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U.S.-CAEF OVERVIEW

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BOARD OF DIRECTORS
Kuralay Baisalbayeva, a Capstone Intern, at the Washington Center's International Festival

Rabia Baisubanova, US-CAEF coordinator with AUCA Enterprise Fellows, Nursultan Abdukhalilov, Alisher Mamunov, Ulukbek Abdubaliev (from left to right)

AUCA Fellows working on a group project
Overview
FORMATION
The U.S.-Central Asia Education Foundation (the Foundation) commenced operation in May 2007. The Foundation is a not-for-profit corporation, that has been funded by a grant of $15.7 million from the U.S. Government sponsored Central Asian-American Enterprise Fund (the Fund) to continue the Fund’s work in Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. The Foundation provides educational opportunities in business and other activities to cultivate a principled entrepreneurial environment in Central Asia that foster the growth of free enterprise and open markets. The Foundation is grateful for support from the Fund, the U.S. Government and its citizens, which make its operation possible.

MISSION
The Foundation’s Mission is to encourage and assist development and growth of a vibrant open-market private business sector in Central Asia by: supporting the quality of - and affordable access to - Western business know-how and practices at selected institutions of higher learning in the region that have adopted Western curricula and teaching methods; providing opportunities for educational, vocational and cultural experience in countries that serve as positive examples of democratic open-market economies.

PROGRAMS
The Foundation executes its Mission through three programs.

Enterprise Student Fellowships:
A financial need-based undergraduate business education scholarship program for academically gifted students who, due to financial hardship, would otherwise not be able to pursue a university education. Scholarships are provided at selected Central Asian universities to citizen residents of the Central Asia countries of Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

Enterprise Intern Fellowships:
A program for select Enterprise Student Fellows to gain practical work experience within Central Asia, as well as educational, vocational and cultural experience in the United States or other countries that serve as positive examples of democratic open-market economies.

Enterprise Faculty Fellowships:
A program for business faculty at selected universities in Central Asia designed to further develop teaching skills, knowledge, and course curriculum, thereby benefiting the current and future students who will be the region’s business leaders.

ALUMNI ASSOCIATION
The U.S.-CAEF Alumni Association (the Association) develops and enhances the involvement of Enterprise Fellowship program alumni in supporting and complementing the mission and goals of the Foundation through communication, service and leadership.

PARTNER UNIVERSITIES
Our partner universities, the American University of Central Asia (AUCA) in Bishkek, Kyrgyzstan, and the Kazakhstan Institute of Management, Economics and Strategic Research (KIMEP) in Almaty, Kazakhstan, were selected based on a number of criteria including their use of English, the international language of business, as the primary language for instruction, adoption of a Western-style curriculum and teaching methodology and a willingness to support the goals of the Foundation and its Student Fellows.

PROGRAM ADMINISTRATOR: AMERICAN COUNCILS
American Councils for International Education was retained to facilitate the design of and to administer the Foundation’s programs. American Councils, with over three decades of regional expertise in Central Asia and other republics of the former Soviet Union, is an international not-for-profit organization committed to building a world of globally competent citizens, successful institutions, and responsible nations.
Fiscal Year 2012 Highlights

KIMEP Enterprise Fellows, Yuliya Davydenko (second left), Gozel Ilmuradova (third right), Ayna Annaorazova (second right) at International Festival, Almaty 2012
Student Fellowships.
The 2012 fiscal year was another successful year for the Foundation. We celebrated our second graduating class of Enterprise Student Fellows. Twenty young men and women completed their undergraduate studies at our partner universities and embarked on their careers. We recognized their achievements in ceremonies in Almaty and Bishkek at which directors of the Foundation were able to congratulate the Fellows and their proud parents in person.

Faculty Development.
With the completion of the 2-year faculty training program developed and delivered by Fairfield University (Fairfield, CT, USA) follow-on activities were discussed to build upon the work accomplished through the training.

Student Internships.
The first International Internship Program was implemented during the fall of 2011. All Interns successfully completed their internships on December 17, 2011. Another select group of six 2012 graduates, three from each partner university started their internship program on September 4, 2012.

This four month program in the U.S. is designed to provide meaningful academic and work experiences relevant to the Student Fellows’ academic backgrounds.

The Regional Internship Program continued to be a success. Seven sophomores participated in the summer 2012 internships which provide a first-hand look at how business is done in the region and prepared them for additional internships in their junior and senior years.

Alumni Association
The first election of officers to the U.S.-CAEF Alumni Association took place on August 16, 2012. Seven outstanding alumni representing both partner universities and three of the five Central Asian Republics were elected for leadership positions. The Association is striving to become an important platform for communication and cooperation between all program alumni, current fellows and local business communities to join the Foundation’s efforts in fostering the U.S.-CAEF spirit, promoting professional development and contributing to the economic prosperity of Central Asia.

