



Western NIS  
Enterprise Fund

# A year of unprecedented challenges and perseverance

ANNUAL REPORT 2022



# Western NIS Enterprise Fund

**T**he Western NIS Enterprise Fund (WNISEF) is a \$150 million regional fund, a pioneering initiative in Ukraine and Moldova with over 28 years of successful experience investing in small and medium-sized enterprises (SMEs). WNISEF was funded by the U.S. government via the U.S. Agency for International Development (USAID).

The Fund's original mission focused on developing small and medium-sized businesses, supporting solid corporate governance and transparency, and attracting additional capital to Ukraine, Moldova, and Belarus. Since its inception in 1994, WNISEF has provided loans, equity, grants, technical and other assistance to companies operating in a variety of sectors. This included financial institutions, agriculture, manufacturing, and services. WNISEF has invested \$186 million in 130 companies, employing over 26,000 people in Ukraine and Moldova. **Since inception, WNISEF has unlocked an estimated \$2.3 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 \$15 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.



[www.usaid.gov/ukraine](http://www.usaid.gov/ukraine)



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# A Year Of Unprecedented Challenges And Perseverance

Since the Western NIS Enterprise Fund (WNISEF) was created by an act of the U.S. Congress in 1994, the Fund steadily promoted reform in times of change. Over 28 years, WNISEF faced and overcame repeated challenges in Ukraine's and Moldova's uncertain political and economic environments. In 2022, however, WNISEF confronted the unprecedented challenge of war.

Presented with U.S. intelligence agencies' warnings about Russia's imminent invasion of Ukraine in January 2022, WNISEF developed a business continuity plan with the option of closing our Kyiv office. When the predicted chance of war increased in February 2022, WNISEF closed its Kyiv office and facilitated a move of WNISEF staff and families to Lviv, in western Ukraine, away from the Russian border. After Russia's full-scale invasion of Ukraine on February 24, even western Ukraine was unsafe, and WNISEF's female staff, children, and elderly relatives sought shelter in neighboring countries. With the Ukrainian government's declaration of martial law, WNISEF's male employees were obligated to remain and defend the country.

WNISEF's Kyiv office closure and relocation of WNISEF staff were only the first of many unprecedented challenges that required extraordinary cooperation and determination during 2022. WNISEF's activities did not stop in wartime, but our team persevered and adapted to constant air strikes, electrical and internet outages, and mobilization of employees to ensure that the Fund carried on providing much-needed support to Ukraine through its Programs.

The **Impact Investing Program** continued to assist social enterprises, most of which were constrained to repurpose their business operations to meet community wartime needs by providing shelter or food to displaced persons at the beginning of the war. As the business operations of many Program's borrowers were diminished as a result of displaced employees and clients, the Program agreed to issue payment holidays and simplify formal procedures for borrowers. By maintaining flexibility, the Program demonstrated a remarkable level of crisis management and adaptability, crucial

qualities for enduring and scaling up opportunities in the future.

The **Economic Leadership Program** adapted its educational programs to new realities. After one of its teachers was killed near Kharkiv, *Teach For Ukraine* relocated its teachers from war zone villages and small communities to safer locations in western Ukraine. *The Ukrainian Leadership Academy (ULA)* closed its campuses in four cities under direct attack (Mariupol, Kharkiv, Mykolaiv, and Kyiv) and opened one campus in Lviv. ULA's campuses in Mariupol and Mykolaiv were destroyed; no information is yet available on the physical condition of the campuses in Kharkiv and Kyiv. ULA students, staff, and alumni created a volunteer workforce that, at war's start, assisted refugees at border crossings, distributed food, clothing, and other essentials, ran daycare centers, and located shelters for displaced families. This activity continues to the present. In addition, the *ULA Foundation of Canada* set in motion its fundraising efforts for ULA's future activities.

In Ukraine and Moldova, the Fund actively promoted IT education, such as *the roadmap development for the Digital Ministry of Transformation of Ukraine and the Ministry of Education of Ukraine*, implementation of *Challenger AI* (an intensive acceleration program for early-stage startups) and established the *Future Technologies Activity* in Moldova, a joint business incubation program for startups.

Adjusting to the new wartime demands, the **Local Economic Development Program** maintained channels of communication with Ukrainian mayors under siege, collecting vital information on local situations and their community's specific needs. The Program also established and maintained a dialogue among Ukrainian mayors and mayors from partner nations throughout the year. These discussions, held in various formats, contributed to swift response and resolution of urgent issues faced by both Ukraine and the neighboring states that host Ukrainian refugees.

With the mobilization of Ukrainian men, supporting families fell on the backs of Ukrainian



women who needed the training to become family bread earners. Jointly working with the Economic Leadership Program, Ukraine's IT industry, and the online education platform Pro-metheus, this Program established IT training and entrepreneurship programs and provided scholarships for women participants.

Aimed at strengthening dialogue on the future reconstruction of Ukraine, the **Export Promotion Policy Program** participated in the organization and sponsorship of numerous conferences and platforms: Ukraine House in Davos, the Ukraine Recovery Conference, the Economic Forum "Private Sector and Recovery," and others. Additionally, the Program continued to promote the potential of Ukrainian and Moldovan entrepreneurship through funding a range of initiatives aimed at the revival and development of SMEs, such as *Lviv Invest Office*, *Moldova Fruct*, and others. Considering the new challenges faced by the producers, such as the relocation and establishment of new logistical routes, WNISEF provided support for locating new markets.

WNISEF's direct SME investment program, **u.ventures**, continued to operate and expanded its portfolio to 17 early-stage startups, investing in two Ukrainian and one Moldovan company. The Fund also provided support for the rest of the portfolio startups on their way to maintaining durability in times of total instability across all fields. Contrary to industry shifts, none of the portfolio companies ceased their activities in the critical year of 2022, which is a testament to the Fund's success.

The following pages of this Annual Report describe many of the challenges encountered by continuing WNISEF programs during this year of the war. What this Report does not reveal is the personal pain and prolonged frustration of the Fund's dedicated staff and uprooted families as we learned to continue our work around wartime obstacles. We thank the Fund's dedi-

cated staff: **Vitaliy Bigdai, Vasylyna Kompan, Natalia Kovalenko, Liudmyla Markitan, Vasyl Nazaruk, Iryna Ozymok, Olga Petrova, Anna Petrovskaya, Marta Todosiuk, Andrii Sorokhan, Roman Tychkivskyy, Anton Waschuk, Denys Mykolenko, Roman Dubovyy**, who endured countless hardships to continue the Fund's mission. Their commitment and perseverance in implementing and supporting initiatives that contribute to economic growth and the establishment of democratic values in Ukraine and Moldova, regardless of the challenges, remain unchanged.

These many months of the war were a crucial time for WNISEF to become a platform for unifying the efforts of donors, non-governmental organizations, private companies, state institutions, and international organizations dedicated to promoting the economic growth of Ukraine and Moldova. In 2023, the immediate developments in Russia's invasion of Ukraine will determine the Fund's next steps. The Fund will not wait for better times to implement positive changes, especially when needs are easily detectable and urgent. And we are grateful that our partners share this vision. Thus, we thank the United States Agency for International Development (USAID) and numerous other U. S. government agencies for arranging the transfer of \$135 million to WNISEF to address critical needs and further promote economic recovery in Ukraine and Moldova.

We again thank the members of the Western NIS Enterprise Fund Board of Directors, the United States 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 the development of democratic principles and economic prosperity which will improve the lives of Ukrainians and Moldovans.

Sincerely,



**Dennis A. Johnson**  
Chairman of the Board



**Jaroslawa Zelinsky Johnson**  
President and Chief Executive Officer





Photo Credit: V. Reznichenko (Facebook)





# UKRAINE

## KEY FIGURES 2022



In 2022, the Ukrainian economy experienced the most difficult year since its Independence from the Soviet Union in 1991. Russia's full-scale invasion of Ukraine became the primary factor in the economy's decline and the basis for disheartening forecasts. However, a few months after the preliminary shock, the economic indicators were stabilized after the implementation of anti-crisis government measures, thanks to the support of international partners and victories at the frontline.

Although 2021 showed an increase of 3.4%, Ukraine closed 2022 with a GDP decline of 30.4%, the most unfavorable result since Ukraine's independence. This outcome, however, is better than most experts expected at the beginning of the full-scale invasion, when the World Bank, IMF, Moody's, the Economist, and others predicted a decline from 35-50% of GDP. The economy's decline was contained due to the partial recapture of the occupied territories by the Armed Forces of Ukraine in the south of Ukraine, the financial support of partners, and a number of anti-crisis government measures. Among the latter, there was a partial reduction of the tax burden, development of state programs for affordable business lending, budgetary resource savings, and other measures.

The direct impact of the war - the destruction of enterprises and infrastructure, disruption of production and supply chains, displacement of one-third of the population, increased manufacturing costs, and the situational demand for certain goods and services - significantly surpassed inflation. Furthermore, the exchange rate fluctuations and lowered business expectations have also forced a sharp price increase in Ukraine. Despite these developments and a global acceleration of inflation pressure, the inflation rate in Ukraine stabilized in recent months, as in 2022, it composed 26.6% compared to 10% in the previous year.

The National Bank of Ukraine's (NBU) decision to fix the exchange rate helped maintain inflation under control; the fixed exchange rate is currently the main stabilization instrument of monetary policy. In July, the National Bank froze the official rate at 36.57 UAH / USD and had not abandoned the policy of a fixed rate anticipating the time when the supply of the currency could balance the demand.

With the beginning of the full-scale invasion, the nature of the Ukrainian economy changed significantly: for the first time, IT export earnings exceeded that of metals exports which were once the key export. Moreover, the IT sector proved to be one of the most resilient industries of the Ukrainian economy, which managed not only to maintain its pre-war level of operations but also to support consistent growth within the field. Therefore, after the full-fledged invasion, Ukraine's economy shifted rapidly to the tech sector and less to the industrial, setting the groundwork for rebuilding even prior to the war's end.

It is noteworthy that Ukraine's current account balance remained positive at the level of USD 8.6bn. Such surplus is owed to the significant inflow of foreign aid, as well as exports of IT services and remittances, delivering USD 7.3bn and USD 13.1bn, respectively, during 2022. In general, in 2022, net FDI inflows totaled USD 587M.

The support of international partners has always been an important component of Ukrainian budget fulfillment which became decisive in 2022. In general, by the end of the year, Ukraine received approximately USD 32bn dollars from



international institutions, which allowed the state to cover its rapidly growing expenses. The largest donors were the USA, EU, IMF, Canada, and others. Dependence on the support of international partners will undeniably continue in 2023, as Ukrainian President Volodymyr Zelenskyy has already announced that Ukraine needs USD 55bn of foreign support in 2023.

The state of the Ukrainian economy in 2023 will significantly depend on the development of events in the Russian-Ukrainian war. The recent IMF baseline scenario assumes that the war will wind down in the first half of next year, followed by a period of measured investment and reconstruction. Simultaneously, the downside scenario assumes that war intensifies and lasts longer. This would weigh on economic activity more than is considered under the baseline, discourage people who have left the country from returning, and inflict further infrastructure damage.

While certain economic fields, such as IT and services, have been adapting to potential scenarios, agriculture and industry will remain highly vulnerable sectors of the economy. Ukraine's agriculture sector will also be heavily dependent on the Black Sea port situation and the speed of the demining efforts in the territories close to the battlefronts.

Simultaneously to fighting on the frontlines, Ukraine is restoring critical infrastructure and rebuilding cities. Therefore, in addition to military support, the pace of financial aid from donors will also determine how quickly Ukraine will be able to rebuild its economy.

