single ecosystem of growth and positive change.

Our five vectors will generate long-term growth in the region. The partnerships built around them will ensure that Ukraine and Moldova retain the capacity to grow even after WNISEF's programs reach their end.

We wish to thank members of the Western NIS Enterprise Fund Board of Directors, US Agency for International Development (USAID) in Washington and the USAID Missions in Ukraine and Moldova, the U.S. Embassies in Kyiv and Chisinau, and our business and government partners for their support and contributions to WNISEF's various programs and activities designed to enhance development of democratic values and economic prosperity in Ukraine and Moldova.

Sincerely,



Dennis A. Johnson
Chairman of the Board



Jaroslawa Zelinsky Johnson
President and Chief Executive Officer








Ukraine

Key figures 2019



The year 2019 was a time of significant political change in Ukraine with both presidential and parliamentary elections bringing sweeping change to the country's decision-making structure. The new anti-establishment president and a parliament boasting 80.4% new MPs — the highest number since 1996 — are now in charge of the country's economic development. As of 2019, the economic impact of such change remains unclear but it is certain that the status quo has changed for the foreseeable future. The change is also likely to impact WNISEF's existing partnerships with the government.

Ukraine maintained considerable growth in 2019, showing a 3.2% GDP increase YoY. Despite exceeding expectations in Q2 and Q3, slowdown in the fourth quarter prevented the country from surpassing the previous year's 3.3% growth. Overall, Ukraine entered 2020 with a confident outlook, which should be helpful in dealing with numerous challenges related to the start of the global economic crisis.

Rising household consumption and increasing domestic demand backed by improving consumer confidence have remained the primary economic drivers. Ukrainian Hryvnia became the world's top performing currency, thanks to the \$4.3 billion in foreign investments raised from the sale of UAH-denominated government bonds. The hryvnia exchange rate in late 2019 was around UAH 23.69/USD.

On the supply side, increased agricultural and food sales were the key drivers of a 7.2% YoY increase in Ukraine's exports. The 13.5% YoY growth in sales of mineral products as well as the 14% YoY growth of machinery exports also made a positive contribution to the country's trade balance. At the same time, overall industrial production continued to contract, experiencing a 1.8% YoY drop, primarily due to a decline in the metalworking, machine building and energy industries.

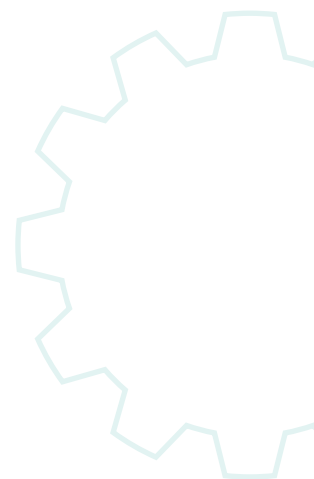
Ukraine's international reserves remained at a solid \$25.3 billion at year-end, a 7-year maximum, up 22% YoY, covering 3.9 months of imports. This result was driven by high foreign currency supply from local agricultural producers and investors in sovereign bonds, while demand for foreign currency weakened in 2019 given falling global energy prices. National currency revaluation also helped Ukraine reduce its state guaranteed debt to 50% of GDP from 61% in 2018.

Ukraine remains highly dependent on external funding, particularly from international financial institutions. In late 2019, the Government of Ukraine reached preliminary agreement with the IMF on a new 3-year Extended Fund Facility program to replace the previous arrangement. If signed, the agreement would amount to \$5.52 billion and unlock funding from other international lenders, unavailable to Ukraine throughout 2019. IMF approval is contingent on adoption of key bills, including a law on bank ownership, which would prevent former shareholders of nationalized banks from regaining ownership rights via court, as well as a law allowing the sale of agricultural land.

Overall, Ukraine has managed to build up some economic resilience over recent years but remains vulnerable to external factors. In addition to the global economic crisis, the conflict with Russia remains an ever-present concern. How much of the recent progress is saved will depend on the government's crisis management skills as well as efficient use of international loans.

Indicators	2012	2013	2014	2015	2016	2017	2018	2019
Real GDP Growth, %	0.2	0.0	(6.6)	(9.8)	2.4	2.5	3.3	3.2
Inflation End of Year, %	(0.2)	0.5	24.9	43.3	12.4	13.7	9.8	4.1
Average Exchange Rate, USD	8.0	8.0	11.9	21.8	25.6	26.6	27.2	25.8
Current Account Balance, % of GDP	(8.1)	(9.0)	(3.4)	1.8	(1.4)	(1.9)	(3.4)	(0.9)
External Debt (USD billions)	134.6	142.1	126.3	118.7	113.5	116.6	114.7	121.7
FDI (USD billions, net)	7.2	4.1	0.3	3.0	3.3	2.2	2.4	2.4

Sources: International Monetary Fund, National Bank of Ukraine, State Statistics Service of Ukraine





The background is a deep purple color, overlaid with a close-up photograph of a bunch of grapes. A white outline of the country of Moldova is superimposed on the image, following its geographical shape. The text is positioned in the lower right quadrant.

Moldova

Key figures 2019



The Moldovan economy remained stable in 2019, building on the successful policy of previous years. Despite increased political instability, GDP growth remained positive at 3.6%, just under the 4.0% growth of 2018. The trend is expected to continue in 2020, with 3.8% projected GDP increase given continued progress on the reform agenda and effective response to fiscal pressures. However, the global economic crisis may bring a moderate negative impact.

The stable GDP dynamic was fueled by public spending as well as household consumption and a moderate growth in export performance. Retail trade also grew by 5.7% YoY, capitalizing on the increasing domestic demand. On the supply side, construction (+15.9% growth YoY) and telecommunication services (+9.2% growth YoY) expanded while agriculture contracted by 2.3% YoY.

The export sector demonstrated moderate growth, increasing by 2.7% in physical volume. Despite a slight decrease by 1.7% YoY in exports to the European Union, the country managed to retain a strong growth trend with Spain (+49.2% YoY), Hungary (+35.2% YoY), Bulgaria (+30% YoY), Poland (+15.3 % YoY), Germany (+11.8% YoY). Trade with Russia also grew by 14.3% YoY.

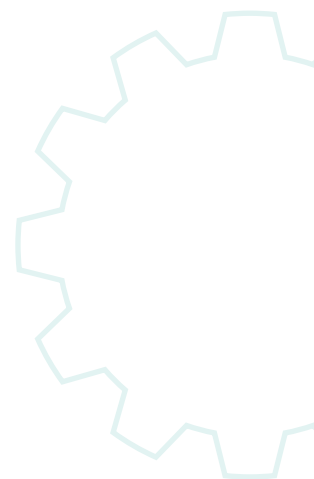
The National Bank of Moldova has continued the policy of decreasing the base rate, reaching 5.5% by the end of 2019. This had a favorable impact on interest rates on overnight loans and deposits, decreasing to 8.5% and 2.5%, respectively. The average share of non-performing loans decreased to 8.5% versus 12.5% in 2018.

Cooperation with international financial institutions remains one of the highest priorities for Moldova's macroeconomic stability. In September 2019, the IMF Executive Board approved a \$46.1 million disbursement under the outstanding the Extended Credit Facility and Extended Fund Facility arrangements. This bolstered the country's international reserves to 3.1 billion Moldovan Leu. The resumption of the external financial assistance in the fall of 2019, in parallel with the under-execution of investment expenses helped maintain budget deficit at \$179.3 million, which is within the limits established by national legislation.

Overall, Moldova has managed to demonstrate stable growth but will require further effort to reform and diversify its economy. Possible EU economic slowdown in 2020 is likely to have further negative impact on Moldova's exports, while the continuous political uncertainty will remain an ongoing challenge for the country's economic and fiscal sustainability.

Indicators	2012	2013	2014	2015	2016	2017	2018	2019
Real GDP Growth, %	(0.7)	9.4	4.8	(0.4)	4.5	4.5	4.0	3.6
Inflation End of Year, %	4.1	5.2	4.7	13.6	2.4	7.3	0.9	7.5
Average Exchange Rate, USD	12.1	12.6	14.0	18.8	19.9	18.5	16.8	17.6
Current Account Balance, % of GDP	(7.5)	(6.1)	(7.1)	(7.2)	(4.2)	(7.6)	(9.9)	(9.7)

Sources: International Monetary Fund, National Bank of Moldova, National Bureau of Statistics of Moldova



usedavos



Ukraine House Davos
Organizing Committee



Export Promotion Policy Program

Since its establishment in 2015, the Export Promotion Policy Program has aimed to support export growth in Ukraine and Moldova by increasing engagement of small and medium enterprises. We quickly discovered that the single greatest asset for SME development is not funding or know-how, but partnerships developed in the process that determine success of exporters in the global marketplace.

In 2019, we focused more than ever on building partnerships with a wide variety of market players, from aspiring exporters to other donors and government agencies. All projects implemented by the Program throughout the year took place in cooperation with notable partners, who we hope will carry on the initiatives, retaining and multiplying their positive impact in the long term.

Building Export Capacity

Partnerships provide potential exporters with information about opportunities and success cases. Our Program's promotional campaign, **The Power of Opportunities** helped make information about global opportunities created by the EU-Ukraine Association Agreement available to a range of industries. Carried out in cooperation with the Office of the Vice-Prime-Minister for European and Euro-Atlantic Integration of Ukraine as well as the EU-funded Association4U project, the promotion selected and publicized ten success cases of Ukrainian exporters to the EU market. The partners provided specific expertise as well as access to public spaces to distribute information. As a result, nearly five million viewers throughout Ukraine learned about new export opportunities for renewable energy, pharmaceuticals, refrigeration equipment, food processing, furniture, apparel, and medical technology. Such public awareness is a first step to building support of European integration of Ukraine, as well as encouraging potential exporters to take greater advantage of new business opportunities.



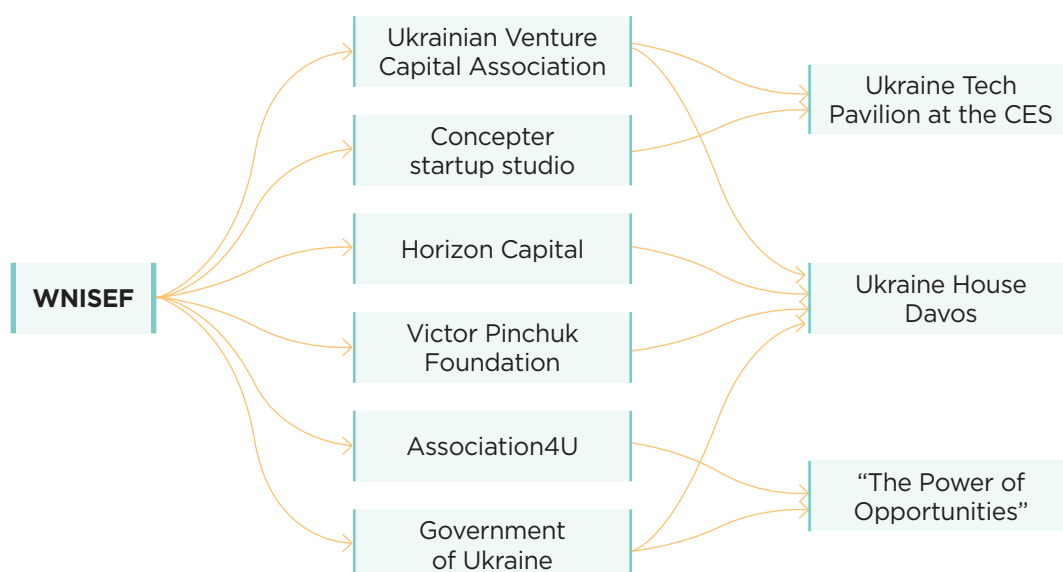
Second, partnerships also helped potential exporters learn skills and develop capacities needed to succeed in the global marketplace. In 2019, the Program continued its cooperation with the Ukrainian Venture Capital and Private Equity Association (UVCA) and Conceptor startup studio to support the **Ukraine Tech Pavilion** at the Consumer Electronics Show (CES) in Las Vegas — the world's largest and most influential technology event. UVCA and Conceptor rigorously selected high-tech participants based on criteria such as product innovation, scalability and global potential. They also organized and managed a coaching program to help selected companies prepare for and organize their participation at the CES. The eight selected Ukrainian high-tech start-ups generated interest among potential business partners at the show. Three of them — Nuka, Jollylook and Photon LMS — successfully launched Kickstarter crowdfunding campaigns to help bring their creative projects to life. Jollylook also concluded a sales contract with the multinational lifestyle retail corporation Urban Outfitters.