Newsletter Launch
The first U.S.-CAEF quarterly newsletter was released in August, 2012. The newsletter is created by and for U.S.-CAEF Enterprise Student Fellows and Alumni. It highlights success stories and activities of our Student Fellows and Alumni, and serves as a powerful tool for fostering and encouraging communication between the AUCA and KIMEP Enterprise Fellows.
Enterprise Student Fellowships

Nilullar Matyakubova (second left) and Ali Hamrayev (back) meet with their professor at KIMEP
The 2012 graduating class upheld the high standards of the U.S.-CAEF program, completing their studies at AUCA and KIMEP with impressive results. Thirteen Fellows concluded their studies at KIMEP, while seven graduated from AUCA.

Four seniors from KIMEP earned academic honors of summa cum laude, magna cum laude or cum laude. The other nine graduates finished with good results, earning a cumulative GPA ranging from 3.14 to 3.98.

KIMEP Fellows who graduated with honors in 2012:

<table>
<thead>
<tr>
<th>Name</th>
<th>Cumulative GPA</th>
<th>Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xeniya Kurmayeva</td>
<td>4.25</td>
<td>summa cum laude *</td>
</tr>
<tr>
<td>Aidana Abdrakhmanova</td>
<td>4.15</td>
<td>magna cum laude **</td>
</tr>
<tr>
<td>Kuralay Baisalbayeva</td>
<td>4.08</td>
<td>cum laude ***</td>
</tr>
<tr>
<td>Artyom Bakulin</td>
<td>4.03</td>
<td>cum laude</td>
</tr>
</tbody>
</table>

*summa cum laude (with highest honors) – 4.25 or higher  
** magna cum (with high honors) – 4.15 or higher  
*** cum laude (with honors) – 4.00 or higher

All AUCA graduates earned a GPA of 3.00 and higher.

It is especially remarkable that all Enterprise Fellows who graduated in 2012 were either employed or enrolled in graduate or internship programs upon their graduation. This result affirms the high reputation of the business programs at AUCA and KIMEP among HR professionals at the leading companies in Central Asia, such as Deloitte, Ernst & Young, KPMG, Procter & Gamble, Samsung Electronics, Tengizchevroil, Caspi Bank, Henkel Central Asia & Caucasus, Cenko Logix and others.
**FELLOWSHIPS**

All Enterprise Student Fellows showed exemplary academic performance during the 2011-2012 academic year. At AUCA, 81% of Student Fellows successfully completed the 2011-2012 academic year with a GPA of 3.00 or higher, out of which 28% of fellows have a GPA of 3.5 or higher, while at KIMEP an impressive number of Student Fellows, 55%, earned a GPA of 3.75 or higher. A total of 39 KIMEP and 11 AUCA Fellows received awards for academic achievements in 2011-2012, approximately 40% of US-CAEF Student Fellows. It should be noted that the maximum GPA at KIMEP is 4.33, whereas at AUCA, it is 4.0.

At AUCA, fourth-year students with a cumulative GPA of 3.8 or higher are placed on the “President’s List.” Students in their second, third, or fourth years of study with a GPA of 3.67 are placed on the “Vice-President’s List.” AUCA Student Fellows who received President’s or Vice-President’s List honors for academic excellence in the 2011-2012 school year are indicated in Table 1.

**Table 1**

<table>
<thead>
<tr>
<th>Class of 2013</th>
<th>Bermet Nurbekova</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class of 2014</td>
<td>Asylgul Kenzhebaeva</td>
</tr>
<tr>
<td>Class of 2015</td>
<td>Malika Ibragimova</td>
</tr>
<tr>
<td></td>
<td>Ulubek Abdubaliev</td>
</tr>
<tr>
<td></td>
<td>Asylgul Kenzhebaeva</td>
</tr>
<tr>
<td></td>
<td>Valentina Khomenko</td>
</tr>
<tr>
<td></td>
<td>Nasiba Nurmatova</td>
</tr>
</tbody>
</table>

At KIMEP, full-time students with a semester GPA of 4.0 or higher are placed on the “President’s List.” whereas those with a semester GPA of 3.75 or higher are placed on the “Dean’s List.” KIMEP Student Fellows who received President’s and Dean’s awards for academic excellence in the 2011-2012 school year are indicated in Table 2.

**Table 2**

| Class of 2012 | Aidana Abdakhanova |
|               | Ayna Annageldieva |
|               | Akjamil Artikova |
|               | Kuralay Baisalbaeva |
|               | Artyom Bakulin |
|               | Xeniya Kurnayeva |
|               | Temur Utegenov |
| Class of 2013 | Dinara Atanayeva |
|               | Yulia Balyjeva |
|               | Batyr Chariyev |
|               | Artur Semeyutin |
|               | Meray Sardanova |
|               | Algerim Tokagul |
| Class of 2014 | Gufronjon Ayubjonov |
|               | Bakhtyar Jalliyev |
|               | Malika Pulotova |
|               | Khedzhera Suleyeva |
|               | Sakina Yasaikova |
|               | Dastan Zhumagulov |
| Class of 2015 | Jemal Agayaev |
|               | Yusup Artikulyev |
|               | Jennet Gurbanmammadov |
|               | Amina Igbolzoda |
|               | Dovletgeldi Jumayev |
|               | Shahnoza Seidmedova |
|               | Oguljenet Taganova |
|               | Monandniso Tursunova |
|               | Surur Ulugbek |
|               | Darina Yakovleva |
|               | Zarrina Yunuszoda |