<b>Indicators</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Real GDP Growth, %	(9.8)	2.4	2.5	3.3	3.2	(4.0)	3.2	(30.4)
Inflation End of Year, %	43.3	12.4	13.7	9.8	4.1	5.0	10	26.6
Average Exchange Rate, USD	21.8	25.6	26.6	27.2	25.8	27.0	27.3	36.6
Current Account Balance, % of GDP	1.8	(1.4)	(1.9)	(3.4)	(0.9)	4.4	1.0	5.8
External Debt (USD billions)	118.7	113.5	116.6	114.7	121.7	125.7	86.61	111
FDI (USD billions, net)	3.0	3.3	2.2	2.4	2.4	(0.9)	5.1	0.587

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









**MOLDOVA**  
KEY FIGURES 2022



**U**pon Russia's invasion of Ukraine, Moldova immediately opened its border to Ukrainian refugees. Seven hundred thousand Ukrainian women, children and elderly sought shelter and were provided food, medical care, education and safe transit to other countries. Over one hundred thousand Ukrainians settled in Moldova and continue to receive support; others moved on to other countries.

Russia's invasion of Ukraine also has had an immediate and significant negative impact on Moldova's economy. Almost 20% of Moldova's goods were imported from Ukraine, Russia, and Belarus before the war; with those supply routes now frozen, Moldovans have had to substitute goods from the EU at significantly higher costs. Moldova relied on the port in Odesa and Ukraine's railway system for much of its trade and now must pay significantly higher transport fees for goods to be trucked in from Romania via the land border. Interruptions in the supply of electricity and gas led to a drop in economic indicators, including accelerated inflation. Nevertheless, in 2022, there were also positive trends - such as a decrease in Moldova's dependence on Russian gas.

Amid the tally of the above challenges, Moldova's GDP declined by 4.1% in the first nine months of 2022. The reduction in GDP accelerated in the 3rd quarter of 2022 to negative 10.3%. In general, according to the latest forecasts of the IMF and the Ministry of Economy of Moldova, the state ended 2022 with a GDP at the level of 0.0%. Against that challenging backdrop, Moldovan exports have boomed, up 38%, due to the strong agricultural season and the growth of exports to Ukraine, for which the country is an important transit hub.

One of the significant factors that affected the country's economy was Russia's gas blackmail. Russia reduced the natural gas supply to Moldova by circa 30% in October 2022. And already in November, Gazprom withdrew its threats to reduce gas supplies to Moldova but reserved the right to decrease or cease supplies in the future if Moldova does not make the agreed payments. In an effort to reduce dependence on Russian gas, the Moldovan government has managed to store the biggest gas reserves in the country's 30-year history and began importing natural gas from international markets, mainly from Romania, while also from Azerbaijan through the Southern Gas Corridor.

The unfavorable political and economic situation accelerated the rate of inflation. Namely, in September, it reached its historical maximum of 35%, while, in general, it composed 30% during the full year of 2022. Such indicators are caused mainly by high energy prices. Currently, the Central Bank of Moldova is implementing a tight monetary policy aimed at slowing down inflation.

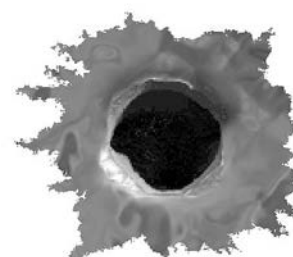
In 2022, the attention of the international financing institutions was focused not only on Ukraine but also on Moldova, aiding it in overcoming the challenges present today. Particularly, the European Bank for Reconstruction and Development (EBRD) invested a record EUR 525M in Moldova, five times more compared to the same period last year. Of these, EUR 300M were paid to diversify gas supplies to the country from Russian sources and promote supplies from European hubs. Moldova Agroindbank (MAIB), a portfolio company of Horizon Capital, received a loan in the amount of EUR 35M to provide assistance to companies affected by the war in Ukraine. It is expected that international support will remain high in 2023, mainly aimed at ensuring energy security in the country.



In 2023, the economic situation in Moldova will largely depend on the developments within the Russian-Ukrainian war. In addition, the political situation remains unstable amid rumors of a possible coup d'état in the country allegedly planned by Russia. Therefore, the biggest challenges for Moldova in 2023 will be the preservation of the state's stability, as well as the implementation of reforms that will accelerate energy independence from Russian gas. Financial support from international donors will play a key role in the latter.

Indicators	2015	2016	2017	2018	2019	2020	2021	2022
Real GDP Growth, %	(0.4)	4.5	4.5	4.0	3.6	(7.0)	13.9	0.0
Inflation End of Year, %	13.6	2.4	7.3	0.9	7.5	0.4	13.9	30
Average Exchange Rate, USD	18.8	19.9	18.5	16.8	17.6	17.3	17.7	19.2
Current Account Balance, % of GDP	(7.2)	(4.2)	(7.6)	(9.9)	5.7	(6.7)	(11.6)	(12.8)

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











# **EXPORT PROMOTION POLICY PROGRAM**

VITALIZING EXPORT THROUGH  
CHALLENGES



The widespread destruction of communities and displacement of millions of workers brought on by the full-scale Russian war affected all businesses in Ukraine. As many businesses closed operations, their productivity dropped, and they faced relocation or evacuation, resetting operations, dealing with losses, and reduced revenue. Access to foreign markets was impossible. While Moldova was not invaded directly, Russian blocking of Odesa's ports forced Moldovan exporters to search for alternative logistical solutions.

The Export Promotion Policy Program (EPPP) nonetheless supported local SMEs in Ukraine and Moldova in facing unprecedented challenges, laying the ground for recovery. In collaboration with local communities and civil societies, the Program funded a range of initiatives aimed at the revival and development of SMEs. For instance, the Program supported **Lviv Invest Office**, a partnership between academia, local and regional authorities established in September 2022 to provide advisory assistance to small and medium-sized enterprises in western Ukraine. That project helped hundreds of SMEs obtain expert advice on adapting to new circumstances, strengthening their resilience, establishing or expanding business, and accessing public and donor-funded support programs.

**Moldova Fruct participants at Fruit Logistica Expo, April 2022**



In Moldova, WNISEF partnered with USAID's High-Value Agriculture Activity, Moldovan Investment Agency, and the **Fruit Producers and Exporters Association of Moldova (Moldova Fruct)** to assist Moldovan SMEs accessing new markets. Russia's war in Ukraine provided an impetus for Moldovan fruit producers to find new distribution channels. To help the industry diversify export markets and develop new business links, the Fund supported the participation of **Moldova Fruct** in two large international expos: the Fruit Logistica (Berlin, Germany) in April and the Fruit Attraction

(Madrid, Spain) in October, which generated new export sales and trade leads. As a result, the 12 companies that participated in Fruit Logistica received 15 new orders worth \$1.6 million and additionally obtained 60 sales leads that may result in sales. Additionally, eleven Moldovan participants of the Fruit Attraction expo collectively received 33 new orders worth \$1.5 million and obtained 15 sales leads.

**Ukrainian Delegation at South by Southwest Creative Industries Expo, March 2022**



In 2022, Ukraine was set to take part for the first time in the **South by Southwest Creative Industries Expo (SxSW)** in Austin, Texas, but the start of the war a few weeks earlier affected startup participation.

Some Ukrainian representatives still managed to participate in the **SxSW Creative Industries Exhibition** on March 13-16 and with the support of WNISEF and other partners. Ukraine was represented by Diana Rakus, Head of Expert Group on Attracting Investments in IT at the Ministry of Digital Transformation of Ukraine, Hanna Zenkova, Co-Director of Startup Grind Kyiv Hub, Kateryna Dehtyar, Co-Director of Startup Grind Kyiv Hub, Daria Shapovalova, CEO of DressX, members of the Ukrainian community in Austin.



# Consumer Electronics Show: Ukrainian Innovations to Transform the World



Ukrainian Delegation at Consumer Electronics Show, January 2022

In 2022, WNISEF continued its support of Ukraine's presence at the annual **Consumer Electronics Show (CES)** held in Las Vegas, Nevada. One of the largest trade shows globally, **CES** hosts presentations of new products and technologies in the consumer technology industry and attracts large multinational retailers and technology companies looking for solutions. In January, with the support of WNISEF, eight Ukrainian companies presented their innovative products in Eureka Park, the space reserved for startups at **CES**.

The Ukrainian stand at **CES** attracted attention, sourcing its participants with valuable contacts of tier-1 brands interested in cooperation. The **MANNA Metaverse** startup sparked interest with its technology to create personalized animated avatars, which allowed user immersion in the virtual universe using a smartphone, body sensors, and modern 6DoF navigation. **Unlink VR** startup exhibited a helmet with a wireless optical data transmission system for user immersion. The creators of **Qudi** also attracted attention with their world's first LED mask that allows one to portray emotions without revealing the person's identity.

Two Ukrainian startups received no less attention thanks to their eco-friendly solutions for

home life. **Neverdark** stood out with its designed bio fireplace with a real flame that does not require a chimney and can be installed into fixed interiors. Another startup, **Effa**, created a 100% recyclable toothbrush made of renewable materials such as paper, cornstarch, and nylon bristles. Several Ukrainian companies also presented health-related products, such as **Come-Back Mobility**, which offers a smart attachment for crutches that allows patients with leg diseases and injuries to control the load on the body through the app, and **Cardiomo**, which introduced its heart sensor for remote monitoring that can identify about 40 different cardiovascular diseases.



Esper Bionics at TIME Magazine Cover

The eighth Ukrainian startup at CES 2022 with WNISEF's support — **Esper Bionics** — was recognized by **TIME Magazine** and featured on its cover as one of the 200 Best Inventions of 2022. This startup manufactures smart bionic hand prostheses aimed to improve the livelihood of individuals with disabilities. The **Esper Bionics** prosthetic arm is the first AI-powered cloud-based robotic prosthesis that gets smarter over time. The device's wearable sensors detect and process muscle activity and brain impulses, while machine learning on the **Esper** platform allows the hand to act more "intuitively" over time.



**Ukraine House  
Davos 2022  
Organizing  
Committee and  
Team**

In addition to raising awareness about the war in Ukraine, our delegation showcased products from sustainable toothbrushes and fashion brands to lighting applications for concerts and programs to match technology specialists with companies, connecting with hundreds of people interested in either conducting business with Ukraine or finding ways to support the country's wartime effort.

To unify and inform the response of the global community to Russia's war in Ukraine, WNISEF cooperated with Horizon Capital and the Victor Pinchuk Foundation for the fourth time to organize **Ukraine House Davos** alongside the annual meeting of the World Economic Forum in Davos in May 2022. The purpose of **Ukraine House Davos 2022** was to expand the discussion about the war in Ukraine and identify the support needed from the international community. Seventeen panels provided a platform for discussion of the following topics: security, war crimes, sanctions, digital defense, humanitarian aid, and rebuilding and revitalization of Ukraine. Headlined by President of Ukraine Volodymyr Zelenskyy and First Lady Olena Zelenska virtually and attended by 8,000 guests, **Ukraine House Davos** brought together government officials and global policymakers, humanitarian activists and international economists, business leaders, journalists, and supporters of a free Ukraine. On social media, the platform generated around 400,000 views, with posts receiving nearly 1.2 million impressions worldwide.

Another event drawing attention to Ukraine in 2022 was the **Ukraine Recovery Conference** in Lugano, Switzerland, which shifted focus from reform progress to developing a recovery plan for a war-stricken Ukraine. WNISEF partnered with the Government of Ukraine, the Swiss Government, and the Joint Chamber of Commerce of Switzerland to organize the **Economic Forum "Private Sector and Recovery"** at the **Ukraine Recovery Conference**. The Forum brought to-



gether public authorities and private sector representatives for a dialogue about the renewal of Ukraine's economy.

*"The Economic Forum became an integral part of a bigger process of reassessment of Ukraine's perception in Europe and the world,"* remarked the **Manager of the Export Promotion Policy Program, Vitaliy Bigdai**. According to Vitaliy, the Forum successfully tackled its primary tasks: to present the detailed plan for Ukraine's recovery, openly discuss current challenges, highlight priorities for reconstruction and identify ways for the international private sector to contribute to this process. Ukraine was represented by Volodymyr Zelenskyy, the President of Ukraine, Denys Shmyhal, the Prime Minister of Ukraine, as well as representatives of the Ministries of Infrastructure, Energy, Digital Transformation, and the Presidential Office.