As important as individual successes are, they need to be scaled to provide true impact. Here once again partnerships show their value, as cooperation provides visibility and can help exporters' voices be heard at the international level. This is why, in 2019 for a second year in a row, WNISEF helped organize **Ukraine House Davos** — a week of panel discussions, cultural events and networking sessions taking place alongside the World Economic Forum. Over time, this project has grown from a pilot initiative to one of the most influen-

tial platforms for promoting Ukraine. Ukraine House is now a powerful investment brand, opening a window for new international sponsors and positioning Ukraine as a country of innovation, creativity and great opportunities. As a seed donor, we have also seen the number of its supporters grow, now including notable organizations such as the UVCA, Victor Pinchuk Foundation, Horizon Capital, UkraineInvest, Temerty Foundation, TIU Canada, MHP, Naftogaz/UFEOGI and many, many others. In 2019, Ukraine House Davos gathered more than seven thousand guests, 14 discussion panels and 64 speakers from nine countries, and generated over 100 hours of video content viewed by 113 thousand online viewers.

Building Partnerships for Export Growth

Throughout these successful efforts, our ultimate objective is to develop a broader network of support for Ukraine and Moldova. In 2019, we started to see WNISEF's partners such as UVCA, Conceptor, Victor Pinchuk Foundation, various government offices and others build direct connections, breaching traditional divides between private, public and non-profit sectors. We believe that by nurturing these ties, we can ensure positive economic impact in the region.



Next year, WNISEF will continue to focus on building and reinforcing this fledgling network. Although the **Export Promotion Office** and the **Investment Promotion Office** (UkraineInvest) previously supported by WNISEF are now GOU supported as of December 2019, there is still a need for additional capacity of private sector institutions for export promotion. We will also continue supporting international partnerships, such as Ukraine House Davos, to promote Ukraine as a reliable business partner and attractive investment destination.

In Moldova, we will maintain dialogue with leading government and market players to achieve similar results. While 2019 saw limited collaboration, we remain engaged and ready to implement new projects in the country in 2020.

Technovation iridescent
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PrOVE IT, 2019
Technovation Girls
Ukraine Winning Team

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Local Economic Development Program

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Throughout its 25 years of operation in Ukraine and Moldova, WNISEF discovered that the region is rich with new ideas and potential changemakers to implement them. What is often absent, however, is the capacity — knowledge or resources — to leave lasting impact. The Local Economic Development Program specifically aims to empower local leaders and activists to boost their communities' and countries' economic growth.

Expanding Capacity for Regional Cooperation

In 2019, the Program focused on three key areas of support: expanding capacity of potential changemakers through education, empowering local activists to implement high-impact projects, and growing partnerships to ensure long-term sustainability of WNISEF projects.

One of our key projects to expand local capacity for change through education is **Technovation Challenge**. The third season of Technovation in Ukraine continued to encourage schoolgirls to explore IT as an occupation, and to use newly acquired skills to build a mobile app addressing specific challenges in their local communities. Through the years, the number of participants has continued to grow; in 2019, 250 participants from 21 cities and towns registered for the Challenge, with eight teams reaching the global semi-finals. With WNISEF support, the winner of the Regional Pitch in Kyiv PrOVE IT from Zaporizhia participated at the Global Pitch in the Silicon Valley.

WNISEF involvement with Technovation Challenge benefitted from several partners and donors supporting the project. For all three seasons, a team of dedicated mentors from Peace Corps Ukraine helped promote girls' leadership in rural areas as well as build capacity of Ukrainian teachers to assist Challenge participants. The 1991 and YEP Incubators provided additional training and advice to improve their apps and gain valuable knowledge in the process. WNISEF also brought Ukrainian and international IT companies (Microsoft,



**DREAMactions
Workshop
on Waste
Management,
Kyiv, 2019** ©
*Photo courtesy
of Margo
Didichenko*



**Promprylad.
Renovation
Fundraising
Event, Ivano-
Frankivsk, 2019**

From left to right:
Svitlana Nemesh,
Advisor to
Kyiv City State
Administration,
Deputy Head
Petro Panteleiev,
Yuriy Filyuk,
Co-Founder of
Teple Misto,
Iryna Ozymok,
LEDP Manager,
and
Roman Waschuk,
Ambassador
of Canada to
Ukraine (2014-
2019)

Apriorit and Miratech) to demonstrate professional opportunities to the girls. Finally, UN WOMEN in Ukraine joined our efforts in promoting the challenge

Another long-running WNISEF project is **DREAMactions**, a small grant competition for urban transformation projects. In 2019, the project focused specifically on amalgamated communities, a new pillar of decentralization reform in Ukraine. Over 200 applications from 23 regions yielded five winners, four of whom received a UAH 100,000 grant for project implementation. The fifth grant financed a seminar on solid waste management in Kyiv, with all 21 applicants invited to attend. Representatives of organizations like Dostupno.UA (Ukrainian NGO promoting inclusiveness), Go Global (Initiative promoting foreign languages), Interesnyi Kyiv (tourism platform) and Osvitoria (NGO promoting education reform) became mentors and partners of the local projects to share advanced tools and experience and ensure maximum impact.

Some activists have a clear project idea but lack capacity to implement it at the required scale. In such cases, WNISEF helps secure funding and connections needed to make them a reality. One such project is **Promprylad.Renovation**, an urban redevelopment project to transform an abandoned factory in central Ivano-Frankivsk. With the leadership of Yurko Fylyuk and a team of local activists, the giant Soviet-era factory that previously produced gas meters was reborn as a creative cluster with modern facilities for IT businesses, local entrepreneurs, spaces for kids, art, and event area.

Although Promprylad's success speaks for itself, WNISEF helped elevate the project from a regional to national level and promoted it as a model to be replicated in other Ukrainian cities facing similar urban development challenges. WNISEF co-organized two fundraising events for the project, securing \$800,000 and \$1,000,000 in investment for the project. Our efforts also helped elevate Promprylad with new donors and partners joining the initiative from not only private businesses but also government offices, such as the Investment Department of the Ivano-Frankivsk City Council which moved into the renovated building after completion to showcase openness and reliability of partnership between investors and local officials.

Launch of New School Menu Program, Kyiv, 2019



In another project, WNISEF empowered local activists for meaningful change by providing them with needed access to key decision-makers. **The New School Menu** project, initiated and driven by celebrity Chef Yevhen Klopotenko, sought to modernize Ukraine's public-school menu to promote healthy living and nutrition education. With WNISEF's support, Klopotenko reached mayors and school officials in 11 regional meetings and secured their support for the project. After showing videotaped presentations of 110 recipes and publishing the second edition of the Klopotenko's school recipe book, over 2,500 schools throughout Ukraine adopted the new menu. The statistics speak for themselves: Klopotenko's New School Menu helped increase the proportion of Ukrainian students eating at school canteens from 29% to



Investment Talks Event, Ivano-Frankivsk, 2019



47-60% nationwide. In addition, after public endorsement by the First Lady of Ukraine as well as TV and media support, public interest and engagement in the project continues to grow.

WNISEF's goal is to not only promote positive changes in all Ukraine regions, but also ensure their capacity for long-term development. One significant avenue to support sustainability is to encourage co-financing by other donors. In 2019, with the Investment Promotion Office (UkraineInvest), WNISEF co-organized **Investment Talks** in Ivano-Frankivsk, Khmelnytsky and Mariupol. This joint event helped assess investment potential in the respective regions with discussions of main challenges with business leaders and local officials to promote the cities as attractive investment destinations. The Talks also helped establish local partnerships between the Investment Promotion Office and local leadership and encouraged the latter to commit to developing their cities' investment attractiveness.

WNISEF's Local Economic Development Program has had particular success in not only supporting individuals and groups with the potential for change, but also in building their capacity for long-term growth through mutual partnership. WNISEF helped establish productive connections across various communities, from local activists to government agencies to international donors and beyond. The synergy between these partners will help generate lasting impact and strengthen the ecosystems within which they operate.

Next year, the Program will aim to increase the number of projects and bring together more partners, including business, international organizations and government institutions. We also plan to organize a fourth International Mayors Summit, this time dedicated to infrastructure, which was delayed in 2019 due to the double Presidential and Parliamentary Elections. As we continue to expand our scope and reach, we hope that positive changes brought by the Program will gradually become irreversible.



Smachni
Spravy Staff



Impact Investing Program

From the outset, WNISEF's Impact Investing Program aimed to support businesses with the courage to address social and environmental challenges facing Ukraine and Moldova. We selected the most promising businesses with an appetite for qualitative changes and provided the financial capacity to tackle larger and more complex social issues. Over time, we also became a trustworthy partner in the design of their business plans to help them succeed. As the businesses grow, so does their ability to leave a tangible impact and encourage others to follow suit.

Funding Capacity for Social Value

This year, the Program demonstrated its efficiency. Since its launch, Impact Investing Program provided 20 low-interest loans for a total of over \$850,000. As of 2019, program participants' social investments exceeded UAH 24,624,941 (\$947,113), far outstripping the amount provided. Moreover, a majority of participants have either repaid or are on their way to repaying their loans, which allows the Program to make new investments.

In 2019, two new loan recipients were selected for a total of almost \$162,000. One of them is **Smachni Spravy** (Ukr. — “Tasty Business”), a company based in Brovary, Kyiv region producing a variety of meat products such as uncooked delicacies, dried jerky meat, sausages and smoked meats. Over 50% of the company's staff are internally displaced persons (IDPs). Moreover, the company donates a portion of its profits to provide accommodation and catering for IDPs.

A second recipient in 2019 was a repeat participant of the Program. **UTOS Dnipro**, a railway materials production plant managed by the Ukrainian Society for the Blind, successfully repaid its first loan issued in 2017 and qualified for a second loan to expand production capacity. With WNISEF funding, new products will include not only railway connectors, but also drywall profiles and tactile pavements. While Ukraine used to have numerous facilities aimed at providing employment opportunities to people with disabilities, UTOS Dni-



Dnipro UTOS
Staff



pro remains one of the few that strives not only to maintain production, but also increase and modernize it. By developing as a competitive business, the company is able to improve working conditions for its employees as well as provide comprehensive assistance for the blind and visually impaired.

WNISEF intends to leave an impact beyond immediate business development for loan recipients. Over time, the Program's added value is becoming apparent from the partnerships built around it. We are proud of our productive relations with partnering banks that remain strong despite the challenges. In 2019, we faced a loan default that resulted in partial loss of the pledge deposit — the first since the Program's establishment. Together with our partners, we updated the selection procedure and revised the lending mechanism from the ground up to help prevent such instances in the future.

