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 two decades 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 $2.2 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 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 seventh 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.

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Letter from Management

War, like any major crisis, is a test of agility and resilience. For years, Western NIS Enterprise Fund has been funding innovative, high-impact, reform focused programs to support democracy and leadership in Ukraine. Now comes the test; can Ukraine withstand its greatest challenge in the country’s modern history? Can it adapt to ever-changing circumstances?

In today’s context, the global pandemic could appear as a silver lining. In 2020-2021, together with Ukraine we learned how to make the best of unexpected challenges. How to recognize and capitalize on the latest trends. How to be flexible in uncertain times. Today, we can only hope that these skills will help Ukraine persevere.

If 2020 tested our resilience, 2021 helped us develop agility. Lessons learned from the first year of the pandemic helped us develop new ideas and formats, providing a considerable boost to all our Programs.

Export Promotion Policy Program scaled up the digital formats piloted in 2020, aiming to provide support and inspiration to SMEs in Ukraine and Moldova amid the rapidly changing business environment. The improving global epidemiological situation allowed Ukrainian and Moldovan companies to resume participation in global trade shows and exhibits, with WNISEF support.

Local Economic Development Program redoubled its efforts to connect local authorities, businesses, NGOs and changemakers to share knowledge and find new ways to respond to new challenges, together. The Program masterfully navigated safety restrictions to make certain this important exchange took place, employing digital tools to further expand the pool of partnerships and projects.

Impact Investing Program remained a pillar of much-needed support for social enterprises in Ukraine and Moldova. In addition to its core activities, the Program co-founded and helped develop Impact Ukraine, a charity organization that raises additional funding and more low-interest loans to eligible companies.

Economic Leadership Program focused on reactivating projects placed on hold in 2020, as well as further expanding its partnership network among state, private, and civic organizations. In particular, the Ukrainian Leadership Academy reimagined its format, into a new hybrid program allowing students to continue developing leadership skills in a safe environment.

For U.Ventures, additional funding combined with a galvanized tech startup market resulted in a breakthrough year. The global influx of technology start-ups produced new opportunities for investment – but also an increased level of competition. U.Ventures also continued to help existing portfolio companies adapt to global market changes.

Beyond its traditional activities, WNISEF also found new ways to further anti-corruption initiatives in Moldova and Ukraine. The Fund supported local partners in both countries to reduce the threat of corruption to these developing democracies.
The way we responded to the challenges of 2021 laid fertile ground for further growth. We could not have achieved as much without consistent support from our partners throughout the world.

However, as we are writing this letter, Ukraine is under siege. Step by step, Russia’s horrific invasion is threatening to reverse so much that we have accomplished. So today, your support for Ukraine, for its people’s love of freedom and democracy, matters more than ever. So that tomorrow, when justice prevails, our efforts will form the foundation of an even more resilient and agile Ukraine.

We want 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    Jaroslawa Zelinsky Johnson
Chairman of the Board    President and Chief Executive Officer
The events of late 2021 and the beginning of 2022 showed that Russia’s illegal aggression toward Ukraine will be the key non-economic factor to increasingly disable and undermine Ukraine’s economy. However, the recovery trends of 2021 as well as continued international support will serve as a safe backup during the political and economic turbulence of 2022.

In 2021, Ukraine’s economy bounced back strongly following a significant drop in 2020 caused by the COVID-19 challenges and consequences. However, the second half of the year showed less optimistic results than expected. Despite this fact, GDP growth reached 3.2% YoY, confirming IMF’s last forecast for 2021. This was made possible by sustained private consumption, increased business investment after the crisis, and a record performance of agricultural sector. At the same time, the nominal GDP crossed the $180 billion threshold for the first time since 2013 and climbed to $200 billion – the highest GDP in USD terms in Ukraine’s history.

Many positive developments were stifled by a decline in industrial production caused by high energy prices, slow rollout of the vaccination campaign and flimsy progress on key reforms. The inflation was a major concern for Ukraine since the second quarter and reached 10% in 2021, its highest level since 2017, due factors other than the pandemic.

In 2021, Ukraine’s current account balance showed a $2.1 billion deficit, which formed 1.0% of GDP, following a 3.4% surplus in 2020. Deficit increase was caused by some worsening in the terms of trade and more robust consumer and investment demand. As of the beginning of 2022, the reserves of the National Bank of Ukraine grew by 6% YoY, or $30.9 billion, reaching the highest level in nine years and adding $23 billion to total reserves since 2014.

In 2021, the weakening of the Ukrainian hryvnia stopped. During 2021, the Ukrainian hryvnia appreciated by 3.5% YoY, and average rate was UAH 27.3 per USD.

In 2021, the impact of external funding from international financial institutions remained significant. Ukraine received $3.4 billion from International Monetary Fund and €0.6 billion from the European Union. In November 2021, the IMF completed its first review of Ukraine’s economic performance under the Stand-by program (SBA) and approved $700 million disbursement as well as an extension of the SBA until the end of June 2022. The World Bank also provided Ukraine with a total of $2.3 billion in budget support and investment projects. Ukraine has already received $150 million under the Emergency COVID-19 Response and Vaccination Project of the World Bank in 2021.

In 2022, Ukraine will be an aggravating factor for the world economy while Ukraine’s economy will need stronger financial support and technical assistance from international partners like never before. While the outlook remains uncertain, the war with Russia already caused tragic loss of life and human suffering, as well as massive damage to Ukraine’s economy and physical infrastructure. It is certain that the war will reduce global growth and drive up global inflation over the next year. At the same time, this can be manageable, provided timely action is taken to mitigate the longer-term economic risks created by the war.
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<td>(4.0)</td>
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<td>Inflation End of Year, %</td>
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<td>12.4</td>
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<td>2.4</td>
<td>(0.9)</td>
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Sources: International Monetary Fund, National Bank of Ukraine, State Statistics Service of Ukraine
2021 was a year of stabilization and slight recovery of the Moldovan economy, including the relaunch of external financial support. As a result, Moldova’s GDP increased by 13.9% YoY in 2021. This increase was primarily driven by an agriculture input, which increased by 28.6% in 2021. At the same time, private consumption also showed an increase of 9% YoY.

However, this year was also marked by an energy crisis caused by Russian threats to cut off gas supplies as part of negotiations on the extension of their gas contract with Moldova, which had a definite impact on economic developments of the country in 2022. Inflation reached a high of 13.9% YoY in 2021, following record-low 0.4% level in 2020. Inflation grew because of both internal and external factors, such as a Moldovan gas crisis and rising prices for construction materials and imported food. The Central Bank of Moldova responded to the surge of inflation with four key rate hikes in 2021, and the fifth in January 2022, increasing the key rate to 8.5%.

Among other things, Moldova continues to be import-oriented economy, where import exceeds export primarily due to doubled import of petroleum products and tripled import of natural gas in 2021. Overall, exports grew by 27.5% YoY. At the same time, exports to Moldova’s top trading partners (Romania, Turkey, Russian Federation, Germany, and Italy) increased by 26.5%, 10.0%, 8.8%, 7.8%, and 7.6% YoY, respectively.

A moderate path of Moldova’s economy was first and foremost caused by the gas crisis, which affected development plans of the new government of Moldova and Europe as well. Negotiations over the new contract with Gazprom led to an increase in the price of gas, which was temporarily resolved by the Government by allocating compensation both from the state budget and from external assistance provided to reduce the effect of rising prices.

In 2021, Moldova finally managed to emerge from international isolation thanks to the election of political leadership with pro-European views; thus, international financial institutions resumed funding at a rapid pace. International Monetary Fund approved a long-awaited $590.6 million funding program with a term of 40 months under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements. This program is aimed at sustaining the post-pandemic recovery and addressing pressing developmental needs. This approval unlocked other financial assistance, in particular the European Commission adopted a proposal for a new Macro-Financial Assistance (MFA) operation of up to €150 million for Moldova. Moreover, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) provided €75 million for energy efficiency projects to support Moldova’s energy crisis.

In 2022, Moldovan economy will likely depend on geopolitical developments over Russia’s unprovoked invasion of Ukraine, including flows of Ukrainian refugees seeking shelter in Moldova, as well as the further steps of Moldovan political leadership with regard to required reforms and the energy crisis which have become a dangerous battlefield.
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<td>Real GDP Growth, %</td>
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<td>4.0</td>
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<td>Inflation End of Year, %</td>
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<td>Average Exchange Rate, USD</td>
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Sources: International Monetary Fund, National Bank of Moldova, National Bureau of Statistics of Moldova
EXPORT

PROMO

POLICY

PROGRAM
OPENING GATEWAY TO GROWTH
Despite the significant effect of pandemic restrictions on the implementation of the Export Promotion Policy Program in 2020, it successfully resumed helping SMEs from Ukraine and Moldova showcase their products at global exhibitions and trade shows in 2021. Moreover, the Program continued focusing on the stimulation of export-oriented entrepreneurship in the region and visibly increased the number of projects compared to 2020.

Encouraging small and medium businesses to work globally, the Export Promotion Policy Program continued Made in Ukraine, a series of educational interview videos with successful founders of export-oriented Ukrainian SMEs. The Program collaborated with entrepreneurs in various industries, including high-value agriculture, handicraft, ICT, and light manufacturing. In 2021, five more successful founders shared their business stories, inspiring others to become entrepreneurs. All founders explained how to find a winning idea for business, and successfully realize it and promote in other markets.

In 2021, our video heroes were Nazar Bilous, co-founder of LaMetric, a startup producing smart desktop clocks; Shamil Malachiyev, founder of one of the

Backstage at video shootings with Shamil Malachiyev, Amina, and Viktoriya Kolodii, Koza Dereza Manufacture
largest flour, pasta, and confectionery producers in southern Ukraine Agro-Yug-Service LLC and Amina Trademark; Slava Rodionov, founder of Kharkiv-based company BRIG, which produces rigid inflatable motorboats; Viktoriya Kolodii, founder of Koza Dereza Manufacture, an ethnic shop of Ukrainian clothes, jewelry, and decorative items that reflect Ukrainians’ cultural roots; Viktor Kopach and Vasyl Dub, co-founders of a digital platform to solve the problem of lost and stray animals – Animal ID.

Launched in 2020, the Made in Ukraine project reached a much wider audience - up to 3-5 times more in 2021. Creativity in making the film, a fresh format, and better promotion helped to bring results to a new level.

