



IMPULSION AU DEVELOPPEMENT

# TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

## Consolidated Financial Statements

*For The Year Ended December 31, 2021*

*(With Summarized Financial Information for the Year Ended December 31, 2020)*



and  
Report Thereon



**TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES**

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**For the Year Ended December 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the 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, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAEF as of December 31, 2021, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TAEF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TAEF's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TAEF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TAEF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Other Matter**

#### *Report on Summarized Comparative Information*

We have previously audited TAEF's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
September 26, 2022

**TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2021**  
**(With Summarized Financial Information as of December 31, 2020)**

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,894,654	\$ 2,805,785
Other receivable, net	1,188,538	2,544,672
Loans receivable, net	5,322,283	14,085,299
Prepaid expenses, deposits and other assets	292,822	155,701
Certificates of deposit	30,210,833	29,849,243
Investments	14,834,318	4,717,979
Investments in Tunisian enterprises	27,312,295	18,644,108
Property and equipment, net of accumulated depreciation of \$140,271	17,075	28,996
<b>TOTAL ASSETS</b>	<b>\$ 82,072,818</b>	<b>\$ 72,831,783</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 243,137	\$ 226,943
Loan payable	2,236,344	2,894,601
Deferred revenue	1,614	22,835
<b>TOTAL LIABILITIES</b>	<b>2,481,095</b>	<b>3,144,379</b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	79,428,855	69,552,610
Noncontrolling interest in TASF	162,868	134,794
<b>TOTAL NET ASSETS</b>	<b>79,591,723</b>	<b>69,687,404</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 82,072,818</b>	<b>\$ 72,831,783</b>

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, 2021**  
**(With Summarized Financial Information for the Year Ended December 31, 2020)**

	2021	2020
REVENUE WITHOUT DONOR RESTRICTIONS		
Grant revenue	\$ 13,200,536	\$ 4,642,387
Investment income, net	2,503,827	4,559,128
Other income	522,922	413,897
TOTAL REVENUE	16,227,285	9,615,412
EXPENSES		
Program Service:		
Investments	4,743,586	7,640,740
Total Program Service	4,743,586	7,640,740
Supporting Service:		
Management and general	610,200	468,799
Total Supporting Service	610,200	468,799
TOTAL EXPENSES	5,353,786	8,109,539
Change in Net Assets Before Translation Adjustments	10,873,499	1,505,873
Foreign currency translation (loss) gain	(997,254)	120,530
Change in Net Assets before Noncontrolling Interest	9,876,245	1,626,403
Net gain attributable to noncontrolling interest	28,074	144,256
CHANGE IN NET ASSETS	9,904,319	1,770,659
NET ASSETS, BEGINNING OF YEAR	69,687,404	67,916,745
NET ASSETS, END OF YEAR	\$ 79,591,723	\$ 69,687,404

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, 2021**

**(With Summarized Financial Information for the Year Ended December 31, 2020)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 9,904,319	\$ 1,770,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in impairment for investments	2,497,207	-
Change in allowance for doubtful accounts	(34,957)	(109,453)
Change in allowance for loans receivable	407,315	4,626,498
Loss on revaluation of foreign assets	1,323,577	2,903,866
Depreciation and amortization	17,038	17,130
Realized and unrealized gains on investments	(159,186)	(204,109)
Changes in assets and liabilities:		
Other receivable	1,391,091	(1,118,171)
Prepaid expenses, deposits and other assets	(137,121)	(70,866)
Accounts payable and accrued expenses	16,194	(190,193)
Deferred revenue	(21,221)	(763,604)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>15,204,256</b>	<b>6,861,757</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of certificates of deposit	(43,145,199)	(18,311,209)
Proceeds from matured certificates of deposit	42,783,609	19,520,326
Purchase of investments	(10,710,727)	(4,809,006)
Purchase of investments in Tunisian enterprises	(12,010,385)	(1,923,492)
Proceeds from sale of investments	785,482	450,272
Issuance of loans receivable	(1,015,579)	(3,232,724)
Collections from loans receivable	8,691,612	549,494
Purchases of property and equipment	(5,117)	(18,503)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(14,626,304)</b>	<b>(7,774,842)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments on loan payable	(457,175)	(461,044)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(457,175)</b>	<b>(461,044)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>120,777</b>	<b>(1,374,129)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,850,116</b>	<b>4,224,245</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,970,893</b>	<b>\$ 2,850,116</b>
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 2,894,654	\$ 2,805,785
Cash and cash equivalents held for investment purposes	76,239	44,331
<b>Total Cash and Cash Equivalents</b>	<b>\$ 2,970,893</b>	<b>\$ 2,850,116</b>

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, 2021

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#### 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 Equivalents**

As required under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 230, Statement of Cash Flows, TAEF considers highly liquid investments purchased with maturities of three months or less to be cash equivalents.

