



IMPULSION AU DEVELOPPEMENT

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATE

Consolidated Financial Statements

For The Period from Inception to December 31, 2014



**and
Report Thereon**





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Tunisian-American Enterprise Fund

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Tunisian-American Enterprise Fund and Affiliate (collectively known as TAEF), which comprise the consolidated statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the period from inception (February 4, 2013) to December 31, 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TAEF as of December 31, 2014, and the changes in its net assets and its cash flows for the initial period then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Raffa, P.C.", with a stylized flourish.

Raffa, P.C.

Washington, DC
May 29, 2015

TUNISIAN-AMERICAN ENTERPRISE FUND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS	
Cash and cash equivalents	\$ 326,211
Prepaid expenses	2,520
Deposits	9,144
Investments	1,071,339
Property and equipment, net	<u>20,257</u>
TOTAL ASSETS	<u>\$ 1,429,471</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 30,568
Deferred revenue	<u>304,787</u>
TOTAL LIABILITIES	<u>335,355</u>
Net Assets	
Unrestricted	<u>1,094,116</u>
TOTAL NET ASSETS	<u>1,094,116</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,429,471</u>

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

TUNISIAN-AMERICAN ENTERPRISE FUND
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Period from Inception to December 31, 2014

REVENUE	
Grant revenue	\$ 1,746,576
Unrealized loss on investment	(19,226)
Interest income	<u>264</u>
 TOTAL REVENUE	 <u>1,727,614</u>
 EXPENSES	
Program Services:	
Small and medium size enterprise	42,578
Microfinance institutions	<u>6,567</u>
 Total Program Services	 49,145
 Management and general	 <u>584,353</u>
 TOTAL EXPENSES	 <u>633,498</u>
 CHANGE IN NET ASSETS	 1,094,116
 NET ASSETS, BEGINNING OF PERIOD	 <u>-</u>
 NET ASSETS, END OF PERIOD	 <u><u>\$ 1,094,116</u></u>

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

TUNISIAN-AMERICAN ENTERPRISE FUND
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Period from Inception to December 31, 2014
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,094,116
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized loss on investment	19,226
Depreciation and amortization	4,563
Changes in assets and liabilities:	
Prepaid expenses	(2,520)
Deposits	(9,144)
Accounts payable and accrued expenses	30,568
Deferred revenue	<u>304,787</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,441,596</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,090,565)
Purchases of property and equipment	<u>(24,820)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,115,385)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	326,211
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 326,211</u></u>

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

TUNISIAN-AMERICAN ENTERPRISE FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Period from Inception to December 31, 2014

1. Organization and Summary of Significant Accounting Policies

Organization

The Tunisian-American Enterprise Fund (the Fund) was established by the United States Congress and the Obama Administration to support the Tunisian people following the Tunisian revolution. The Fund's operations launched in July 2013 after receipt of a funding agreement with the United States Agency for International Development (USAID). The Fund's mission is to invest in Tunisia through existing and newly incorporated financial vehicles that provide equity, quasi-equity and debt financing to a range of small and medium enterprises. The Fund is scheduled to terminate in 2022 subject to extension.

The Tunisian American Enterprise Fund Advisory Company (TAEF Advisory) was established in Tunisia. The TAEF Advisory operates to carry out the mission of the Fund in Tunisia.

Principles of Consolidation

The accompanying consolidated financial statements reflect the activity of the Fund and TAEF Advisory (collectively known as TAEF). The financial statements of TAEF Advisory have been consolidated because TAEF Advisory is under common control and there is an economic interest. All material intercompany balances and transactions have been eliminated during consolidation.

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts and all highly liquid investments with initial maturities of one year or less.

Investments

Investments consist of TAEF's interest in an investment fund which is considered to be an alternative investment; as such, the investment fund is not traded in an established market with published values. Additionally, access to participation in this investment fund is limited and at the fund's discretion and approval. Liquidation of TAEF's interests may be subject to various restrictions imposed by the investment fund managers. As part of their risk management and control procedures, the investment fund may hold derivatives and certain other financial instruments to hedge or manage risks associated with foreign currency fluctuations, interest rate changes, commodity price fluctuations and equity market movements. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-325-35, *Investments – Other*, allows for the reporting measurement of other investments, including alternative investments, at either fair value or the lower of cost or fair value. TAEF's interest in this alternative investment fund is recorded in the accompanying statement of activities at the lower of cost or market.