In 2021, WNISEF resumed support for Ukraine’s presence at the annual Consumer Electronics Show, one of the largest international tech events held in Las Vegas. Ukraine’s IT startup ecosystem is still at an early stage of development, and local IT industry needs global visibility to attract venture capital. With a view to select the best-qualified companies to represent Ukraine, WNISEF collaborated with the Ukrainian Startup Fund, and identified eight startups among 40 applications.

To successfully present their startups for the first time, the eight winners had a 3-day exhibitor training in the framework of the CES bootcamp. Two experienced startup industry mentors - Felix Litvinsky, Managing Director of Blackstone LaunchPad at Cornell University, and Rick Rasmussen, Industry Fellow and Lecturer at the University of California at Berkeley, coached on marketing and business development. All in all, selected startups successfully presented their innovative products to investors and more than 40,000 visitors at CES, increasing the visibility of the Ukrainian IT ecosystem.
At the end of 2021, WNISEF together with the U.S. Embassy in Ukraine and the Ministry of Foreign Affairs of Ukraine supported a special public diplomacy campaign - “Shchedryk: Celebrating Christmas Magic”. Public diplomacy is considered a significant part of strengthening Ukraine’s role on the world’s stage, while this campaign has become an opportunity to raise the profile of Ukraine’s contribution to global cultural heritage. Especially, when Shchedryk, a Ukrainian melody, earned worldwide recognition and became a well-known symbol of Christmas around the world.

In 2022, WNISEF plans to support this project with local and international events and celebrate the 100th anniversary of the first Shchedryk performance with a multimedia installation and 3D video projection mapping in New York. Aimed at expanding the audience in the U.S. and other countries, WNISEF will present the famous Christmas carol in Carnegie Hall and other concert halls in Chicago, San Francisco, and other cities.

In Moldova, WNISEF renewed its efforts to identify and implement export promotion projects and focused on supporting the Moldovan IT sector. The Fund plans to proceed with this support and help this sector to grow.

To increase investments, WNISEF and USAID’s Moldova Future Technologies Activity evaluated international and governmental support for Moldova IT Park, the first nationwide e-park uniting the largest Moldovan pool of tech entrepreneurs and talent. To promote youth entrepreneurship and enable the growth of a startup ecosystem in Moldova, this joint WNISEF and USAID program will support innovation awards highlighting top IT successes in the country. The partners also plan to assist with providing educational materials, training, and, potentially, knowledge exchange trips for IT Park’s residents. Based on this evaluation, WNISEF signed the Memorandum of Understanding with Moldova IT Park to further partner on unlocking more opportunities for the
local IT ecosystem. As the first step, partners agreed to develop an investment guide with a roadmap for potential investors intending to work in Moldova.

In addition, WNISEF opened a new call for applications for Moldova export promotion grant funding and received a few expressions of interest from organizations in agriculture. WNISEF has already evaluated support for Moldova Fruit Association’s export promotion activities for 2022, which seeks co-funding to assist its members in entering new markets.

Overall, WNISEF believes that Moldova and Ukraine have great export potential and favourable conditions for entering new foreign markets, while this potential is not fully realized yet. In 2022, WNISEF will focus on keeping the pace of 2021 and expanding its support for local SMEs in both countries for greater promotion of their brands and products in other markets.
LEVERAGING OPPORTUNITIES AND NEW FORMATS FOR GROWTH

LOCAL ECONOMIC DEVELOPMENT PROGRAM
Citizens perceive and evaluate their country not on figures and indicators, but on what they observe every day in their residential districts, schools, hospitals, roads, public transport, administrative service centers and surroundings. Ukraine’s economic success depends on significant, but small improvements in the business climate at the local level. This became particularly obvious during the COVID-19 pandemic and formation of the “new normal” with many uncertainties.

The post-pandemic future poses new challenges to local communities, and WNISEF’s mission is to support local development, while expanding our work formats, engaging more partners, and making our projects more visible.

In 2021, the Local Economic Development Program successfully incorporated the best lessons and changes created by the uncertainty and restrictions of 2020, thereby improving the Program’s activity in preparation for growth in 2022.

**International Mayors Summit**

The online format of 2020 underscored the value of live chat and networking for participants of the International Mayors Summit. Thus, the fourth annual International Mayors Summit returned to its original offline format securing all the pandemic rules by additional COVID-19 testing for participants, face masks and physical distancing. More than 130 mayors, business representatives, state officials, and experts from Ukraine, Albania, Germany, and Portugal attended the Summit offline and via online streaming, and benefited from networking and establishing new contacts.

In 2021, the leitmotif of the Summit was “Cities on the Frontline: Progress Despite Global Challenges”, focusing on urban development amidst global challenges caused by the pandemic.
Ten Ukrainian city mayors presented successful projects implemented amidst the pandemic. The mayors shared their cases in supporting cities’ cultural facilities as in the Lyubeshiv community in Volyn oblast that developed specific COVID-19 city strategies, and as in Novohrad-Volynskyi that built strong city-business partnerships, as in Mariupol and Mykolaiv cities who pursued improvement of citizens’ quality of life.

The keynote speaker of this International Mayors Summit was Erion Veliaj, Mayor of Tirana, Albania who shared his experience with implementing socially significant initiatives in the city and his vision of a mayor’s main task implementing changes. Mr. Erion also explained why his city decided to plant two million trees by the end of 2030, and how children and youth can positively affect the future development of the cities.

In 2021, the International Mayors Summit included several new initiatives that expanded the vision of city development. A fresh look at urban and economic development was presented at a special session in cooperation with UNICEF Ukraine. Children and youth from nine cities and communities described their vision of future local development. A separate panel with business representatives and mayors discussed businesses’ valuable lessons for cities. Business representatives pointed out a similarity in management of cities and different businesses, and that all mayors should concentrate on strategic planning as well as recruitment of a strong operational team.

WNISEF also engaged the Ukrainian security company Ajax Systems as a main partner of the event. Ajax Systems presented their experience of fruitful cooperation with local authorities in the protection of municipal facilities. In 2021, Ajax Systems won the tender in Mariupol for the implementation of a wireless security system, and successfully installed smart security systems in 114 educational institutions to protect them from intrusion and flooding, and secure police arrival in case of alarm. This modern technological cooperation will save UAH 38 million of the city budget annually. The success of this state-business partnership set off a chain reaction – 25 cities have already implemented the Ajax security system.

To expand the ongoing discussions and add fresh ideas with the new formats, WNISEF launched a series of regional educational visits to Ukrainian cities to promote the book City is Me Book Presentation and Meeting With Mayor of Ternopil
City is Me written by Local Economic Development Program Manager Iryna Ozymok. City is Me is the first interactive picture book for children on city functions and the role of citizens. The author’s readings and events took place in four cities – Rivne, Lviv, Lutsk and Ternopil where local children met mayors and shared their recommendations on city transformation. In Zhytomyr, it was presented to schoolteachers at the initiative of local deputies.

These events were aimed to achieve integration of the book into the school curriculum. Lutsk became the pilot and first city where the methodology was approved. Schools from Lviv, Kyiv, Kropyvnytsky, Chortkiv, Slavutych also joined the initiative. As a result, over 3000 children are now learning about cities in schools.

City is Me has received recognition in a podcast in partnership with Megogo Audio, Ukraine’s largest online streaming platform. The book also was recognized by PEN Ukraine, an NGO established to protect freedom of speech and authors’ rights, promote literature and international cultural cooperation, as the best book of 2021, and received an award by Barabooka, a children literature platform, as the best book of 2021 within the nomination “Debut of the year”.

Another new initiative of the International Mayors Summit is an educational video project “City DNA” to bring attention to existing urban problems and their practical solutions. Eight episodes covering various topics from thermo-modernization of buildings to museums in small communities are part of the first season. WNISEF launched an open call to find a creative and city-changing projects from all
WNISEF plans to make the International Mayors Summit more than a yearly event, integrating more projects between events focused on knowledge-sharing among cities and mayors. Since the beginning of Russian invasion of Ukraine, The International Mayors Summit has actively engaged in communication with Ukrainian mayors to document the cities’ challenges during the war and discuss necessary next steps to be done to for reconstruction. The Summit is strengthening its role as a platform for an efficient cooperation between local and international cities to ensure more intensive exchanges of experience.

**Technovation Girls**

In 2021, WNISEF continued supporting Technovation Girls in Ukraine and encouraging schoolgirls to explore IT as an occupation and use newly acquired skills to build a mobile app addressing specific challenges in their local communities. Although the prior year had a lower number of participants when the format switched to online, the fifth season of Technovation Girls gathered a greater number (225 participants), with seven teams of girls reaching the pitch stage. The defining topics addressed mental health, nature conservation, dementia, domestic violence, education, job search, and homeless animals. This year’s participants achieved a more professional level of pitches.

The jury, including representatives of WNISEF, Peace Corps Ukraine, YEP Incubator, and 1991 Open Data Incubator, chose two winning teams with the best ideas and pitches – DeepNoesa and Malva.io.

The Ukrainian winning team, Malva.io from Kyiv, Lviv and Sloviansk, developed an application that helps identify poisonous plants and animals. The app not only collects data on the location of species but also generates smart maps to avoid and protect dangerous and endangered species. This outstanding idea and successful regional pitch helped the Malva.io team to win a prize of participating in an incubation program at the 1991 Open Data Incubator that helped them further develop and improve their app. In addition, Malva.io team was given an opportunity to present their app and network to female professionals from Ukraine’s IT sector at an event organized by WNISEF.

The second place went to the DeepNoesa team from Zaporizhzhia.
In 2021, DREAMactions made a comeback as DREAMactions 4.0 with the microgrant competition for tactical urbanism projects. This year, CANactions and WNISEF announced the competition for local communities with under 100,000 inhabitants. DREAMactions 4.0 aimed to provide communities with five grants in total - one grant up to UAH 100,000 to each community as well as skills and knowledge on how to build teams, cooperate with the authorities, ensure efficiency, and search partners for further development of their communities.