During the 2011-2012 academic year, the Foundation provided 93 fellowships for 43 Student Fellows to enroll at AUCA and 50 to attend KIMEP. In September 2012, 108 scholarships were awarded in support of new and continuing Fellows. 52 at AUCA and 56 at KIMEP Enterprise Student Fellows represent all five of the former Central Asian Republics of the former Soviet Union.

**Figure 1:**
Student Fellows by Institution Since Program Inception

**Figure 2:**
Student Fellows by Citizenship Since Program Inception (includes graduating class of 2012 and students newly selected in 2012).
RECRUITING AND SELECTION

Recruiting activities for the 2012-2013 Enterprise Student Fellowship Program concluded in February 2012. A total of 275 applications were submitted, a 131% increase over the previous year statistic of 119 applications. In nearly every country, application submission was higher. The biggest growth was in Tajikistan where the number of applications grew from 54 submissions in 2011 to 113 in 2012. Applications more than doubled compared to the previous year in Kazakhstan. In spite of unfavorable recruiting conditions in Uzbekistan and Turkmenistan, the number of applications in these countries increased as well.

While the Foundation is committed to achieving geographic and regional diversity its efforts have been challenged by the inability to conduct active outreach in Turkmenistan and Uzbekistan. Despite these challenges, the Foundation is pleased to count among its Student Fellows citizens from Turkmenistan and Uzbekistan as well as from Kazakhstan, the Kyrgyz Republic and Tajikistan. It is hoped that through improving diplomatic relations, US.-CAEF will soon be permitted to conduct a more robust recruiting campaign in all five countries.

FUTURE LEADERS

AUCA and KIMEP Enterprise Student Fellows are active members of university clubs and activities, true leaders and innovators at their universities and role models that contribute immensely to the dynamic environment of their campuses. The Foundation would like to highlight only a few of many examples of their leadership. At KIMEP Ayna Annageddyeva serves as CEO while Merjen Agaev is the chairperson of the student-run business “Proud of KIMEP.” In Bishkek, Kalys Zhumakadyr uulu coordinates the Business Clinic at AUCA. Kalys successfully led and implemented several community business projects. As a member of the Central Asian Tax Research Center at KIMEP Kuralay Baisalbayeva participated in the Ernst & Young Tax Professional of the Year competition on June 1, 2012 and took first place. In October 2012, she represented Kazakhstan at the worldwide finals in Boston, USA. Nursultan Abdukhalilov who was elected a student senator at AUCA significantly improved funding for student clubs through fundraising events and grants.

In addition, US.-CAEF Fellows actively seek professional development opportunities that better prepare them for their future careers. To meet this demand, numerous career planning and professional development, cultural and team-building seminars and meetings are organized throughout the year. Fellows also sought opportunities to apply their knowledge and skills beyond the university. For example, Enterprise Fellows participated in the American Chamber of Commerce Tax Working Group meeting in Astana in November 2011. They won prestigious awards at business competitions organized by Procter & Gamble and the Arnhem Business School of the Netherlands. After winning a grant from the US. Embassy in Bishkek, several Fellows organized and implemented the “Step Up to Success” project. Step Up to Success focused on professional development training for the government employees of the Ministry of Economy and Anti-Monopoly Policy of Kyrgyzstan. Also in Bishkek, Fellows organized a round table discussion aimed at improving legislation for microfinance institutions on June 11, 2012. This high-profile forum was attended by former President of Kyrgyzstan, Roza Otunbaeva, Vice-Premier, Joomart Otorbaev, and the Speaker of the Parliament, Akmatbek Keldibekov.

In addition to these activities, Enterprise Student Fellows stood out in other ways. They participated in international internships around the world through AIESEC, a global youth organization, organized charity and fund-raising events for local orphanages, implemented environmental and health awareness projects, won scholarships and awards to participate in youth summits and camps for future world leaders, and assisted with translation at important conferences and meetings.
Enterprise Intern Fellowships
Similarly, the host companies expressed their pleasure with their roles and confirmed their eagerness to work with U.S.-CAEF interns again. A. Kanatbekova, Sapar Ibraev’s supervisor at Talas Copper Gold LLC, expressed great interest in hosting an intern next year: “We are interested in further cooperation with the program, as the level of preparedness of interns meets the requirements of our company and we will be happy to contribute to their further development through practical training and application of their existing knowledge. On behalf of the company and myself, thank you for your cooperation and for an excellent job in training and development of professionals for our country, and we look forward to further partnership.”