Despite current challenges, WNISEF sees tremendous export potential in Moldova and Ukraine, and the Export Promotion Policy Program will continue to support export-oriented SMEs in both countries. Working together with trade groups, public authorities, USAID, and other development partners, the Fund will provide critical support to business associations and their SME members' participation in international trade shows and exhibitions. To increase international solidarity and support for Ukraine, the Fund also will also push forward Ukraine's visibility through its presence at key international events.



**Panel at the  
Ukraine Reform  
Conference  
organized by  
WNISEF, July  
2022**



**Ukraine Reform Conference  
Participants, July 2022**









# LOCAL ECONOMIC DEVELOPMENT PROGRAM

SHIFTING FORMATS TO MAKE  
A DIFFERENCE



**T**he full-scale Russian invasion in late February placed many WNISEF projects at risk due to the unstable security situation. Overcoming the challenges, the Local Economic Development Program (LEDP) persevered where help was needed by changing project formats and supporting new initiatives.

The Program established a continuous dialogue among mayors of Ukraine and other countries to identify and implement solutions to numerous war-time challenges faced by Ukrainian communities. Due to changed city needs and the unstable safety situation, WNISEF postponed convening the **International Mayors Summit (IMS)** and adapted its activity to an online program for maintaining communication with mayors. Addressing new challenges and demands, the Program also continued contributing to the development of women's entrepreneurship, particularly through supporting the **Technovation Girls** contest and offering displaced women scholarships for online IT courses while also implementing other vital and timely projects.

## **International Mayors Summit — Evolving Despite the War**

Wartime changed the work of mayors throughout Ukraine: urban and economic development priorities were eclipsed by issues of security, preservation of businesses, the revival of cities, return of residents, and integration of displaced people into local communities.

To attract international community support during this war, the Program's **IMS** initiated an Open Letter to world city leaders signed by representatives of almost 800 Ukrainian communities. The letter was addressed to 50 city associations and local governments globally and received support from Canada, Poland, Latvia, Estonia, Lithuania, and the Netherlands.

Within weeks after the start of the war, the **IMS** recorded a series of interviews with Ukrainian mayors to discuss how their roles evolved. Each city presented unique circumstances that required a different approach. For example, the mayor of Chortkiv, Ternopil region, shared how the city tackled the flow of displaced people, which increased by 10% of the city's entire population, and, after a month of the war, became a sister city of the French municipality of Béziers. While in Mykolaiv, the mayor recalled how the city and businesses maintained operations under constant artillery and aerial shelling. In total, ten Ukrainian mayors took part in the project: in addition to Chortkiv and Mykolaiv, Chernivtsi, Trostyanets, Zhytomyr, Slavutych, Irpin, Mariupol, Vinnytsia, and Melitopol joined as well. Furthermore, two interviews with Polish mayors of Lublin and Gdańsk demonstrated strong solidarity with and support for the Ukrainian people.

In May, the **IMS** joined the **"ACT NOW Mayors' Conference"** held in Stuttgart, Germany. Through a video call, the mayor of Lviv, Andrii Sadovyi, and the mayor of Mykolaiv, Oleksandr Sienkevych, shared how their cities adapted to new wartime realities and what steps are taken to improve the safety and living conditions of both local and internally displaced persons in the community.

Another panel discussion at the "Education and war" event, organized by the Charity Fund savED, was joined by the mayors of Lviv, Zhytomyr, Chernihiv,





and Trostyanets in August. The goal of the meetings was to restore and improve the educational infrastructure of Ukrainian cities destroyed due to the war. Facilitated in partnership with the **IMS**, the discussion focused on cities and their needs for reconstruction, not only on school infrastructure but also furnishing the premises and providing educational materials needed for children.

**Online  
Discussion  
Rebuilding  
Cities.  
Rebuilding  
Society,  
September 2022**

In addition, the **IMS** participated in a webinar for 50 local communities organized by the Ukrainian ecological NGO "EcoAction", which discussed the best available practices that could be applied to the concept of green restoration of cities.

During 2022, one of WNISEF's unfinished video projects was reactivated. In 2021, WNISEF commenced filming an educational video project, **City DNA**, which was intended to encourage resident activists to work together to improve their communities and was planned to launch on YouTube in 2022. When the full-scale war began, the video program's release was canceled. However, the project's activists persevered, working for their communities and projects, which became truly crucial during wartime. Supplemented with updated comments and interviews from the trenches, eight episodes were launched on YouTube in August 2022, accumulating over 300,000 views by the end of the year. Among the topics covered were safe infrastructure for children, air quality, revitalization of industrial buildings, inclusiveness, cultural projects in small communities, tourism development through ethical festivals, thermo-modernization of residential apartment buildings, and activities of the association of apartment owners. The project partnered with the national TV media Channel 24, local Chernivtsi media C4, and the Decentralization media portal to broadcast the program to an additional 400,000 viewers.

Another **IMS** project extended its reach in two directions in 2022. **The City is Me** book, an interactive picture book for children regarding city functions and the role of citizens, written by the Local Economic Development Program Manager, Iryna Ozymok, was added to the school curriculum in Slavutych and Chortkiv as WNISEF arranged for the book's translation into Swedish and Kazakh.





**Urban Club  
Lublin  
participants  
meeting with  
Deputy Mayor of  
Lublin (above)  
and working in  
groups (below),  
November 2022**

With 200,000 Ukrainian refugee children attending Polish schools in September 2022, educational projects for young Ukrainians relocated to Poland were in greater demand. To encourage the young generation to participate in city life, as well as to distract them from the war and maintain a connection to Ukraine, in November, WNISEF launched an **Urban Club** for youth in Lublin. In cooperation with the Lublin City Council, the "Child's Effect" NGO, SKENDE, and IKEA, WNISEF brought together Ukrainian and Polish children to learn how a city works and how each

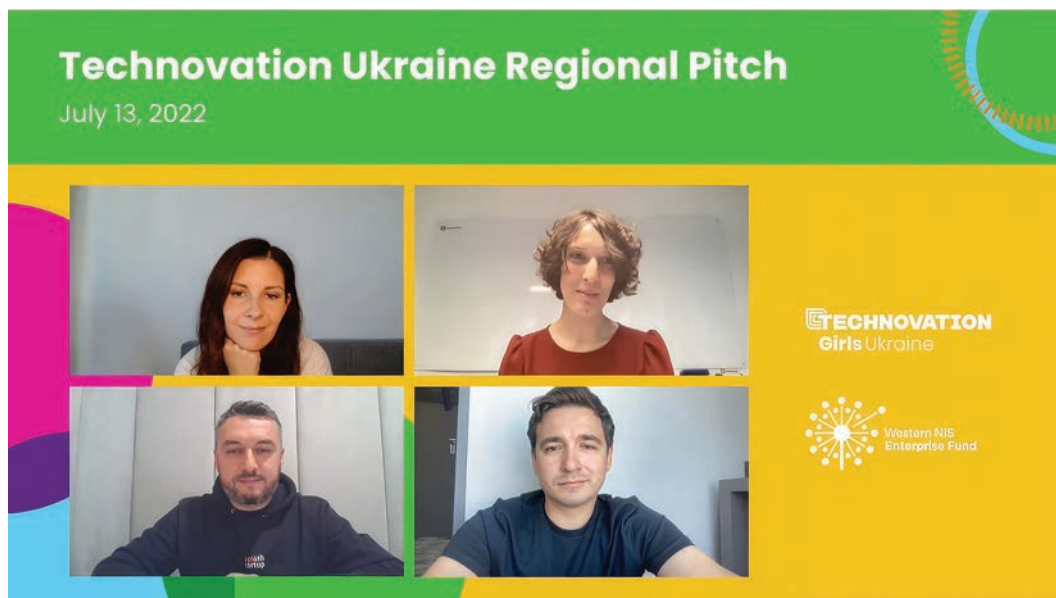
of them can influence the processes in it. Within the series of interactive meetings, participants not only learned about sustainable, people-oriented city development but also presented a model of their dream school, simulated a meeting of the UN environment commission and even signed a memorandum. At their November 2022 meeting, the club members met with the deputy mayor of Lublin in the Town Hall to see for themselves the internal processes of the city's administration.

Considering the extent of the destruction Ukrainian cities have experienced since February 2022, it is important to start a public discussion about their reconstruction. Therefore, WNISEF, together with the New Voice of Ukraine media, launched a series of online events titled: **"Reconstruction of Cities as a Reconstruction of Society"**. During the first three meetings in 2022, opinion leaders, mayors, and urban planners discussed the principles and values associated with rebuilding, the mechanisms available to implement



them, and the priorities and challenges facing cities today. Subsequent on-line events are planned to be devoted to volunteers and business participation in reconstruction.

Even though the primary **IMS** event was suspended due to safety concerns, the Program adapted its activities to alternative formats with the support of proactive mayors. In 2023, the importance of dialogues between city mayors will increase with the ongoing war and enormous destruction of the country's infrastructure. The goal of these dialogues is to highlight and resolve community rebuilding concerns that may lead to a faster reconstruction of Ukraine.



**Technovation  
Ukraine Regional  
Pitch, July 2022**

Another priority for the Local Economic Development Program is the support of women's entrepreneurship. In 2022 the program continued assisting Ukrainian teams in the **Technovation Girls** program and sponsored 100 scholarships for IT courses for women on the **Prometheus** platform.

Searching for the best initiatives to change the world with technology, the sixth summit of **Technovation Girls** in Ukraine gathered 143 participants and nine teams working on their applications. In June, two teams became world semi-finalists in junior and senior categories and successfully presented their prototypes at the Regional Pitch online event. The winning team: **it girls!** from Lviv and Kamianske, Dnipro region, developed a **ReFee** application that helps temporarily resettled Ukrainian children abroad. The program allows translating phrases from another language, calling a hotline, or playing a game with just a couple of clicks. Winners were awarded a subscription to the Master-Class online learning resource and an opportunity to join the YEP Incubator program.

Another team, **Hoomagentesses** from Enerhodar, Zaporizhzhia region, designed a **Hoomanizer application** aimed at finding new homes for pets that lost their owners because of the war. Using the program, users can add animals to the database, track their adoption status, and collaborate with other hosts. The young girls kept working on their application despite Russia's seizure of the nuclear power plant in the city and problems with communication and electricity; they managed to finish their project when the entire city was already occupied by Russia.



*“Technovation Girls encourages young women not only to study technology but also to think of solutions to respond to today's needs. During the war, the contest became a platform for children to tell the whole world about the challenges and problems they have faced because of the Russian invasion and about the help needed”, says **Local Economic Development Program Manager Iryna Ozymok**. The seventh annual event of the **Technovation Challenge** in Ukraine commenced at the end of October.*

The war forced millions of people to leave their cities and communities, and many Ukrainians were without jobs. To help internally displaced women enter the workforce in the high-demand labor market, WNISEF provided 100 scholarships for IT courses on the **Prometheus** online education platform. Developed jointly with Ukrainian IT companies, the four-month study programs allow students to learn front-end development and automatic software testing, development of web applications in Ruby, and start careers as Manual QA specialists. The program also includes a human resources component, aiming to ease the employment process.



**Relocated Entrepreneurs participating at Save Business NOW initiative by Promprylad. Renovation**

To encourage both displaced and local businesses to resume work in a new, creative space, **Promprylad.Renovation** revitalization project launched the first food market in Ivano-Frankivsk — **Foodoteka**. Together with the **Save Ukraine Now** initiative, aimed to support civilian territorial defense units, and the **Save Business Now** center, which helps relocated and local businesses adapt their business models to new circumstances, the food market arose as an immediate war response to Ivano-Frankivsk businesses and activists. In 2022, the Western NIS Enterprise Fund's support assisted **Promprylad** in raising over \$3 million in impact investments.