The jury selected eight winners out of 125 applicants, namely “Accessible and safe community” by Hlobyne community (Poltava region), “Dvoryk na Zeleniy” by Chortkiv community (Ternopil region), “Lights of the Great Lake” by Yahotyn community (Kyiv region), revitalization of the wasteland and arrangement of the recreation area in the center of Kaniv (Cherkasy region), “Barrier-free Ackerman: development of an inclusive park environment” by Bilhorod-Dnistrovskyi community (Odesa region), coworking for the Lozuvatka community (Dnipropetrovsk region), “A child’s right to safety” project by Hradyzk community (Poltava region), and “Stop - recharge!” initiative install a solar tree in Krasyliv (Khmelnyntskyi region).

Community response to DREAMactions 4.0 was remarkable as the topics of participants' projects were mostly focused on inclusion and development of parks as recreational areas compared to the eco-trend of the previous years. WNISEF also successfully partnered with business, Astarta Agroholding, which supported winners from Zhytomyr, Vinnytsia, Ternopil, Khmelnyntskyi, Kharkiv, Chernihiv, and Poltava regions with three additional grants.

Depending on future circumstances, we expect to further support DREAMactions projects, and expand partnerships with businesses and other donors and promote competition to find more outstanding projects to support.
which rolled out the CarboQuanter mobile app. This app advances the project idea of using neural network models for decarbonization in industrial technological processes and intellectual solutions for industrial enterprises in Kyiv. The main purpose of CarboQuanter app is to address global climate challenges. The team won an incubator program as well, but at the City Boost summer incubation program.

WNISEF will continue supporting Technovation, while assembling a strong pool of Ukrainian and international experts as mentors, and formalizing cooperation with new partners, including Teach For Ukraine, GoGlobal, EdCamp and others.

**Promprylad.Renovation**

In 2021, WNISEF decided to further support **Promprylad.Renovation**, a revitalization project to transform an abandoned factory in central Ivano-Frankivsk. In 2019, WNISEF helped elevate the project from a regional to a national level and promoted it as a model to be replicated in other Ukrainian cities. In 2021, the Fund supported fundraising campaigns and engagement of social investors and donor organizations to involve them in this project.

**Promprylad** is more than a revitalized industrial building. It has become one of the key players in developing the city and provides a rationale why citizens should stay in the city. In 2021, the local authority of Ivano-Frankivsk invited Promprylad, Teple Misto, and Ivano-Frankivsk Dramatic Theatre to develop a city strategy, which can result in improvements in urban livelihoods. Serving as an active player in Ivano-Frankivsk, Promprylad activates both support to refugees and to small and medium enterprises in times of Russia’s war against Ukraine which is supported by WNISEF with an additional grant of $100,000.
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Since the launch of the Impact Investing Program in 2015, the Program supported business with courage to address social and environmental challenges facing Ukraine and Moldova. The events of 2021 clearly proved that these businesses especially needed encouragement and resources to adapt to and grow based on “new normal” realities. If 2020 was a year of adaptation and preservation of the Program’s activities, then 2021 showed the success of this adaptation and provided an opportunity to expand.

In 2021, WNISEF completed the project “Affordable loans for social enterprises in Eastern Ukraine,” launched with USAID Economic Resilience Activity (ERA), which allowed the Fund to expand its reach despite existing limitations. Moreover, the end of this project gave us an opportunity to apply for a new project using WNISEF’s public charity organization Impact Ukraine.

In 2020, WNISEF established an affiliated organization “Impact Ukraine,” a charitable foundation, to increase WNISEF’s efforts on fundraising activities in the interests of social entrepreneurship. The foundation helps to expand work with local communities and allow implementation of projects co-funded with regional organizations. In 2021, Impact Ukraine already applied a project to DAI (ERA USAID) for grants support.

In 2021, WNISEF granted five more loans for social entrepreneurs in comparison with three in 2020. Two out of five loans went to Kyiv-based businesses – Veterano Pizza and Smachni Spravy – for overcoming effects of the pandemic. The ERA grant covered three loans for Drukarskyi Dim in Kramatorsk to buy new equipment to produce disposable coffee cups, Veterano Pizza in Mariupol to improve business conditions, and AnVita Clinic to launch a new medical lab for blood tests. Now both Drukarskyi Dim and Veterano Pizza are most likely completely destroyed or seriously damaged by Russian bombing.

After five years of cooperation and productive talks, WNISEF successfully managed to sign a new cooperation agreement with Oschadbank to improve lending conditions for socially oriented businesses by lowering annual interest rates from 5-10% in general to 4%, 5%, and 8% based on a formula of financial guarantees. Moreover, WNISEF’s partnership with Oschadbank allowed improvement in the crediting program and opened up an opportunity for Ukraine’s big companies to support social entrepreneurs in their regions in upcoming years.

To expand promotion of social entrepreneurship among youth in Ukraine, WNISEF supported the kick-off of the Social Impact Award (SIA), one of the most recognized youth social entrepreneurship programs led by the NGO “School of Mindful Entrepreneurship.” The award is aimed at conducting an incubation program for social startups, which transforms ideas into prototypes and prepares teams to launch products and companies. At the end of the incubation period, three best performing teams were IONKID, a web platform to automatize the data during therapy of autism; CupToU, a reusable glass rental ecosystem; and Check It, a game for schoolers to develop fact-checking skills. These social startups received the awards at the Social Impact Day event.

To advance the partnership between WNISEF and the School of ME, we provided the NGO with a grant for $8,000 to cover the first stage of SIA, including workshops on social entrepreneurship, an accelerator program for participants, and selection process of the finalists. In addition, WNISEF and School of ME managed to engage additional donors to support Social Impact Award, including International Renaissance Foundation, Ukrainian Social Ven-
ture Fund, SiLab Ukraine, Nechytailo Family Fund, business company SAP, and European Venture Philanthropy Association.

Based on the lessons learned, results of 2021 and the difficult circumstances caused by the Russia’s invasion, WNISEF plans to focus on supporting existing borrowers who experience hardship and loses due to the war. We are also accumulating resources for more low interest loans in the nearest future to rebuild the Ukrainian economy. In addition, WNISEF expects to engage support from European donors through Impact Ukraine.
DERIVING BENEFITS FROM CHALLENGES TO CREATE RESILIENT FUTURE
The involvement of young people in the economic development of their country is a decisive factor. WNISEF historically pays great attention to programs supporting youth leadership and attracting the best graduates to solve ambitious tasks in the public and commercial sectors.

In 2021, the Economic Leadership Program managed to secure its results of the last years, while focusing on expanding its projects in 2022 with renewed momentum, greater geographic impact and additional partnerships.

Ukrainian Leadership Academy

Established in 2015, Ukrainian Leadership Academy (ULA) already has 1,048 graduates, who are striving to carry out impactful projects in Ukraine.

Despite the challenges and adaptation period to “new normal” realities, in 2021 another 185 students were selected and began their academic year 2021-2022, on five campuses of the Ukrainian Leadership Academy (Kharkiv, Kyiv, Lviv, Mariupol and Mykolaiv). Thanks to the devotion and agility of the ULA team, a mixed format of distance learning and work in small groups of up to ten people showed positive results. This hybrid format was complemented by a new mode of operation where existing mentors relocate between cities, which triggered a renewal of the team with new members from among alumni.

The changes provoked by the pandemic also allowed us to engage student’s parents in online education. In 2021, the Academy provided parents with brief online courses on parenting and advice on how to find common ground with their children.

As part of its education program, ULA introduced several new activities. The Academy launched a business incubator so students could support socially important projects in local communities. Within the framework of this initiative, students together with their friends and family had the opportunity to start their own business under the supervision of an experienced mentor. The announced competition was favorably received, and 20 applications out of 60 were selected to participate in the full incubation period. The winners were ToVolia, Ukrainian embroidery on everyday things, Mo Ment, an interactive festival for the release of emotions, and Ecobaba making bags by the elderly and received funding from ULA’s partners. In addition, the initiative engaged new corporate partners for future support.

In addition, ULA implemented a large-scale volunteer campaign to support people in their fight against COVID-19 funded by a grant provided by the European Union.

To expand ULA’s geographic coverage, ULA opened its Leadership Development Centre in Lviv and launched a fund-raising campaign to renovate the premises received from the Lviv City Authorities.
This Leadership Development Centre includes ULA’s campus and facilities for activities of both the Academy’s students and students from other Lviv universities. To renovate the premises, the Ukrainian Leadership Academy engaged financial support from local and national entrepreneurs.

 Rolled out in 2020, DobroDvizh, an online marathon of good deeds, created added value to Ukrainian society by encouraging young people to volunteer and support their neighbors in need. Since the launch, DobroDvizh has emphasized that charity is especially important in times of crisis. To intensify and scale up the culture of volunteering and social responsibility, ULA also created the first Telegram bot of good deeds in Ukraine, where everyone could choose and do one of the deeds. DobroDvizh united more than 20 organizations and over 1100 participants expressed their will to perform a good deed.

In August 2021, ULA organized and conducted the first 10-day Camp in Kharkiv, involving 80 young participants aged 14-16 from all over Ukraine. These young students had an opportunity to partially sample the atmosphere of the Academy by listening to lectures from reputable experts in psychology, HR, philosophy, management, and communications as well as implement their own small projects.

WNISEF plans to continue implementing our values-based platform of personal development for young people aged 16-20 from all over Ukraine. In 2022, ULA will also scale up its existing volunteering activities and bolster One Heart, a volunteering emergency service, launched in response to Russia’s horrific invasion. The mission of One Heart unites the efforts of like-minded people who save lives of civilians, the Ukrainian military as well as links existing demands and supplies effectively to address social and humanitarian issues.

Teach For Ukraine

After three years pause, WNISEF successfully re-engaged with Teach For Ukraine, which found its second wind thanks to CEO Oksana Matiash and her new team in 2021. The program itself recruits leaders among recent non-teaching college graduates, trains them to become a teacher, and connects with partnering schools that have vacant teaching positions.

In 2021, Teach For Ukraine received applications from more than 400 young people, and 26 winners were selected. Moreover, Teach For Ukraine received over 103 applications from schools to partner, and 16 were approved.

Thanks to the motivated and enthusiastic CEO and her team, Teach For Ukraine has developed nine new resource-based partnerships with MacPaw, ELEKS, Softserve, NiX, Nova Ukraine Foundation, Vasil Kisil & Partners, and Foundation “Povir U Sebe” to achieve sustainable development after the first year.
SEED Grant

Notwithstanding completion of the SEED Grant program, it is still of great interest to new applicants. From 2015 until 2020, the SEED grant was a leading provider of scholarships for young professionals from Ukraine and Moldova. The last grant recipient graduated in 2021.