The Foundation is grateful to the companies in Kazakhstan and the Kyrgyz Republic that have hosted Enterprise Regional Interns since the inception of this program in 2009. These companies include:

ADM Capital  
Beeline  
Asia Universal Bank  
Alpha Telecom  
Ardamina Textile Company  
CAI Consulting  
Flamingo Park  
HSBC Bank Kazakhstan,  
International Business Council  
KazInvest  

Kyrgyz Concept  
Kyrgyz Kredit Bank  
MegaCom  
National Leasing Company  
Polygon International Ltd  
Project Hope  
Sberbank of Russia  
Talas Copper Gold LLC  
Karakol Coffee Shop  
7 TV Channel  
RCG Investment Fund  

Regional Summer Internship Program
The Foundation’s Regional Internship program offers Fellows an opportunity to take their first steps on their career paths.

The following Student Fellows participated in 2012 summer internships:

AUCA:
Kalys Zhumakadyr uulu  
Nazokat Omuralieva  
Sapar Ibraev  
Alia Sultanova

KIMEP:
Malika Puletova  
Khedzhera Suleyeva  
Dastan Zhumagulov

The Fellows had a valuable professional experience, learned practical work skills, expanded their knowledge and enjoyed the office atmosphere. “This internship was a unique one for me, because I participated in business startup and was able to see how ideas turn into reality,” said Kalys Zhumakadyr uulu about his internship experience at Karakol Coffee Shop.  

Khedzhera Suleeva, who interned at Rosenthal Collins Group Investment Fund, thinks that this internship helped her identify her professional interest. “I learned many basic things about investments, it gave me useful knowledge and experience, I was able to see and work in the field of finance, and now I can choose it as my major.”  

The following Student Fellows participated in 2012 summer internships:

AUCA:
Kalys Zhumakadyr uulu  
Nazokat Omuralieva  
Sapar Ibraev  
Alia Sultanova

KIMEP:
Malika Puletova  
Khedzhera Suleyeva  
Dastan Zhumagulov

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Enterprise International Internship Program

The first group of Fellows successfully completed their internship program in Washington, D.C., in December, 2011. Upon their return to Central Asia, the interns shared their international internship experiences with the current Enterprise Fellows and inspired them to participate in this unique experiential learning program. All Interns noted in their program evaluations that the experience helped them become independent thinkers, enhance their networking skills, identify new career paths, and prepare them for the job market. Aigerim Yestayeva who interned at the U.S. Small Business Administration wrote: "The work at this company helped me understand business more broadly. I can now easily apply all my gained experience in my current job...and give examples from global business experiences." Tangulu Diushakhmatova who gained confidence in her leadership skills through this program became the first president of the US.-CAEF Alumni Association.

Six new US.-CAEF Fellows were selected by the Foundation to participate in the 2012 US. International Internship Program: Artyom Bakulin, Kuralay Baisalbayeva and Parvina Mizomustaqimova from KIMEP; Andrey Leskin, Khislat Zhuraeva and Inara Zakirova from AUCA. The Fellows were placed in internships that fit their interests and the skills they possessed and hoped to acquire. The internship hosts include private, nonprofit and government organizations:

US. Small Business Development Administration
MicroVest
The Urban Institute
Study Sparkz
Manchester Trade
World Learning

All interns were excited to embark on this established experiential learning program. Below are the quotes of the Interns which reflect their experiences of the first month of their internships:

"Currently Ernst & Young is participating in Tax Administration Policy reform which is going on in Kazakhstan with the support of the World Bank. I hope to get involved in the project and expect that knowledge gained during my internship at the Urban Institute will enable me to contribute to this work."

Kuralay Baisalbayeva/The Urban Institute

"The program is extremely interesting and challenging at the same time. It is definitely a fact that every new day I spend in DC opens new possibilities and provides me with life-changing perspectives."

Artyom Bakulin/The U.S. Business Development Administration

"The atmosphere in the workplace is very friendly and this has a very positive impact on my work capacity. I would like to note that my first month was very productive. I learned a lot of interesting, useful skills, and tools that will help me build my career in the future."

Parvina Mizomustaqimova/World Learning

"My experience shows that I have chosen the right path, specifically doing what I am really passionate about—financial investments."

Andrey Leskin/MicroVest
In addition to their internships, the Fellows take an academic course of their choice at TWC once a week. These courses are taught by professors from local universities in the Washington area, leading practitioners with terminal degrees in their fields.

Interning with The Washington Center is a great life experience for the Fellows. The U.S. capital is a crossroads of national and international policy think tanks and non-profits, media organizations and cultural institutions. The events organized by The Washington Center provide the opportunity for the interns to build their international and professional contact network and interact with experts and leaders from various sectors. In addition to the vocational and educational components of the internship, the Fellows had many opportunities to meet fellow interns from the U.S. and other countries. Moreover, all TWC students had the chance to learn about Kyrgyzstan, Kazakhstan, Turkmenistan and Tajikistan, the intern’s home countries, during The Washington Center International Festival.