The war also affected the cultural space of Ukrainians, motivating more and more people to switch from Russian to the Ukrainian language. To advance this process, WNISEF supported the **Yedyni project**, whose aim is to help a million people to start speaking Ukrainian by the end of 2024. The 28-day



**Yedyni (The UNITED) Launch Event, November 2022**



online program provides its participants with daily tasks and educational materials, webinars and online lectures, audio materials, and friendly chats for practicing Ukrainian in a narrow circle. **Yedyni** also organizes online and offline speaking clubs in Ukrainian cities and abroad, which help locate support and social connections with other Ukrainians. In 2022, the platform launched seven courses with about 38,000 participants, held 321 speaking club meetings for more than 5,000 people, and attained the support of 36 opinion leaders as the project's ambassadors. While bringing more and more people together, **Yedyni** is now growing from a language course to a social platform for culture and identity.

In Moldova, Western NIS Enterprise Fund provided financial support to the **Independent Anti-Corruption Advisory Committee (CCIA)**, established in 2021 by the Decree of the President of Moldova. In 2022, the **CCIA** presented its first report, "The Offshore Republic," which analyzed corruption in the financial, banking, and insurance systems, seen in the broader context of systemic fraud, embezzlement, and money laundering in these sectors. In addition to revealing the conditions that could lead Moldova to become a "captured state", the report also provides recommendations for the governmental institutions on how to prevent it.

Despite all the challenges of 2022, the Local Economic Development Program managed to have a positive impact in supporting local communities and businesses in Ukraine and Moldova. Moving forward, it will be important for the Program to continue to engage more people in the dialogue on urban regeneration by expanding the scale of events within the **International Mayors Summit** and **Urban Club** platforms, as well as developing new projects for cities and communities. The Program also will continue to make efforts to improve the business climate at the local level by supporting small and medium-sized businesses in cooperation with **Promprylad.Renovation** and enhancing women's entrepreneurship through supporting the **Technovation Girls** contest. The Program also has an ambitious goal of helping Ukraine and Moldova combat corruption. Enthusiastic and determined, the Program will continue to encourage these efforts in 2023.









# IMPACT INVESTING PROGRAM

ADAPTING SOCIAL  
ENTERPRISES TO  
WARTIME REALITY



The Impact Investing Program (IIP) has been enabling entrepreneurs and businesses to address social and environmental challenges through financial investment and sustainable business practices since 2015. However, with Russia's large-scale invasion of Ukraine, many Program participants had to pivot their focus in order to survive.

Many Program participants could not repay their loans on schedule as a result of personnel shifts due to displacement and mobilization, community and facility destruction, and constant power outages. Thus, WNISEF adapted to wartime conditions and prolonged low-interest loans in order to support the work of social entrepreneurs through 2022.



In 2022, WNISEF continued its fundraising efforts in the interest of social entrepreneurship within **Impact Ukraine**, a charity organization that raises further funding for additional low-interest loans to eligible companies. With \$100,000 raised previously through DAI (ERA USAID), the Program was able to help businesses such as **Veterano Pizza Mariupol**, **An Vita Clinic**, and **"The Printing House" (Drukarskyi Dim)** in Kramatorsk.



*"While we did not issue any new loans from February, we managed to prolong existing ones, to prevent enterprises from defaulting so that they could feel secure. At WNISEF, we find captivating initiatives in which we believe in, and we aim to support them in any way that we can, especially in turbulent times,"* said the **Impact Investing Program Manager, Vasyl Nazaruk**, regarding the continuation of the Program during wartime.

In 2023, together with USAID, WNISEF prolonged ten loans to entrepreneurs, such as **Veterano Pizza Kyiv**, which re-purposed its restaurant as a base for the Armed Forces of Ukraine, the **Dnipro Training-Production Enterprise of the Ukrainian Partnership of the Blind**, which turned its facilities into shelters for refugees, and **"Walnut House" (Horikhovyi Dim) Social Bakery** which utilized its resources in Lviv to provide hot meals for internally displaced persons,

who had to adjust their business goals to wartime conditions. Meanwhile, other enterprises, such as **Veterano Pizza Mariupol**, evacuated the sieged and then later destroyed city and are considering moving their operations elsewhere, as did **An Vita Clinic**, which transferred their business due to the constant Russian shelling in the region. However, other companies, such as **"Smachni Spravy" LLC** in the Kyiv region, continued their primary business producing sausages and other deli meats and maintained 90% of its personnel and 80% of its production compared to the pre-war period. Despite the challenging circum-

Destroyed  
Veterano Pizza  
restaurant in  
Mariupol





# WNISEF Ukrainian Relocated Enterprises Support Program

The past year took an immense toll on Ukraine's economy, especially on local enterprises which struggled to stay afloat. Therefore, in line with the Impact Investing Program's mission of supporting businesses during critical periods, WNISEF, together with the Lviv Regional Military Administration (LRMA), established the **Ukrainian Relocated Enterprises Support Program** in May 2022, aiming to finance the rapid renewal of enterprise operations and assist them on their new paths. With this business support initiative, WNISEF aims to increase non-refundable financial assistance for companies relocating to the Lviv region by granting **\$500,000**. Additionally, in order to encourage businesses to renew their operations, WNISEF and LRMA pledged to invest UAH 200,000 (~\$5,555) in each SME creates 20 additional jobs.

Thus far, over 100 relocated enterprises have already moved to the Lviv region; more than 50 of them have started their operations, primarily in



**Ukrainian Relocated Enterprises Support Program Launch Press Conference, May 2022**

mechanical engineering and metalworking fields, and a number of these businesses have already applied for the **Ukrainian Relocated Enterprises Support Program**. Within this initiative, the Lviv Regional Military Administration expects to create over 2,500 new jobs in the region.

stances, **Urban Space 500 Public Restaurant**, located in a government-restricted area in Kyiv during the first months of the war, re-paid their loan. As of December 2022, there were nine active loans.

With the imposition of martial law, WNISEF adapted to the new complexities of maintenance and operations and streamlined administrative and reporting procedures for its social entrepreneurs. Nonetheless, certain businesses were able to provide reports from time to time, totaling UAH 2,565,820 (\$ 71,273).

Considering these business shifts, WNISEF prolonged the loan period for an additional twelve months to reinforce the Fund's dedication to socially-driven initiatives. Together with Oschadbank and Kredobank, WNISEF implemented payment holidays for businesses, as all social enterprises adapted their operations during wartime conditions. Since the beginning of the loan program in 2016, 28 affordable loans have been granted for a total amount of UAH 30,506,445 (\$1,151,582). In turn, a total amount of UAH 42,192,526 (\$1,454,915) was collected, which was more than 138% of the number of loans issued. This meant that lenders spent UAH 11,600,000 (~\$320,000) more for social purposes than the Fund spent on loans.

Russia's war against Ukraine has drastically shifted the business focus for many enterprises and created the need for new socially-driven businesses which will help internally displaced persons and veterans obtain funding for business initiatives. Therefore, following the Program's purpose, WNISEF expanded its requirements for companies qualified for financial assistance to include these groups of entrepreneurs. WNISEF will continue providing low-interest loans for sustainable social startups and mentor enterprises regarding business plan development and implementation.









**ECONOMIC  
LEADERSHIP  
PROGRAM**  
STREAMLINING  
PATHWAYS  
FOR GROWTH  
OPPORTUNITIES



Through the Economic Leadership Program (ELP), WNISEF has been empowering a new generation of leaders across the educational, entrepreneurial, and corporate governance sector development in Ukraine and Moldova. In 2022, the goals of the Program to initiate and build capacity resulting in innovative, resilient, and robust economic growth have not changed, but the Program had to adapt its activities to wartime conditions. With partner organizations turning to WNISEF for support, the Fund provided logistical assistance through re-location and emergency funding to preserve the flow of academic, technological, and business project opportunities.

**Teach For  
Ukraine teachers  
and students,  
June 2022**



## Teach for Ukraine — Providing Access to Education Despite the Circumstances

Within the educational sector, **Teach for Ukraine** has persevered through the challenges brought on by Russia's large-scale invasion of Ukraine to continue supporting children's education across the nation.

**Teach For  
Ukraine Summer  
Camp, July 2022**



*"In order to not disrupt children's educational processes, WNISEF continued to support Teach for Ukraine's activities through fundraising and networking assistance,"* remarked the **Economic Leadership Program Manager, Anton Waschuk**.

The **Teach for Ukraine** fellows' program had a 96% retention rate, and the participating teachers were given extra training to support the continuance of classes. Regardless of the pivots that had to be undertaken to maintain operations, **Teach for Ukraine** sustained work with 16 partner schools and finished the 2022 academic year with 16,000 classes held by the fellows.



Ukrainian Leadership Academy Cohort  
of 2022-2023 academic year



## Ukrainian Leadership Academy — Shifting Gears to Pave the Way for Education



ULA Team, April 2022

**T**he Ukrainian Leadership Academy (ULA) has championed significant projects aimed at youths' personal and social development since 2015. With the threatened Russian invasion in early February 2022, the program took key steps to protect students and staff and not disrupt the educational process. In January 2022, ULA moved all students and staff from Mariupol, Kharkiv, Kyiv, and Poltava to western Ukraine to ensure everyone's safety before re-launching operations.

To support ULA's 2022-2023 academic year program in the new location, the Lviv City Council allocated UAH 5 million (\$242,982), where 56 students were selected among 700+ applicants for the Academy. The program also attracted additional donors for multiple ongoing projects, including the USAID ENGAGE by Pact, USAID ERA by DAI, Canada Foundation for Local Initiatives, IREX, the EU Commission, and the U.S. Embassy.

ULA did experience radical changes internally, with five team members, including the ULA CEO Roman Tychkivskyy and ULA Board Member Andriy Zelinskyy, two students, and around 40 alums joining the Armed Forces of Ukraine in different roles. Nonetheless, the Academy prioritized additional active volunteering and repositioned focus on immediate relief by making nets for the army, helping IDPs, and executing safe border transfers to faster overcome the consequences of Russia's invasion of Ukraine.

Beyond the borders of Ukraine, the ULA team and alums organized a summer camp for 90 IDP children operated by One Heart Israel. The Academy also globalized its operations by commencing ULA Foundation of Canada's activities to act as a fundraising vessel for ULA and ensure that all resources are adequately invested in producing enough returns for the Academy's future endeavors. With several active projects in the pipeline, WNISEF is planning to continue implementing efforts to support young leaders within the ULA framework.



ULA Students Volunteering  
at the IDPs Camp, March  
2022



Internally, **Teach for Ukraine** grew its team from 11 to 20 members and attracted around \$500,000 to support emergency projects, creating much-needed educational opportunities for children. Externally, the company has also been gaining traction in international media and established new partnerships with UNICEF, Save The Children, the Embassy of Finland, World Bank, and the Zagoriy Foundation.

**Teach for Ukraine** has also expanded its scope of work by launching and operating five emergency humanitarian aid projects besides the core program involving over 10,000 teachers and children. Additionally, the organization held offline summer camps for 500 children in Lviv, Ivano-Frankivsk, and Ternopil and one online leadership program for 600 young participants. Through these new initiatives, children were able to experience a sense of normality during these unprecedented times by catching up on missed learning, practicing media literacy, arts, and health studies with new friends, and engaging in activities with Ukrainian song artists such as Alyona Ayona and Jerry Heil.

WNISEF will continue its cooperation with **Teach for Ukraine** through 2023. By providing organizational capacity-building support, fellowship stipends, fundraising assistance, and scaling up networking opportunities, the Fund seeks to accommodate the program in reaching its goals for the year in line with its strategic vision and mission.