For keeping the program alive and helpful, the SEED Grant alumni hosted an event for Ukrainian Leadership Academy alumni to network and share their stories about leadership and challenges in the legal and corporate workplace.

Many of the program’s alumni have had a significant impact on business development, and one of them is Sasha Miagkyi, founder of a frontline intelligence platform for offline retailers Outloud.ai. Sasha was accepted into Y-Combinator and received funding from the accelerator and Ukrainian Startup Fund.

Despite high interest from new applicants, the program remains suspended due to a lack of jobs for scholarship recipients on the Ukrainian labor market.

Collaboration with Kyiv School of Economics

To expand the formats needed to encourage Ukrainian young leaders and help many students receive a top-quality education, WNISEF signed a Memorandum of Understanding with Kyiv School of Economics, under which the Fund commits to fund 97 bachelor’s degree students in the English-taught bachelor programs in economics, analytics and IT.

With the Fund’s support, undergraduate and Master’s students will earn internationally recognized degrees. In 2022, support for student scholarships is expected to be increased.
After a year of activity, Teach For Ukraine won the Ukrainian Recruitment Award for the processes and instruments it used to attract young professionals, proving its successful restoration. Teach For Ukraine was also awarded by Bendukidze Free Market Center as a change-making organization. Based on its promising results, Teach For Ukraine will scale up the organization in terms of number of fellows, partnering schools, and financing partners to support the main mission - to empower and enable Ukrainian youth to access quality education. In view of the unprecedented Russia’s war against Ukraine, Teach For Ukraine also plans to launch two complementary projects, an integration of a trauma sensitive approach to teaching program in partnership with UNICEF Ukraine, and in partnership with the World Bank, a tutoring program for children that have been affected by the war. At the same time, WNISEF will continue playing an advisory and resource role being an anchor investor of Teach For Ukraine.

In Ukraine, WNISEF supports Diia City, a special taxation model for IT companies, through providing resources for deployment of promotion of it internationally and nationally to encourage future residents to sign up. Diia City offers legal, tax and employment benefits for local and foreign IT community. We believe that promotion of a specific ecosystem, which provides favorable conditions for business, is important to improve investment in the IT sector and stimulate development of a digital economy in Ukraine.

As an additional step to support IT sector development, WNISEF in partnership with the Ministry of Digital Transformation of Ukraine, the Center for Economic Recovery and Easy Business has started work on a roadmap to reform IT education with a package of draft laws and by-laws to implement planned initiatives.
U. VENT
SCALING UP INVESTMENTS TO NEW LEVEL
TURES
Since 2017 WNISEF has been successfully investing in tech startups, digital collaboration, e-commerce and engineering. U.Ventures, invests from $100,000 to $1,000,000 in ambitious projects in Ukraine and Moldova that benefit from an open economy, rapid internationalization of local companies, and their visionary approach to technology.

Despite the challenges of the COVID-19 pandemic, interest in Ukrainian and Moldovan startups remained high enough, and they continued to be an essential pillar for the economic growth of both countries. This fact is also supported by a number of investments made in 2021 as compared to previous years. In 2021, U.Ventures returned to business at pre-pandemic levels, excelling in the scope of new investments.

In 2021, U.Ventures supported five more companies, historically the highest number of startups chosen by the Fund during a calendar year. “Every year we observe meaningful improvements in a quality of startups founded by Ukrainian entrepreneurs. Since WNISEF is diligent in selecting startups we invest in, the new investments made in 2021 prove the positive trends we see on the Ukrainian tech market”, says Andrii Sorokhan, VC Director at U.Ventures.

The investments of previous years in ten promising startups became a successful pilot for a new level of investing. This year’s portfolio of startups that received investments focused on boosting innovations for the greater good and making effective changes in user behaviors:

**DressX**

DressX is a digital fashion marketplace, founded by Ukrainians Daria Shapovalova and Natalia Modenova in 2020. DressX has a mission to democratize the fashion experience for consumers by providing affordable and sustainable digital apparel that can be accurately and realistically put on a person in a photo or video. The startup is certainly up to the challenge of “new normal”.

**Fintech Farm**

Fintech Farm develops digital banks in emerging markets. The company founded by Ukrainian IT entrepreneurs and specialists Dymtro Dubilet, Nick Bezkrovnyy, and Oleksandr Vityaz and launched its first digital bank in Azerbaijan under the brand Leobank. While Leobank has already obtained more than 150,000 clients in Azerbaijan, Fintech Farm also is working on launching digital banks in Nigeria and other emerging markets.

**Mate Academy**

Mate Academy is an education technology startup that trains people to become software engineers and designers and takes payment only after they get a job. Founded by three Ukrainians Max Lysak, Anna Apostol and Roman Apostol, the Academy has already placed more than 1200 students into top product companies in Ukraine and some remotely worldwide, achieving 90% placement rate.

**OneNotary**

OneNotary provides online notarization services in the US market. Founded in 2020 by Ukrainian Ivan Zinkov, OneNotary proposes to get your documents with an online notary in 15 minutes.
In addition to these new investments, U.Ventures continues to invest in existing portfolio companies, such as Rallyware and TurnKeyLender.

Overall, 2021 showed that challenges always became opportunities to grow and develop. In 2022, U.Ventures plans to maintain its momentum regarding the investment scale, expanding the scope of investments from seed to early seed and series A. Given the high interest in the startup world and new knowledge from the local opportunity seekers, the Fund will activate communication within the startup ecosystem via Entrepreneur in Residence and Sales Bootcamp programs that creates a platform for sharing best practices and gives mentoring support from leading foreign entrepreneurs to young Ukrainian startups.
SUPPORT ANTI-CORRUPTION EFFORTS IN MOLDOVA AND UKRAINE
The pandemic challenged many spheres of global life, highlighting problem areas of each country. Combating corruption remains a top priority of reforms for both Moldova and Ukraine, as this area directly affects the countries’ ability to respond effectively to challenges. To this end, WNISEF routinely tries to be an effective and proactive partner in areas needed most by these two countries.

To continue the Fund’s support for anti-corruption activities in Moldova, WNISEF served as a bridge financing partner for the establishment of a new Moldovan body, the Independent Anti-Corruption Advisory Committee (“CCIA”). The Committee is aimed at analyzing systemic issues of corruption that cut across Moldovan institutions, expecting that ways and means to improve anti-corruption efforts will be identified and implemented by relevant parties. Establishment of this body is particularly important as Moldova has experienced political changes over the last years. Moldova faced quite a political turbulence that stabilized thanks to the electoral choice towards pro-European political leadership.

This financial partnership was a logical and natural continuation of anti-corruption initiatives made by WNISEF previously in Moldova such as MTender, an e-procurement system for Moldova. In 2017, WNISEF supported MTender as a pilot tool for a more functional, efficient and transparent procurement system, which allows fighting corruption, increasing competition and economizing state money. MTender has already delivered upon expectations and became a valuable part of Moldovan procurement system. Moreover, MTender is not the only example of WNISEF’s partnership with state bodies to implement transparent public procurement in the country.
Since 2015 WNISEF supported Prozorro, Ukraine’s online public procurement system, which served as a prototype for MTender. Today, Prozorro is Ukraine’s official procurement system, as mandated by the Law on Public Procurement. Since its launch, the system saved over UAH 197 billion ($7.3 billion) in public funds. Prozorro shows a great percentage of successfully conducted tenders.

In Ukraine, WNISEF also funded Prozorro.Sale, a pilot system for sale of assets belonging to defunct banks and state-owned companies. Since its launch, Prozorro.Sale has generated UAH 54.57 billion ($2.04 billion) of revenue and announced up to 405,000 auctions with more than 40,000 participants.

In 2021, WNISEF also became a partner of “Democracy in Action: Zero Corruption Conference” in Ukraine organized by Anti-Corruption Action Center and National Interests Advocacy Network. The Conference is aimed at seeking solutions to hybrid threats to democracy, specifically misinformation, strategic corruption and lawfare. Since Russia launched a full-scale military invasion into Ukraine on February 24, 2022, Democracy in Action established the International Centre for Ukrainian Victory in Warsaw, Poland. The Centre serves as an intermediary in providing information about the most urgent needs of Ukrainians in their daily fight to the international community. “Democracy in Action: Zero Corruption Conference” plans a comeback in online format with a new perspective in 2022.

Over the years, WNISEF’s support of Moldovan and Ukrainian efforts to build a transparent governance affirms its need as local communities of both countries clearly demonstrate their commitment to fight corruption. WNISEF will continue supporting influential projects that seek to improve governance and strengthen countries’ institutions from scratch.
FINANCIAL STATEMENT
Financial Statements

Western NIS Enterprise Fund

Years ended September 30, 2021 and 2020

with Report of Independent Auditors
Western NIS Enterprise Fund
Financial Statements
Years ended September 30, 2021 and 2020

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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, 2021 and 2020, 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.
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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

PJSC “KPMG Audit”

January 21, 2022
Western NIS Enterprise Fund

Statements of Assets and Liabilities
September 30, 2021 and 2020
Expressed in US Dollars

