



IMPULSION AU DEVELOPPEMENT

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

Consolidated Financial Statements

For The Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)



**and
Report Thereon**



TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

TABLE OF CONTENTS
For the Year Ended December 31, 2020

| | <i>Page</i> |
|--|-------------|
| Independent Auditors' Report | 1-2 |
| Consolidated Financial Statements | |
| Consolidated Statement of Financial Position | 3 |
| Consolidated Statement of Activities | 4 |
| Consolidated Statement of Cash Flows | 5 |
| Notes to Consolidated Financial Statements | 6-15 |

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Tunisian-American Enterprise Fund and Affiliates (collectively referred to as TAEF), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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.

- 1 -

Opinion

In our opinion, the 2020 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Tunisian-American Enterprise Fund and Affiliates as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Report on Summarized Comparative Information***

We have previously audited TAEF's 2019 financial statements, and in our report dated November 10, 2020, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature of Marcum LLP in black ink.

Washington, DC
September 29, 2021

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

| | 2020 | 2019 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,805,785 | \$ 4,224,245 |
| Accounts receivable, net | 2,544,672 | 1,317,048 |
| Loans receivable, net | 14,085,299 | 17,906,625 |
| Prepaid expenses, deposits and other assets | 155,701 | 84,835 |
| Certificates of deposit | 29,849,243 | 31,058,360 |
| Investments | 4,717,979 | - |
| Investments in Tunisian enterprises | 18,644,108 | 17,433,231 |
| Property and equipment, net of accumulated depreciation of \$123,233 | 28,996 | 27,623 |
| TOTAL ASSETS | \$ 72,831,783 | \$ 72,051,967 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 226,943 | \$ 417,136 |
| Loan payable | 2,894,601 | 2,931,647 |
| Deferred revenue | 22,835 | 786,439 |
| TOTAL LIABILITIES | 3,144,379 | 4,135,222 |
| Net Assets | | |
| Without donor restrictions | | |
| Undesignated | 69,552,610 | 67,926,207 |
| Noncontrolling interest in TASF | 134,794 | (9,462) |
| TOTAL NET ASSETS | 69,687,404 | 67,916,745 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 72,831,783 | \$ 72,051,967 |

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| REVENUE WITHOUT DONOR RESTRICTIONS | | |
| Grant revenue | \$ 4,642,387 | \$ 46,154,498 |
| Investment income, net | 4,559,128 | 1,547,986 |
| Other income | <u>413,897</u> | <u>432,609</u> |
| TOTAL REVENUE | <u>9,615,412</u> | <u>48,135,093</u> |
| EXPENSES | | |
| Program Service: | | |
| Investments | <u>7,640,740</u> | <u>3,219,912</u> |
| Total Program Service | 7,640,740 | 3,219,912 |
| Supporting Service: | | |
| Management and general | <u>468,799</u> | <u>534,884</u> |
| Total Supporting Service | 468,799 | 534,884 |
| TOTAL EXPENSES | <u>8,109,539</u> | <u>3,754,796</u> |
| Change in Net Assets Before Translation Adjustments | 1,505,873 | 44,380,297 |
| Foreign currency translation gain | <u>120,530</u> | <u>1,243,119</u> |
| Change in Net Assets before Noncontrolling Interest | 1,626,403 | 45,623,416 |
| Net gain (loss) attributable to noncontrolling interest | <u>144,256</u> | <u>(9,462)</u> |
| CHANGE IN NET ASSETS | 1,770,659 | 45,613,954 |
| NET ASSETS, BEGINNING OF YEAR | <u>67,916,745</u> | <u>22,302,791</u> |
| NET ASSETS, END OF YEAR | <u>\$ 69,687,404</u> | <u>\$ 67,916,745</u> |

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

| | 2020 | 2019 |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,770,659 | \$ 45,613,954 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Change in allowance for doubtful accounts | (109,453) | 18,136 |
| Change in allowance for loans receivable | 4,626,498 | 1,689,902 |
| Loss (gain) on revaluation of foreign assets | 2,903,866 | (1,224,652) |
| Depreciation and amortization | 17,130 | 21,470 |
| Realized and unrealized gains on investments | (204,109) | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (1,118,171) | (378,285) |
| Prepaid expenses, deposits and other assets | (70,866) | 96,962 |
| Accounts payable and accrued expenses | (190,193) | 260,412 |
| Deferred revenue | (763,604) | (178,415) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 6,861,757 | 45,919,484 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of certificates of deposit | (18,311,209) | (28,393,228) |
| Proceeds from matured certificates of deposit | 19,520,326 | - |
| Purchase of investments | (4,809,006) | - |
| Purchase of investments in Tunisian enterprises | (1,923,492) | (10,438,998) |
| Proceeds from sale of investments | 450,272 | - |
| Issuance of loans receivable | (3,232,724) | (8,839,199) |
| Collections from loans receivable | 549,494 | 857,493 |
| Purchases of property and equipment | (18,503) | (19,953) |
| NET CASH USED IN INVESTING ACTIVITIES | (7,774,842) | (46,833,885) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings on loan payable | - | 2,913,180 |
| Repayments on loan payable | (461,044) | - |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (461,044) | 2,913,180 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (1,374,129) | 1,998,779 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 4,224,245 | 2,225,466 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 2,850,116 | \$ 4,224,245 |
| Reconciliation of cash and cash equivalents | | |
| Cash and cash equivalents | \$ 2,805,785 | \$ 4,224,245 |
| Cash and cash equivalents held for investment purposes | 44,331 | - |
| Total Cash and Cash Equivalents | \$ 2,850,116 | \$ 4,224,245 |