**Junior Achievement Ukraine Participants, May 2022**



## Junior Achievement Ukraine — Broadening Youth Entrepreneurial Interests

In 2022, the Western NIS Enterprise Fund assisted in the re-launching of the **Junior Achievement (JA)** program in Ukraine. The program's focus on educating youth on entrepreneurship and financial literacy did not change in 2022. In fact, the organization continued to expand its operations, and with WNISEF's support in funding the promotion of the initiative, **JA Ukraine** was able to build new cooperations with schools across the Chernivtsi and Lviv regions, make new additions to the team, and expand partnerships in the private sector. **JA Ukraine** successfully secured the support of the regional state administrations in both regions and covered every Vocational Education and



Training (VET) school operating there with their outreach (51 in the Lviv region and 15 in the Chernivtsi region). Subsequently, at the beginning of September, 25 teachers from 23 VET schools from the Lviv region and 25 teachers from 14 VET schools in the Chernivtsi region participated in the in-person Junior Achievement curriculum orientation and training course.

In addition, before the start of the 2022 school year, WNISEF, together with **JA Ukraine**, helped raise the importance of entrepreneurship in schools by launching an information campaign, broadly gaining traction in regional media with over 80 pieces published on this topic. Through this cooperation, the Fund will continue to support young professionals in their entrepreneurial pursuits.

Within the Economic Leadership Program's core, the Fund aims to support youth leadership and attract the best graduates to solve ambitious tasks in the public and private sectors. Therefore, in 2022 the Fund granted eight need-based bachelor's and five master's scholarships for students at the **Kyiv School of Economics (KSE)**. Additionally, WNISEF supplied the University with educational materials, such as books, software, and equipment for a class of 97 students in English-taught bachelor programs in Economics, IT, Business Analytics, and Big Data, and assisted in competitive Olympiad events.

To expand the range of opportunities for Ukrainian students in their third year of university studies, WNISEF participates in the **Mitacs Globalink Research Program**. This internship program is executed under the supervision of a Canadian university professor and covers various disciplines ranging from science, engineering, mathematics, humanities, and social sciences. This year, **Mitacs** preliminarily agreed to fully fund up to 200 GRI, 200 GRA, and 200 Accelerate international programs in Canada annually for the next three years in the sum of \$10 million. Since June 2022, WNISEF has been assisting with the administrative procedures and promotion of the program within Ukrainian universities by recruiting prospective participants, reviewing applications, and managing the **Mitacs Ukraine** alum community. The recruitment process is still underway, and internships are set to continue within the upcoming year.

WNISEF continues to support young professionals on the path to their careers. In 2022, the Fund continued to engage with its **Seed Grant** alums, who graduated from the top U. S. and U.K. MBA, MPA, and LLM programs, through community events where they can share experiences and expand their professional network.

The ongoing war also transfigured Ukraine's IT industry which WNISEF aided in adapting to wartime conditions. Prior to the war, the Fund signed a Memorandum of Understanding with Ukraine's Ministry of Digital Transformation, USAID Competitive Economy Program, and Lviv IT Cluster to implement the **IT Research Resilience Report**, a comprehensive analysis of Ukraine's IT sector. The nationwide data collection report, which surveyed over 10,000 specialists, was published and presented to the members of the Lviv IT Cluster at the end of 2022, demonstrating a positive trajectory for the IT industry, with expected year-on-year sectoral growth at 23%.



**Economic Leadership Program Director Anton Waschuk meeting with Mitacs Globalink Research Program Director Oleksandr Romanko**



On a governmental level, WNISEF assisted with the official launch and communication about **Diia.City**, a legal regime for IT Business development in Ukraine, to a national and international audience. Through the **Diia.City** platform, IT businesses will have tax benefits as well as legal and organizational mechanisms to help make Ukraine's technological market more transparent and competitive. Additionally, prior to the **Diia.City** launch in early February 2022, WNISEF, President Volodymyr Zelenskyy, and Minister of Digital Transformation Mykhailo Fedorov jointly embarked on popularizing **Diia.City** to attract new members.



**Ukrainian  
Delegation  
at Collision  
Conference,  
June 2022**

In May-June 2022, WNISEF, in partnership with the European Business Association, Start-up Bridge, and Ukraine's Ministry of Digital Transformation, supported the Ukrainian delegation and booth at the **Collision Conference** in Toronto. By accommodating the Ministry's ad hoc requests for financing international delegations and national policy development initiatives, WNISEF sent 10 Ukrainian teams to Canada, which brought attention to the Ukrainian AI/ML start-up ecosystem and the broad technological talent available within the country.

Previously, within the educational sphere, WNISEF signed an agreement with the Center of Economic Recovery to develop a **roadmap for the Digital Ministry of Transformation of Ukraine and the Ministry of Education of Ukraine**. The roadmap is a combination of desk research analysis, an overview of international practices, and consultations with key stakeholders in Ukraine. Consequently, the roadmap was developed and introduced to the government, with the legislation passing for Decree number 1481/181 on improving the action plan for reforming IT education in Ukraine.



# Challenger AI

**Challenger AI** is an intensive acceleration program for early-stage startups that have products powered by AI/ML or plan to integrate this technology into the future. Initially, the accelerator was expected to be launched in March; however, due to the war, the program was temporarily suspended until October 2022.

Nevertheless, prior to the program's start, the AI accelerator drew 50 applicants, of which 12 were selected. In addition, the initiative engaged three corporate partners from agriculture, banking, and retail, facilitating numerous promotional events, including two offline Ideathons that gathered over 100 participants in Kyiv, Ukraine. The program's growth also engaged over 20 international and local mentors from Amazon, SoftServe, NVIDIA, and other leading organizations.



**Future Technologies Activity  
in Moldova Team, September 2022**

In Moldova, the Fund has been implementing economic efforts into the country's rapidly growing IT industry through private, governmental, and non-governmental sectors. In particular, WNISEF signed a Memorandum of Understanding with **Future Technologies Activity in Moldova**, which was funded by USAID and Sweden, XY Partners, and eO Business Incubators, for establishing a joint business incubation program for Moldovan startups. Through the initiative, WNISEF supported five young participants who attained access to 70+ local and global entrepreneurial and investment mentors from various fields with hands-on support.

Parallel to subsidizing activities recognizing the best Moldovan IT talent, WNISEF finances the weekly **Rockit Academy Maideparte Pod-**

**cast with Artur Gurău.** Launched during the pandemic, Artur's podcast brings local thought leaders and specialists with international expertise to discuss their experiences, development opportunities, and practical community solutions. With over 50 podcasts published, each episode reaches an audience of over 5000 listeners, with an additional 3,000 viewers on YouTube for discussions about what should next be done in Moldova to further advance the intersection of educational, digital culture, technological, and creative industries. Together with WNISEF's support, the channel has increased subscribers by 26%, exposing more viewers to the current innovations on the market and how they can be implemented.

Looking to the future, the Economic Leadership Program plans to continue supporting numerous projects in Ukraine and Moldova to achieve sustainable change by investing in people, thereby ensuring that young professionals are equipped with the necessary educational and leadership training.









**U.VENTURES**

BACKING  
INNOVATION IN  
TIMES OF WAR



**A**mid full-scale war and economic downturn in 2022, Ukrainian businesses faced unprecedented challenges, and u.ventures' portfolio of startups was no exception. Nonetheless, the Fund and its startups developed an exceptional ability to innovate and adapt to the harshest of environments, and u.ventures remained a steadfast partner for entrepreneurs surrounded by chaos and uncertainty.

During the ongoing war, WNISEF continued investing from \$100,000 to \$1,000,000 in technology, e-commerce, AI, digital, and engineering startups that focus on building world-class products with global potential for growth. During 2022, u.ventures expanded its portfolio to 17 early-stage startups. Additionally, u.ventures made successful seed-stage investments in two Ukrainian and one Moldovan startups, thereby broadening its scope and further strengthening its investment portfolio. The Fund also continued to support its existing companies in their efforts to navigate the economic turmoil caused by the war.

Among the Fund's portfolio companies located in Ukraine, Russia's full-scale invasion had a significant impact on their operations. The startups' initial priorities were to ensure the safety of employees, relocate businesses, and locate resources under prevailing circumstances. u.ventures provides crucial support, including fundraising, recruiting, and marketing distribution assistance. Despite the challenges, these startups exhibited remarkable grit and perseverance, many achieving pre-war financial performance levels by the third quarter.

Despite the adverse conditions brought on by the war, the u.ventures' investment portfolio not only weathered the storm but actually grew. None of the companies in the Fund's portfolio ceased operations and by the end of 2022, collectively, employed over 800 people. These startups have attracted more

### OneNotary

**One Notary** is a convenient notary solution developed by Ukrainian entrepreneur Ivan Zinkov. The company brings together notaries and individuals who require documents notarized through an online platform, allowing receipt of paperwork from an online notary within 15 minutes.



**Yope** is a mobile application for recording real-time videos of users and their interaction with any smartphone content. During the first four months of beta-testing, the startup's application gained over 100,000 users from the United States and South America.



**Bloomcoding** is an online coding school for children founded by an entrepreneur from Moldova. Believing that coding is the next literacy form of the 21st century, this startup pursues the ambitious goal of teaching one million children how to code. To make studying more enjoyable, **Bloomcoding** engages its students in building virtual and augmented reality experiences as well as developing mini-games for Minecraft and Roblox.

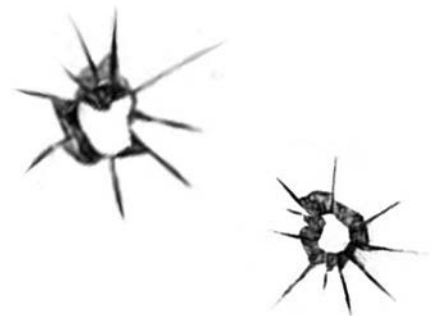




than \$75 million in additional funding and targeted over 500,000 customers in over 90 countries worldwide since partnering with WNISEF.

Given the continuing challenges facing the global technology market and the unstable situation in Ukraine, u.ventures' investments in local startups are set to become even more vital in 2023. Accordingly, the Fund is committed to helping its portfolio companies scale up, become reliable partners for other technology enterprises, and support innovative projects aimed at fostering entrepreneurial and engineering culture in Ukraine and Moldova.

**WNISEF Board  
Members and  
Team at the  
Polish-Ukrainian  
IT Companies  
Conference  
organized by  
u.ventures,  
September 2022**









A low-angle photograph of a rusted metal structure, possibly a ship's hull or a large piece of industrial machinery, against a clear blue sky. The structure is dark and weathered, with visible rust and peeling paint. A vertical cylindrical pipe or chimney rises from the structure. On the left side, there are some dark, elongated shapes that look like flags or pieces of fabric hanging down. The overall tone is somber and industrial.

# **FINANCIAL STATEMENTS**



Financial Statements  
**Western NIS Enterprise Fund**

Years ended September 30, 2022 and 2021  
with Report of Independent Auditors



**Financial Statements**

Years ended September 30, 2022 and 2021

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# Independent Auditors' Report

## To the Board of Directors of Western NIS Enterprise Fund

### Opinion

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, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of September 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern as of September 30, 2022 and 2021 and for the years then ended.

Entity: Western NIS Enterprise Fund

Independent auditor: PJSC "KPMG Audit", a company incorporated under the Laws of Ukraine, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

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

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

Address: 32/2 Kniaziv Ostrozkykh Str., Kyiv, 01010, Ukraine





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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

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

*PJSC KPMG Audit*

PJSC KPMG Audit

Kyiv, Ukraine

December 22, 2022



## Western NIS Enterprise Fund

### Statements of Assets and Liabilities

September 30, 2022 and 2021

Expressed in US Dollars

	2022	2021
<b>Assets</b>		
Investments, at fair value (cost of \$23,925,753 and \$21,626,104 as of September 30, 2022 and 2021, respectively)	\$ 51,730,406	\$ 43,060,757
Cash and cash equivalents (note 6)	30,786,406	40,074,472
Impact Investing Program long-term deposits	341,741	510,028
Prepaid expenses:		
Program management fees (note 15)	131,250	131,250
Investment management fees (note 15)	25,033	13,107
Other	137,964	60,607
Fixed assets, net of accumulated depreciation and amortization (note 7)	21,424	21,310
Proceeds receivable (note 15)	-	132,051
Interest, dividend and other receivables	27,718	2,718
Other assets (note 15)	256,734	53,420
<b>Total assets</b>	<b>\$ 83,458,676</b>	<b>\$ 84,059,720</b>
<b>Liabilities and fund balance</b>		
Accounts payable and other accrued expenses	194,794	342,868
Exit-based incentive payable (note 10)	10,342	12,198
Other liabilities (note 12)	211,323	505,241
<b>Total liabilities</b>	<b>416,459</b>	<b>860,307</b>
Fund balance (with Donor Restrictions)	83,042,217	83,199,413
<b>Total liabilities and fund balance</b>	<b>\$ 83,458,676</b>	<b>\$ 84,059,720</b>

See accompanying notes to financial statements.