<table>
<thead>
<tr>
<th>Assets</th>
<th>2021</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Investments, at fair value (cost of $21,626,104 and $50,890,438 as of September 30, 2021 and 2020, respectively)</td>
<td>$43,060,757</td>
<td>$61,056,053</td>
</tr>
<tr>
<td>Cash and cash equivalents (note 6)</td>
<td>40,074,472</td>
<td>14,487,421</td>
</tr>
<tr>
<td>Impact Investing Program long-term deposits</td>
<td>510,028</td>
<td>472,107</td>
</tr>
<tr>
<td>Prepaid expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program management fees (note 15)</td>
<td>131,250</td>
<td>-</td>
</tr>
<tr>
<td>Investment management fees (note 15)</td>
<td>13,107</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>60,607</td>
<td>50,632</td>
</tr>
<tr>
<td>Fixed assets, net of accumulated depreciation and amortization (note 7)</td>
<td>21,310</td>
<td>34,196</td>
</tr>
<tr>
<td>Proceeds receivable (note 15)</td>
<td>132,051</td>
<td>-</td>
</tr>
<tr>
<td>Interest, dividend and other receivables</td>
<td>2,718</td>
<td>108,685</td>
</tr>
<tr>
<td>Other assets</td>
<td>53,420</td>
<td>297,269</td>
</tr>
<tr>
<td>Total assets</td>
<td>$84,059,720</td>
<td>$76,506,363</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and fund balance</th>
<th>2021</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Deposits received on sale (note 5)</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable and other accrued expenses</td>
<td>342,868</td>
<td>1,466,258</td>
</tr>
<tr>
<td>Deferred income (Grants received) (note 4)</td>
<td>-</td>
<td>30,000</td>
</tr>
<tr>
<td>Exit-based incentive payable (note 10)</td>
<td>12,198</td>
<td>-</td>
</tr>
<tr>
<td>Other liabilities (note 12)</td>
<td>505,241</td>
<td>6,591</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>860,307</td>
<td>1,827,849</td>
</tr>
</tbody>
</table>

| Fund balance (with Donor Restrictions) | 83,199,413 | 74,678,514 |
| Total liabilities and fund balance | $84,059,720 | $76,506,363 |

See accompanying notes to financial statements.
## Western NIS Enterprise Fund

### Statement of Operations and Changes in Fund Balance

**Year ended September 30, 2021**

*Expressed in US Dollars*

<table>
<thead>
<tr>
<th>Description</th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>$101,150</td>
<td>$101,150</td>
<td></td>
</tr>
<tr>
<td>Other income</td>
<td>36,534</td>
<td>-</td>
<td>36,534</td>
</tr>
<tr>
<td><strong>Total investment income</strong></td>
<td>137,684</td>
<td>-</td>
<td>137,684</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions (investing activities)</td>
<td>(3,862,513)</td>
<td>3,862,513</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses for investment activities</td>
<td>-</td>
<td>(3,862,513)</td>
<td>(3,862,513)</td>
</tr>
<tr>
<td><strong>Net investment loss</strong></td>
<td>(3,724,829)</td>
<td>-</td>
<td>(3,724,829)</td>
</tr>
<tr>
<td><strong>Net realized gain and change in unrealized gain on investments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net realized gain on investments (note 5)</td>
<td>3,998,670</td>
<td>-</td>
<td>3,998,670</td>
</tr>
<tr>
<td>Net change in unrealized gain on investments (note 5)</td>
<td>10,816,218</td>
<td>-</td>
<td>10,816,218</td>
</tr>
<tr>
<td><strong>Net realized gain and change in unrealized gain on investments</strong></td>
<td>14,814,888</td>
<td>-</td>
<td>14,814,888</td>
</tr>
<tr>
<td><strong>Net increase in fund balance from investment activities</strong></td>
<td>11,090,059</td>
<td>-</td>
<td>11,090,059</td>
</tr>
<tr>
<td><strong>Income from Grants received (note 4)</strong></td>
<td>110,020</td>
<td>-</td>
<td>110,020</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions (Legacy Programs)</td>
<td>(2,666,982)</td>
<td>2,666,982</td>
<td>-</td>
</tr>
<tr>
<td><strong>Legacy Programs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Leadership Program</td>
<td>-</td>
<td>(1,038,956)</td>
<td>(1,038,956)</td>
</tr>
<tr>
<td>Export Promotion Policy Program</td>
<td>-</td>
<td>(150,902)</td>
<td>(150,902)</td>
</tr>
<tr>
<td>Local Economic Development Program</td>
<td>-</td>
<td>(214,923)</td>
<td>(214,923)</td>
</tr>
<tr>
<td>Impact Investing Program</td>
<td>-</td>
<td>(68,850)*</td>
<td>(68,850)</td>
</tr>
<tr>
<td>Administration</td>
<td>-</td>
<td>(1,193,351)</td>
<td>(1,193,351)</td>
</tr>
<tr>
<td><strong>Total Legacy Programs expenses</strong></td>
<td>-</td>
<td>(2,666,982)</td>
<td>(2,666,982)</td>
</tr>
<tr>
<td><strong>Net decrease in fund balance from Legacy Programs</strong></td>
<td>(2,556,962)</td>
<td>-</td>
<td>(2,556,962)</td>
</tr>
<tr>
<td><strong>Net increase in fund balance from operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred exit-based incentive</td>
<td>(12,198)</td>
<td>-</td>
<td>(12,198)</td>
</tr>
<tr>
<td><strong>Net increase in fund balance</strong></td>
<td>8,533,097</td>
<td>-</td>
<td>8,533,097</td>
</tr>
<tr>
<td>Fund balance, beginning of year</td>
<td>74,678,514</td>
<td>-</td>
<td>74,678,514</td>
</tr>
<tr>
<td><strong>Fund balance, end of year</strong></td>
<td>$83,199,413</td>
<td>-</td>
<td>$83,199,413</td>
</tr>
</tbody>
</table>

* Program expenses also include currency translation gain on hryvnia-denominated deposits of $37,676.

See accompanying notes to financial statements.
Western NIS Enterprise Fund

Statement of Operations and Changes in Fund Balance
Year ended September 30, 2020
Expressed in US Dollars

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend income</td>
<td>$ 152,093</td>
<td>$ 152,093</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>115,717</td>
<td>-</td>
<td>115,717</td>
</tr>
<tr>
<td>Other income</td>
<td>66,752</td>
<td>-</td>
<td>66,752</td>
</tr>
<tr>
<td>Total investment income</td>
<td>334,562</td>
<td>-</td>
<td>334,562</td>
</tr>
</tbody>
</table>

Net assets released from restrictions

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction of program restrictions (investing activities)</td>
<td>(1,191,279)</td>
<td>1,191,279</td>
<td>-</td>
</tr>
<tr>
<td>Operating expenses for investment activities</td>
<td>-</td>
<td>(1,191,279)</td>
<td>(1,191,279)</td>
</tr>
<tr>
<td>Net investment loss</td>
<td>(856,717)</td>
<td>-</td>
<td>(856,717)</td>
</tr>
</tbody>
</table>

Net realized loss and change in unrealized gain on investments

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net realized loss on investments (note 5)</td>
<td>(7,143,023)</td>
<td>-</td>
<td>(7,143,023)</td>
</tr>
<tr>
<td>Net change in unrealized gain on investments (note 5)</td>
<td>18,949,349</td>
<td>-</td>
<td>18,949,349</td>
</tr>
<tr>
<td>Net realized loss and change in unrealized gain on investments</td>
<td>11,806,326</td>
<td>-</td>
<td>11,806,326</td>
</tr>
</tbody>
</table>

Net increase in fund balance from investment activities 10,949,609

Net assets released from restrictions

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction of program restrictions (Legacy Programs)</td>
<td>(3,531,748)</td>
<td>3,531,748</td>
<td>-</td>
</tr>
</tbody>
</table>

Legacy Programs

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Leadership Program</td>
<td>-</td>
<td>(1,595,597)</td>
<td>(1,595,597)</td>
</tr>
<tr>
<td>Export Promotion Policy Program</td>
<td>-</td>
<td>(376,978)</td>
<td>(376,978)</td>
</tr>
<tr>
<td>Local Economic Development Program</td>
<td>-</td>
<td>(99,925)</td>
<td>(99,925)</td>
</tr>
<tr>
<td>Impact Investing Program</td>
<td>-</td>
<td>(182,196)*</td>
<td>(182,196)</td>
</tr>
<tr>
<td>Administration</td>
<td>-</td>
<td>(1,277,052)</td>
<td>(1,277,052)</td>
</tr>
<tr>
<td>Net decrease in fund balance from Legacy Programs</td>
<td>-</td>
<td>(3,531,748)</td>
<td>(3,531,748)</td>
</tr>
</tbody>
</table>

Net increase in fund balance 7,417,861

<table>
<thead>
<tr>
<th></th>
<th>With Donor Restrictions</th>
<th>Without Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance, beginning of year</td>
<td>67,260,653</td>
<td>-</td>
<td>67,260,653</td>
</tr>
<tr>
<td>Fund balance, end of year</td>
<td>$ 74,678,514</td>
<td>-</td>
<td>$ 74,678,514</td>
</tr>
</tbody>
</table>

* Program expenses also include currency translation loss on hryvnia-denominated deposits of $99,903.

See accompanying notes to financial statements.
## Western NIS Enterprise Fund

### Statements of Functional Expenses

Year ended September 30, 2021
(with comparative totals for the year ended September 30, 2020)

*Expressed in US Dollars*

<table>
<thead>
<tr>
<th>Legacy Programs</th>
<th>Investment Activities</th>
<th>Total 2021</th>
<th>Total 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exit-based incentive expense</td>
<td>- $2,155,718</td>
<td>$2,155,718</td>
<td>-</td>
</tr>
<tr>
<td>Exit-based incentive - financial participation rights</td>
<td>- 1,080,000</td>
<td>1,080,000</td>
<td>-</td>
</tr>
<tr>
<td>Grants</td>
<td>675,631</td>
<td>-</td>
<td>675,631 $1,666,796</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>-</td>
<td>203,027</td>
<td>203,027</td>
</tr>
<tr>
<td>Program management fees</td>
<td>525,000</td>
<td>-</td>
<td>525,000</td>
</tr>
<tr>
<td>Organization and support of forums, events, conferences</td>
<td>101,876</td>
<td>-</td>
<td>101,876</td>
</tr>
<tr>
<td>Scholarships</td>
<td>98,972</td>
<td>-</td>
<td>98,972</td>
</tr>
<tr>
<td>Employee compensation and benefits</td>
<td>948,970</td>
<td>126,962</td>
<td>1,075,932</td>
</tr>
<tr>
<td>Professional fees</td>
<td>140,852</td>
<td>147,147</td>
<td>287,999</td>
</tr>
<tr>
<td>Business travel</td>
<td>44,315</td>
<td>1,522</td>
<td>45,837</td>
</tr>
<tr>
<td>Other expenses</td>
<td>23,057**</td>
<td>102,067</td>
<td>125,124</td>
</tr>
<tr>
<td>Occupancy</td>
<td>84,509</td>
<td>44,142</td>
<td>128,651</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>23,800</td>
<td>1,928</td>
<td>25,728</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,666,982</td>
<td>$3,862,513</td>
<td>$6,529,495</td>
</tr>
</tbody>
</table>

*As of September 30, 2020, Scholarships of $208,912 offset by return of grants of $518,311, to be received from grantees who did not abide by full grant conditions.