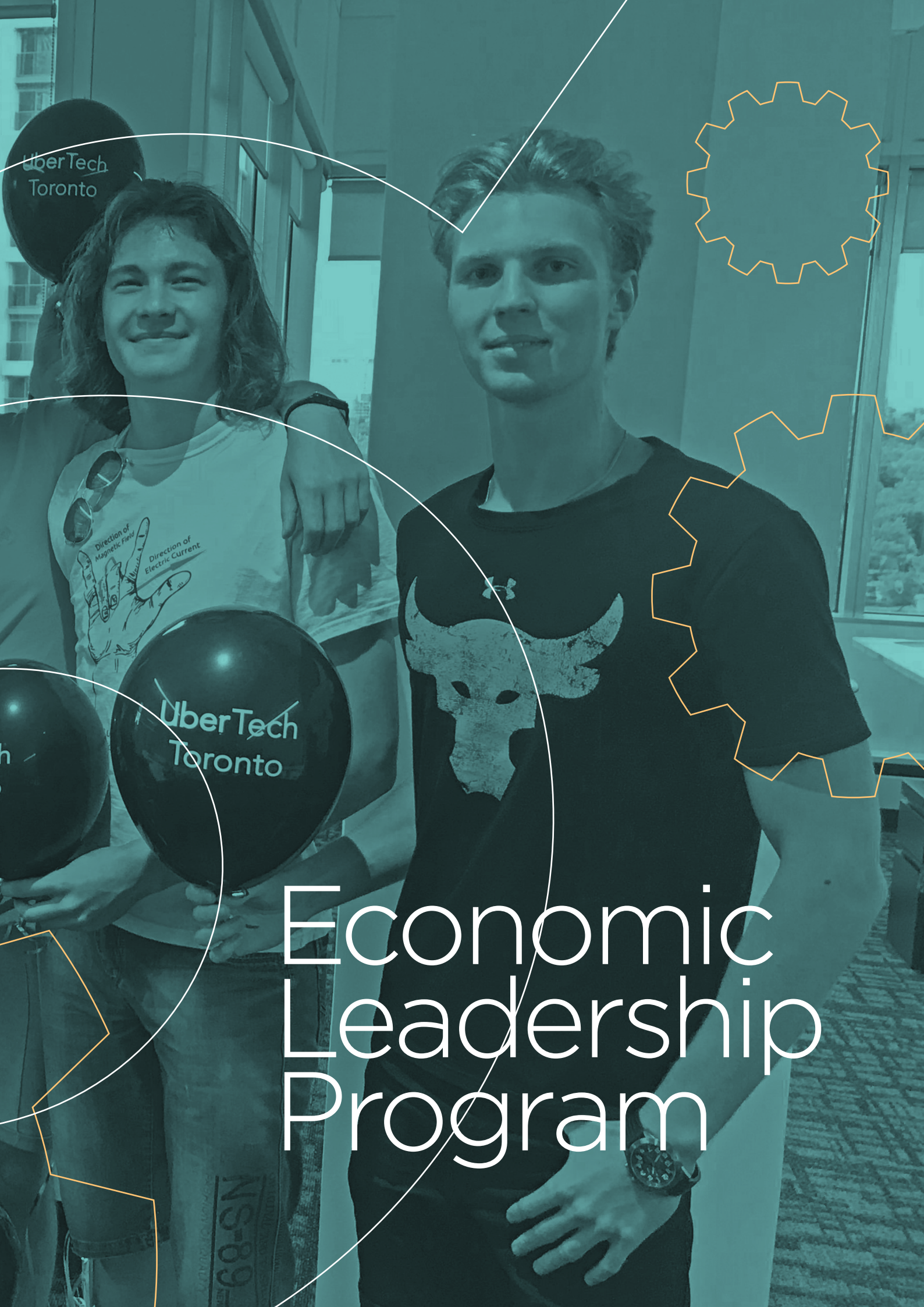
We also are determined to expand the Program's reach to ensure its long-term impact. Since 2015, WNISEF's Impact Investing Program established a national reputation as the major donor and management force in this area. This is why in 2019, at the request of SILab Ukraine, School of ME and ChildFund Deutschland, WNISEF joined the founding of the **Ukrainian Social Venture Fund**. The new organization will raise additional funds, thereby increasing the capacity to provide support to a growing number of applications from social enterprises, ensure a more rigorous selection process as well as help connect social enterprises for knowledge-sharing and further partnership. With the Fund's creation, we are a step closer to a self-sustaining social entrepreneurship system in Ukraine and Moldova.

In 2020, the Program will focus on reinforcing its achievements and expanding its reach. In addition to continued financial support for social enterprises using revolving funds, we will build upon existing partnerships to engage new donors and locate other external sources of funding. The Ukrainian Social Venture Fund will bolster our core idea to create a level playing field for social enterprises in Ukraine so that they can compete on equal terms with other businesses.





Mitacs Globalink
Research Internship 2019
Program Participants
from Ukraine



Economic Leadership Program

Leadership is an integral element of growth because talented people are needed for positive change. WNISEF invests in such people by providing access to the world's best education and experience. The result is a new generation of leaders in Ukraine with both motivation and capacity to change their country.

The Economic Leadership Program is organized as a system of trainings, mentoring sessions, internships, fellowships and other programs that help develop economic, business and leadership capacity of young professionals. The Program also helps connect its alumni with global talent into a devoted professional community linked by common values and a shared responsibility to improve the lives of people around them. As the number of the Program's alumni grows with each year, so does its impact.

Building Leadership Capacity



Kateryna Bondar, Coordinator of social reform at the Ministry of Finance of Ukraine,
Artem Romanyukov, Anti-corruption activist with Civil Control Platform,
Pavel Vrzheshch, Co-founder and creative director of Banda Agency leading a project to improve government communications,
Oleksandr Akymenko, Co-founder and Advisor of the Ukrainian Emerging Leaders Program,
Kateryna Akymenko, Advisor of the Ukrainian Emerging Leaders Program

Every year, Stanford University's **Ukrainian Emerging Leaders Program** offers a group of fellows from Ukraine an opportunity to study for an academic year at one of the world's leading research institutions. The fellows are selected carefully among policy-makers, legal professionals, entrepreneurs, and leaders of civil society organizations with a proven track record to develop their leadership skills and expand their international network. The newly acquired knowledge and connections help expand the impact of the Program's alumni when they return to Ukraine as leaders in their respective fields.

In 2019, three new fellows were selected out of the 182 applicants for the 2019-20 Program for their prior contributions to Ukraine's political, economic and social development.

The Program's alumni have left a footprint. For example, Olexandra Matviichuk of the 2017-2018 cohort played an instrumental role in the campaign to release Oleh Sentsov and other political prisoners imprisoned by Russia. Nataliya Mykolska of the 2018-2019 cohort is serving as a strategic advisor for several initiatives, including Trade+, Tech Ukraine, SheExports, and Ukrhydroenergo.

A number of alumni have also actively engaged in politics and public administration following the presidential election in Ukraine. The Program's alumni now include Deputy minister for Economic Development, Trade and Agriculture Dmytro Romanovych; Dep-

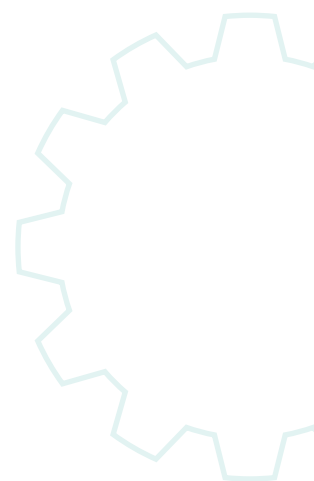
uty Head of the National Agency for Corruption Prevention Olexandr Starodubtsev; and Member of Parliament with the Golos party Oleksandra Ustinova. Within two short years, the Program has produced a lineup of top-level leaders whose work will impact the lives of millions of Ukrainians. This would not be possible without strong support from multiple donors, including Ukrainian philanthropic family foundations and businesses such as the Astem Foundation (Rustem Umerov), Believe in Yourself Foundation (Victor and Iryna Ivanchyk), Liudy Maybutnoho (Svyatoslav Vakarchuk), Dragon Capital (Tomas Fiala) and MacPaw (Oleksandr Kosovan).

The Ukrainian Emerging Leaders Program will continue operation under the same model, empowering top Ukrainian leaders to transform their country for the better.

Since 2015, the **Seed Grant** program has been a leading provider of scholarships for young professionals from Ukraine and Moldova. The Program gives talented individuals from these countries an opportunity to pursue advanced knowledge, abilities and leadership skills through studies at top US and other western educational institutions. These professionals are required to return to their countries to fill the high demand for leaders who can facilitate democratic development and economic modernization. Those unable or unwilling to return are required to repay the cost of the scholarship.

Since the program's launch in 2015, Seed Grant has administered 45 scholarships totaling over \$4.2 million of WNISEF support; returned 28 graduates to home countries, with 9 people continuing studies in the US; had 8 full scholarships repaid with interest within an agreed timeframe; issued 2 additional grants to Ukrainian citizens to pursue business education at Stanford University and Northwestern University.

Seed Grant alumni are leading changes in their respective industries.





**Olga
Ionel**

Upon graduating Carnegie Mellon’s Tepper School of Business, Olga returned to Chisinau and currently works as the Marketing Manager at Rozetka, the leading Ukrainian e-commerce company in Moldova. Olga leads the customer-centric marketing programs and implements marketing campaigns.



**Yelyzaveta
Yasko**

Having graduated Oxford’s Master of Public Policy program, Yelyzaveta was elected a Member of Parliament in 2019 representing the ruling Sluha Narodu party. She currently serves as the Head of Ukraine’s delegation to the Parliamentary Assembly of the Council of Europe, member of the Parliament’s Foreign Affairs Committee, as well as the Head for interparliamentary cooperation, bilateral and multi-lateral relations.



**Andriy
Kamenetsky**

Andriy rejoined Credit Agricole in 2017 after completing his MBA at UCLA Anderson School of Management. As the Head of Commercial Division, Andriy helped bolster the bank’s presence in the commercial lending market. In February 2020, he moved to Microsoft, where he serves as the Account Executive for Ukraine, Azerbaijan, Belarus and Georgia.



**Constantine
Lukianets**

Constantine graduated the Yale School of Management in 2018 and currently serves as the CTO and Co-founder of Sfumato, a financial technology startup. Alongside his role at Sfumato, Constantine is a Senior Consultant at EPAM specializing in digital transformation and strategy for Ukrainian technology firms.



**Marta
Basystiuk**

After completing her LLM at the University of Pennsylvania in 2018, Marta returned to Kyiv to serve as a Legal Expert working on establishment of the High Anti-Corruption Court of Ukraine (HACC). After this project, Marta moved to a new senior role at the Council of Europe, where she manages judicial projects aimed at supporting Ukrainian institutions in developing long-lasting systems, procedures and capacities for the execution of judgments of the European Court of Human Rights (ECHR).

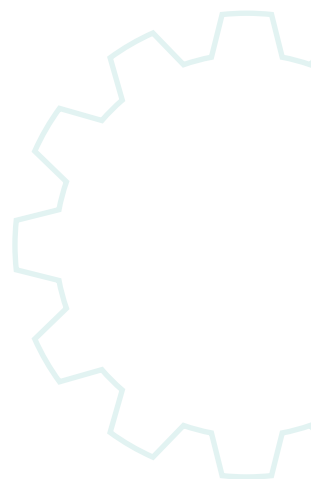
Note: As of 2020, the Seed Grant program is suspended until the Ukrainian market demand for additional MBAs increases.

Mitacs Globalink Research Internship Program

Mitacs Globalink Research Internship Program is a competitive Canadian program for international undergraduates from Australia, Brazil, China, France, Germany, Hong Kong, India, Mexico, Tunisia, United Kingdom, and Ukraine. Ukraine was included on this list in 2017 thanks to the efforts of WNISEF.