##### **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, 2021

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

##### **Other Receivable**

Other 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, 2021, TAEF created an allowance for doubtful accounts of approximately \$271,533.

##### **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

## TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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

##### **Fair Value Measurement (continued)**

identical 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, 2021, 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, 2021

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#### 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 FASB 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, 2021, the certificates of deposit held by TAEF totaled \$30,210,833. Interest income was \$351,612 for the year ended December 31, 2021.

**TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

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, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income:				
Corporate bonds	\$ 2,817,825	\$ 2,817,825	\$ -	\$ -
U.S. treasuries	1,863,805	-	1,863,805	-
Municipal bonds	1,153,647	-	1,153,647	-
Mutual funds	6,119,028	6,119,028	-	-
Equity securities	<u>2,803,774</u>	<u>2,803,774</u>	<u>-</u>	<u>-</u>
Total Investments in Fair Value Hierarchy	14,758,079	<u>\$ 11,740,627</u>	<u>\$ 3,017,452</u>	<u>\$ -</u>
Cash and cash equivalents	<u>76,239</u>			
Total Investments	<u>\$ 14,834,318</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, mutual funds 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, 2021, are summarized as follows:

Private equities	\$ 4,434,731
Partnerships	13,356,922
Private foreign company	<u>9,520,642</u>
Total Investments	<u>\$ 27,312,295</u>

The private equity funds have initial lock-up period of five to six years. TAEF has unfunded commitments of \$3,387,348 related to these investments as of December 31, 2021. 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, 2021

#### 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, 2021:

Due in less than 1 year	\$ 4,929,817
Due in 1-5 years	<u>8,352,206</u>
Total Loans Receivable	13,282,023
Less: Allowance for Doubtful Accounts	<u>(7,959,740)</u>
Loans Receivable, Net	<u>\$ 5,322,283</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, 2021, \$2,236,344 remained outstanding on this loan.

The scheduled future principal payments under the notes payable were as follows at December 31, 2021:

For the Year Ending <u>December 31,</u>	
2022	\$ 474,399
2023	474,399
2024	474,399
2025	474,399
2026	<u>338,748</u>
Total Loan Payable	<u>\$ 2,236,344</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, 2021

#### 8. Commitments and Contingencies

##### **Major Grantor**

For the year ended December 31, 2021, TAEF earned grant revenue of \$13,200,536, 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 81% of total revenue for the year ended December 31, 2021. 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, 2021, TAEF has yet to recognize revenue of approximately \$4,800,000.

##### **Foreign Operations**

During the year ended December 31, 2021, TAEF performed services and transacted business in Tunisia. At December 31, 2021, 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, 2021, assets held in foreign countries were approximately \$67,200,000, which represented approximately 82% of TAEF's total consolidated assets.

#### 9. Related Party Transaction

During the year ended December 31, 2021, TAEF paid salary and bonus expenses totaling \$215,000 to an employee who is the spouse of a member of the Board of Directors. As of December 31, 2021, there were no amounts due to this individual.

#### 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, 2021:

	<u>Investments Program</u>	<u>Management and General</u>	<u>Total</u>
Investment impairment loss	\$ 1,875,800	\$ -	\$ 1,875,800
Other expenses	1,101,829	66,975	1,168,804
Salaries	478,558	210,885	689,443
Contractors	413,978	204,341	618,319
Bad debts	407,313	-	407,313

**TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

10. Functional Expenses (continued)

	Investments Program	Management and General	Total
<i>(continued)</i>			
Professional fees	\$ 132,139	\$ 97,867	\$ 230,006
Taxes	153,412	1,111	154,523
Payroll taxes and fringe benefits	74,865	11,742	86,607
Occupancy and utilities	69,432	16,800	86,232
Depreciation and amortization	16,601	438	17,039
Travel and meetings	19,659	41	19,700
Total Expenses	\$ 4,743,586	\$ 610,200	\$ 5,353,786

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, 2021, were as follows:

Cash and cash equivalents	\$ 2,894,654
Other receivable, net	1,188,538
Loans receivable, net	5,322,283
Certificates of deposits	30,210,833
Investments	14,834,318
Total Financial Assets at Year-End	54,450,626
Less:	
Amounts not available to be used within one year:	
Long-term loans receivable	(8,352,206)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 46,098,420

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. 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.

## TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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#### 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, 2021, 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, 2021, 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, 2021, 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. 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, 2020, from which the summarized information was derived.

#### 14. Subsequent Events

TAEF's management has evaluated, for potential recognition or disclosure, events and transactions through September 26, 2022, 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.