**As of September 30, 2021 and 2020, Legacy Program expenses also include currency translation gain on hryvnia-denominated deposits of $37,676 and loss of $99,903, respectively, within Impact Investing Program.

*See accompanying notes to financial statements.*
Western NIS Enterprise Fund

Statements of Cash Flows
Years ended September 30, 2021 and 2020
Expressed in US Dollars

<table>
<thead>
<tr>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>Cash flows from operating activities</strong></td>
</tr>
<tr>
<td>Net increase in fund balance from operations</td>
<td>$ 8,533,097</td>
</tr>
</tbody>
</table>

**Adjustments to reconcile net increase in fund balance to net cash provided by (used in) operating activities:**

Proceeds from:
- Equity securities - sale to third parties, net of advisory fees: 33,864,432 376,849
- Limited Partnership Interests, distributions: 5,069,505 1,025,718
- Debt securities: 1,943,519 -
- Return of equity: - 298,728
- Grants received: 80,020 30,000

Disbursements for:
- Limited Partnership Interests, capital calls: (7,177,467) (5,444,734)
- Debt securities: (500,000) -
- Other financial assets: (250,000) -
- Fixed assets: (12,843) (4,381)
- Depreciation and amortization: 25,729 30,199
- Net realized (gain) loss from sale of investments: (3,998,670) 7,143,023
- Net change in unrealized gain on investments: (10,816,218) (18,949,349)
- Loss on disposal of fixed assets: - 402
- Income from grants received: (110,020) -
- Deferred exit-based incentive: (12,198) -
- (Increase) decrease in Impact Investing Program long-term deposit: (37,921) 37,791
- (Increase) decrease in prepaid program management fees: (131,250) 131,250
- Increase in prepaid investment management fees: (13,107) -
- (Increase) decrease in other prepaid expenses: (9,975) 249,376
- Increase in proceeds receivable: (132,051) -
- Decrease in interest, dividends, and other receivables: (33,838)* (105,932)
- Decrease (increase) in other assets: 243,849 (155,558)
- Decrease in deposits received on sale: (325,000) -
- (Decrease) increase in accounts payable and other accrued expenses: (1,123,390) 987,027
- Increase in exit-based incentive payable: 12,198 -
- Decrease in grants payable: - (71,346)
- Increase (decrease) in other liabilities: 498,650 (1,417)

**Net cash provided by (used in) operating activities**
25,587,051 (7,004,493)

**Cash and cash equivalents, beginning of year**
14,487,421 21,491,914

**Cash and cash equivalents, end of year**
$ 40,074,472 $ 14,487,421

* Movement in interest, dividends, and other receivables includes accrued interest converted to debt and equity as of September 30, 2021 and September 30, 2020 in amount of $139,805 and $89,235, respectively.

See accompanying notes to financial statements.
Western NIS Enterprise Fund
Condensed Schedule of Investments
September 30, 2021
Expressed in US Dollars

<table>
<thead>
<tr>
<th>Investments (51.8%)</th>
<th>Principal</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Limited Partnership Interests (46.1%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging Europe Growth Fund III, L.P. (EEGF III)</td>
<td>$ 38,147,594</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging Europe Growth Fund, L.P. (EEGF)</td>
<td>$ 169,967</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Limited Partnership Interests</strong></td>
<td>$ 18,230,316</td>
<td>$ 38,317,561</td>
<td></td>
</tr>
<tr>
<td><strong>Equity (4.2%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukraine (4.2%)</td>
<td>$ 1,923,228</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IT Services (2.3%)</strong></td>
<td>$ 884,968</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Information and communication technology (1.1%)</strong></td>
<td>$ 625,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interactive products (0.8%)</strong></td>
<td>$ 625,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>$ 1,945,788</td>
<td>$ 3,433,196</td>
<td></td>
</tr>
<tr>
<td><strong>Debt (0.8%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukraine (0.8%)</td>
<td>$ 500,000</td>
<td>$ 500,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td>$ 900,000</td>
<td>$ 700,000</td>
<td></td>
</tr>
<tr>
<td><strong>Other financial assets (0.7%)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ukraine (0.7%)</td>
<td>$ 610,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Financial Assets</strong></td>
<td>$ 550,000</td>
<td>$ 610,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENTS</strong></td>
<td>$ 21,626,104</td>
<td>$ 43,060,757</td>
<td></td>
</tr>
</tbody>
</table>

1 Percentages indicated are based on the fund balance as of September 30, 2021. The Fund’s investments are closed-end investments with no periodic liquidity.
2 Cost of EEGF and EEGF III limited partnership interests is presented net of cumulative operating income and expenses.
3 In August 2021, Rallyware closed its Series A investment round. As such, the Fund’s promissory convertible notes and accrued interest of $295,788 have been converted into 769,079 preferred shares.
4 In March 2021, 3DLOOK closed its Series A investment round. As such, the Fund’s stake was diluted and converted from Simple agreement for future equity (SAFE) to equity.
5 In September 2021, the Fund made a convertible note investment of $500,000 into Koto Card Limited.
6 Simple agreement for future equity (SAFE). Investment in Sixa Inc. has been written off.
7 In September 2021, the Fund made an investment of $250,000 through a Simple Agreement for Future Equity (SAFE) into More Dash Inc. (DressX).

See accompanying notes to financial statements.
Western NIS Enterprise Fund
Condensed Schedule of Investments
September 30, 2020
Expressed in US Dollars

<table>
<thead>
<tr>
<th>Investments (81.8%)&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Principal</th>
<th>Cost</th>
<th>Fair Value</th>
</tr>
</thead>
</table>

**Limited Partnership Interests (34.3%)**

Emerging Europe Growth Fund III, L.P. (EEGF III)  $23,969,740
Emerging Europe Growth Fund, L.P. (EEGF)  1,663,696

**Total Limited Partnership Interests<sup>2</sup>**  $15,805,292  $25,633,436

**Equity (43.5%)**

**Moldova (38.1%)**

**Manufacturing (38.1%)**
- Glass Container Prim S.A. (GCPrim)  16,843,203
- Glass Container Company S.A. (GCC)  11,582,256

**Ukraine (5.4%)**

**Manufacturing (4.1%)**  3,080,156
**IT Services (0.8%)**  625,000
**Interactive products (0.5%)**  337,500

**Total Equity**  31,435,644  32,468,115

**Debt (2.9%)**

**Moldova (2.5%)**

**Manufacturing (2.5%)<sup>3</sup>**  $1,849,502  1,849,502

**Ukraine (0.4%)**

**IT services (0.3%)**  $250,000  250,000
**Manufacturing (0.1%)**  $400,000  40,000

**Total Debt**  2,499,502  2,139,502

**Other financial assets<sup>4</sup> (1.1%)**

**Ukraine (1.1%)**

**Information and communication technology (1.1%)**  815,000

**Total Other Financial Assets**  1,150,000  815,000

**TOTAL INVESTMENTS**  $50,890,438  $61,056,053

---

<sup>1</sup> Percentages indicated are based on the fund balance as of September 30, 2020. The Fund’s investments are closed-end investments with no periodic liquidity.

<sup>2</sup> Cost of EEGF and EEGF III limited partnership interests is presented net of cumulative operating income and expenses.

<sup>3</sup> The Fund converted 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 debt disbursement. 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, 2017, 2018, 2019, the Fund converted accrued interest receivable from this portfolio company to debt in the amounts of $194,012, $80,832, $84,931, and $89,235, respectively.

<sup>4</sup> Simple agreement for future equity (SAFE). Investment in Sixa Inc. is fully reserved.

See accompanying notes to financial statements.
Western NIS Enterprise Fund

Notes to Financial Statements
September 30, 2021 and 2020

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 $30 million to $35 million; iii) to commit $30 million of program income as anchor investor, on pari passu
1. Background (continued)

(a) Organization and Description of Business (continued)

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. In May 2021, the Board of Directors approved extending the TCD from December 31, 2022 to December 31, 2030 and change the TLD from December 31, 2023 to December 31, 2031, subject to USAID approval.

Legacy Programs

In February 2015, the Fund initiated Legacy Programs based on a proposal submitted to USAID that originally envisioned a $30 million three-year Legacy Program 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 a minimum of $35 million, before factoring in proceeds from sale of existing and future investments. Specifically, Grant Modification #24 as of April 14, 2016, signed by USAID and the Fund states:

"Notwithstanding any other provision of this Grant Agreement, WNISEF will continue selling on an orderly basis the following assets existing in its direct investment portfolio as of September 30, 2015: Glass Container Company; Glass Container Prim; Kerameya; Fincombank; Svitanok; and a limited partnership interest in the Emerging Europe Growth Fund, L.P., with a total estimated fair market value of $17.7 million per the audited financial statements. Further, any liquidation proceeds realized by the WNISEF pursuant to the sale of these assets, as well as the sale of new investments in the future described in 11.1.c above (i.e. SME program), and future investments in the EEGF III portfolio described in 11.1.a above, 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 utilized by WNISEF for new investments and commitments to be undertaken to encourage the creation and expansion of SMEs in Ukraine and Moldova."

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 focus on:

- Mobilizing capital to address complex social issues (Impact Investing Program);
- Developing innovative market-based solutions linking local government and businesses to improve provision of services to citizens while supporting SMEs (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 ability of Ukrainian exporters to access new markets (Export Promotion Policy Program).
1. Background (continued)

(a) Organization and Description of Business (continued)

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.

Investment activities

The Fund makes no new follow-on investments in its legacy direct investment 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 proceeds 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.
1. Background (continued)

(b) Business environment

All of the Fund’s investments are in business activities conducted in the Region. 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 and involve risks that do not typically exist in other markets. 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.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a “Public Health Emergency of International Concern”. The COVID-19 outbreak continues to impact global commercial activity, disrupt global demand and supply chains, and contribute to significant volatility in financial markets. Most governments around the world took increasingly stringent steps to stem the spread of the virus, including requiring self-isolation and quarantine, social distancing and controlling or closing borders and “locking-down” cities, regions or even entire countries. In Ukraine, a quarantine has been first introduced in calendar year 2020, and then have been extended several times during the calendar years 2020 and 2021 with periodic easing quarantine based on increasing/decreasing number of cases. Some businesses have also instructed employees to remain at home and curtailed or suspended temporarily business operations. The extent of the impact of the COVID-19 outbreak on the financial performance of the Fund’s investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions and the impact of COVID-19 on the financial markets and the overall economy, all of which are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund’s investment results may be materially adversely affected.

