

**AUDIT OF THE FUND ACCOUNTABILITY
STATEMENT of USG/Ukraine Resources**

managed by Charitable Organization
«Ukrainian Institute on Public Health Policy»
under USG-funded projects

for the year ended December 31, 2016

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SECTION I – BACKGROUND



unleashing corporate dynamism

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1. Transmittal letter

To the Founders
of Charitable Organization «Ukrainian Institute on Public Health Policy»
4, Malopydvalna Str., office 6,
Kyiv 01001, Ukraine

September 27, 2017

Audit of the Charitable Organization «Ukrainian Institute on Public Health Policy» as at December 31, 2016 and for the year then ended

Pursuant to the terms of the Service agreement #UIPHP/23-11-16/EO, entered into by and between Emergex Outsourcing Limited Liability Company (hereinafter – the Emergex Outsourcing LLC or Auditors)* and the Charitable Organization "Ukrainian Institute on Public Health Policy" (hereinafter – the Organization or UIPHP), we provide our reports on the Organization's audit findings.

According to the specification, we provide brief information about the Organization, a description of the projects funded by the United States Government (hereinafter – USG) in Ukraine, the period for which the audit was conducted, the projects' objectives, the Organization details, the list of audit reports and other relevant information.

If you have any questions or comments, please, contact with us by phone +38 (044) 249-79-05 at any time, convenient to you.

Sincerely,

Olena Volska
Managing Partner and Director



* Evidence for inclusion in the register of auditors and audit firms number 4453 issued in accordance with the Audit Chamber of Ukraine on September 27, 2011 № 232/5

Audit of the Charitable Organization «Ukrainian Institute on Public Health Policy» as of December 31, 2016 and for the year then ended

2. Summary

2.1. General information

According to the Statute approved by General Meeting of Members Protocol # 10 dated July 28, 2016 (hereinafter – Statute), the Charitable Organization «Ukrainian Institute on Public Health Policy» is a non-governmental voluntary public association, which is created without the purpose of making profit.

The Organization was created by the change of status from local to all-Ukrainian based on the Protocol #6 dated March 21, 2011 of the Kyiv City Charitable Organization "Ukrainian Institute on Public Health Policy". It was registered by Kyiv Department of Justice dated July 07, 2016, certificate #1184-2006, identification number 34493231.

All-Ukrainian Charitable Organization "Ukrainian Institute on Public Health Policy" has been renamed to Charitable Organization "Ukrainian Institute on Public Health Policy" by the decision of the All-Ukrainian Charitable Organization "Ukrainian Institute on Public Health Policy" Conference which have been approved by the protocol #9 July 13, 2016.

In accordance with p. 2.1 of Statute, the main goal of the Organization is charitable activities in providing voluntary and selfless financial, material, organizational and other self and/or property help for Organization's beneficiary interests assistance in charitable activities stipulated by Statute, developing and supporting of such activities, charitable activities that aim is to participate in researching and improving public health policy, protection of common social and creative interests of its members.

The main goals and objectives of the Organization are:

- assistance in performing and participate in fundamental and applied research in the sphere of public health policy, particularly in the diagnosis and treating of HIV/AIDS, dependence on alcohol, psychotropic and narcotic substances;
- promoting innovative, science-based diagnostic methods, treatment, rehabilitation and resocialization of patients with alcoholism, addiction, HIV and other socially significant diseases;
- participating in professional development of members, exchange of experience and coordination of research activities in the sphere of public health policy;
- promotion of self-help programs among patients with AIDS, and those dependent on alcohol, and psychotropic drugs;
- assistance in psychological correction of alcoholic's and addict's families, patients with AIDS;
- support in trainings and other educational events organization of professional in addiction, psephology, psychotherapy and other social spheres reorientation
- activities in self scientific researches or attendance in social, including international scientific researches;
- etc.