The Foundation honored the six interns during a special reception held in the Senate Foreign Relations Chamber. The Foundation Board of Directors used the occasion to recognize Senator Richard Lugar, one of the founders of legislation that established Enterprise Funds across Eastern Europe and the former Soviet Union two decades ago. The reception was followed by a dinner with the interns hosted by the U.S.-CAEF Board.
Enterprise
Faculty
Fellowships
In March, 2012, Kathryn Nantz and David Schmidt, faculty members from Fairfield University, traveled to Almaty and Bishkek for meetings with U.S.-CAEF faculty participants and university administrators and students to identify outcomes from the series of workshops, discuss specific follow-on activities, and assess further needs for faculty development at AUCA and KIMEP. In addition to the meetings, David Schmidt presented a guest lecture on emotions in business pedagogy at each institution that was well attended by students and faculty.

The discussions helped define three major themes on which faculty participants of both institutions will focus:

**Assessment, Evaluation and Curriculum Design**

Significant changes in institutional climate, particularly those related to accreditation and national ministry guidelines for programs and curricula, led to shifting more attention to curriculum design and assessment of student learning outcomes and faculty performance.

**Student-Centered Teaching Methods**

Both institutions remain committed to faculty development projects that help promote student-centered teaching methods. Faculty indicated their desire for workshops and resources that help them create courses that are focused on building student skills and particularly expressed interest in learning more about directing students in research projects and in best practices for writing publishable research with student coauthors.

**Central Asia Business Case Studies Textbook and Teaching Guide**

The scarcity of teaching resources in English, particularly about business in Central Asia, remains one of the key issues. The U.S.-CAEF Faculty Development program continues to explore the development of teaching materials specific to the Central Asia business environment.
ALUMNI OFFICERS
The first election of officers to the US-CAEF Alumni Association was completed on August 16, 2012. Forty-six out of an eligible 70 alumni, or 65.7%, took part in the voting which showed great interest of Enterprise Alumni in advancing the Foundation’s goals and building lifelong relationships of mutual support and growth. The leadership team represents both AUCA and KIMEP and three of the five Central Asian Republics:

Tangulu Diushakhmatova  
President  
AUCA, the Kyrgyz Republic

Oksana Kovalenko  
Vice-President for Communication  
AUCA, the Kyrgyz Republic

Alyona Li  
Vice-President for Membership and Outreach  
AUCA, the Kyrgyz Republic

Aziz Yuldashev  
Vice-President for Membership and Outreach  
KIMEP, Uzbekistan

Arystan Moldabekov  
Treasurer  
KIMEP, Kazakhstan

Aisalkyn Musabaeva  
Vice-President for Social Activities  
AUCA, the Kyrgyz Republic

Moldir Kussainova  
Vice-President for Social Activities  
KIMEP, Kazakhstan

The Association is planning to organize both professional and social events that will benefit Alumni and current Student Fellows in their career goals and promote partnerships and alliances inside and outside the US-CAEF program.

US.-CAEF Alumni Association Mission Statement: "The US.-CAEF Alumni Association is created to become an important channel of communication between all the Association's members, to complement the mission of the U.S. - Central Asia Education Foundation, and to join efforts in contributing to an entrepreneurial spirit and the economic prosperity of Central Asia."
INAUGURAL NEWSLETTER

The inaugural issue of the US-CAEF newsletter released in August 2012 featured graduation events at AUCA and KIMEP.

The US-CAEF newsletter is created by Enterprise Fellows in order to provide communication and exchange of information and knowledge which would reflect the diverse interests, talents, and backgrounds of the program participants, help nurture the bonds that connect the US-CAEF family and build lasting relationships between Enterprise Fellows and Alumni of AUCA and KIMEP.

Welcome to our Inaugural U.S.-CAEF Newsletter

Valerie, Project Engagement Programs - American Institutes

Dear Enterprise Fellows,

It is my pleasure to introduce you to the inaugural issue of the U.S.-CAEF Education Foundation newsletter. This summer 2012 newsletter is a special edition of the newsletter dedicated to the inaugural class in Almaty and Bishkek. The unique U.S.-CAEF community is proud of your second graduating class and we wish you the best of success as you embark on your professional careers.

It is hard to believe that summer is drawing to a close and the academic year will soon be upon us. We are thrilled to announce new Enterprise Fellows to our community. We are also pleased to welcome new Fellows from our community. The new Fellows are AUC and KIMEP! We hope that our programs, projects, and events will continue to be a success.

