



IMPULSION AU DEVELOPPEMENT

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

Consolidated Financial Statements

For The Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)



and
Report Thereon



TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Tunisian-American Enterprise Fund and Affiliates (collectively referred to as TAEF), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of TAEF as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Tunisian American SME Company, a wholly-owned affiliate domiciled in Mauritius, which statements reflect total assets of \$38,447,451 as of December 31, 2023, and total revenue of \$1,665,072 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Tunisian American SME Company, is based solely on the reports of the other auditors.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matter

Report on Summarized Comparative Information

We have previously audited TAEF's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
September 23, 2024

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2023
(With Summarized Financial Information as of December 31, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,295,221	\$ 3,176,923
Other receivable, net of expected credit losses of \$282,413	1,908,197	1,322,366
Loans receivable, net of expected credit losses of \$8,283,071	2,036,437	2,915,908
Prepaid expenses, deposits and other assets	161,269	129,750
Certificates of deposit	34,657,132	31,169,688
Investments	16,177,583	14,939,491
Investments in Tunisian enterprises	27,769,150	28,567,082
Property and equipment, net of accumulated depreciation of \$165,035	8,593	9,584
TOTAL ASSETS	\$ 84,013,582	\$ 82,230,792
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 287,999	\$ 369,198
Loan payable	1,259,520	1,637,869
Deferred revenue	190,673	349,456
TOTAL LIABILITIES	1,738,192	2,356,523
Net Assets		
Without donor restrictions		
Undesignated	81,522,326	79,647,060
Noncontrolling interest in TASF	753,064	227,209
TOTAL NET ASSETS	82,275,390	79,874,269
TOTAL LIABILITIES AND NET ASSETS	\$ 84,013,582	\$ 82,230,792

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
December 31, 2023
(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
REVENUE WITHOUT DONOR RESTRICTIONS		
Grant revenue	\$ 2,494,083	\$ 2,067,702
Investment income, net	4,111,624	719,664
Other income	390,764	433,012
TOTAL REVENUE	6,996,471	3,220,378
EXPENSES		
Program Service:		
Investments	2,098,890	3,200,551
Total Program Service	2,098,890	3,200,551
Supporting Service:		
Management and general	745,984	691,879
Total Supporting Service	745,984	691,879
TOTAL EXPENSES	2,844,874	3,892,430
Change in Net Assets Before Other Items	4,151,597	(672,052)
Foreign currency translation gain (loss)	111,498	(1,624,100)
Impairment (loss) recovery on foreign assets, net	(2,387,829)	2,514,357
Change in Net Assets before Noncontrolling Interest	1,875,266	218,205
Net gain attributable to noncontrolling interest	525,855	64,341
CHANGE IN NET ASSETS	2,401,121	282,546
NET ASSETS, BEGINNING OF YEAR	79,874,269	79,591,723
NET ASSETS, END OF YEAR	\$ 82,275,390	\$ 79,874,269

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

(With Summarized Financial Information for the Year Ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,401,121	\$ 282,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Impairment loss (recovery) on foreign assets, net	2,387,829	(2,514,357)
Change in allowance for expected credit losses, other receivable	(34,655)	23,775
Change in allowance for expected credit losses, loans receivable	380,352	(57,022)
Foreign currency translation gain (loss)	(111,498)	1,624,100
Foreign transaction gain	(132,691)	-
Depreciation and amortization	22,784	22,617
Realized and unrealized (gain) loss on investments	(796,581)	1,468,180
Changes in assets and liabilities:		
Other receivable	(551,176)	(157,603)
Prepaid expenses, deposits and other assets	(31,519)	163,072
Accounts payable and accrued expenses	(81,199)	126,061
Deferred revenue	(158,783)	347,842
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,293,984	1,329,211
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(3,487,444)	(1,062,964)
Proceeds from matured certificates of deposit	-	104,109
Purchase of investments	(6,586,026)	(4,749,217)
Purchase of investments in Tunisian enterprises	(1,478,399)	(578,828)
Proceeds from sale of investments	6,235,386	3,212,450
Collections from loans receivable	630,946	2,504,618
Purchases of property and equipment	(21,793)	(15,126)
NET CASH USED IN INVESTING ACTIVITIES	(4,707,330)	(584,958)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on loan payable	(378,349)	(425,398)
NET CASH USED IN FINANCING ACTIVITIES	(378,349)	(425,398)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,791,695)	318,855
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,289,748	2,970,893
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,498,053	\$ 3,289,748
Reconciliation of cash and cash equivalents		
Cash and cash equivalents	\$ 1,295,221	\$ 3,176,923
Cash and cash equivalents held for investment purposes	202,832	112,825
Total Cash and Cash Equivalents	\$ 1,498,053	\$ 3,289,748

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

1. Organization and Summary of Significant Accounting Policies

Organization

The Tunisian-American Enterprise Fund (the Fund) was established by the United States Congress to support the Tunisian people following the Tunisian revolution. The Fund's operations launched in July 2013 after receipt of a funding agreement with the United States Agency for International Development (USAID). The Fund's mission is to invest in Tunisia through existing and newly incorporated financial vehicles that provide equity, quasi-equity and debt financing to a range of small and medium enterprises. The Fund is scheduled to begin wind-down procedures after 2028 and to terminate within three to four years thereafter.