## Western NIS Enterprise Fund

### Statement of Operations and Changes in Fund Balance

Year ended September 30, 2022

Expressed in US Dollars

	With Donor Restrictions	Without Donor Restrictions	Total
<b>Investment income</b>			
Interest income	\$ 40,100	\$ 40,100	
Other income	36,415	-	36,415
<b>Total investment income</b>	76,515	-	76,515
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions (investing activities)	(578,788)	578,788	-
Operating expenses for investment activities	-	(578,788)	(578,788)
<b>Net investment loss</b>	(502,273)	-	(502,273)
<b>Net realized loss and change in unrealized gain on investments</b>			
Net realized loss on investments (note 5)	(1,013,162)	-	(1,013,162)
Net change in unrealized gain on investments (note 5)	6,252,515	-	6,252,515
<b>Net realized loss and change in unrealized gain on investments</b>	5,239,353	-	5,239,353
<b>Net increase in fund balance from investment activities</b>	4,737,080	-	4,737,080
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions (Legacy Programs)	(4,896,132)	4,896,132	-
<b>Legacy Programs</b>			
Economic Leadership Program	-	(1,875,030)	(1,875,030)
Export Promotion Policy Program	-	(501,867)	(501,867)
Local Economic Development Program	-	(458,393)	(458,393)
Impact Investing Program	-	(333,613)*	(333,613)
Administration	-	(1,727,229)	(1,727,229)
<b>Total Legacy Programs expenses</b>	-	(4,896,132)	(4,896,132)
<b>Net decrease in fund balance from Legacy Programs</b>	(4,896,132)	-	(4,896,132)
<b>Net decrease in fund balance from operations</b>	(159,052)	-	(159,052)
Deferred exit-based incentive	1,856	-	1,856
<b>Net decrease in fund balance</b>	(157,196)	-	(157,196)
Fund balance, beginning of year	83,199,413	-	83,199,413
<b>Fund balance, end of year</b>	\$ 83,042,217	-	\$ 83,042,217

\* Program expenses also include currency translation loss on hryvnia-denominated deposits of \$171,629.

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

	With Donor Restrictions	Without Donor Restrictions	Total
<b>Investment income</b>			
Interest income	\$ 101,150	-	\$ 101,150
Other income	36,534	-	36,534
<b>Total investment income</b>	137,684	-	137,684
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions (investing activities)	(3,862,513)	3,862,513	-
Operating expenses for investment activities	-	(3,862,513)	(3,862,513)
<b>Net investment loss</b>	(3,724,829)	-	(3,724,829)
<b>Net realized gain and change in unrealized gain on investments</b>			
Net realized gain on investments (note 5)	3,998,670	-	3,998,670
Net change in unrealized gain on investments (note 5)	10,816,218	-	10,816,218
<b>Net realized gain and change in unrealized gain on investments</b>	14,814,888	-	14,814,888
<b>Net increase in fund balance from investment activities</b>	11,090,059	-	11,090,059
<b>Income from Grants received (note 4)</b>	110,020	-	110,020
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions (Legacy Programs)	(2,666,982)	2,666,982	-
<b>Legacy Programs</b>			
Economic Leadership Program	-	(1,038,956)	(1,038,956)
Export Promotion Policy Program	-	(150,902)	(150,902)
Local Economic Development Program	-	(214,923)	(214,923)
Impact Investing Program	-	(68,850)*	(68,850)
Administration	-	(1,193,351)	(1,193,351)
<b>Total Legacy Programs expenses</b>	-	(2,666,982)	(2,666,982)
<b>Net decrease in fund balance from Legacy Programs</b>	(2,556,962)	-	(2,556,962)
<b>Net increase in fund balance from operations</b>	8,533,097	-	8,533,097
Deferred exit-based incentive	(12,198)	-	(12,198)
<b>Net increase in fund balance</b>	8,520,899	-	8,520,899
Fund balance, beginning of year	74,678,514	-	74,678,514
<b>Fund balance, end of year</b>	\$ 83,199,413	-	\$ 83,199,413

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

See accompanying notes to financial statements.



## Western NIS Enterprise Fund

### Statements of Functional Expenses

Year ended September 30, 2022

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

Expressed in US Dollars

	Legacy Programs	Investment Activities	Total 2022	Total 2021
Exit-based incentive expense	-	\$ 1,856	\$ 1,856	\$ 2,155,718
Exit-based incentive - financial participation rights	-	-	-	1,080,000
Grants	1,740,075	-	1,740,075	675,631
Investment management fees	-	81,102	81,102	203,027
Program management fees	525,000	-	525,000	525,000
Organization and support of forums, events, conferences	179,767	1,225	180,992	101,876
Scholarships	-	2,250	2,250	98,972
Employee compensation and benefits	1,235,049	134,764	1,369,813	1,075,932
Professional fees	197,034	148,477	345,511	287,999
Business travel	579,547*	76,584	656,131	45,837
Other expenses	344,520**	100,633	445,153	125,124
Occupancy	88,314	30,679	118,993	128,651
Depreciation and amortization	6,826	1,218	8,044	25,728
<b>Total</b>	<b>\$ 4,896,132</b>	<b>\$ 578,788</b>	<b>\$ 5,474,920</b>	<b>\$ 6,529,495</b>

\* As of September 30, 2022 Legacy Program expenses also include expenditures relating to personnel relocation of \$332,175 allocated to each program and Legacy Program administration expenses.

\*\* As of September 30, 2022 and 2021, Legacy Program expenses also include currency translation loss on hryvnia-denominated deposits of \$171,629 and gain of \$37,676, respectively, within Impact Investing Program.

See accompanying notes to financial statements.



## Western NIS Enterprise Fund

### Statements of Cash Flows

Years ended September 30, 2022 and 2021

Expressed in US Dollars

	2022	2021
<b>Cash flows from operating activities</b>		
Net (decrease) increase in fund balance from operations	\$ (159,052)	\$ 8,533,097
<b>Adjustments to reconcile net (decrease) increase in fund balance to net cash (used in) provided by operating activities:</b>		
Proceeds from:		
Equity securities — sale to third parties, net of advisory fees	-	33,864,432
Limited Partnership Interests, distributions	868,642	5,069,505
Debt securities	-	1,943,519
Grants received	-	80,020
Disbursements for:		
Limited Partnership Interests, capital calls	(2,722,749)	(7,177,467)
Equity	(1,069,992)	-
Debt securities	-	(500,000)
Other financial assets	(500,000)	(250,000)
Fixed assets	(8,258)	(12,843)
Depreciation and amortization	8,044	25,729
Net realized loss (gain) from sale of investments	1,013,162	(3,998,670)
Net change in unrealized gain on investments	(6,252,515)	(10,816,218)
Loss on disposal of fixed assets	99	-
Income from grants received	-	(110,020)
Deferred exit-based incentive	1,856	(12,198)
Decrease (increase) in Impact Investing Program long-term deposit	168,287	(37,921)
Increase in prepaid program management fees	-	(131,250)
Increase in prepaid investment management fees	(11,926)	(13,107)
Increase in other prepaid expenses	(77,357)	(9,975)
Decrease (increase) in proceeds receivable	132,051	(132,051)
Increase in interest, dividends, and other receivables	(31,196)*	(33,838)*
(Increase) decrease in other assets	(203,314)	243,849
Decrease in deposits received on sale	-	(325,000)
Decrease in accounts payable and other accrued expenses	(148,074)	(1,123,390)
(Decrease) increase in exit-based incentive payable	(1,856)	12,198
(Decrease) increase in other liabilities	(293,918)	498,650
<b>Net cash (used in) provided by operating activities</b>	(9,288,066)	25,587,051
Cash and cash equivalents, beginning of year	40,074,472	14,487,421
<b>Cash and cash equivalents, end of year</b>	<b>\$ 30,786,406</b>	<b>\$ 40,074,472</b>

\* Movement in interest, dividends, and other receivables includes accrued interest converted to debt and equity as of September 30, 2022 and September 30, 2021 in amount of \$6,196 and \$139,805, respectively.

See accompanying notes to financial statements.



## Western NIS Enterprise Fund

### Condensed Schedule of Investments

September 30, 2022

Expressed in US Dollars

<b>Investments (62.3%)<sup>1</sup></b>	<b>Principal</b>	<b>Cost</b>	<b>Fair Value</b>
<b>Limited Partnership Interests (55%)</b>			
Emerging Europe Growth Fund III, L.P. (EEGF III)		\$	45,537,380
Emerging Europe Growth Fund, L.P. (EEGF)			156,706
<b>Total Limited Partnership Interests<sup>2</sup></b>		<b>\$ 18,953,777</b>	<b>\$ 45,694,086</b>
<b>Equity (5.3%)</b>			
<b>Ukraine (5.3%)</b>			
<i>IT Services (2.6%)<sup>3,4</sup></i>			2,210,354
<i>Information and communication technology (1.1%)</i>			884,968
<i>Financial services (0.6%)<sup>5</sup></i>			531,476
<i>Interactive products (0.6%)</i>			505,390
<i>Education technology (0.4%)<sup>6</sup></i>			299,992
<b>Total Equity</b>		<b>3,021,976</b>	<b>4,432,180</b>
<b>Debt (0.7%)</b>			
<b>Ukraine (0.7%)</b>			
<i>Financial services (0.6%)<sup>5</sup></i>	\$ 500,000		500,000
<i>Manufacturing (0.1%)</i>	\$ 400,000		39,140
<b>Total Debt</b>		<b>900,000</b>	<b>539,140</b>
<b>Other financial assets (1.3%)<sup>7</sup></b>			
<b>Ukraine (1.3%)</b>			
<i>Information and communication technology (1.3%)<sup>8,9</sup></i>			1,065,000
<b>Total Other Financial Assets</b>		<b>1,050,000</b>	<b>1,065,000</b>
<b>TOTAL INVESTMENTS</b>		<b>\$ 23,925,753</b>	<b>\$ 51,730,406</b>

<sup>1</sup> Percentages indicated are based on the fund balance as of September 30, 2022. The Fund's investments are closed-end investments.

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

<sup>3</sup> In November 2021, the Fund made follow-on investment to Rallyware of \$250,000 thus, increasing its ownership to 2.47%.

<sup>4</sup> In January 2022, the Fund made debt investment into Turnkey Lender of \$250,000, which later, in June 2022, was converted into equity together with interest accrued in the amount of \$6,196. Thus, WNISEF's equity stake in the company increased from 1.02% to 1.42%.

<sup>5</sup> In December 2021, the Fund made equity investment of \$86,000 into Fintech Farm. Then, in May 2022, the Fund made debt investment of \$184,000 into this company, which later, in July 2022, was converted into equity. Thus, WNISEF's equity stake in the company increased from 0.27% to 0.42%.

<sup>6</sup> In October 2021, the Fund made new investment of \$299,992 into Mate Academy and acquired 1.77% share of the company.

<sup>7</sup> Simple agreement for future equity (SAFE).

<sup>8</sup> In December 2021, the Fund made investment of \$300,000 through a Simple agreement for future equity (SAFE) into One Notary.

<sup>9</sup> In January 2022, the Fund made investment of \$200,000 through Simple agreement for future equity (SAFE) into Salo App.

See accompanying notes to financial statements.