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 the Fund’s investments is also significantly influenced by the current economic conditions.

These financial statements reflect management’s assessment of the impact of current conditions on the operations and the financial position of the Fund. Future conditions may differ from management’s assessment. The impact of such differences on the operations and the financial position of the Fund may be significant.
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.

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.
3. Summary of Significant Accounting Policies (continued)

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 2018, 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.

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 Fund may invest in multiple securities or tranches of the same investee company. If a market participant would be expected to transact all positions in the same underlying investee company simultaneously, for example separate investments made in series A, series B, and series C, then fair value shall be estimated for the aggregate Investment in the investee company. If a market participant would be expected to transact separately, for example purchasing series A independent from series B and series C, or if debt investments are purchased independent of equity, then fair value shall be determined for each individual financial instrument.

The price of the initial investment in an investee company or instrument will be deemed fair value as of the date of the transaction if the entry transaction is considered orderly. If there were subsequent follow-on investment, the price at which a significant amount of new investment into the investee company was made will be used to calibrate inputs used in the respective valuation technique to derive valuation if the entry transaction is considered orderly. However, the Fund should in all cases assess at each measurement date whether changes or events subsequent to the relevant transaction would imply a change in the investment’s fair value and corroborate against valuations derived via other methodologies and may be discounted or increased.

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
3. Summary of Significant Accounting Policies (continued)

Investments in Equity and Debt Securities (continued)

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.

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 issued and grants payable

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

Cash and Cash Equivalents

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

Dividend Income

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

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

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.

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, 2021 and 2020 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.

Financial Participation Rights
Historically, financial participation rights agreements have been established with management of a number of portfolio companies. Generally, such rights entitle certain management members of portfolio companies to receive a percentage of the proceeds received by the Fund from the sale of the portfolio company or from dividends paid by the portfolio company to the date of sale.

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).
3. Summary of Significant Accounting Policies (continued)

Long-Term Equity Incentive Plan (continued)

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. Upon receipt of proceeds from the GCC exit, in December 2020 and August 2021, the Board of Directors approved the schedule of participation percentages to be used in allocating Proceeds.


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

During fiscal 2020, WNISEF was selected as a grantee for USAID’s Economic Resilience Activity Project. Total financing disbursed to the Fund of $110,020 must be used within the Impact Investment Program to provide deposits as security for low-interest loans for social businesses operating in the Donetsk and Luhansk regions. WNISEF has established a local non-profit organization called “Impact Ukraine” to attract new funding for existing Legacy Programs. As of September 30, 2020, the Fund received $30,000 in grant funding. This amount was recorded as deferred income in the statement of assets and liabilities, to be offset by the amount of expenses in fiscal 2021 once new deposits are placed. As of September 30, 2021, the Fund received the remaining amount of $80,020 from USAID and funded three low-interest loans for social enterprises in Eastern Ukraine, and as such utilized entire amount of the grant.
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 $10,816,218 and $18,949,349 for the years ended September 30, 2021 and 2020, respectively, based on valuation of the investment portfolio at fair value as of September 30.

In addition, during the year ended September 30, 2021, the Fund recorded a net realized gain of $7,191,103 from the final sale of its equity investment in GCC, a net realized gain of $843,809 reflecting its pro-rata share of EEGF III realized gains incurred during this period, a net realized loss of $1,518,464 from the final sale of its equity investment in GCPrim, a net realized gain of $1,199,643 from the Svitanok sale, a net realized loss of $549,041 from the eTachki sale, a net realized loss of $500,000 from the Sixa cost write-off, a net realized loss of $195,167 from the final sale of its equity investment in Kerameya, and a net realized loss of $73,927 reflecting its pro-rata share of EEGF realized losses incurred during this period, resulting in a total net realized gain on investments of $3,998,670. As of September 30, 2021, EEGF had exited its entire portfolio. During the year ended September 30, 2020, the Fund recorded a net realized loss of $1,210,658 from the final sale of its equity investment in Fincombank, a net realized loss of $5,553,926 reflecting its pro-rata share of EEGF realized losses incurred during this period, and a net realized loss of $378,439 reflecting its pro-rata share of EEGF III realized losses incurred during this period, resulting in a total net realized loss on investments of $7,143,023.

In May 2008, a sale-purchase agreement was entered into to sell shares of Svitanok 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. As of September 30, 2020, amounts relating to these transactions were included in deposits received on sale in the accompanying statement of assets and liabilities. In May 2021, based on a signed additional agreement, the Fund executed the transfer of all its shares in Svitanok to the Company’s major stakeholder for $325,000 that was earlier paid as deposit on sale.

In May 2008, a sale-purchase agreement was entered into to sell shares of Svitanok 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. As of September 30, 2020, amounts relating to these transactions were included in deposits received on sale in the accompanying statement of assets and liabilities. In May 2021, based on a signed additional agreement, the Fund executed the transfer of all its shares in Svitanok to the Company’s major stakeholder for $325,000 that was earlier paid as deposit on sale.

In July 2020, WNISEF entered into a sale-purchase agreement with Vetropack Austria Holding AG to sell its entire stakes of Glass Container Company S. A. of 200,000 ordinary shares and of Glass Container Prim S. A. of 232,487 ordinary shares. This transaction was concluded during fiscal year 2021 with receipt of initial closing proceeds of $27,121,229 in December 2020, and additional proceeds of $3,874,224 received in June 2021 based on audited 2020 GCC and GCPrim results. The signed transaction documents allow for a potential for receipt of earn-out proceeds based on the actual results for 2021-2022, and potential for release of holdback in place for three years relating to future potential anti-competition council-related claims, with WNISEF’s pro-rata share totaling EUR 1,847,727. In July 2021, WNISEF received $2,000,745 from Vetropack Austria Holding AG, which represents the reimbursement of $1,943,519 in principal and $57,226 in interest accrued on GCPrim loan.
5. Investments (continued)

The following additional disclosures relate to the changes in fair value of the Level 3 investments as of September 30, 2021 and 2020:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value at October 1, 2020</td>
<td>$61,056,053</td>
</tr>
<tr>
<td>Net realized gain from sales</td>
<td>3,998,670</td>
</tr>
<tr>
<td>Net change in unrealized gain on investments in earnings</td>
<td>10,816,218</td>
</tr>
<tr>
<td>Conversion of accrued interest to equity and debt investments</td>
<td>139,805</td>
</tr>
<tr>
<td>Purchases for the year ended September 30, 2021</td>
<td>7,927,467</td>
</tr>
<tr>
<td>Proceeds for the year ended September 30, 2021</td>
<td>(40,877,456)</td>
</tr>
<tr>
<td>Fair value at September 30, 2021</td>
<td>$43,060,757</td>
</tr>
</tbody>
</table>

Change in unrealized gain in earnings relating to assets still held | $11,686,190

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value at October 1, 2019</td>
<td>$45,417,053</td>
</tr>
<tr>
<td>Net realized loss from sales</td>
<td>(7,143,023)</td>
</tr>
<tr>
<td>Net change in unrealized gain on investments in earnings</td>
<td>18,949,349</td>
</tr>
<tr>
<td>Conversion of accrued interest to equity and debt investments</td>
<td>89,235</td>
</tr>
<tr>
<td>Purchases for the year ended September 30, 2020</td>
<td>5,444,734</td>
</tr>
<tr>
<td>Proceeds for the year ended September 30, 2020</td>
<td>(1,701,295)</td>
</tr>
<tr>
<td>Fair value at September 30, 2020</td>
<td>61,056,053</td>
</tr>
</tbody>
</table>

Change in unrealized gain in earnings relating to assets still held | $18,949,349

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.

<table>
<thead>
<tr>
<th>Level 3 Financial Instruments</th>
<th>Significant Unobservable Inputs By Valuation Technique</th>
<th>Range of Significant Unobservable Inputs as of September 30, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Investments</td>
<td>EV/Sales multiple</td>
<td>5.2 – 6.4</td>
</tr>
<tr>
<td>SAFE</td>
<td>EV/Sales multiple</td>
<td>11.6</td>
</tr>
</tbody>
</table>
5. Investments (continued)

The significant unobservable input used in the fair value measurement of equity investments and financial instrument (SAFE) is EV/Sales (Enterprise value to sales) multiple for recent, relevant, verifiable, comparable companies as this more accurately reflects the current value of these entities and challenges they have faced due to market conditions caused by COVID-19, including devaluation. In addition, for the valuation of the SAFE instrument, the current multiple has been applied to LTM annual sales as this best reflects the current value of this entity and increasing performance, despite the economic uncertainties caused by the pandemic. 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. During the fiscal year 2021, EEGF realized its entire portfolio, thus, as of September 30, 2021, there are no investments in EEGF to be measured at the fair value. In the process of valuing its equity investments, EEGF III applies substantially the same types of unobservable inputs as applied by the Fund with EV/EBITDA multiples range up to 22.1, EV/Sales multiples range up to 5.4, EV/GMV multiple of 1.2 and P/B multiple of 0.8, as 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, 2021 and 2020, the Fund had investments in debt securities of $700,000 and $2,139,502, respectively. As of September 30, 2021 and 2020, the Fund held cash and cash equivalents of $646,209 and $58,749 with a commercial bank based in the United Kingdom, $39,268,335 and $14,224,115 with commercial banks based in the United States and held remaining cash balances equaling $159,928 and $204,557 in the Region, respectively.