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

1. Organization and Summary of Significant Accounting Policies

Organization

The Tunisian-American Enterprise Fund (the Fund) was established by the United States Congress 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 begin wind-down procedures after 2028 and terminate within three to four years thereafter.

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.

In February 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 small and medium enterprise sectors through debt, equity and quasi-equity investments.

In February 2015, TASME incorporated SME Consulting Company (SME), a wholly-owned affiliate domiciled in Tunisia, to manage its operations in Tunisia.

Tunisian American Search Fund (TASF) is a pilot project financed by the Fund in March 2019. TASF is a limited company located in Tunisia. The main purpose of TASF is the holding and management of interests in other companies. The Fund owns 90% of TASF. The remaining interest is owned by an individual (see Note 7).

Principles of Consolidation

The accompanying consolidated financial statements reflect the activity of the Fund, TAEF Advisory, TASME, SME and TASF (collectively known as TAEF). The financial statements of TAEF have been consolidated as these entities are 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.

Certificates of Deposit

Certificates of deposit are recorded in the accompanying consolidated financial statements at principal plus accrued interest. Interest income is recorded as earned.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

Accounts Receivable

Accounts receivable consist primarily of interests, dividends and royalties receivable. TAEF uses the allowance method to record potentially uncollectible accounts. TAEF has established the allowance at a level deemed appropriate to provide for doubtful accounts. The net remaining balances are deemed by TAEF to be fully collectible. During the year ended December 31, 2020, TAEF created an allowance for doubtful accounts of approximately \$236,600.

Loans Receivable

TAEF uses the allowance method to reserve for potentially uncollectible loans receivable. Accounts past due are individually analyzed for collectability. Management annually adjusts the allowance account based upon its estimate of those loans receivable that it believes to be uncollectible.

Investments

Investments include equity securities, fixed income, and cash and cash equivalents held for investment purpose. These investments are recorded in the accompanying consolidated financial statements at their fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales are reflected on a trade date basis. Interest, dividends and realized gains or losses are recorded when earned, less external investment expenses. Internal investment expenses to manage the investment returns have been determined to not be significant to the consolidated financial statements. Changes in the fair value of the portfolio are recorded as unrealized gains or losses in the accompanying consolidated statements of activities.

Investments in Tunisian Enterprises

Investments in Tunisian Enterprises include TAEF's interest in private equity funds, in certain partnerships and one private foreign company which are considered to be alternative investments, as such funds are not traded in an established market. 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. TAEF's interest in these alternative investments is recorded in the accompanying consolidated financial statements under the cost method, minus any impairment, and adjusted for changes resulting from any observable price changes in orderly transactions for the identical or similar investment.

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, TAEF has categorized its applicable assets and liabilities measured at fair value into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

Fair Value Measurement (continued)

assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Institute has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

As of and for the years ended December 31, 2020, only TAEF's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. TAEF capitalizes all expenditures for property and equipment with a useful life of more than one year and an acquisition cost greater than \$1,000. Depreciation on computers and furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years. Website and software are amortized using the straight-line method over three to five years. Leasehold improvements are amortized over the shorter of the lease term or the 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

Net assets without donor restrictions represent the portion of expendable funds that are available to support the operations of TAEF.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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

Revenue Recognition

TAEF has a funding agreement with USAID. Revenue from this agreement is conditional upon the incurrence of allowable qualifying expenses and/or investments. Grant revenue is recognized as costs are incurred on the basis of direct program and administrative costs plus investments in the other entities. Amounts related to this funding agreement that are recognized and released in the same year are included as grant revenue without donor restrictions in the accompanying consolidated statement of activities. Amounts received from the awarding agency in advance of costs incurred are included in deferred revenue in the accompanying consolidated statement of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. Expenses directly attributed to a specific functional area of TAEF are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimated time worked between program and supporting services.