## Western NIS Enterprise Fund

### Condensed Schedule of Investments

September 30, 2021

Expressed in US Dollars

Investments (51.8%) <sup>1</sup>	Principal	Cost	Fair Value
<b>Limited Partnership Interests (46.1%)</b>			
Emerging Europe Growth Fund III, L.P. (EEGF III)		\$	38,147,594
Emerging Europe Growth Fund, L.P. (EEGF)			169,967
<b>Total Limited Partnership Interests<sup>2</sup></b>		\$ 18,230,316	\$ 38,317,561
<b>Equity (4.2%)</b>			
<b>Ukraine (4.2%)</b>			
<i>IT Services (2.3%)<sup>3</sup></i>			1,923,228
<i>Information and communication technology (1.1%)<sup>4</sup></i>			884,968
<i>Interactive products (0.8%)</i>			625,000
<b>Total Equity</b>		1,945,788	3,433,196
<b>Debt (0.8%)</b>			
<b>Ukraine (0.8%)</b>			
<i>Financial services (0.6%)<sup>5</sup></i>	\$ 500,000		500,000
<i>Manufacturing (0.2%)</i>	\$ 400,000		200,000
<b>Total Debt</b>		900,000	700,000
<b>Other financial assets<sup>6</sup> (0.7%)</b>			
<b>Ukraine (0.7%)</b>			
<i>Information and communication technology (0.7%)<sup>7</sup></i>			610,000
<b>Total Other Financial Assets</b>		550,000	610,000
<b>TOTAL INVESTMENTS</b>		\$ 21,626,104	\$ 43,060,757

<sup>1</sup> Percentages indicated are based on the fund balance as of September 30, 2021. The Fund's investments are closed-end investments.

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

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> In September 2021, the Fund made a convertible note investment of \$500,000 into Koto Card Limited.

<sup>6</sup> Simple agreement for future equity (SAFE). Investment in Sixa Inc. has been written off.

<sup>7</sup> 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.



## Notes to Financial Statements

September 30, 2022 and 2021

# 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 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 terms with private investors,



# 1. Background (continued)

## (a) Organization and Description of Business (continued)

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. Effective March 23, 2022, USAID additionally modified the Grant to change the TCD from December 31, 2022 to December 31, 2030 and change the TLD from December 31, 2023 to December 31, 2031. The Amended Grant Agreement (i) enabled the Fund to make new investments and commitments at the discretion of its Board to encourage the creation and expansion of small and medium enterprises (SMEs) in Ukraine and Moldova; ii) fixed the budget of the Fund's Legacy Programs at \$5 million per year subject to the availability of funds. Additionally, as a response to full-scale Russia's invasion to Ukraine, USAID amended the structure of allowable expenditures. Specifically, Grant Modification #25 as of March 23, 2022, signed by USAID and the Fund states:

*"In the case of any event posing a threat to the Fund's programs, including but not limited to actual or threatened civil disorder, war, natural disaster or other unusual event posing a serious and/or imminent threat (Extraordinary Risk) to the Fund's operations, programs, and/or personnel, the Fund is authorized, upon receiving prior written approval of The Agreement Officer to use Program Income to take all steps it deems reasonable and appropriate to avoid or mitigate such extraordinary risk and protect lives and property associated with the Fund and its Legacy including: i) transporting Fund staff and their immediate family members out of Ukraine and/or Moldova and/or to a safer location within the Region; ii) providing shelter for such transported staff and families; iii) establishing a base of operations, including office space and equipment and appropriate telecommunications equipment, outside of the Region or to a safer location within the Region; iv) relocating the Ukrainian Leadership Academy programs, staff and their immediate family members, students, and equipment and materials to a location outside of the Region or to a safer location within the Region and providing shelter for such staff and families and students; v) other such measures that in the judgment of the Fund and USAID are reasonable and necessary to protect lives and property associated with the Fund and its Legacy Programs."*

In February 2022, prior to the onset of the full-fledged Russia's invasion of Ukraine, the Fund implemented its Business Continuity Plan, including securing accommodation in Western Ukraine and supporting Fund personnel and family members to relocate to Western Ukraine and then to the European Union given the high priority accorded to the safety and security of employees and partners on-the-ground in Ukraine. Based on the USAID approval granted by the Grant Modification #25, WNISEF has incurred associated relocation costs and provided additional assistance required. The Ukrainian Leadership Academy program staff and immediate family members and students were also relocated to Western Ukraine, with expenses related to their relocation also incurred by the Fund.

## Notes to Financial Statements

September 30, 2022 and 2021

# 1. Background (continued)

## (a) Organization and Description of Business (continued)

### 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).

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.



## Notes to Financial Statements

September 30, 2022 and 2021

# 1. Background (continued)

## (a) Organization and Description of Business (continued)

### Investment activities

The Fund makes no new follow-on investments to 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. From 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.

In August 2022, the Board of Directors approved a commitment of \$10 million to Horizon Capital Growth Fund IV, L. P. ("HCGF IV") at its first closing, at pari-passu terms with third party investors, thus helping to catalyze \$105 million of capital from development financial institutions ("DFIs"). The Fund entered into Subscription Documents for HCGF IV as of September 26, 2022, thus committing \$10 million to HCGF IV in a first closing totaling \$125 million. HCGF IV targets total commitments of \$250 million prior to its final closing, anticipated in 2023.

# 1. Background (continued)

## (b) Business environment

All of the Fund's investments are in business activities conducted in the Region. The political and economic situation in Region has been subject to significant turbulence in recent years. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Region.

On February 24, 2022, the Russian Federation launched a full-scale military invasion of Ukraine, beyond the 2014 annexation of Crimea and occupation of portions of Donetsk and Luhansk regions. This military incursion is ongoing and has led, and continues to lead, to casualties, significant dislocation of the population, damage to infrastructure, introduction of certain administrative restrictions on currency conversion transactions and payments abroad by the National Bank of Ukraine (NBU) and overall significant disruption to economic activity in Ukraine. This has had a detrimental impact on the political and business environment in Ukraine, including on the ability of many entities to continue business as usual. In response to military actions, the Decree of the President of Ukraine No. 64/2022 imposed martial law, which has now been extended until 19 February 2023. Beginning on October 10, 2022, Russia began targeting electricity and connectivity infrastructure with massive rocket and drone attacks, with such strikes continuing in November and December.

With the onset of this full-fledged invasion of Ukraine by the Russian Federation, all rating agencies have downgraded Ukraine's credit rating. Thus, on February 25, 2022, Fitch lowered the rating to the CCC level, on March 4, 2022, Moody's Investors Service lowered the rating to the Caa<sup>2</sup> level, and on March 11, 2022, Standard & Poor's lowered the rating to the B- level, with a possible downgrade review. On May 25, 2022, Moody's Investors Service downgraded the rating to Caa<sup>3</sup>. On August 12, rating agencies Standard & Poor's and Fitch downgraded Ukraine's rating to "SD" (selective default) and "RD" (limited default), respectively. On August 18, the Fitch rating agency raised Ukraine's long-term foreign currency credit rating from "RD" (limited default) to "SS" (probable default). On June 2, 2022, the Board of the NBU adopted a resolution on changing the discount rate from 10% to 25% per annum. At the same time, the national currency devalued from UAH 29.2549 for 1 US dollar to 36.5686 hryvnias per USD 1. Increase of the NBU discount rate and devaluation of Ukrainian hryvnia do not have a direct adverse impact to the Fund, as the Fund's functional currency is USD, though these actions may have a negative impact on the cash flows of investees operating in Ukraine and in certain cases, may adversely affect their valuations.

The Kremlin's full-scale invasion of Ukraine has resulted in significant global economic uncertainty and volatility. Management of the Fund has adjusted fair value of the investments into the investees operating at the Ukrainian market taking into account recent market uncertainties, turbulence and adverse impact of war into such investees' businesses. Assumptions used for investments valuation are disclosed in Note 5. Nevertheless, fair value of the Fund's investment portfolio has not been thus far significantly affected by the Russian invasion into Ukraine as majority of investees are selling into



## 1. Background (continued)

### (b) Business environment (continued)

international markets and generally have limited exposure to supply chains in Ukraine. However, the full ultimate impact of Russia's aggression against Ukraine, including its impact on the financial performance of the investees and the Fund, is highly uncertain.

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 may negatively affect the Fund's results and financial position in a manner not currently determinable. Deteriorating operating conditions for the portfolio companies may also in the future have further adverse effects on the Fund's cash flow forecasts and the fair value of its assets.

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. These financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if the Fund was unable to continue as a going concern.

## 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 periods presented.

## Notes to Financial Statements

September 30, 2022 and 2021

## 2. Basis of Presentation (continued)

Its implementation has no impact on the previously reported fund balance. Fund balance previously reported as temporarily restricted is now reported as fund balance with Donor Restrictions.

Effective October 1, 2008, the Fund adopted ASC Subtopic 820 *Fair Value Measurement* that requires funds to classify investments into a fair value hierarchy as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or,
- Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs reflect the Fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk), and are developed based on the best information available in the circumstances, which includes the Fund's own data.

## 3. Summary of Significant Accounting Policies

### Management Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant item subject to estimates and assumptions is the fair value of investments. Actual results could differ from those estimates.

### Investments in Equity and Debt Securities

Investments, which include both debt and equity components, are not readily marketable and are typically not listed on an exchange or quoted in an open market and, accordingly, are classified as Level 3 in the fair value hierarchy. These investments are stated at fair value by applying the guidance contained in the International Private Equity and Venture Capital Valuation Guidelines, edition December 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,



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

### **Investments in Equity and Debt Securities (continued)**

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 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

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

### **Investments in Equity and Debt Securities (continued)**

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.

### **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.



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

### **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, 2022 and 2021 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). 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,

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

### **Long-Term Equity Incentive Plan (continued)**

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.

## **4. U.S. Government Grants**

The Fund has drawn down the \$150 million Grant in full. Under the terms of the Grant Modification, any liquidation proceeds realized by the Fund pursuant to winding up its affairs and selling its assets shall be allocated as follows: (i) 50% of such proceeds shall be utilized by WNISEF to support activities described in the Legacy Proposal; and (ii) 50% of such proceeds shall be 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 during fiscal 2020 and 2021 by USAID amounts to \$110,020. It have been used within the Impact Investment Program for providing three 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.

## **5. Investments**

In the accompanying statements of assets and liabilities, investments are stated at fair value. The Fund recorded a net unrealized gain on investments of \$6,252,515 and \$10,816,218 for the years ended September 30, 2022 and 2021, respectively, based on valuation of the investment portfolio at fair value as of September 30.

In addition, during the year ended September 30, 2022, the Fund recorded a net realized loss of \$284,091 reflecting its pro-rata share of EEGF realized losses incurred during this period and a net realized loss of \$729,071 reflecting its pro-rata share of EEGF III realized losses incurred during this period, resulting in a total net realized loss on investments of \$1,013,162. 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 loss 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



**Notes to Financial Statements**

September 30, 2022 and 2021

## 5. Investments (continued)

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, 2022 and as of September 30, 2021 EEGF had exited its entire portfolio.

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 €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.

The following additional disclosures relate to the changes in fair value of the Level 3 investments as of September 30, 2022 and 2021:

<b>Fair value at October 1, 2021</b>	<b>\$ 43,060,757</b>
Net realized loss from sales	(1,013,162)
Net change in unrealized gain on investments in earnings	6,252,515
Conversion of accrued interest to equity and debt investments	6,196
Purchases for the year ended September 30, 2022	4,292,741
Proceeds for the year ended September 30, 2022	(868,642)
<b>Fair value at September 30, 2022</b>	<b>\$ 51,730,406</b>
Change in unrealized gain in earnings relating to assets still held	\$ 6,252,515

**Notes to Financial Statements**

September 30, 2022 and 2021

## 5. Investments (continued)

<b>Fair value at October 1, 2020</b>	\$ 61,056,053
Net realized gain from sales	3,998,670
Net change in unrealized gain on investments in earnings	10,816,218
Conversion of accrued interest to equity and debt investments	139,805
Purchases for the year ended September 30, 2021	7,927,467
Proceeds for the year ended September 30, 2021	(40,877,456)
<b>Fair value at September 30, 2021</b>	<u>\$ 43,060,757</u>
Change in unrealized gain in earnings relating to assets still held	\$ 11,686,190

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.