In this Issue:

- Graduates of AUCA
- Graduates of KIMEP
- Internship opportunities
- Alumni News
- Special Events
- Alumni Stories

This newsletter is another way of engaging with our community in the fall of 2012. It is in the spirit of the US-CAEF Foundation's mission to create a network of American students and professionals who are interested in the advancement of education in Central Asia. We hope that you will enjoy reading this newsletter as much as we enjoyed creating it.
Financials
INDEPENDENT AUDITORS’ REPORT

January 23, 2013

To the Board of Directors
US. - Central Asia Education Foundation
North Hampton, New Hampshire

We have audited the accompanying statements of financial position of U.S. - Central Asia Education Foundation (a not-for-profit organization) as of September 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of U.S. - Central Asia Education Foundation’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U.S. - Central Asia Education Foundation as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cummings, Lamont and McNamee, P.A.
Certified Public Accountants
Portsmouth, New Hampshire
## Statements of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>Years Ended SEPTEMBER 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 107,627</td>
<td>$ 81,333</td>
<td></td>
</tr>
<tr>
<td>Accrued interest and dividends receivable</td>
<td>33,692</td>
<td>35,643</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>104,740</td>
<td>1,511</td>
<td></td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>246,059</strong></td>
<td><strong>118,487</strong></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments (Note 4)</td>
<td>9,822,005</td>
<td>10,261,957</td>
<td></td>
</tr>
<tr>
<td>Hybrid financial instruments (Including increase in fair value of $58,064 in 2012 and decrease in fair value of $210,842 in 2011 (Note 5))</td>
<td>1,734,085</td>
<td>1,703,158</td>
<td></td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td><strong>11,556,090</strong></td>
<td><strong>11,965,115</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 11,802,149</strong></td>
<td><strong>$ 12,083,602</strong></td>
<td></td>
</tr>
</tbody>
</table>

|                      |                          |       |       |
| **LIABILITIES AND NET ASSETS** |                      |       |       |
| **CURRENT LIABILITIES** |                          |       |       |
| Accounts payable and accrued expenses | $ 16,696     | $ 23,799 |
| **Total Current Liabilities** | **16,696**             | **23,799**  |
| **NET ASSETS**         |                          |       |       |
| Unrestricted net assets | **11,785,453**          | **12,059,803**  |
| **Total Net Assets**   | **11,785,453**          | **12,059,803**  |
| **Total Liabilities and Net Assets** | **$ 11,802,149**         | **$ 12,083,602** |

See Notes to Financial Statements
# Statements of Activities and Changes in Net Assets

<table>
<thead>
<tr>
<th>Years Ended September 30,</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and Other Support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed services (Note 6)</td>
<td>$82,740</td>
<td>$113,306</td>
</tr>
<tr>
<td>Investment income (Note 4)</td>
<td>$230,726</td>
<td>$263,382</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>$330</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenues and Other Support</td>
<td>$313,796</td>
<td>$376,688</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services (Note 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise Student Fellowships</td>
<td>1,137,373</td>
<td>1,137,765</td>
</tr>
<tr>
<td>Enterprise Faculty Fellowships</td>
<td>80,639</td>
<td>89,699</td>
</tr>
<tr>
<td>Enterprise Intern Fellowships</td>
<td>182,597</td>
<td>37,128</td>
</tr>
<tr>
<td>Total program services</td>
<td>1,400,609</td>
<td>1,264,592</td>
</tr>
<tr>
<td>Management and general</td>
<td>180,778</td>
<td>209,675</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>1,581,387</td>
<td>1,474,267</td>
</tr>
<tr>
<td><strong>Change in Unrestricted Net Assets Before Realized and Unrealized Gains (Losses) on Investments</strong></td>
<td>(1,267,591)</td>
<td>(1,097,579)</td>
</tr>
<tr>
<td>Realized and unrealized gains (losses) on investments</td>
<td>993,241</td>
<td>(341,312)</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>(274,350)</td>
<td>1,438,891</td>
</tr>
<tr>
<td><strong>Net Assets, Beginning of Year</strong></td>
<td>12,059,803</td>
<td>13,498,694</td>
</tr>
<tr>
<td><strong>Net Assets, End of Year</strong></td>
<td>$11,785,453</td>
<td>$12,059,803</td>
</tr>
</tbody>
</table>

*See Notes to Financial Statements*
## STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>Years Ended SEPTEMBER 30,</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ (274,350)</td>
<td>$ (1,438,891)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized (gains) losses on investments</td>
<td>(993,241)</td>
<td>341,312</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued interest and dividends receivable</td>
<td>1,951</td>
<td>(9,211)</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(103,229)</td>
<td>58,489</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(7,103)</td>
<td>(84,183)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>(1,375,972)</td>
<td>(1,132,484)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(3,221,487)</td>
<td>(2,747,188)</td>
</tr>
<tr>
<td>Proceeds from maturities of investments</td>
<td>1,437,733</td>
<td>1,149,735</td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>3,186,020</td>
<td>2,217,451</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>1,402,266</td>
<td>619,998</td>
</tr>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>26,294</td>
<td>(512,486)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</strong></td>
<td>81,333</td>
<td>593,819</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, END OF YEAR</strong></td>
<td>$ 107,627</td>
<td>$ 81,333</td>
</tr>
<tr>
<td><strong>SUPPLEMENTAL CASH FLOW DISCLOSURES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense paid</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td><strong>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There were no noncash investing and financing activities during 2012 and 2011.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*See Notes to Financial Statements*
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Note 1 - Nature of Organization