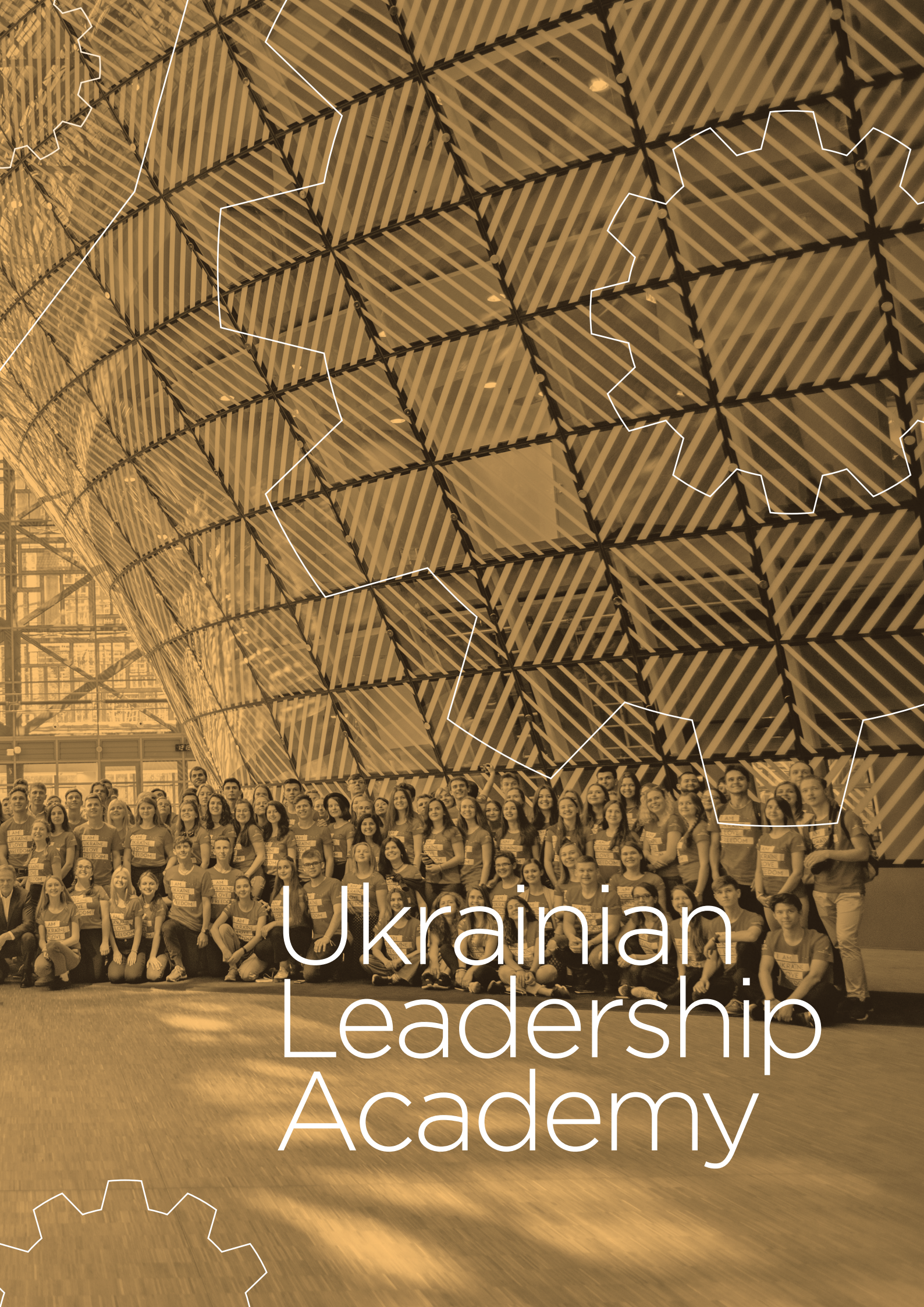
From May to October of each year, top-ranked third year Ukrainian university students participate in a 12-week research internship under the supervision of Canadian university faculty members in a variety of academic disciplines including life sciences, physical and earth sciences, computer and mathematical sciences, biology, chemistry, physics, engineering to social sciences, art and humanities. In 2019, the program received 536 applications from 154 universities across Ukraine, resulting in enrollment of 80 students.

One of WNISEF's significant achievement in 2019 was brokering a partnership agreement between Mitacs and Ukraine's Ministry of Education and Science. The agreement signals official recognition of Mitacs by the Ukrainian side, with the Ministry replacing WNISEF as the Program's local partner. The Program received a \$3M CAD budget for 2020-2022, with \$2M provided by the Government of Canada and \$1M by the Government of Ukraine.





Ukrainian Leadership
Academy Students and
Team at the Expedition
to the EU, Brussels, 2019

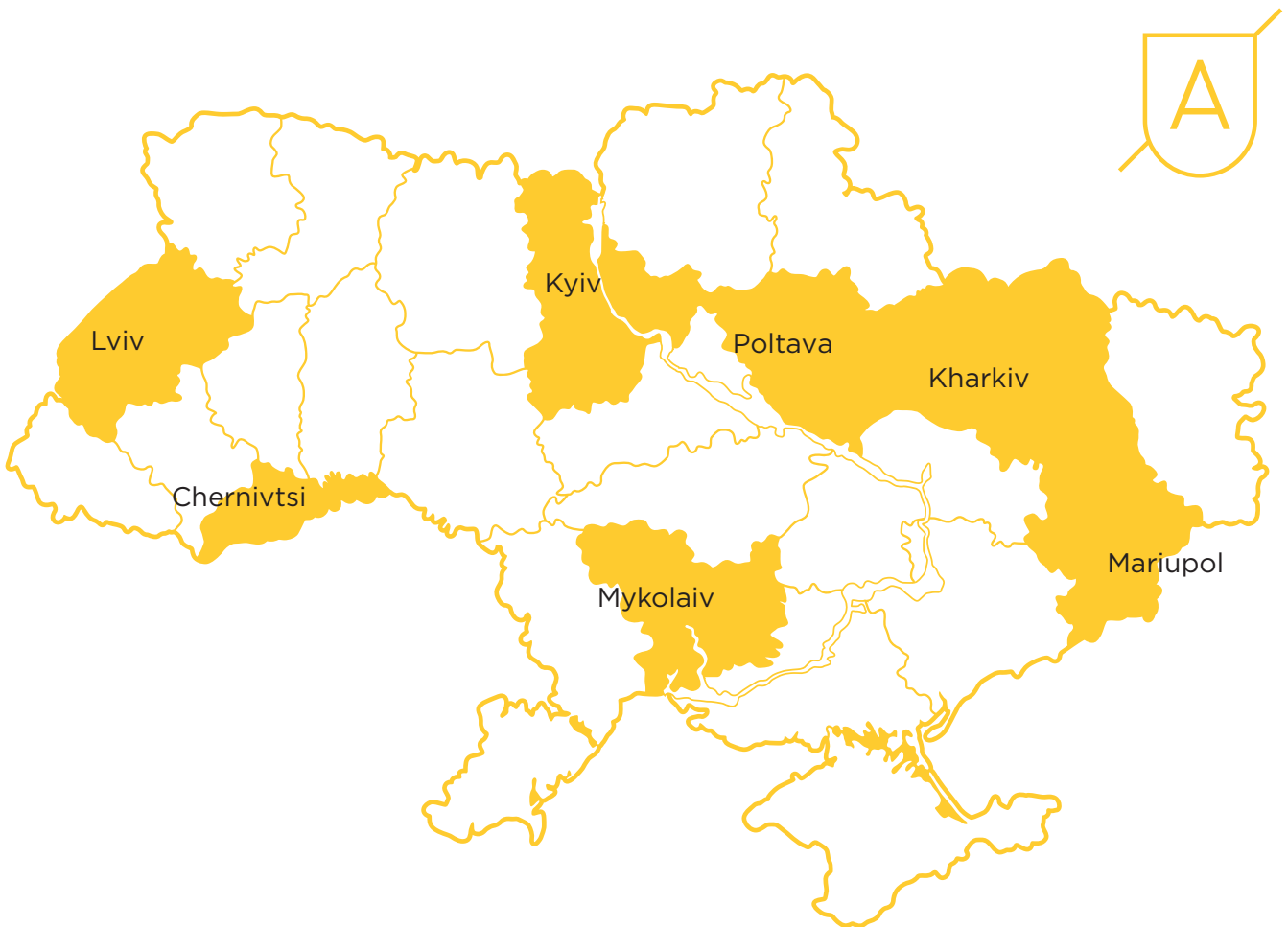


Ukrainian Leadership Academy

Quality leadership is one of the primary resources in a country's economic development. The Ukrainian Leadership Academy (ULA) aims to build this resource in Ukraine by nurturing a new generation of young Ukrainian leaders. The country now has nearly a thousand ULA-trained young men and women with the knowledge and skills necessary to take on the responsibility for crafting Ukraine's future successes, and although now in college, these students are already integrated in a nationwide network with external partnerships, ranging from media and NGOs to national and international government officials.

Building Capacity for Leadership

ULA's success lies in its comprehensive approach, focusing on the balanced development of physical, emotional and intellectual skills. All activities are grounded in the program's core values to ensure that the students of today become the national leaders of tomorrow. The 10-month program targets recent secondary school graduates between 16 and 20 years in a network of seven regional branches in Kyiv, Lviv, Mykolaiv, Poltava, Kharkiv, Chernivtsi and Mariupol.





Ukrainian Leadership Academy Students and Team at the Expedition to the EU, Brussels, 2019

At ULA, students learn to respect their local communities and take responsibility for their development. They are taught how to initiate transformative change at the grassroots level and showcase the positive impact a handful of motivated activists can have on the people and organizations around them. Since its founding, the Academy has scaled up its curriculum and increased its activities every year, moving from quality to quantity and demonstrating impressive results.

In 2019, 263 new students representing all Ukrainian regions were selected from a pool of 3,419 applicants to participate at one of ULA's seven campuses. Each ULA campus of 40 students represented the country's regional diversity by assigning students to a campus outside their home oblast. During the 10-month year, ULA students participated in six education and development programs in seven cities, 55 national or regional projects impacting over 70,000 people and three youth forums involving 1,500 young people from around the country.

Dimensions of Leadership Training

ULA students have an opportunity to learn and exhibit leadership in a variety of settings from volunteering in local communities, to devising a strategy for the country's development with national experts advocating Ukraine's interests at the international level.

ULA students learn to exhibit leadership in a broad variety of formats and settings, so they see firsthand the impact a small group of dedicated individuals can have on their community and country.

Community leadership

The importance of stepping forward to help your own community is one of the first things taught to the ULA students. In 2019, the Academy's students donated over 44,000 hours working on 55 community projects. In addition, students in Kyiv and Poltava implemented the **Healthy Nation Program**, a series of events to promote sports and healthy living.

Youth leadership

ULA students also learned the importance of sharing newfound knowledge with their peers. In 2019, the ULA organized a series of educational projects for young people from throughout Ukraine to improve their capacity for change. **Community Builder** trained over 100 young people from rural areas how to manage projects, improve local communities and build partnerships between communities, businesses, and authorities. In partnership with the Ministry of Youth and Sports, USAID, the Secretariat of the Cabinet of Ministers and UNICEF, **State Builder** provided personal and professional development opportunities for over 550 young people, encouraging them to seek careers in government bodies at all levels. **Leadership Community BOOM** saw ULA students share their experiences with other students, helping them pursue comprehensive development the Academy is known for.

Cultural leadership

Respect for Ukrainian culture is one of ULA's core values. Every year, the Academy's students organize and participate in public events that seek to encourage this appreciation to a broader audience.

ULA students participated in activities commemorating historical events vital for Ukraine's national identity. In 2019, ULA organized **UNCOUNTED**, a public campaign aimed at commemorating Holodomor and the millions of nameless victims who remained unknown and uncounted. In seven cities around Ukraine, students organized food points labeled "Uncounted Since 1932", serving dishes typical of the artificial famine era. Another series of events took place under the title **Remember Maidan**, encouraging youth to learn more about the Revolution of Dignity by meeting its participants, attending movie screenings and sharing personal experiences of those events.

This also includes festive events, like traditional Christmas caroling in Eastern Ukraine to help uphold Ukrainian traditions; or St. Nicholas Workshops — workshops on traditional creative activities to help prepare gifts for children from low-income families.

Cross-generation leadership

ULA also focuses on applying ULA values beyond their age group, bringing together generations in building a better life for their country. One such program, **BOOMERANG** is a platform for cooperation between youth and elderly people. ULA campuses throughout the country offer a variety of educational and entertainment events for retired people, including a live library, volunteering, sports, dancing, cultural events, story-telling, computer and English classes, with an outreach to over 200 people.



In cooperation with the Ministry of Education and Science of Ukraine, ULA has also created a **Liberal Arts Program for Teachers**; a pedagogical platform for meeting, co-operation, and discussion among opinion leaders, public figures and teachers, with nationwide reach. In 2019, 700 Ukrainian teachers participated.

Intellectual leadership

ULA students also take a lead in addressing the country's development despite their young age. In 2019, discussions organized by ULA students were held throughout the country. **Leadership Community BOOM** project focused on youth soft skills development and peer to peer learning and culminated in a youth forum in Kyiv for over 500 people. **Wise Youth** series of forums on responsible leadership in Mykolaiv, Lviv and Chernivtsi reached over 1,000 participants, teaching practical skills of working effectively with local communities by helping local NGOs and volunteering organizations. Youth forum **Every Tomorrow Starts Today** focused on entrepreneurship, national security and defense, science, healthcare and education and brought together over 500 young people in Mariupol to discuss and develop strategic quick wins for Ukraine. As a result, the participants with the help of top national experts developed a **2030 Strategy for Ukraine**, which was presented to the President.