<b>Level 3 Financial Instruments</b>	<b>Significant Unobservable Inputs By Valuation Technique</b>	<b>Range of Significant Unobservable Inputs as of September 30, 2022</b>	<b>Range of Significant Unobservable Inputs as of September 30, 2021</b>
Equity Investments	EV/Sales multiple	4.3 – 4.9	5.2 – 6.4
SAFE	EV/Sales multiple	5.2	11.6

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 the war in Ukraine and COVID-19, including devaluation. In addition, for the valuation of the SAFE instrument, the current multiple has been applied to last twelve months (LTM) annual sales as this best reflects the current value of this entity and increasing performance, despite the economic uncertainties caused by the war. The businesses of the Fund portfolio have not been materially impacted by the Russian invasion of Ukraine, or such impact was very limited, since the portfolio sales focus was on Western markets and the portfolio companies' personnel have been relocated to the safer areas. 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, 2022 and 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



**Notes to Financial Statements**

September 30, 2022 and 2021

## 5. Investments (continued)

range up to 17.1, EV/Sales multiples range up to 14.8, EV/GMV multiple of 0.7 and P/B multiple of 0.7, as EEGF III investments also relate to entities operating in the Region. In prior financial year EEGF III applied 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. 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, 2022 and 2021, the Fund had investments in debt securities of \$539,140 and \$700,000, respectively.

As of September 30, 2022 and 2021, the Fund held cash and cash equivalents of \$312,822 and \$646,209 with a commercial bank based in the United Kingdom, \$30,209,504 and \$39,268,335 with commercial banks based in the United States and held remaining cash balances equaling \$264,080 and \$159,928 in the Region, respectively.

As of September 30, 2022 and 2021, all assets of the Fund are considered to be current excluding investments, fixed assets, and Impact Investing Program long-term deposits in amount of \$198,804 and \$391,218, respectively. As of September 30, 2022 and 2021, all liabilities of the Fund are considered to be current.

## 7. Fixed Assets

As of September 30, 2022 and 2021, fixed assets consisted of:

	2022	2021
Automobiles	\$ 103,070	\$ 103,070
Computer equipment and software	58,774	59,873
Furniture, fixtures and equipment	23,061	21,629
Telephone equipment	10,838	8,366
Leasehold improvements	4,646	4,646
	200,389	197,584
Accumulated depreciation and amortization	(178,965)	(176,274)
<b>Fixed assets, net</b>	<b>\$ 21,424</b>	<b>\$ 21,310</b>

## Notes to Financial Statements

September 30, 2022 and 2021

## 8. Financial Participation Rights

During fiscal year 2022 WNISEF has no exit-based incentive financial participation rights expenses. In fiscal year 2021 the Fund 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 \$20,500 and \$19,500 in calendar years 2022 and 2021 respectively. 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 2022 and 2021, 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 (\$147,000 as of January 1, 2022 and \$142,800 as of January 1, 2021). 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 \$55,513 and \$54,571 for the years ended September 30, 2022 and 2021, respectively. Related expenses are included in employee compensation and benefits in the accompanying statements of functional expenses.

## 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 2022. As of September 30, 2022 and 2021 and for the years then ended, \$1,856 and \$2,155,718, respectively, are recorded as exit-based incentive expense and \$10,342 and \$12,198, respectively, as exit-based incentive payable. As of September 30, 2022 and 2021, \$10,342 and \$12,198, 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.



**Notes to Financial Statements**

September 30, 2022 and 2021

## 11. Liquidity and Resource Availability

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:

	<b>September 30, 2022</b>	<b>September 30, 2021</b>
Cash and cash equivalents	\$ 30,786,406	\$ 40,074,472
Deposits due within one year	142,937	118,810
Interest, dividends, and other receivables	800	800
Proceeds receivable	-	132,051
Other assets	228,322	29,494
<b>Total</b>	<b>\$ 31,158,465</b>	<b>\$ 40,355,627</b>

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, 2022 and 2021, the balance of other liabilities in the accompanying statement of assets and liabilities includes the amount equivalent to \$211,323 and \$467,757, respectively, 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, the Fund, acting as Sellers' Representative, obtained Purchase Price Adjustment proceeds attributable to the Fund as well as to other sellers. As of September 30, 2022, the Fund settled the majority of amounts payable to other sellers, net of attributable advisory and legal fees.

## 13. Commitments

### Investments

As of September 30, 2022 and 2021, the Fund has outstanding investment commitments to EEGF III totaling \$2,908,217 and \$5,630,966, respectively.

As of September 30, 2022 and 2021, the Fund has outstanding investment commitments to EEGF totaling \$149,413, though nil additional drawdowns are expected going forward.

In August 2022, WNISEF Board of Directors approved a commitment of \$10 million to Horizon Capital Growth Fund IV, L. P. (HCGF IV) at its first closing, which was held on September 26, 2022. This commitment to HCGF IV is anticipated to be drawn down over five years, beginning after January 2023.

## Notes to Financial Statements

September 30, 2022 and 2021

# 13. Commitments (continued)

## Collateral

As of September 30, 2022 and 2021, the Fund pledged Impact Investing Program long-term deposits amounting to \$322,643 and \$443,957, respectively, as security for loans provided by the banks to social enterprises.

## Grants

As of September 30, 2022, the Fund did not provide support to students under the Economic Leadership Program. During fiscal 2021, under the Economic Leadership Program, the Fund provided support to students attending masters programs amounting to \$63,768, 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 repaid in full during the years 2020, 2021 and 2022. The Fund has no contractual obligations to others.

## Operating Leases

Occupancy expense for the years ended September 30, 2022 and 2021 is \$118,993 and \$128,651, 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, 2027. 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 July 2021, the Fund signed a new Lease Agreement for the office premises in Ukraine that is effective from July 1, 2021 until September 30, 2023. Following the full-fledged invasion of Ukraine by Russia in February 2022, most WNISEF employees have been relocated outside of Ukraine, primarily in Warsaw, Poland. As such, in August 2022, the Fund signed a Lease Agreement for the office premises in Warsaw effective from September 1, 2022 to February 28, 2023 with possibility of prolongation.



**Notes to Financial Statements**

September 30, 2022 and 2021

## 13. Commitments (continued)

### Operating Leases (continued)

Future lease payments under all effective lease agreements as of September 30, 2022 to be paid by the Fund are as follows:

Financial year 2023	135,499
Financial year 2024	33,907
Financial year 2025	34,811
Financial year 2026	35,734
Financial year 2027	14,566
<b>Total operating lease commitments</b>	<b>\$ 254,517</b>

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

Financial year 2022	\$108,632
Financial year 2023	84,480
<b>Total operating lease commitments</b>	<b>\$ 193,112</b>

## 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.

## Notes to Financial Statements

September 30, 2022 and 2021

# 15. Related Party Transactions

The Fund enters into investment management agreements with HCA, or related entities, approved by the Board of Directors, to manage the Fund's investments on the same terms as the relevant investment management agreements with EEGF, EEGF III and most recently, HCGF IV. These agreements envision a fee of 2.5% of committed capital to manage the respective portfolios during the commitment period, decreasing to 2.0% of funded commitments after the expiration of the commitment period. Management fee expense from October 1, 2021 through September 30, 2022 totaled \$81,102 and prepaid expense of \$25,033 is included in the statement of assets and liabilities as of September 30, 2022. 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.

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, 2021 through September 30, 2022 totaled \$525,000 and a prepaid balance of \$131,250 is included in the statement of assets and liabilities as of September 30, 2022. 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 Fund also entered into the following co-investments 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.
- 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



## Notes to Financial Statements

September 30, 2022 and 2021

# 15. Related Party Transactions (continued)

statement of assets and liabilities, the \$5,000,000 provided by EEGF to the Fund, in relation to these 202,440 shares, is netted against the \$7,999,740 acquisition cost for the full share stake. In March 2009, a new share emission was concluded and the Fund's interest in Fincombank had reduced to 24.62%. In January 2015, the Fund realized a partial exit of its stake in Fincombank by participating in a planned buy-back of shares into treasury resulting in a decrease of the Fund's interest in Fincombank to 20.72%, which includes 12.95% relating to this option for purchase by EEGF. In June 2016, the Fund realized another partial exit of its stake in Fincombank by participating in a planned buy back of shares into treasury resulting in a decrease of the Fund's interest in Fincombank to 13.03%, which includes 8.14% relating to this option for purchase by EEGF. 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 2022 and 2021, the Fund made payments on behalf of HCAD totaling \$243,036 and \$45,413, respectively, and HCAD made payments on behalf of the Fund totaling \$36,994 and \$17,633, respectively. As of September 30, 2022, there was an outstanding balance of \$232,128 due from the HCAD to the Fund and included in other assets in the accompanying statements of assets and liabilities. 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.

The Fund provided grant funding to the Ukrainian Leadership Academy (ULA) in relation to its operations. During fiscal 2022 and 2021, the Board of Directors approved the expenditure and the Fund provided funding of \$1,060,042 and \$540,000, respectively. The Fund may, at its discretion, suspend funding.

During the years ended September 30, 2022 and September 30, 2021 the Fund earned director's fees from its portfolio companies in amount of nil and \$333, 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.

**Notes to Financial Statements**

September 30, 2022 and 2021

## 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 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, 2022 and 2021 are as follows:

	2022	2021
<b>Ratios to average fund balance</b>		
Net investment loss	(0.6)%	(4.7)%
Net realized (loss) gain on investments	(1.2)%	5.1%
Operating expenses for investment activities	0.7%	4.9%
Legacy Programs	5.9%	3.2%
Total return	(0.2)%	11.4%
	<b>2022</b>	<b>2021</b>
<b>Ratios to committed capital</b>		
Net investment loss	(0.3)%	(2.5)%
Net realized (loss) gain on investments	(0.7)%	2.7%
Operating expenses for investment activities	0.4%	2.6%
Legacy Programs	3.3%	1.7%

Ratios to average fund balance are computed as net investment gain or loss (total investment income less total expenses), net realized gain or loss on investments (excluding realized losses from the write-off of investments) and expenses (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, 2022 and 2021, this amount was \$150,000,000.



**Notes to Financial Statements**

September 30, 2022 and 2021

## 19. Subsequent Events

Subsequent to year-end, in October 2022, the Board of Directors approved an investment of up to \$500,000 through a convertible note into SpeedSize, a visual media optimization platform.

In addition, in December 2022, the Board of Directors approved an investment of EUR 200,000 through a convertible note into Bloomcoding, a Moldova-based online coding school for children. As of the date of these financial statements, none of the aforementioned investments have been disbursed.

Management has evaluated events from the date of the statement of assets and liabilities through December 22, 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

# Western NIS Enterprise Fund Directory

## Board of Directors

Dennis A. Johnson, Chairman of the Board

President of Cooperative Housing Resources, LLC

Jaroslawa Zelinsky  
Johnson

President and Chief Executive Officer  
Western NIS Enterprise Fund

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Horizon Capital

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Director, Dinu Patriciu Eurasia Center  
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Daniel Runde

Senior Vice President;  
William A. Schreyer Chair and Director,  
Project on Prosperity  
and Development, Center of Strategic  
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Director Emeritus  
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Shatkin Arbor, Inc.

## WNISEF Officers

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President  
and Chief Executive Officer

Natalia Kovalenko

Chief Financial and Administrative Officer  
and Treasurer

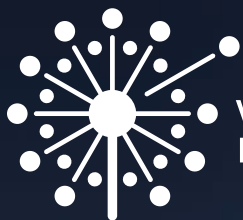
Lenna Koszarny

Executive Vice President

Elaine McCormack

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