TUNISIAN-AMERICAN ENTERPRISE FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Period from Inception to December 31, 2014

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. Depreciation on computers, and furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets from five to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support or expenses in the accompanying consolidated statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Classification of Net Assets

Unrestricted net assets represent the portion of expendable funds that are available for support of TAEF's operations.

Revenue Recognition

Grant revenue is recognized as costs are incurred on the basis of direct program and administrative costs plus investments. Amounts received from the awarding agency in advance of costs incurred are included in deferred revenue in the accompanying consolidated statement of financial position.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Investments

As disclosed in Note 1 to these financial statements, the carrying value estimate for the alternative investment fund is the lower of cost or market. The alternative investments fund in which TAEF has invested is a Tunisian based private equity fund valued at \$1,071,339 as of December 31, 2014. This fund has an initial lock-up period of five years, which is set to expire in December 2019. TAEF has an unfunded commitment of \$1,209,879 related to this investment as of December 31, 2014. Because of the inherent uncertainty of the valuation for TAEF's investment in this fund and in certain of the underlying investments held by the fund, values for this investment may differ significantly from values that would have been used had a ready market for the investment existed.

TUNISIAN-AMERICAN ENTERPRISE FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Period from Inception to December 31, 2014

3. Property and Equipment and Accumulated Depreciation and Amortization

TAEF's property and equipment consisted of the following as of December 31, 2014:

Furniture and equipment	\$	11,897
Computers		10,132
Leasehold improvements		<u>2,791</u>
Total Property and Equipment		24,820
Less: Accumulated Depreciation and Amortization		<u>(4,563)</u>
Property and Equipment, Net	\$	<u>20,257</u>

Depreciation and amortization expense totaled \$4,563 for the period from inception to December 31, 2014.

4. Concentrations

Major Grantors

For the period from inception to December 31, 2014, TAEF earned grant revenue of \$1,746,576, all of which was received directly from USAID. Should USAID decide not to fund TAEF's future projects, TAEF would experience an adverse impact on its ability to finance ongoing operations.

Foreign Operations

During the period from inception to December 31, 2014, TAEF performed services and transacted business in Tunisia. At December 31, 2014, TAEF maintained an office and a cash account in Tunisia. The future of this program can be adversely affected by a number of potential factors such as devaluations, terrorist activity and changes in the political climate. As of December 31, 2014, TAEF held cash in Tunisia of approximately \$9,100 and investments valued at \$1,071,339, representing 74.9% of TAEF's total assets.

5. Related Party Transaction

During the period from inception to December 31, 2014, TAEF incurred expenses of \$123,679 for contracted services rendered by the spouse of a board member. As of December 31, 2014, there were no amounts due to the board member's spouse.

TUNISIAN-AMERICAN ENTERPRISE FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Period from Inception to December 31, 2014

6. Income Taxes

The Fund qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code. No provision for income taxes is required for the period from inception to December 31, 2014, as the Fund had no net unrelated business income.

TAEF Advisory is subject to the tax laws in the country in which it is incorporated. The activity in this entity was minimal for the period from inception to December 31, 2014, and as such, no tax assessments have been recorded. Any tax assessment due is not considered to be material to these consolidated financial statements.

TAEF performed an evaluation of uncertain tax positions for the period from inception to December 31, 2014, and determined that there are no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2014, the statute of limitations for tax years 2011 through 2013 remains open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which TAEF files tax returns. TAEF is not currently under audit by the U.S. Internal Revenue Service for the period from inception to December 31, 2014. It is TAEF's policy to recognize interest and penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2014, TAEF had no accruals for interest and/or penalties.

7. Subsequent Events

TAEF's management has evaluated subsequent events through May 29, 2015, the date the consolidated financial statements were available to be issued. On February 12, 2015, TAEF incorporated the Tunisian American SME Company (TASME), a wholly-owned affiliate domiciled in Mauritius. TASME is set up as a holding company and was created to carry out the Fund's mission of investing in Tunisia's private and SME sectors through debt, equity and quasi-equity investments. On February 25, 2015, TASME incorporated SME Consulting Company, a wholly-owned affiliate domiciled in Tunisia, to manage its operations in Tunisia. There were no other subsequent events identified that are required to be disclosed in these financial statements.