International leadership

ULA also teaches its students to act not only as local community leaders, but also as grassroots ambassadors for Ukraine. In 2019, ULA in partnership with the Cabinet of Ministers of Ukraine, Dragon Capital and Astarta Kyiv organized international expeditions, giving its students the opportunity to promote Ukraine's interests on a global scale. The 10-day leadership mission to the EU took place under the motto, **I am Ukraine! I love freedom** with over 80 meetings in seven countries, including meetings with Donald Tusk, President of European Council; Bart Somers, Mayor of Mechelen; and Mykola Tochytskyi, Ambassador of Ukraine to the Kingdom of Belgium. As part of the mission the students also organized a campaign demanding the release of Ukrainian film director and political prisoner Oleg Sentsov. The public performances empha-

sized to Europeans that Ukrainian prisoners are still being captured by the Russian Federation, and that the pressure on the aggressor should remain strong until all of them are free.

Another expedition to Israel gave students the opportunity to learn about Israel's success and apply that experience to Ukraine. Students spent four days learning about Israeli national identity, community development, agriculture, startups, and informal education.

ULA's Partnerships

ULA's future leaders are encouraged to build partnerships with local, national and international stakeholders. Such partnerships expand the reach and reinforce the impact of ULA's work. As the Academy's partnership network continues to grow, so does its capacity for positive change.

The growing partnership network also helps ensure ULA's long-term sustainability. In 2019, we successfully raised over \$980,000 from state, public and private sources — a record sum covering 35% of the Academy's costs (compared to 15% in 2018). Notable donors include the Cabinet of Ministers of Ukraine with around \$550,000 in state funding for leadership development activities and events; USAID, with \$384,000 for operational costs of the new ULA branch in Mariupol; and many others. Private donors also support the Academy; in 2019, Ugears, a world-famous Ukrainian company producing mechanical wooden puzzles pledged 1% of all its profits to ULA support.



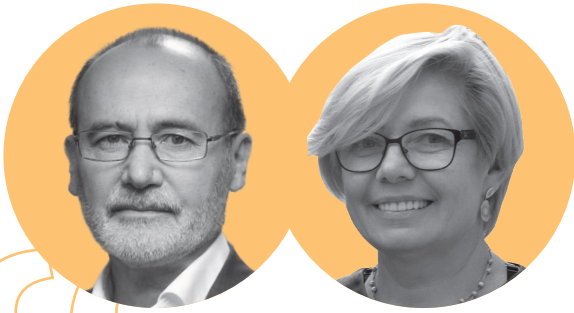
Leadership is not what a person is born with, it is what he or she nurtures if he or she has an ambitious goal. ULA is not just a ten-month program. It is a space of like-minded people and friends who stay for life.

Susan Fritz,
Regional Mission Director
to Ukraine and Belarus, USAID



The Ukrainian Leadership Academy is the right tool for transforming the people's consciousness to recognize that, "If it's good for Ukraine, then it's good for me". I believe that with the contribution of creative, energetic and responsible ULA students, all changes in Mykolaiv will be successful.

Oleksandr Senkevych,
Mayor of Mykolaiv



It is extremely important that young people believe in themselves and take responsibility for the country – only then will it be transformed. That’s why we gladly initiated and supported the opening of the ULA branch in Poltava region. We firmly believe that thanks to the experience gained at ULA, these young people will build a new, better Ukraine.

Victor Ivanchyk,
entrepreneur, CEO and co-owner
of Astarta-Kyiv agro-industrial holding
Iryna Ivanchyk, Chairman of the
Foundation "Believe in Yourself"



We want to invest in the development of Ukrainian youth and support capable organizations that develop leadership and entrepreneurial skills among young people.

Tomas Fiala,
CEO of Dragon Capital

In 2019 ULA expanded its partnership network by co-founding National Ukrainian Youth Association (NUMO), partnering with Ukraine’s largest youth organizations, such as All-Ukrainian Youth NGO "Foundation of Regional Initiatives" (FRI), NGO All-Ukrainian Youth Movement "National Alliance", "Youth Nationalist Congress" (MNC), Ukrainian Association of Students, the Plast National Scout Organization of Ukraine (PLAST), Union of Representatives of the Civil Society Association of Youth Centers of Ukraine, and the Ukrainian Youth Association (CYM). In the future, NUMO will allow students and activists from around the country to unite efforts in advocating youth development and policymaking, including a new law on youth in Ukraine.

Internationally, WNISEF executives Jaroslawa Johnson, Lenna Koszarny, and ULA Director Roman Tychkivskyy participated in the Ukraine Reform Conference in Toronto which helped expand the network of ULA partners among the Ukrainian diaspora of North America.

As ULA strives to achieve an ever bigger impact, it requires increasing support and cooperation from local and national authorities. The year 2019 brought additional challenges as double elections produced significant change, and with it the need to re-establish many partnerships to ensure the Academy’s sustainability.

In 2020, ULA will continue its efforts to expand and reinforce its partnership network to ensure stability of operation. Moreover, the Academy will focus more on engaging its network of alumni and scaling activities for youth by implementing short term programs and events.



Tech Ecosystem Guide
to Ukraine Presentation,
Kyiv, 2019



Follow us @unit.city
Tag us @unitcity

U.Ventures

WNISEF established U.Ventures in 2017 to support early stage technology startups in Ukraine and Moldova. Beyond funding, U.Ventures strives to create a community of startup teams passionate about technology and innovation to augment their capacity for evolution and growth.

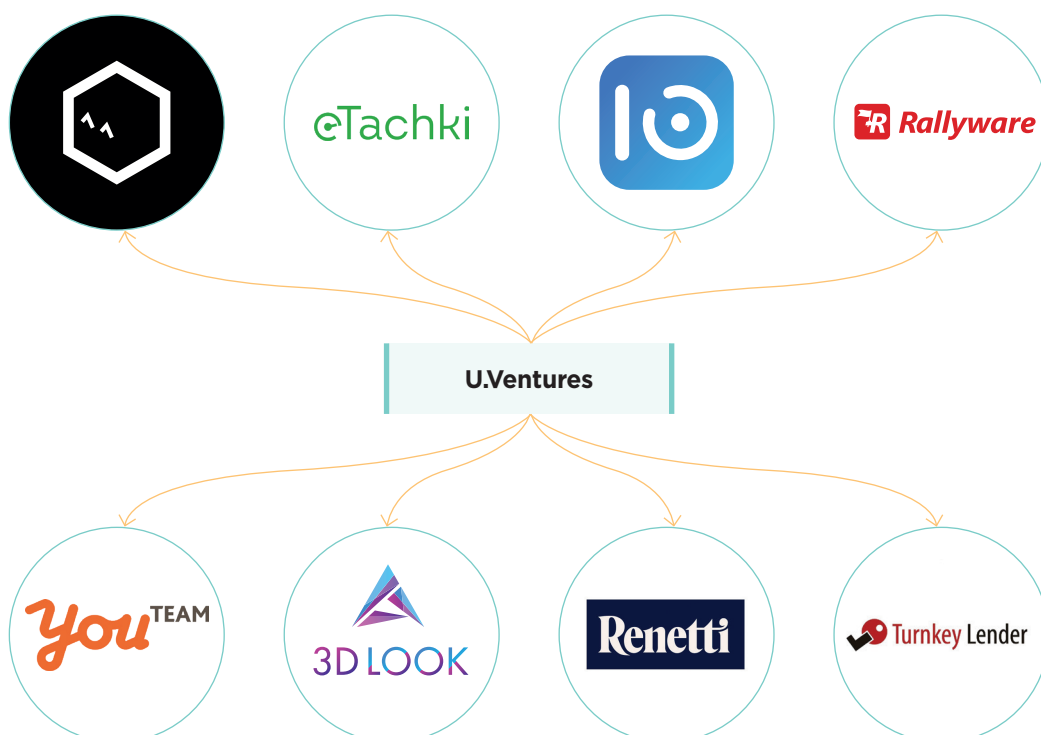
In 2019, U.Ventures continued to show impressive financial and business development results. Cumulative revenue of the fund's portfolio companies reached \$37 million — a 40% year-on-year increase. The companies' products and services reached 350,000 customers from over 90 countries globally.

Investing in Innovation Capacity

The Fund stayed true to its commitment to locally develop global products and contribute to economic progress in Ukraine and Moldova. Over 80% of the portfolio companies' 420 employees are based locally. This approach helps retain the best professionals in the region while growing a community of innovators and expanding their capacity for positive change.

The value of this technology startup community should not be understated. We are not only investing into the most creative and progressive ideas on the market, we also are connecting the people behind these ideas. This is particularly valuable as some of our portfolio companies are transforming from Seed stage to Series A and beyond. At different points in their growth, companies need to locate proper avenues of managing transition status as well as increasing the number of global customers and employees. Thanks to the emerging community, they can share knowledge and learn from each other's experiences to find effective and innovative solutions to their shared challenges.

WNISEF's Portfolio — U.Ventures in 2019

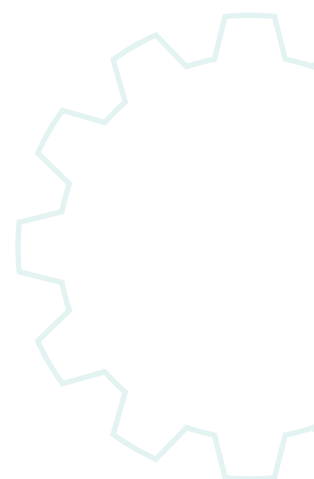




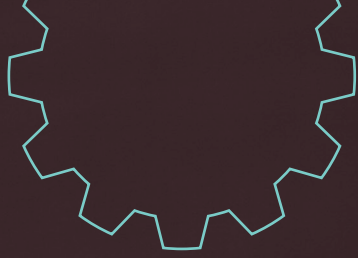
New investment 2019: Turnkey Lender

In 2019, WNISEF invested \$250,000 in Turnkey Lender, a fast-growing Ukrainian tech company specializing in development of cloud-based lending software for evaluating borrowers, decision-making support, and online-lending process automation. Its co-founders, Olena Ionenko and Dmytro Voronenko demonstrated early on their efficient and innovative approach, successfully expanding global coverage to 30 countries. They embody the qualities U.Ventures seeks in potential partners: innovative, driven to make a positive impact for the people around them.

While working with companies based in Ukraine's regions, we have realized their tremendous untapped potential. Next year we are ready to expand our investment initiative with Ivano-Frankivsk, Kharkiv, Lviv and Odesa as the priority targets. One of our first steps will be to engage and empower local start-up communities to unlock opportunities for all our portfolio companies. We will also seek out local organizations promoting competitive entrepreneurship and technology innovation to establish mutually beneficial partnerships.







Subsequent Events

Subsequent Events

We call attention to several events that occurred in Ukraine after the close of the 2019 calendar year which impacted and will continue to impact WNISEF's work in 2020.

After several months of presidential dissatisfaction with lack of accomplishment of the Cabinet of Ministers appointed in August 2019, Ukraine's Parliament accepted the resignation of Prime Minister Oleksiy Honcharuk at an emergency session on March 4, 2020, and approved the appointment of Denys Shmyhal as the Prime Minister of Ukraine and a new Government (GOU).

Upon assuming office, the new government dismantled UkraineInvest, a project funded by WNISEF's Export Promotion Policy Program, which was converted to a Ukrainian government agency with the 2019 budget, deleting its official webpage, terminating and replacing most of its staff with people less experienced in investments and creating an alternative agency under the presidential administration.

In March 2020, the COVID-19 pandemic and the ensuing global economic crisis which enveloped the world by March 2020 also impacted WNISEF's work. The quarantine in Ukraine began on March 11 which, in addition to closure of the WNISEF office, resulted in restructuring, cancellation or closure of various WNISEF projects for the foreseeable future.

Ukrainian Leadership Academy, a WNISEF Economic Leadership Program project, closed seven campuses on March 12, 2020 when all Ukrainian schools in Ukraine were ordered to close and students were dispatched to their homes. The GOU's unexpected closure of schools presented challenges and unanticipated expenses to ULA. Recognizing that one-third of the academic year would likely be conducted remotely, ULA management, staff of mentors and faculty quickly developed an online remote teaching program for the remainder of the 2020 academic year. The seven campuses did not reopen in June 2020 and the annual commencement was conducted online.