The U.S.-Central Asia Education Foundation (the "Foundation") was incorporated in May 2007 to further the work of the Central Asian-American Enterprise Fund (the Fund) by building upon the private-sector development assistance programs established by the Fund. The Foundation's mission is to encourage and assist development and growth of a vibrant open-market private business sector in Central Asia by supporting the quality of and affordable access to Western business know-how and practices at selected institutions of higher learning in the region that have adopted Western curriculum and teaching methods, providing opportunities for vocational, educational, and cultural experiences in countries that serve as positive examples of an open-market economy operating within a democratic environment, and promoting other activities that will generate a favorable environment in Central Asia for private business to succeed and entrepreneurial spirit to thrive.

To accomplish its mission, the Foundation is sponsoring the following three programs in the Central Asian republics of Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan:

1. **Enterprise Student Fellowships** - a financial need-based undergraduate business education scholarship program for academically gifted students who, due to financial hardship, otherwise would not be able to pursue a university education. Scholarships are provided at selected Central Asian universities to citizen residents of the Central Asian countries of Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

2. **Enterprise Faculty Fellowships** - a program for business faculty at selected universities in Central Asia to further develop their teaching skills, knowledge, and course curriculum, thereby benefiting the current and future students who will be the region's business leaders, and.

3. **Enterprise Intern Fellowships** - a program for select Enterprise Student Fellows to gain work experience within Central Asia - as well as educational, vocational and cultural experience in the United States or other countries that serve as positive examples of democratic open-market economies.

Note 2 - Summary of Significant Accounting Policies

Significant accounting policies of the Foundation are described below:

**Method of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements of Not-for-Profit Organizations. Under this standard, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily restricted net assets** - Net assets that are subject to donor-imposed stipulations that may or will be met by actions and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Permanently restricted net assets** - Net assets that are subject to a donor-imposed stipulation that contributed resources be maintained permanently but permits the use or expenditure of part or all of the income or other economic benefits derived from the donated assets.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounting Estimates and Assumptions - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Foundation considers highly liquid financial instruments purchased within three months or less of their maturity date to be cash and cash equivalents for purposes of the statement of cash flows.

Investments - The Foundation’s investments consist of investment-grade debt and equity securities. Investments maturing within one year or less are considered short-term investments. The Foundation’s investments are carried at fair value, based on quoted market prices. Changes in fair value are included in gains (losses) on investments in the statement of activities.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was considered necessary at September 30, 2012 and 2011.

Grant Expenditures - The Foundation awards grants for specific academic periods. Grant expenditures are recognized in the year in which the academic period begins provided the grant is not subject to future contingencies. Grant payments made for academic periods beginning after year end are recorded as prepaid grant awards. There were no prepaid grant awards at September 30, 2012 and 2011.

Income Taxes - The Foundation is exempt from federal taxes under Internal Revenue Code Section 501(c)(3). The Foundation has also been classified as a public charity within the meaning of Section 509(a), and contributions to the Foundation are deductible by the donors as provided in section 170(b)(1)(A)(vi).

The federal and State of New Hampshire tax returns of the Foundation are subject to examination, generally for three years after they are filed. The Foundation does not believe that there are any uncertain tax positions taken in preparation of the tax returns that would impact these financial statements.

Donated Services - Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards, Accounting for Contributions Received and Contributions Made. If the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. For the years ended September 30, 2012 and 2011 amounts for certain contributed services meeting the criteria for recognition under this standard have been reflected in the Statement of Activities (see Note 6).
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Note 3 - Fair Values of Assets

Effective October 1, 2008, the Foundation adopted Statement of Financial Accounting Standards, Fair Value Measurements, which provides a framework for measuring fair value under Generally Accepted Accounting Principles. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also established a fair value hierarchy which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

1) Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
2) Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost), and
3) Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

For the year ended September 30, 2012, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following table sets forth by level, within the fair value hierarchy, the Foundation’s investments at fair value at September 30, 2012.