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

In February 2015, TAEF incorporated the Tunisian American SME Company (TASME), a wholly-owned affiliate domiciled in Mauritius. TASME is set up as a holding company and was created to carry out the Fund's mission of investing in Tunisia's private and small and medium enterprise sectors through debt, equity and quasi-equity investments.

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

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

Principles of Consolidation

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

Basis of Accounting

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

Cash Equivalents

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

Certificates of Deposit

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

Receivables and Credit Policies

Other receivable consist primarily of interests and royalties receivable. Loans receivable consist of programmatic loans made to small and medium enterprises. All receivables are recorded at net realizable value. At each statement of financial position date, TAEF recognizes an allowance for expected credit losses for its other receivable and loans receivable. In addition, also at the reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The estimate is calculated on a pooled basis where similar risk characteristics exist. TAEF utilized the loss rate methodology to determine historical credit losses for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations as well as current and future economic conditions. Uncollectable accounts are written off when all efforts to collect these receivables have been exhausted and there is no possibility of recovery. Recoveries of receivables previously written off are recorded when received as an offset to credit loss expense in the year of recovery, in accordance with the TAEF's accounting policy election. As of December 31, 2023, TAEF recorded an allowance of expected credit losses of \$282,413 and \$8,283,071 for its other receivable and loans receivable, respectively.

Investments

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

Investments in Tunisian Enterprises

Investments in Tunisian Enterprises include TAEF's interest in private equity funds, in certain partnerships and one private foreign company which are considered to be alternative investments, as such funds are not traded in an established market. Liquidation of TAEF's interests may be subject to various restrictions imposed by the investment fund managers. As part of their risk management and control procedures, the investment fund may hold derivatives and certain other financial instruments to hedge or manage risks associated with foreign currency fluctuations, interest rate changes, commodity price fluctuations and equity market movements. TAEF's interest in these alternative investments is recorded in the accompanying consolidated financial statements under the cost method, minus any impairment, and adjusted for changes resulting from any observable price changes in orderly transactions for the identical or similar investment.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

Fair Value Measurement

In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, TAEF has categorized its applicable assets and liabilities measured at fair value into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

As of and for the year ended December 31, 2023, only TAEF's investments, as described in Note 3 of these consolidated financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. TAEF capitalizes all expenditures for property and equipment with a useful life of more than one year and an acquisition cost greater than \$1,000. Depreciation on computers and furniture and equipment is provided for on a straight-line basis over the estimated useful lives of the assets, which range from five to seven years. Website and software are amortized using the straight-line method over three to five years. Leasehold improvements are amortized over the shorter of the lease term or the useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support or expenses in the accompanying consolidated statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

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

Classification of Net Assets

Net assets without donor restrictions represent the portion of expendable funds that are available to support the operations of TAEF. As of December 31, 2023, there were no net assets with donor restrictions.

Revenue Recognition

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

Functional Allocation of Expenses

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

Foreign Currency Translation

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

Estimates

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

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses – (Topic 326)*, which significantly changed how entities will measure credit losses for most financial assets and certain other

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

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

Recently Adopted Accounting Pronouncements (continued)

instruments that are not measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by TAEF that are subject to the guidance in FASB ASC 326 were other receivable and loans receivable. TAEF adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in new and enhanced disclosures only.

2. Certificates of Deposit

As of December 31, 2023, the certificates of deposit held by TAEF totaled \$34,657,132. Interest income was \$1,693,262 for the year ended December 31, 2023.

3. Investments and Fair Value Measurement

The following table summarizes TAEF's assets measured at fair value on a recurring basis as of December 31, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income:				
U.S. treasuries	\$ 3,871,441	\$ -	\$ 3,871,441	\$ -
Corporate bonds	2,390,696	2,390,696	-	-
Municipal bonds	1,211,603	-	1,211,603	-
Mutual funds	5,372,847	5,372,847	-	-
Equity securities	3,128,164	3,128,164	-	-
Total Investments in Fair Value Hierarchy	15,974,751	\$ 10,891,707	\$ 5,083,044	\$ -
Cash and cash equivalents	202,832			
Total Investments	\$ 16,177,583			

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

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

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

4. Investments in Tunisian Enterprises

TAEF's investments in Tunisian Enterprises at December 31, 2023, are summarized as follows:

Partnerships	\$ 15,254,291
Private foreign company	8,605,290
Private equities	<u>3,909,569</u>
Total Investments	<u>\$ 27,769,150</u>

The private equity funds have an initial lock-up period of five to six years. TAEF has unfunded commitments of \$2,897,473 related to these investments as of December 31, 2023. Because of the inherent uncertainty of the valuation for TAEF's investment in these funds and in certain of the underlying investments held by the funds, values for these investments may differ significantly from values that would have been used had a ready market for the investments existed.