Foreign Currency Translation

The conversion of financial statement balances into U.S. dollars (USD) follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 830, *Foreign Currency Matters*, which permits an entity to present its consolidated financial statements in any currency. If the currency in the financial statements differs from the entity's functional currency, TAEF translates all assets and liabilities at the current rate at the date of the statement of financial position. Revenue and expense balances are translated at exchange rates at the transaction date.

Estimates

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

2. Certificates of Deposit

As of December 31, 2020, the certificates of deposit held by TAEF totaled \$29,849,243. Interest income was \$650,344 for the year ended December 31, 2020.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

3. Investments and Fair Value Measurement

The following table summarizes the Institute's assets measured at fair value on a recurring basis as of December 31, 2020:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|---|---------------------|---------------------|---------------------|----------------|
| Fixed income: | | | | |
| Corporate bonds | \$ 1,424,499 | \$ 1,424,499 | \$ - | \$ - |
| U.S. treasuries | 1,083,009 | - | 1,083,009 | - |
| Municipal bonds | 635,337 | - | 635,337 | - |
| Equity securities | <u>1,530,803</u> | <u>1,530,803</u> | <u>-</u> | <u>-</u> |
| Total Investments in Fair Value Hierarchy | 4,673,648 | <u>\$ 2,955,302</u> | <u>\$ 1,718,346</u> | <u>\$ -</u> |
| Cash and cash equivalents | <u>44,331</u> | | | |
| Total Investments | <u>\$ 4,717,979</u> | | | |

Under the provisions of the accounting standards on fair value measurement, the applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Fixed income and equity securities – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated using pricing models, such as matrix pricing, quoted prices of securities with similar characteristics or discounted cash flows. These instruments, which would generally be classified within Level 2 of the valuation hierarchy, include U.S. treasuries and municipal bonds.

4. Investments in Tunisian Enterprises

TAEF's investments in Tunisian Enterprises at December 31, 2020, are summarized as follows:

| | |
|-------------------------|----------------------|
| Private equities | \$ 4,330,804 |
| Partnerships | 5,177,386 |
| Private foreign company | <u>9,135,918</u> |
| Total Investments | <u>\$ 18,644,108</u> |

The private equity funds have initial lock-up period of five to six years. TAEF has unfunded commitments of \$4,344,943 related to these investments as of December 31, 2020. Because of the inherent uncertainty of the valuation for TAEF's investment in these funds and in certain of the underlying investments held by the funds, values for these investments may differ significantly from values that would have been used had a ready market for the investments existed.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

5. Loans Receivable

Under TAEF's funding agreement with USAID, TAEF may provide loans to qualifying organizations for the purpose of providing debt financing to small and medium enterprises. Loans are secured by the borrower's collateral. Under the terms of the loan agreements, TAEF is authorized to receive interest payments ranging from 2% to 14%. Principal payments are to be repaid quarterly beginning 12-24 months after the initial disbursement, and interest payments are due every three months after the initial disbursement.

Loans receivable are expected to be collected as follows as of December 31, 2020:

| | |
|---------------------------------------|----------------------|
| Due in less than 1 year | \$ 14,242,178 |
| Due in 1-5 years | <u>7,395,547</u> |
| Total Loans Receivable | 21,637,725 |
| Less: Allowance for Doubtful Accounts | <u>(7,552,426)</u> |
| Loans Receivable, Net | <u>\$ 14,085,299</u> |

6. Loan Payable

In April 2019, TASF entered into a loan agreement with a financial institution. The loan is for \$2,931,647 (or 9,000,000 in Tunisian Dinar), with the first six payments due annually beginning on September 30, 2020. The last principal payment is due on March 31, 2026. The loan bears interest of 10.2402% per annum. As of December 31, 2020, \$2,894,601 remained outstanding on this loan.

The scheduled future principal payments under the notes payable were as follows at December 31, 2020:

| | |
|--|---------------------|
| For the Year Ending <u>December 31,</u> | |
| 2021 | \$ 474,399 |
| 2022 | 474,399 |
| 2023 | 474,399 |
| 2024 | 474,399 |
| 2025 | 474,399 |
| Thereafter | <u>522,606</u> |
| Total Loan Payable | <u>\$ 2,894,601</u> |

7. Noncontrolling Interest in TASF

Under an agreement between the Fund and an individual investor, the ownership interests of TASF are 90% and 10%, respectively. Under this agreement, the profit and loss of TASF are to be allocated in accordance with the respective ownership interests of its shareholders.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. Commitments and Contingencies

Major Grantors

For the year ended December 31, 2020, TAEF earned grant revenue of \$4,642,387, all of which was received directly from USAID, which has a funding agreement with TAEF through the authority of an act of Congress. This amount represents 48% of total revenue for the year ended December 31, 2020. While management believes the likelihood of the event remote, should Congress decide not to fund TAEF's future projects, TAEF would experience an adverse impact on its ability to finance ongoing operations.