Uncertainty continues as to what ULA will do in the fall term. Because of the economic crisis concomitant with the pandemic, local business support of certain campuses has waned and unless alternative financial support is located, several campuses may have to be closed. Furthermore, because of a severe budget shortfall arising from the quarantine, the GOU's decision not to renew funding for ULA will further limit several ULA programs.

For the ULA 2020-2021 academic year, ULA staff is currently reviewing applications slowly in light of financial uncertainty about the next academic year.

To date, ULA has drafted alternative curriculum plans for the upcoming year. The academic year will begin with a virtual format, and depending on the circumstances, will either: continue in a fully virtual format as ULA has been operating since early March or shift to a boarding format where students will live on campus and all programming will be undertaken more or less as pre-COVID.

If the program remains virtual, ULA will shift to more extensive educational offerings, where engaging more participants including parents of students and ULA alumni will be easier. However, since much of the program relies on

mentor-student guidance, there will be a limit of 50 students per academy so as not to strain mentors and preserve close student-mentor relationship.

The Fund's Economic Leadership Program also had to eliminate two scholarship programs. Stanford University's Ukrainian Emerging Leaders Program was cancelled for the 2020 academic year, and the government of Canada cancelled the Mitacs Globalink Research Internship Program.

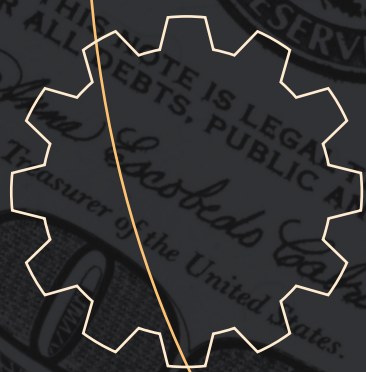
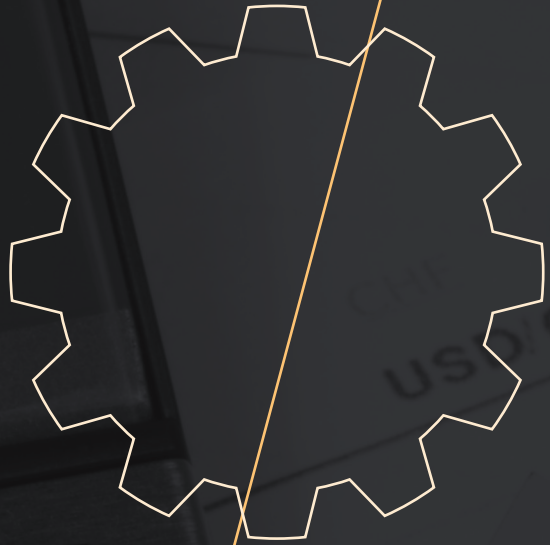
WNISEF's Local Economic Development Program (LEDP) cancelled the International Mayors Summit for 2020 as an offline event but continued to maintain relationships in March, April and May 2020 with Ukrainian communities and maintain the viability of the IMS brand. With a very modest budget (\$415.00), the LEDP team organized nine on-line ZOOM discussions broadcast over Facebook and YouTube on the following topics: COVID-19, emergency/crises management (two sessions), inclusivity, transportation, youth, water supply, cooperation with business and urban planning. Speakers included mayors of Khmelnytskyi, Zhytomyr, Lviv, Mykolaiv, Mariupol, Chernivtsi and Vinnytsia, as well as nine small town and amalgamated community mayors, six local and national activists and donors. Over 100,000 viewed these broadcasts.

The LEDP also created an online format for its annual Technovation Challenge. As in the past three years, WNISEF again organized the Technovation program for girls ages (10-18) interested in computer coding who were invited to develop a mobile app focused on solving a community problem. In 2020, 200 girls expressed interest in the program and nine teams were formed in time for the June 6 Regional Pitch which was held online via ZOOM.

Each team presented a three- minute pitch in an online presentation before a panel of judges from the IT industry, a former Peace Corp employee and an investment fund. The winning app from ITbabushka, a four-girl team from Kyiv, teaches grandparents how to use smartphones and the internet. The young girls who created ITbabushka developed a series of online lessons, including 13 video tutorials, to improve the digital literacy of older members of the population. In past years, WNISEF sent the winning team to San Francisco to the Global Pitch Event. This year the Global Pitch Event was cancelled, and the winners may go to the Netherlands in the fall after quarantine measures are relaxed.

The future of the WNISEF programs for the remainder of 2020 and possibly 2021 are uncertain until the on-going pandemic is brought under control.





The background features a dark, monochromatic collage of financial and business-related elements. At the top, a pair of glasses is positioned over a line graph with fluctuating data points. Below the glasses, a portion of a US dollar bill is visible, showing the words 'RESERVE NOTE' and the number '703 E'. In the lower half, the portrait of Benjamin Franklin from a US dollar bill is prominent. To the right, there are faint labels 'M5' and 'M1' next to a grid-like structure. A large, thin white gear-like shape is overlaid on the left side, and a thin white line forms a large, irregular shape that frames the central text. The overall aesthetic is professional and analytical.

Financial Statements



Financial Statements

Western NIS Enterprise Fund

Years ended September 30, 2019 and 2018

with Report of Independent Auditors

Western NIS Enterprise Fund

Financial Statements

Years ended September 30, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of 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, 2019 and 2018, and the related statements of operations and changes in fund balance, functional expenses, 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 from 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.

Entity: Western NIS Enterprise Fund

Independent auditor: Private Joint-Stock Company KPMG Audit, a company incorporated under the Laws of Ukraine, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities and Entrepreneurs of Ukraine 31032100.

Registration No. in the Register of Auditors and Audit Organisations 2397.

Address: 32/2 Moskovska Str., 17th floor, Kyiv, 01010, Ukraine



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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in black ink that reads 'JSC KPMG Audit'.

JSC KPMG Audit
December 19, 2019

Western NIS Enterprise Fund
Statements of Assets and Liabilities
September 30, 2019 and 2018
Expressed in US Dollars

	2019	2018
Assets		
Investments, at fair value (cost of \$54,655,597 and \$51,842,665 as of September 30, 2019 and 2018, respectively)	\$ 45,417,053	\$ 35,588,755
Cash and cash equivalents (<i>note 6</i>)	21,491,914	30,842,218
Impact Investing Program long-term deposits	509,898	519,220
Prepaid expenses:		
Investment management fees (<i>note 13</i>)	-	162,320
Program management fees (<i>note 13</i>)	131,250	131,250
Other	300,008	258,739
Fixed assets, net of accumulated depreciation and amortization (<i>note 7</i>)	60,415	90,129
Interest, dividend and other receivables	91,989	76,376
Other assets	141,711	140,022
Total assets	\$ 68,144,238	\$ 67,809,029
Liabilities and fund balance		
Deposits received on sale (<i>note 5</i>)	\$ 325,000	\$ 325,000
Accounts payable and other accrued expenses	479,231	374,414
Grants payable (<i>note 11</i>)	71,346	231,123
Other liabilities	8,008	10,500
Total liabilities	883,585	941,037
Fund balance (with Donor Restrictions)	67,260,653	66,867,992
Total liabilities and fund balance	\$ 68,144,238	\$ 67,809,029

See accompanying notes to financial statements.

Western NIS Enterprise Fund

Statement of Operations and Changes in Fund Balance

Year ended September 30, 2019

Expressed in US Dollars

	With Donor Restrictions	Without Donor Restrictions	Total
Investment income			
Interest income	\$ 142,858	-	\$ 142,858
Other income	50,527	-	50,527
Total investment income	193,385	-	193,385
Net assets released from restrictions			
Satisfaction of program restrictions (investing activities)	(1,247,065)	1,247,065	-
Operating expenses for investment activities	-	(1,247,065)	(1,247,065)
Net investment loss	(1,053,680)	-	(1,053,680)
Net realized loss and change in unrealized loss on investments			
Net realized loss on investments (<i>note 5</i>)	(18,966)	-	(18,966)
Net change in unrealized loss on investments (<i>note 5</i>)	6,700,883	-	6,700,883
Net realized loss and change in unrealized loss on investments	6,681,917	-	6,681,917
Net increase in fund balance from investment activities	5,628,237	-	5,628,237
Net assets released from restrictions			
Satisfaction of program restrictions (Legacy Programs)	(5,235,576)	5,235,576	-
Legacy Programs			
Economic Leadership Program	-	(3,101,622)	(3,101,622)
Export Promotion Policy Program	-	(653,840)	(653,840)
Local Economic Development Program	-	(233,232)	(233,232)
Impact Investing Program	-	13,865*	13,865
Administration	-	(1,260,747)	(1,260,747)
Net decrease in fund balance from Legacy Programs	-	(5,235,576)	(5,235,576)
Net increase in fund balance	392,661	-	392,661
Fund balance, beginning of year	66,867,992	-	66,867,992
Fund balance, end of year	<u>\$ 67,260,653</u>	<u>-</u>	<u>\$ 67,260,653</u>

* Program expenses of \$84,365 offset by currency translation gain on hryvnia-denominated deposits of \$98,230.

See accompanying notes to financial statements.

Western NIS Enterprise Fund

Statement of Operations and Changes in Fund Balance

Year ended September 30, 2018

Expressed in US Dollars

	With Donor Restrictions	Without Donor Restrictions	Total
Investment income			
Interest income	\$ 285,232	-	\$ 285,232
Other income	50,810	-	50,810
Total investment income	336,042	-	336,042
Net assets released from restrictions			
Satisfaction of program restrictions (investing activities)	(1,226,032)	1,226,032	-
Operating expenses for investment activities	-	(1,226,032)	(1,226,032)
Net investment loss	(889,990)	-	(889,990)
Net realized loss and change in unrealized loss on investments			
Net realized loss on investments	(699,549)	-	(699,549)
Net change in unrealized loss on investments (<i>note 5</i>)	7,051,758	-	7,051,758
Net realized loss and change in unrealized loss on investments	6,352,209	-	6,352,209
Net increase in fund balance from investment activities	5,462,219	-	5,462,219
Net assets released from restrictions			
Satisfaction of program restrictions (Legacy Programs)	(8,503,862)	8,503,862	-
Legacy Programs			
Economic Leadership Program	-	(4,666,037)	(4,666,037)
Export Promotion Policy Program	-	(1,917,490)	(1,917,490)
Local Economic Development Program	-	(528,647)	(528,647)
Impact Investing Program	-	(124,835)*	(124,835)
Administration	-	(1,266,853)	(1,266,853)
Net decrease in fund balance from Legacy Programs	-	(8,503,862)	(8,503,862)
Net decrease in fund balance	(3,041,643)	-	(3,041,643)
Fund balance, beginning of year	69,909,635	-	69,909,635
Fund balance, end of year	\$ 66,867,992	-	\$ 66,867,992

* Program expenses include currency translation loss on hryvnia-denominated deposits of \$32,625.

See accompanying notes to financial statements.

Western NIS Enterprise Fund

Statements of Functional Expenses

Year ended September 30, 2019

(with comparative totals for the year ended September 30, 2018)

Expressed in US Dollars

	Legacy Programs	Investment activities	Total 2019	Total 2018
Grants	\$ 2,498,134	-	\$ 2,498,134	\$ 4,199,084
Investment management fees	-	637,938	637,938	638,026
Program management fees	525,000	-	525,000	525,000
Organization and support of forums, events, conferences	220,764	191	220,955	301,218
Scholarships	408,946	-	408,946	1,094,292
Employee compensation and benefits	971,327	132,830	1,104,157	1,088,572
Professional fees	330,718	255,826	586,544	1,061,385
Business travel	168,550	98,602	267,152	453,152
Other expenses	(583)*	82,106	81,523	217,104
Occupancy	84,478	36,822	121,300	121,214
Depreciation and amortization	28,242	2,750	30,992	30,847
Total	\$ 5,235,576	\$ 1,247,065	\$ 6,482,641	\$ 9,729,894

* Legacy Program other expenses of \$97,647 offset by currency translation gain on hryvnia-denominated deposits of \$98,230 within Impact Investing Program.

See accompanying notes to financial statements.