As well, Organization may be engaged in other economic activities aimed at statute goals and objectives implementation



2.2. Projects

- Feasibility Study of Opiate Substitution Treatment in Primary Healthcare Settings in Ukraine Simplified Cost Reimbursement Grant #P4044-47 /380A0689, under the Sub-grant Agreement, dated July 31, 2014 with Pact Inc. (a contractor of USAID) for the period from August 1, 2014 till July 31, 2015 (hereinafter – FS or Grant 1).

The purpose of Modification #1 dated March 30, 2015 is to increase the Total Obligated Amount of Grant 1 from \$60,000.00 to \$113,891.40. The Total estimated amount of Grant 1 remained unchanged.

The Modification #2 has been admitted on August 04, 2015. Such Modification extends the period of the sub-award from July 31, 2015 to January 31, 2016 without additional funding. Special Awards provisions, Reporting and Payment procedures from p. 4 were deleted and substituted by provisions and procedures from the Modification #2.

The main project's goal is to conduct the investigation and analysis of Feasibility Study of Opiate Substitution Treatment in Primary Healthcare Settings in Ukraine.

- Project "Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine", which is financed by Department of Health and Human Services Centers for Disease Control and Prevention (hereinafter – CDC or Grant 2) based on the following:

- Notice of Award # 1U01GH000752-01 dated August 22, 2013. The duration of the project is determined from September 30, 2013 to September 29, 2015. At the same time, the budget period lasted from September 30, 2013 to September 29, 2014.
- Notice of Award #5U01GH000752-02 dated July 03, 2014. The target of this Notice signing is to continue the period of financing of the Project funded by Centers for Disease Control and Prevention.

Award #5U01GH000752-02 have been revised on October 30, 2014. The duration of the project is determined from September 30, 2013 to September 29, 2015. At the same time, the budget period lasted from September 30, 2013 to September 29, 2015.

The purpose of this Notice of Award is to approve carryover in the amount of \$160,199.00 from Year 01 and Year 02 and apply it to the Year 02 budget period.

In addition, award # 5U01GH000752-02 has been revised on July 12, 2015.

The purpose of this amended Notice of Award is to authorize an eighteen month no cost extension in Year 02 budget period. The budget and the project period end dates will be extended through March 29, 2017. The Year 02 budget period will cover the period from September 30, 2014 through March 29, 2017.

Notice of Award #5U01GH000752-02 dated November 01, 2016 for award revision with the purpose of this revised Notice of Award is to authorize a second No Cost Extension for '12 months in the Year 02 budget period. The budget and the project period end dates will be extended through March 29, 2018. The Year 02 budget period will cover the period from September 30, 2014 to March 29, 2018.

- Notice of Award #3U01GH000752-02S1 dated July 12, 2015 with the purpose to authorize partial funding in the amount of \$494,477.00. These funds are authorized for the current fiscal year budget period only with no commitment for continued support in future budget periods. All other terms and conditions remained the same.

The key purpose of the Grant funds is to support the operational examination and implementation, which are necessary to increase effectiveness in attendance and treatment of HIV.



- The project "Evaluating the Implementation of the two local Promising Behavioral Interventions for PLHIV "TB is curable" and "Steps towards Health" #38OA0735, which was activated by Simplified Cost Reimbursement Grant Agreement dated on March 24, 2015. The agreement has been signed between Pact. Inc (contractor of USAID) and UIPHP for the period from March 1, 2015 to November 30, 2016 (hereinafter – IDU-TB or Grant 3).

In accordance to the Section "Budget" of Agreement #38OA0735, total estimated amount is equal to \$149,935.77 and is allocated by related budget items of IDU-TB.