On May 25, 2018, TAEF was notified by USAID of an amendment to the current grant in which the total amount of funding under the grant agreement of \$20 million was increased to \$100 million and as such, USAID financial commitment is obligated to \$100 million. As of December 31, 2020, TAEF has yet to recognize revenue of approximately \$18,000,000.

Foreign Operations

During the year ended December 31, 2020, TAEF performed services and transacted business in Tunisia. At December 31, 2020, TAEF maintained an office, loans receivable, investments and other assets in Tunisia and Mauritius. 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, 2020, assets held in foreign countries were approximately \$67,932,000, which represented approximately 93% of TAEF's total consolidated assets.

Risks and Uncertainties

The COVID-19 outbreak in the United States and international communities has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. TAEF has been able to continue most of its operations; however, at this point, the extent to which COVID-19 may impact TAEF's financial condition or results of operations cannot be predicted.

9. Related Party Transaction

During the year ended December 31, 2020, TAEF paid salary and bonus expenses totaling \$163,056 to an employee who is the spouse of a member of the Board of Directors. As of December 31, 2020, there were no amounts due to this individual.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

10. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to program or supporting functions of TAEF. Total expenditures, by natural and functional classification, were as follows for the year ended December 31, 2020:

| | <u>Investments Program</u> | <u>Management and General</u> | <u>Total</u> |
|-----------------------------------|--------------------------------|-----------------------------------|---------------------|
| Bad debts | \$ 4,734,129 | \$ - | \$ 4,734,129 |
| Investment impairment loss | 1,615,096 | - | 1,615,096 |
| Salaries | 453,709 | 156,510 | 610,219 |
| Contractors | 343,291 | 123,802 | 467,093 |
| Professional fees | 109,271 | 97,102 | 206,373 |
| Other expenses | 130,869 | 59,044 | 189,913 |
| Taxes | 92,029 | - | 92,029 |
| Payroll taxes and fringe benefits | 71,746 | 11,592 | 83,338 |
| Occupancy and utilities | 62,742 | 20,291 | 83,033 |
| Depreciation and amortization | 19,296 | 438 | 19,734 |
| Travel and meetings | <u>8,562</u> | <u>20</u> | <u>8,582</u> |
| Total Expenses | <u>\$ 7,640,740</u> | <u>\$ 468,799</u> | <u>\$ 8,109,539</u> |

11. Availability and Liquidity

TAEF regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. TAEF's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2020, were as follows:

| | |
|--|---------------------|
| Cash and cash equivalents | \$ 2,805,785 |
| Accounts receivable, net | 2,544,672 |
| Loans receivable, net | 14,085,299 |
| Certificates of deposits | 29,849,243 |
| Investments | <u>4,717,979</u> |
| Total Financial Assets at Year-End | 54,002,978 |
| Less: | |
| Amounts not available to be used within one year: | |
| Long-term loans receivable | <u>(7,395,547)</u> |
| Financial Assets Available to Meet General Expenditures Within One Year | <u>\$46,607,431</u> |

TAEF has various sources of liquidity at its disposal, including cash and cash equivalents, accounts and loans receivable, certificate of deposits and non-alternative investments, which are available for general expenditures, liabilities and other obligations as they come due.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2020

11. Availability and Liquidity (continued)

Management is focused on sustaining the financial liquidity of TAEF throughout the year. This is done through monitoring and reviewing TAEF's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of TAEF's cash flow and is therefore able to ensure that there is cash available to meet current liquidity needs. TAEF's certificates of deposit are of a short-term duration, maturing within one year at staggered maturity dates, and therefore can be liquidated to meet operating cash requirements.

12. Income Taxes

The Fund qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2020, as the Fund had no net unrelated business income.

TAEF Advisory, TASME, SME and TASF are subject to the tax laws in the countries in which they were incorporated. The Fund pays all taxes due in these countries both timely and accurately and the related tax expense is reflected on the accompanying consolidated financial statements. However, any additional tax assessment due or liabilities have not been recorded as such amounts are not considered to be significant to these consolidated financial statements.

TAEF has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. TAEF evaluated its uncertainty in income taxes for the year ended December 31, 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2020, there are no audits for any tax periods in progress. It is TAEF's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. There are currently no examinations pending or in progress, regarding TAEF's tax returns.

13. Reclassification

Certain 2019 amounts have been reclassified to conform with the 2020 consolidated financial statement presentation.

14. Prior Year Summarized Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with TAEF's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

15. Subsequent Events

TAEF's management has evaluated, for potential recognition or disclosure, events and transactions through September 29, 2021, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these financial statements.