5. Other Receivable

TAEF's other receivable are summarized as follows at December 31, 2023:

Interest receivable	\$ 1,490,608
Royalties receivable	666,288
Other receivable	<u>33,714</u>
Total Other Receivable	2,190,610
Less: Allowance for Expected Credit Losses	<u>(282,413)</u>
Other Receivable, Net	<u>\$ 1,908,197</u>

All other receivables are due within one year.

The allowance for expected credit losses and related activity for other receivable are as follows:

Allowance for expected credit losses, January 1, 2023	\$ 247,758
Provision for credit losses	<u>34,655</u>
Allowance for expected credit losses, December 31, 2023	<u>\$ 282,413</u>

There were no write-offs or recoveries of other receivable during the year ended December 31, 2023.

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

6. Loans Receivable

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

Loans receivable are expected to be collected as follows as of December 31, 2023:

Due in less than 1 year	\$ 8,104,521
Due in 1-5 years	<u>2,214,987</u>
Total Loans Receivable	10,319,508
Less: Allowance for Expected Credit Losses	<u>(8,283,071)</u>
Loans Receivable, Net	<u>\$ 2,036,437</u>

The allowance for expected credit losses and related activity for loans receivable are as follows:

Allowance for expected credit losses, January 1, 2023	\$ 7,902,719
Provision for credit losses	<u>380,352</u>
Allowance for expected credit losses, December 31, 2023	<u>\$ 8,283,071</u>

There were no write-offs or recoveries of loans receivable during the year ended December 31, 2023.

7. Loan Payable

In April 2019, TASF entered into a loan agreement with a financial institution for \$2,931,647 (or 9,000,000 in Tunisian Dinar), with the first six payments due annually beginning on September 30, 2020. The last principal payment is due on March 31, 2026. The loan bears interest of 10.2402% per annum. As of December 31, 2023, \$1,259,520 remained outstanding on this loan.

The scheduled future principal payments under the notes payable were as follows at December 31, 2023:

For the Year Ending <u>December 31,</u>	
2024	\$ 419,840
2025	419,840
2026	<u>419,840</u>
Total Loan Payable	<u>\$ 1,259,520</u>

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2023

8. Noncontrolling Interest in TASF

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

9. Commitments and Contingencies

Major Grantor

For the year ended December 31, 2023, TAEF earned grant revenue of \$2,494,083, all of which was received directly from USAID. This amount represents 36% of total revenue for the year ended December 31, 2023.

On May 25, 2018, TAEF was notified by USAID of an amendment to the current grant in which the total amount of funding under the grant agreement of \$20 million was increased to \$100 million and as such, USAID financial commitment is obligated to \$100 million. As of December 31, 2023, TAEF has yet to recognize revenue of approximately \$84,000.

Foreign Operations

During the year ended December 31, 2023, TAEF performed services and transacted business in Tunisia. At December 31, 2023, TAEF maintained an office, loans receivable, investments and other assets in Tunisia and Mauritius. The future of TAEF's foreign operations can be adversely affected by a number of potential factors such as devaluations, terrorist activity and changes in the political climate. As of December 31, 2023, assets held in foreign countries were approximately \$67,290,000, which represented approximately 80% of TAEF's total consolidated assets.

10. Related Party Transaction

During the year ended December 31, 2023, TAEF paid salary and bonus expenses totaling \$252,500 to an employee who is the spouse of a member of the Board of Directors. As of December 31, 2023, there were no amounts due to this individual.

11. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to program or supporting functions of TAEF. Total expenditures, by natural and functional classification, were as follows for the year ended December 31, 2023:

	<u>Investments Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 511,295	\$ 245,530	\$ 756,825
Contractors	602,207	-	602,207
Bad debt expense	397,717	-	397,717

TUNISIAN-AMERICAN ENTERPRISE FUND AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2023

11. Functional Expenses (continued)

	Investments Program	Management and General	Total
<i>(continued)</i>			
Professional fees	\$ 14,040	\$ 355,389	\$ 369,429
Interest expense	162,738	-	162,738
Other expenses	61,800	78,825	140,625
Taxes	126,451	18	126,469
Travel and meetings	60,462	34,392	94,854
Payroll taxes and fringe benefits	76,100	12,540	88,640
Occupancy and utilities	63,686	18,900	82,586
Depreciation and amortization	22,394	390	22,784
Total Expenses	<u>\$ 2,098,890</u>	<u>\$ 745,984</u>	<u>\$ 2,844,874</u>

12. Availability and Liquidity

TAEF regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. TAEF's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2023, were as follows:

Cash and cash equivalents	\$ 1,295,221
Other receivable, net	1,908,197
Certificates of deposits	34,657,132
Investments	16,177,583
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 54,038,133</u>

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

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

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13. Income Taxes

The Fund qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2023, as the Fund had no net unrelated business income.

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

TAEF has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. TAEF evaluated its uncertainty in income taxes for the year ended December 31, 2023, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2023, there are no audits for any tax periods in progress. It is TAEF's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. There are currently no examinations pending or in progress, regarding TAEF's tax returns.

14. Prior Year Summarized Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with TAEF's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

15. Subsequent Events

TAEF's management has evaluated, for potential recognition or disclosure, events and transactions through September 23, 2024, the date the consolidated financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these consolidated financial statements.