Western NIS Enterprise Fund

Statements of Cash Flows

Years ended September 30, 2019 and 2018

Expressed in US Dollars

	2019	2018
Cash flows from operating activities		
Net increase (decrease) in fund balance from operations	\$ 392,661	\$ (3,041,643)
Adjustments to reconcile net increase (decrease) in fund balance to net cash used in operating activities:		
Proceeds from:		
Limited Partnership Interests, distributions	958,557	1,295,972
Return of equity	400,333	-
Equity securities – sale to third parties, net of advisory fees	74,667	100,722
Disbursements for:		
Limited Partnership Interests, capital calls	(4,245,007)	(426,595)
Equity securities	(250,000)	-
Debt securities	-	(650,000)
Other financial assets	-	(650,000)
Fixed assets	(1,660)	(4,541)
Depreciation and amortization	30,992	30,847
Net realized loss from sale of investments	18,966	699,549
Net change in unrealized loss on investments	(6,700,883)	(7,051,758)
Loss on disposal of fixed assets	382	-
Decrease (increase) in Impact Investing Program long-term deposit	9,322	(247,837)
Decrease in prepaid investment management fees	162,320	3,472
Increase in other prepaid expenses	(41,269)	(152,198)
Increase in interest, dividend and other receivables	(100,544)	(114,809)
Increase in other assets	(1,689)	(69,291)
Increase in accounts payable and other accrued expenses	104,817	56,147
Decrease in grants payable	(159,777)	(90,316)
Decrease in other liabilities	(2,492)	(4,259)
Net cash used in operating activities	(9,350,304)	(10,316,538)
Cash and cash equivalents, beginning of year	30,842,218	41,158,756
Cash and cash equivalents, end of year	\$ 21,491,914	\$ 30,842,218

See accompanying notes to financial statements.

Western NIS Enterprise Fund
Condensed Schedule of Investments
September 30, 2019
Expressed in US Dollars

Investments (67.5%)¹	Principal	Cost	Fair Value
Limited Partnership Interests (26.7%)			
Emerging Europe Growth Fund III, L.P. (EEGF III)		\$ 15,900,926	
Emerging Europe Growth Fund, L.P. (EEGF)			2,078,818
Total Limited Partnership Interests²	\$ 17,773,452		17,979,744
Equity (37.0%)			
Moldova (29.7%)			
Manufacturing (27.6%)			
Glass Container Prim S.A.			13,790,473
Glass Container Company S.A.			4,770,000
Financial services (2.1%)			1,434,527
Ukraine (7.3%)			
Manufacturing (5.3%)			
			3,567,138
IT Services (1.4%)			
			940,000
Interactive products (0.5%)			
			300,000
E-commerce (0.1%)			
			54,904
Total Equity		33,321,878	24,857,042
Debt (3.0%)			
Moldova (2.6%)			
Manufacturing (2.6%)³	\$ 1,760,267		1,760,267
Ukraine (0.4%)			
IT services (0.3%)	\$ 250,000		250,000
Manufacturing (0.1%)	\$ 400,000		40,000
Total Debt		2,410,267	2,050,267
Other financial assets⁴ (0.8%)			
Ukraine (0.8%)			
Information and communication technology (0.8%)			530,000
Total Other financial assets		1,150,000	530,000
TOTAL INVESTMENTS		\$ 54,655,597	\$ 45,417,053

¹ Percentages indicated are based on the fund balance as of September 30, 2019. The Fund's investments are closed-end investments with no periodic liquidity.

² The cost of EEGF and EEGF III limited partnership interests is presented net of cumulative operating income and expenses.

³ 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. In December 2016, the Fund converted the accrued interest receivable from this portfolio company of \$194,012 to debt. In December 2017, the Fund converted the accrued interest receivable from this portfolio company of \$80,832 to debt. In December 2018, the Fund converted the accrued interest receivable from this portfolio company of \$84,931 to debt.

⁴ Simple agreement for future equity (SAFE). Investment into Sixa Inc. is fully reserved against and the investee has not fulfilled their commitment to open operations in Ukraine.

See accompanying notes to financial statements.

Western NIS Enterprise Fund
Condensed Schedule of Investments
September 30, 2018
Expressed in US Dollars

Investments (53.2%)¹	Principal	Cost	Fair Value
Limited Partnership Interests (18.3%)			
Emerging Europe Growth Fund III, L.P. (EEGF III)		\$	9,291,797
Emerging Europe Growth Fund, L.P. (EEGF)			2,941,151
Total Limited Partnership Interests²		\$	14,806,695
Equity (27.8%)			
Ukraine (10.5%)			
Manufacturing (8.2%)			
LLC Kerameya			5,195,837
Other			325,000
Interactive products (1.1%)			750,000
IT Services (1.1%)			720,000
E-commerce (0.1%)			54,904
Moldova (17.3%)			
Manufacturing (15.2%)			
Glass Container Prim S.A.			5,910,203
Glass Container Company S.A.			4,240,000
Financial services (2.1%)			1,434,527
Total Equity		33,560,634	18,630,471
Debt (3.5%)			
Moldova (2.5%)			
Manufacturing (2.5%)³	\$	1,675,336	1,675,336
Ukraine (1.0%)			
Manufacturing (0.6%)	\$	400,000	400,000
IT services (0.4%)	\$	250,000	250,000
Total Debt		2,325,336	2,325,336
Other financial assets⁴ (3.6%)			
Ukraine (3.6%)			
Information and communication technology (3.6%)			2,400,000
Total Other financial assets		1,150,000	2,400,000
TOTAL INVESTMENTS		\$	51,842,665
			\$ 35,588,755

¹ Percentages indicated are based on the fund balance as of September 30, 2018. The Fund's investments are closed-end investments with no periodic liquidity.

² The cost of EEGF and EEGF III limited partnership interests is presented net of cumulative operating income and expenses.

³ 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. In December 2016, the Fund converted the accrued interest receivable from this portfolio company of \$194,012 to debt. In December 2017, the Fund converted the accrued interest receivable from this portfolio company of \$80,832 to debt.

⁴ Simple agreement for future equity (SAFE).

See accompanying notes to financial statements.



Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

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, based on 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 TCD from August 26, 2013 to December 31, 2017 and change the TLD from August 26, 2016 to December 31, 2018 to allow the Fund to carry out the program activities described in its proposal. Effective April 14, 2016, USAID additionally modified the Grant to change the TCD from December 31, 2017 to December 31, 2022 and change the TLD from December 31, 2018 to December 31, 2023. The TLD in effect is December 31, 2023 and it may only be extended with the prior written approval of USAID. The Amended Grant Agreement enabled the Fund: i) to disburse \$5 million to make new investments and commitments in Ukraine and Moldova to encourage the creation and expansion of small and medium enterprises (SMEs); ii) to apply an additional \$5 million to its Legacy Programs, thereby increasing total allowable expenditures from

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

1. Background (continued)

(a) Organization and Description of Business (continued)

\$30 million to \$35 million; iii) to commit \$30 million of program income as anchor investor, on pari passu terms with private investors, in EEGF III, a U.S.-domiciled fund launched by Horizon Capital that raised \$200 million to provide loans, equity and financial support to SMEs in Ukraine and Moldova.

Legacy Programs

In February 2015, the Fund initiated Legacy Programs based on a proposal submitted to USAID that originally envisioned \$30 million three-year Legacy Programs funded by a portion of the reflows earned by the Fund from its investment activities. In April 2016, as a result of a Grant Modification, the Fund was able to use an additional \$5 million for Legacy Programs, increasing total allowable expenditures to \$35 million. The TLD was also extended through December 31, 2023. The goals and objectives of the Legacy Programs 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:

- Mobilizing capital to address complex social issues (Impact Investing Program);
- 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);
- Investing in people to broaden and deepen the human capacity necessary to advance private sector development in Ukraine and Moldova (Economic Leadership Program); and,
- Improving the ability of Ukrainian exporters to access new markets (Export Promotion Policy Program).

As of September 30, 2019, a cumulative amount of \$32,899,132 was expensed for Legacy Program purposes out of an available approved amount of \$35,000,000, resulting in a remaining unused balance of \$2,100,868.

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



Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

1. Background (continued)

(a) Organization and Description of Business (continued)

Investment activities

The Fund makes no new follow-on investments in its existing portfolio, but continues to fund, as legally required, its unfunded commitments in EEGF and EEGF III. 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 SMEs. 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.

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, beginning fiscal 2015, the Fund has hired certain employees focused solely on Legacy Programs. Their compensation is included in the Legacy Programs section of the statement of operations and changes in fund balance.

The Fund became an anchor investor of EEGF III, the third private fund launched by Horizon Capital. Based on USAID approval, in 2016, the Board of Directors of the Fund committed \$30 million to EEGF III and approved the warehousing of up to 100% of its \$30 million commitment of investments within WNISEF, which were transferred to EEGF III at cost upon its first closing.

In June 2017, EEGF III held an initial closing of \$75 million in aggregate commitments and concluded an investment management agreement with Horizon Capital Associates III, LLC (HCA III, Investment Manager). As of the initial closing of EEGF III, based on USAID approval, securities purchase agreements were signed between the Fund and EEGF III for the sale at cost of two investments: Matar Trade & Invest Limited (Genesis) and Avalex Investment Limited (Anex). EEGF III reached its hard cap of \$200 million in aggregate commitments and held its final closing in December 2018.

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

1. Background (continued)

(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.

Whilst management believes it is taking appropriate measures to support the sustainability of the Fund's business in the current circumstances, 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 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.

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.



Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

2. Basis of Presentation (continued)

In August 2016, the FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this ASU are designed to improve the current net asset classification requirements and the information presented in the financial statements about a not-for-profit entity's liquidity, financial performance, and cash flows. The Fund has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all period presented. Its implementation has no impact on the previously reported fund balance. Fund balance previously reported as temporarily restricted is now reported as fund balance with Donor Restrictions.

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 2015, 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 in an orderly transaction between market participants at the measurement date.

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

3. Summary of Significant Accounting Policies (continued)

Investments in Equity and Debt Securities (continued)

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 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), multiple to sales or using the discounted cash flows technique.

The price of the initial investment in an investee's equity or debt securities, or other instrument will be deemed fair value for a limited period of time following the date of the transaction if the entry transaction is considered orderly.

In case a third-party validation has occurred since the previous valuation, the price of the most recent investment will serve as the initial basis for a revised estimate of fair value, however, such valuation will still be compared to valuations derived via other methodologies and may be discounted or increased. 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.

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 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.



Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

3. Summary of Significant Accounting Policies (continued)

Investments in Equity and Debt Securities (continued)

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.

Interest Income

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

Functional allocation of expenses

The costs of providing the programs and other activities have been summarized in the Statements of Operations and Changes in Fund Balance. Directly identifiable expenses are charged to programs and other activities when incurred.

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.

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

3. Summary of Significant Accounting Policies (continued)

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, 2019 and 2018 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.

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 sale, as well as cumulative dividends and preferred returns received from the portfolio company, net of any applicable financial participation rights (Proceeds). 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. In November 2016, the Board of Directors further amended the LTEI Plan to extend the termination date of the Plan from September 30, 2018 to December 31, 2022 as well as approved a revised schedule of participation percentages to be used in allocating Proceeds.

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 allocated as follows: (i) 50% of such proceeds shall be utilized by WNISEF to support activities described in the Legacy Proposal; and (ii) 50% of such proceeds shall be

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

4. U.S. Government Grants (continued)

utilized by the Fund for new investments and commitments to be undertaken to encourage the creation and expansion of SMEs in Ukraine and Moldova.

5. Investments

In the accompanying statements of assets and liabilities, investments are stated at fair value. The Fund recorded a net unrealized gain on investments of \$6,700,883 for the year ended September 30, 2019 and a net unrealized gain on investments of \$7,051,758 for the year ended September 30, 2018, based on valuation of the investment portfolio at fair value as of September 30.

In addition, during the year ended September 30, 2019, the Fund recorded a net realized loss of \$13,756 from the partial sale of one of the Fund's equity investments, and a net realized loss of \$5,210, reflecting its pro-rata share of EEGF realized losses incurred during this period, resulting in a total net realized loss on investments of \$18,966. During the year ended September 30, 2018, the Fund recorded a net realized gain of \$2,036 from the partial sale of one of the Fund's equity investments, and a net realized loss of \$701,585, reflecting its pro-rata share of EEGF realized losses incurred during this period, resulting in a total net realized loss on investments of \$699,549.