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Values</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>$ 2,637,824</td>
<td>$ 2,637,824</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Structured investments</td>
<td>1,734,085</td>
<td>1,734,085</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income</td>
<td>7,184,181</td>
<td>7,184,181</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 11,556,090</td>
<td>$ 11,556,090</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

Fair values for investments and hybrid financial instruments are determined by reference to quoted market prices and other relevant information generated by market transactions.
## Notes to Financial Statements

### Years Ended September 30, 2012 and 2011

**Note 4 - Investments**

Investments consist of the following at September 30:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
</tr>
<tr>
<td>Equities</td>
<td>$2,334,391</td>
<td>$2,637,824</td>
</tr>
<tr>
<td>Fixed income</td>
<td>$7,030,882</td>
<td>$7,184,181</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,365,273</td>
<td>$9,822,005</td>
</tr>
</tbody>
</table>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$230,726</td>
<td>$263,382</td>
</tr>
</tbody>
</table>

**Note 5 - Hybrid Financial Instruments**

The Foundation’s Structured Investments contain multiple derivatives. GAAP allows entities to elect fair value measurements on an instrument-by-instrument basis for certain financial instruments in which a derivative would otherwise have to be bifurcated. This investment increased in value by $268,906 during the year ended September 30, 2012 and decreased in value by $195,302 during the year ended September 30, 2011. These increases and decreases in net value are included in the change in net assets.

**Note 6 - Contributed Services**

The fair value of contributed services, recorded in the accompanying statement of activities and changes in net assets, consists of accounting, management and program services and totaled $827,40 for the year ended September 30, 2012 and $113,306 for the year ended September 30, 2011. Contributed accounting and management services are reflected as contributions revenue and as management and general expenses. Services donated to the Foundation’s programs are reflected as contributions revenue and as program service expenses. Additionally, members of the Foundation’s Board of Directors donate significant amounts of their time to the Foundation’s mission. Because the services contributed by the Board members did not meet the recognition criteria, the value of these services has not been reflected in the financial statements.

**Note 7 - Concentrations of Credit Risk and Market Risk**

The Foundation maintains cash balances comprised of bank deposit accounts and a money market fund account which are insured by the Federal Deposit Insurance Corporation. At times balances may exceed insured limits. There were no bank deposits in excess of insured limits at September 30, 2012 and 2011.

At September 30, 2012 and 2011 the Foundation maintained investments in a brokerage account. The value of these investments exceeded the custodial credit risk coverage provided by the Securities Investor Protection Corporation by $117,082,666 and $114,682,251 at September 30, 2012 and 2011, respectively.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2012 AND 2011

Note 8 - Functional Expenses

The expenses of providing various program and supporting services are presented on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Allocations may be direct or indirect according to the type of expense incurred.

Note 9 - Commitments

The Foundation has entered into an administration agreement with the American Councils for International Education (ACIE) to create, administer and operate its programs. Payments for these services are paid near the beginning of certain academic periods and are determined based on program operating budgets mutually agreed upon by the Foundation’s Board and the ACIE. After each academic period, the Foundation and ACIE reconcile actual expenses and fees to the operating budget and make appropriate adjustments. The administrative agreement has an initial term of three years and will automatically extend for one-year periods unless earlier terminated by either party.

The Board has approved a $570,524 grant award for Enterprise Student Fellowships and a $285,262 grant award for Enterprise Intern Fellowships to be paid in 2013.

Note 10 - Enterprise Student Fellowships – Future Costs

Under its Enterprise Student Fellowship program, during the year ended September 30, 2012, the Foundation awarded 35 new Student Fellowships and renewed 76 Student Fellowships for the 2012 academic year. During the year ended September 30, 2011, the Foundation awarded 31 Student Fellowships and renewed 71 Student Fellowships for the 2011 academic year.

Although the Foundation has the unconditional right to not renew awards, the Foundation intends and expects to renew awards for each Fellow’s entire four years of undergraduate academic study, as long as the Fellow remains in full compliance with the terms and conditions of the award. The Foundation anticipates future expenditures for Student Fellowship awards and renewals will be $885,774 in 2013, $765,596 in 2014, $539,000 in 2015 and $276,821 in 2016. Using a discount rate of 3.0% the Foundation estimates the present value of the program cost to continue these awards for the academic years 2013 through 2016 to be approximately $2,383,496.

Note 11 - Subsequent Events

Subsequent events have been evaluated by management through January 23, 2013, which is the date the financial statements were available to be issued. There were no material subsequent events at January 23, 2013 that require disclosure in the financial statements.
Board of Directors

Stephen D. Weinroth – Chairman
Director, Hovnanian Enterprises, Inc.

Margaret M. Grieve – Vice Chair
President, PMG Management, Inc.

Mary S. Ginsberg
Former Curator, Department of Asia
The British Museum

Jennifer J. Raab
President, Hunter College

Steven F. Shea
President & Chief Executive Officer (retired),
Rockingham Bancorp

U.S. Government Liaison to the Board:
Erin McKee
Regional Mission Director
U. S. Agency for International Development

Officers:
Steven F. Shea, President & CEO
Holly Burns, Senior Accountant

Program Administrator:
American Councils for International Education

Legal Counsel:
Robert Odle, Esq.
Weil, Gotshal & Manges LLP

Auditors:
Cummings, Lamont and McNamee, PA

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1 Shepherds Lane, North Hampton, NH 03862
Phone/Fax 1-603-964-2845
Email: Steven F. Shea, sfshea@caef.com
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Email: David Patton, patton@americancouncils.org
www.americancouncils.org