As of September 30, 2021 and 2020, all assets of the Fund are considered to be current excluding investments, fixed assets, and Impact Investing Program long-term deposits in amount of $391,218 and $360,244, respectively. As of September 30, 2021 and 2020, all liabilities of the Fund are considered to be current.
Western NIS Enterprise Fund
Notes to Financial Statements
September 30, 2021 and 2020

7. Fixed Assets

As of September 30, 2021 and 2020, fixed assets consisted of:

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles</td>
<td>$103,070</td>
<td>$103,070</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>59,873</td>
<td>48,254</td>
</tr>
<tr>
<td>and software</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture, fixtures</td>
<td>21,629</td>
<td>21,629</td>
</tr>
<tr>
<td>and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone equipment</td>
<td>8,366</td>
<td>8,001</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>4,646</td>
<td>4,646</td>
</tr>
<tr>
<td></td>
<td>197,584</td>
<td>185,600</td>
</tr>
<tr>
<td>Accumulated</td>
<td>(176,274)</td>
<td>(151,404)</td>
</tr>
<tr>
<td>depreciation and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>amortization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets, net</td>
<td>$21,310</td>
<td>$34,196</td>
</tr>
</tbody>
</table>

8. Financial Participation Rights

During fiscal year 2021 WNISEF recorded $1,080,000 of exit-based incentive financial participation rights expenses in relation to the exit of GCC and GCPrim. Based on the Deed of Settlement and bonus payment documents signed with portfolio company management in February 2021, the Fund paid bonuses of $900,000 to management in relation to proceeds received in December 2020. The next tranche of the portfolio company management bonus of $180,000 in relation to additional sale proceeds received by the Fund in June 2021 were accrued as of September 30, 2021 and paid out in November 2021.

9. 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 $19,500 in calendar years 2021 and 2020. Eligible employees who are age 50 or over at the end of the calendar year can also make catch-up contributions of $6,500 in calendar years 2021 and 2020, 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 ($142,800 as of January 1, 2021 and $137,700 as of January 1, 2020). 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 $54,571 and $54,871 for the years ended September 30, 2021 and 2020, respectively, and the related expense is included in employee compensation and benefits in the accompanying statements of operations and changes in fund balance.
10. Long-Term Equity Incentive Plan

Since inception of the LTEI Plan as of October 1, 2002, the Fund has realized exits on nine qualifying portfolio companies resulting in incentive awards to LTEI participants during the fiscal years ended 2003 to 2021. As of September 30, 2021 and 2020 and for the years then ended, $2,155,718 and nil, respectively, are recorded as exit-based incentive expense and $12,198 and nil, respectively, as exit-based incentive payable. As of September 30, 2021 and 2020, $12,198 and nil, respectively, are recorded as deferred exit-based incentive and will be charged to expense over the remaining vesting period. The exit-based incentive expense, exit-based incentive payable and deferred exit-based incentive amounts include related taxes.

11. 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:

<table>
<thead>
<tr>
<th></th>
<th>September 30, 2021</th>
<th>September 30, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 40,074,472</td>
<td>$ 14,487,421</td>
</tr>
<tr>
<td>Proceeds receivable</td>
<td>132,051</td>
<td>-</td>
</tr>
<tr>
<td>Deposits due within one year</td>
<td>118,810</td>
<td>111,863</td>
</tr>
<tr>
<td>Other assets</td>
<td>29,494</td>
<td>280,890</td>
</tr>
<tr>
<td>Interest, dividends, and other receivables</td>
<td>800</td>
<td>1,723</td>
</tr>
<tr>
<td>Total</td>
<td>$ 40,355,627</td>
<td>$ 14,881,897</td>
</tr>
</tbody>
</table>

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

12. Other liabilities

As of September 30, 2021, the balance of other liabilities in the accompanying statement of assets and liabilities includes the amount equivalent of $467,757 payable in EUR to third parties under the Framework Agreement (and subsequent amendments to it) for the disposal of shares of GCC and GCPrim. In accordance with the terms of this Agreement in June 2021 WNISEF, acting as Sellers’ Representative, obtained Purchase Price Adjustment proceeds attributable to WNISEF as well as to other sellers. As of September 30, 2021, WNISEF settled major part of its liabilities to other sellers, net of attributable advisory and legal fees.
13. Commitments

Investments

As of September 30, 2021 and 2020, the Fund has outstanding investment commitments to EEGF III totaling $5,630,966 and $12,770,554, respectively.

As of September 30, 2021 and 2020, the Fund has outstanding investment commitments to EEGF totaling $149,413, though nil additional drawdowns are expected going forward.

Collateral

As of September 30, 2021 and 2020, the Fund pledged a part of Impact Investing Program long-term deposits amounting to $443,957 and $410,058, respectively, as security for loans provided by the banks to social enterprises.

Grants

As of September 30, 2021 and 2020, under the Economic Leadership Program, the Fund provided support to students attending masters programs amounting to $63,768 and $208,912, respectively, which is included as Economic Leadership Program expense in the statement of operations and changes in fund balance. Grant awards, for which the grantees have not met terms of the condition of the grant total $518,311 as of September 30, 2020, have been almost repaid during the years 2020 and 2021 and the remaining amount is expected to be repaid during the year 2022. The Fund has no contractual obligations to others.

Operating Leases

Rent expense for the years ended September 30, 2021 and 2020 is $128,651 and $121,401, 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 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.

In April 2021, the Fund signed a new Lease Agreement for the office premises in Ukraine that is effective from April 1, 2021 till September 30, 2023.
Operating Leases (continued)

Future lease payments under both lease agreements as of September 30, 2021 to be paid by the Fund are as follows:

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
<td>$108,632</td>
</tr>
<tr>
<td>2023</td>
<td>$84,480</td>
</tr>
<tr>
<td>Total operating lease commitments</td>
<td>$193,112</td>
</tr>
</tbody>
</table>

14. Tax Status

United States

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

Western NIS Region

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

15. 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
15. Related Party Transactions (continued)

of January 1, 2009. The management fee expense from October 1, 2020 through September 30, 2021 totaled $203,027 and prepaid expense of $13,107 is included in the statement of assets and liabilities as of September 30, 2021. The management fee expense from October 1, 2019 through September 30, 2020 totaled $635,181 and an accrued expense of $796,298 is included in the statement of assets and liabilities as of September 30, 2020.

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. In December 2020, this agreement has been prolonged till December 2023. The Program management fee expense from October 1, 2020 through September 30, 2021 totaled $525,000 and a prepaid balance of $131,250 is included in the statement of assets and liabilities as of September 30, 2021. The Program management fee expense from October 1, 2019 through September 30, 2020 totaled $525,000 and an accrued expense of $393,750 is included in the statement of assets and liabilities as of September 30, 2020.

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 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 December 2019, the Fund received from Sakonia Ventures Limited $298,728 as a return of capital. In January 2021, the Fund and financial investors signed a sale-purchase agreement with the Kerameya founder and management. In May 2021, the Fund finally exited its full stake in Kerameya receiving gross proceeds of $2,750,000 during the fiscal year 2021. The remaining outstanding proceeds receivable in amount of $132,051 have been received in tranches prior to December 31, 2021. This amount is presented as proceeds receivable in the statement of assets and liabilities.

- 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
15. Related Party Transactions (continued)

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. In April 2020, the Fund finally exited its investment in Fincombank realizing gross proceeds amounting to $413,577 pursuant to its ownership.

Also refer to the Condensed Schedule of Investments containing balances and description of transactions with portfolio companies.

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 2021 and 2020, the Fund made payments on behalf of HCAD totaling $45,413 and $54,437, respectively, and HCAD made payments on behalf of the Fund totaling $17,633 and $59,887, respectively. As of September 30, 2021, there was an outstanding balance of $25,686 due from the HCAD to the Fund and included in other assets in the accompanying statements of assets and liabilities. As of September 30, 2020, there was an outstanding balance of $2,094 due from the Fund to the HCAD and included in other assets in the accompanying statements of assets and liabilities.

The Fund provided grant funding to the Ukrainian Leadership Academy (ULA) in relation to its operations. During fiscal 2021 and 2020, the Board of Directors approved the expenditure and the Fund provided funding of $540,000 and $1,700,000, respectively. WNISEF may at its discretion suspend funding.

During the years ended September 30, 2021 and 2020, the Fund earned $333 and $1,724 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.

16. 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.

17. 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
17. Guarantees (continued)

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.

18. Financial Highlights

The financial highlights for the years ended September 30, 2021 and 2020 are as follows:

<table>
<thead>
<tr>
<th>Ratios to average fund balance</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment loss</td>
<td>(4.7)%</td>
<td>(1.2)%</td>
</tr>
<tr>
<td>Net realized gain (loss) on investments</td>
<td>5.1%</td>
<td>(10.1)%</td>
</tr>
<tr>
<td>Operating expenses for investment activities</td>
<td>4.9%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Legacy Programs</td>
<td>3.2%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Total return</td>
<td>11.4%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratios to committed capital</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment loss</td>
<td>(2.5)%</td>
<td>(0.6)%</td>
</tr>
<tr>
<td>Net realized gain (loss) on investments</td>
<td>2.7%</td>
<td>(4.8)%</td>
</tr>
<tr>
<td>Operating expenses for investment activities</td>
<td>2.6%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Legacy Programs</td>
<td>1.7%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

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 (for Legacy Programs net of grant income) 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 the 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, 2021 and 2020, this amount was $150,000,000.
19. Subsequent Events

Subsequent to year-end, on the basis of Board of Director approval, the Fund invested $299,992 in Mate Academy in October 2021, provided a follow-on investment of $250,000 into Rallyware in November 2021, invested $300,000 into Adorum Inc. (OneNotary) and paid the first tranche of an investment of $86,000 in Fintech Farm in December 2021.

In October 2021, the Fund received the next tranche of Kerameya sale proceeds of $75,000 from Sakonia Ventures Limited. In December 2021, the Fund received final exit proceeds of $57,051.

In addition, in October 2021, the Fund paid a net contribution to EEGF III totaling $44,357. This amount represents an additional contribution for portfolio investments and expenses totaling $224,133 offset by the Fund’s pro-rata share in investment proceeds distribution of $179,776. In January 2022, prior to issuance of these financial statements, the Fund paid another net contribution to EEGF III totaling $1,833,039. This amount represents an additional contribution for portfolio investments, management fees and expenses totaling $1,988,449 offset by the Fund’s pro-rata share in investment proceeds distribution of $155,410.

Management has evaluated events from the date of the statement of assets and liabilities through January 21, 2022, 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

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Jaroslawa Zelinsky Johnson
President and Chief Executive Officer
Western NIS Enterprise Fund

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

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Chief Financial and Administrative Officer and Treasurer

Elaine McCormack
Secretary