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 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, 2019 and 2018:

Fair value at October 1, 2018	\$ 35,588,755
Net realized loss from sales	(18,966)
Net change in unrealized loss on investments in earnings	6,700,883
Conversion of accrued interest to equity and debt investments	84,931
Purchases for the year ended September 30, 2019	4,495,007
Proceeds for the year ended September 30, 2019	(1,433,557)
Fair value at September 30, 2019	<u>45,417,053</u>
Change in unrealized loss in earnings relating to assets still held	\$ 6,700,883

Western NIS Enterprise Fund
Notes to Financial Statements
September 30, 2019 and 2018

5. Investments (continued)

Fair value at October 1, 2017	\$ 28,776,772
Net realized loss from sales	(699,549)
Net change in unrealized loss on investments in earnings	7,051,758
Conversion of accrued interest to equity and debt investments	129,873
Purchases for the year ended September 30, 2018	1,726,595
Proceeds for the year ended September 30, 2018	(1,396,694)
Fair value at September 30, 2018	<u>35,588,755</u>
Change in unrealized loss in earnings relating to assets still held	\$ 7,051,758

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.

<u>Level 3 Financial Instruments</u>	<u>Significant Unobservable Inputs By Valuation Technique</u>	<u>Range of Significant Unobservable Inputs as of September 30, 2019</u>
Equity Investments	EV/EBITDA multiple	4.8
	EV/Sales multiple	3.1 - 14.2
SAFE*	EV/Sales multiple	12.5 - 17.5

* Sixa was fully written down and is thus not included in the multiples range.

The significant unobservable inputs used in the fair value measurement of equity investments are EV/EBITDA (Enterprise value to EBITDA) multiples for recent, relevant, verifiable, comparable companies. Current multiples have been applied to forecast 2019 calendar year EBITDA as this more accurately reflects the current value of these entities and the challenges they face due to market conditions, including devaluation. The significant unobservable input used in the fair value measurement of some of equity investments and financial instrument is EV/Sales (Enterprise value to sales) multiple for recent, relevant, verifiable, comparable companies. 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 investments in EEGF and EEGF III represent the Fund's limited partnership interests in EEGF and EEGF III. In the process of valuing its equity investments, EEGF and EEGF III apply substantially the same

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

5. Investments (continued)

types of unobservable inputs as applied by the Fund with EV/EBITDA multiples range up to 14.4 and EV/Sales multiples range up to 9.6 as EEGF's and EEGF III investments also relate to entities operating in the Region. The reason for deviations in multiples is due to different industries in which investees operate.

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, 2019 and 2018, the Fund had investments in debt securities of \$2,050,267 and \$2,325,336, respectively. As of September 30, 2019 and 2018, the Fund held cash and cash equivalents of \$46,575 and \$14,958,762 with a commercial bank based in the United Kingdom, \$21,190,997 and \$15,805,254 with commercial banks based in the United States and held remaining cash balances equaling \$254,342 and \$78,202 in the Region, respectively.

As of September 30, 2019 and 2018, all assets of the Fund are considered to be current excluding investments, fixed assets and Impact Investing Program long-term deposits in amount of \$408,304.

As of September 30, 2019 and 2018, all liabilities of the Fund are considered to be current.

7. Fixed Assets

As of September 30, 2019 and 2018, fixed assets consisted of:

	2019	2018
Automobiles	\$ 103,070	\$ 103,070
Computer equipment and software	47,161	165,024
Furniture, fixtures and equipment	21,629	21,629
Telephone equipment	5,512	7,151
Leasehold improvements	4,646	4,646
	182,018	301,520
Accumulated depreciation and amortization	(121,603)	(211,391)
Fixed assets, net	\$ 60,415	\$ 90,129

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

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 \$19,000 in calendar year 2019 and \$18,500 in calendar year 2018. 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 years 2019 and 2018 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 (\$132,900 as of January 1, 2019 and \$128,400 as of January 1, 2018). 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 \$57,153 and \$58,320 for the years ended September 30, 2019 and 2018, 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, with no such payments made thereafter to date. As of September 30, 2019 and 2018 and for the years then ended, no exit-based incentive payable and exit-based incentive expense are recorded.

10. Liquidity and availability of resources

The Fund regularly monitors liquidity required to meet its general expenditures, other obligations and commitments. Financial assets available to meet cash needs for general expenditures within one year of the date of the statement of assets and liabilities include:

	2019
Cash and cash equivalents	\$ 21,491,914
Deposits due in one year	101,594
Other assets	125,331
Interest, dividends and other receivables	1,170
Total	\$ 21,720,009

The Fund structures its financial assets to be available and liquid as its general expenditures, other obligations and commitments come due.



Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

11. Commitments

Investments

As of September 30, 2019 and 2018, the Fund has outstanding investment commitments to EEGF III totaling \$18,122,531 and \$22,334,397, respectively.

As of September 30, 2019 and 2018, the Fund has outstanding investment commitments to EEGF totaling \$149,413.

As of September 30, 2018, the Fund pledged its 3,866 ordinary shares in Glass Container Company S. A. to European Bank for Reconstruction and Development (EBRD) and B. C. Mobiasbanca - Groupe Societe Generale S. A. (MBSG) as security for loan agreements of Glass Container Company S. A. with MBSG and EBRD. As of September 30, 2017, the Fund pledged its 232,487 ordinary shares in Glass Container Prim S. A. and 196,134 ordinary shares in Glass Container Company S. A. to International Finance Corporation (IFC) and Black Sea Trade and Development Bank (BSTDB) as security for loans provided by IFC and BSTDB to Glass Container Prim S. A. In February 2018, the pledge of the WNISEF shares to IFC was taken over by VR Global Partners LP, the acquirer of debt held by IFC.

Collateral

As of September 30, 2019 and 2018, the Fund pledged a part of Impact Investing Program long-term deposits amounting to \$463,003 and \$336,122, respectively, as security for loans provided by the banks to social enterprises.

Grants

As of September 30, 2019 and 2018, under the Economic Leadership Program, the Fund provided support to students attending masters programs amounting to \$358,766 and \$776,535, respectively, which is included as Economic Leadership Program expense in the statement of operations and changes in Fund balance with \$71,346 and \$231,123, respectively, included in grants payable in the statements of assets and liabilities. Grant awards, for which the grantees have not yet met terms of the condition of the grant, total \$268,449 as of September 30, 2019 and are expected to be disbursed during the years 2020-2021.

As of September 30, 2019 and 2018, the Fund has no contractual obligations to others.

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

11. Commitments (continued)

Operating Leases

Rent expense for the years ended September 30, 2019 and 2018 is \$121,300 and \$121,214, 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 April 30, 2022.

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.

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 both lease agreements as of September 30, 2019 to be paid by the Fund are as follows:

Financial year 2020	\$	123,954
Financial year 2021		61,679
Financial year 2022		24,152
Total operating lease commitments	\$	<u>209,785</u>

12. 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 Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

12. Tax Status (continued)

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.

13. 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, 2018 through September 30, 2019 totaled \$637,938 and an accrued expense of \$161,117 is included in the statement of assets and liabilities as of September 30, 2019. The management fee expense from October 1, 2017 through September 30, 2018 totaled \$638,026 and a prepaid balance of \$162,320 is included in the statement of assets and liabilities as of September 30, 2018.

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 October 1, 2018 through September 30, 2019 totaled \$525,000 and a prepaid balance of \$131,250 is included in the statement of assets and liabilities as of September 30, 2019. The Program management fee expense from October 1, 2017 through September 30, 2018 totaled \$525,000 and a prepaid balance of \$131,250 is included in the statement of assets and liabilities as of September 30, 2018.

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 September 2017, the Fund received \$302,546 from Kerameya LLC as a return of capital. In February 2018, the Fund received \$100,722 of proceeds from Sakonia Ventures Limited (holding company

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

13. Related Party Transactions (continued)

for Kerameya) for sale of 125 shares (0.54% ownership) in Sakonia Ventures Limited to management of Kerameya. In October 2018, the Fund received from Sakonia Ventures Limited \$400,333 as a return of capital and \$74,667 of proceeds for sale of 112 shares (0.48% ownership) in Sakonia Ventures Limited to management of Kerameya;

- 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 and received the option 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 had reduced to 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%, which includes 12.95% relating to this option for purchase by EEGF. In June 2016, the Fund realized another 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 13.03%, which includes 8.14% relating to this option for purchase by EEGF. Currently, the Fund remains the sole legal owner of all 171,411 shares in Fincombank.

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 2019 and 2018, the Fund made payments on behalf of HCAD totaling \$24,206 and \$20,510, respectively, and HCAD made payments on behalf of the Fund totaling \$74,494 and \$103,244, respectively. As of September 30, 2019, there was an outstanding balance of \$3,356 due from the HCAD to the Fund and included in other assets in the accompanying statements of assets and liabilities. As of September 30, 2018, there was an outstanding balance of \$6,644 due from the 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 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. This employment ended on September 15, 2019.

The Fund provides grant funding to Ukrainian Leadership Academy (ULA) in relation to its operations. During fiscal 2019 and 2018, the Board of Directors approved the expenditure and the Fund provided funding of \$2,126,000 and \$2,600,000, respectively. WNISEF may at its discretion suspend funding.



Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

13. Related Party Transactions (continued)

In addition, the Fund contracted a service provider, GP Advisors (GPAS) and its affiliate, GPA, both entities controlled by the spouse of a former officer of the Fund, to provide legal services. These services were provided at market terms with the respective officer recused from firm selection, contract negotiation and execution. During the years ended September 30, 2019 and 2018, the Fund paid \$5,536 and \$11,561 for legal fees, respectively.

During the years ended September 30, 2019 and 2018, the Fund earned \$1,708 and \$2,957 of director's fees from its portfolio investments, respectively.

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.

14. Contingencies

In the ordinary course of business, the Fund may be 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.

15. 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.

Western NIS Enterprise Fund

Notes to Financial Statements

September 30, 2019 and 2018

16. Financial Highlights

The financial highlights for the years ended September 30, 2019 and 2018 are as follows:

	2019	2018
Ratios to average fund balance		
Net investment loss	(1.6)%	(1.3)%
Net realized loss on investments	-	(1.0)%
Operating expenses for investment activities	1.9 %	1.8 %
Legacy Programs	7.8 %	12.4 %
Total return	0.6 %	(4.4)%
Ratios to committed capital		
Net investment loss	(0.7)%	(0.6)%
Net realized loss on investments	-	(0.5)%
Operating expenses for investment activities	0.8 %	0.8 %
Legacy Programs	3.5 %	5.7 %

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.

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, 2019 and 2018, this amount was \$150,000,000.



Western NIS Enterprise Fund
Notes to Financial Statements
September 30, 2019 and 2018

17. Subsequent Events

In October 2019, the Fund contributed an additional \$1,027,379 to EEGF III to meet the capital call issued.

Management has evaluated events from the date of the statement of assets and liabilities through December 19, 2019, the date at which the financial statements were available to be issued, and has determined that there are no other items to disclose.

Western NIS Enterprise Fund Directory

Board of Directors

Dennis A. Johnson, Chairman of the Board

Executive Vice President
Cooperative Housing Resources, LLC

Jaroslawa Zelinsky Johnson

President and Chief Executive Officer
Western NIS Enterprise Fund

John E. Herbst

Director, Dinu Patriciu Eurasia Center
Atlantic Council

Daniel Runde

Senior Vice President;
William A. Schreyer Chair and Director,
Project on Prosperity
and Development, Center of Strategic
& International Studies (CSIS)

Jeffrey C. Neal

Founding Partner
Horizon Capital

Marta Farion

Board member-elect
with term through 2021

Patrick H. Arbor

Director Emeritus
Shatkin Arbor, Inc.

WNISEF Officers

Jaroslawa Zelinsky Johnson

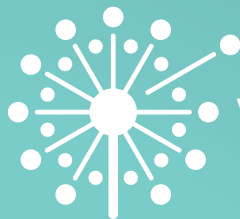
President and Chief Executive Officer

Lenna Koszarny

Executive Vice President
Chief Financial and Administrative Officer,
Treasurer and Ukraine Country Manager

Elaine McCormack

Secretary



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