During the Federal Award period of Performance under Agreement #38OA0735 the following was amended:

- The Modification #1 dated August 20, 2015 changed the article 21 of the Agreement 38OA0735 in Information and Data Library Development.
- By the initiative of UIPHP Modification #2 dated November 25, 2015 was signed according to which the total obligated amount of award was increased from \$60,000.00 to \$75,000.00.
- Since February 4, 2016, in accordance with the Modification #3, the total obligated amount of award has been increased from 75,000.00 to \$125,000.00.
- According to the Modification #4 to the Agreement #38OA0735, the total obligated amount of award as at July 07, 2016 comes to the total estimated amount of the project that equals \$149,935.77. In addition, mentioned above Modification determines the change of bank information of Grantor.
- The Modification #5 dated August 22, 2016, intended to amend Grantee's Legal Name and Bank information under the Agreement #38OA0735.
- According to the Modification #6 dated September 01, 2016 the reporting requirements under the Grant Agreement #38OA0735 were amended.

The key purpose of the Project is the assessment of implementation the fidelity, feasibility, effectiveness of promising behavioral interventions for PLHIV "TB is Curable" and "Step towards Health".

- Financial assistance for implementation Project "Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care". Funding on mentioned above Project is based on Grant Agreement # FCO 104124/ID 0080.0249, concluded between Family Health International (FHI 360) and UIPHP for the period from June 1, 2014 to May 31, 2017 (hereinafter - HPTN or Grant 4).

Grant Agreement #FCO 104124/ID 0080.0249 includes 3 Appendices and 6 Modifications. The main amendments to Grant agreements are described below:

- According to the Modification #1 dated December 10, 2014, total obligated amount was made equal to total estimated amount, and the end date for the use of obligated funds was modified from November 30, 2014 to November 30, 2015.
- In accordance with Modification #2, dated January 06, 2015 the total obligated amount was increased at \$354,940.00.
- Modification #3 dated March 03, 2015 determines increasing of total obligated amount to \$1,316,201.00, provides an advance in the amount of \$35,000.00.
- Modification #4 dated December 11, 2015 agreed an increase of total obligated amount to \$1,645,871.00 and applied all existing advance payments to the invoice for December 2015.

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Charitable Organization "Ukrainian Institute on Public Health Policy"



- Provisions of the Modification #5 dated September 16, 2016 amended the Grantee's name and bank information under the Agreement #FCO 104124/ID 0080;
- Modification #6 dated September 29 provides decrease of the obligated amount to \$1,645,871.00.

According to the Appendix A, the main purpose of HPTN project is to pursue an examination for assessment of the level of intrusion integration, which is connected with psycho-social consulting and directing to therapy for treatment of drug addict using with HIV.

- Project "Prison interventions and HIV Prevention Collaboration", which is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 2, 2016 with activity period from August 1, 2015 to July 31, 2016. Such Subaward is funded by Yale University (hereinafter – Pride 2 or Grant 5).

Mentioned early agreement includes 5 Appendixes and 2 Amendments.

- In accordance with Foreign Research Subaward Agreement Amendment dated August 20, 2016, Subaward extended to July 31, 2017 with no additional funds;
- Foreign Research Subaward Agreement Amendment signed on September 15, 2016 revised details of Organization as changes in its name and bank information

The main purpose of financing by Grant 5 is to pursue an examination of possibility of HIV in institution of confinement dissemination preventing on the territory of Ukraine.

- Grant Agreement #114-CDC-15-A dated June 16, 2015 was concluded for the implementation of project "An improving Treatment Engagement and Adherence for People who Inject Drugs in Ukraine", and financed by International Charitable Foundation "International HIV/AIDS Alliance in Ukraine" during the period of grant from June 1, 2016 to May 31, 2016 (hereinafter – KPIS or Grant 6).

Agreement, mentioned above includes 10 Appendixes with Project descriptions and specifications of activities for Project implementation

During 2016 Grant agreement #114-CDC-15-A, was added with 3 Modifications. The major amendments are given below:

- Modification #1 dated May 31, 2016 determines the change of name and bank requisites of International Charitable Foundation "International HIV / AIDS Alliance in Ukraine". Also it provides grant extending to September 27, 2016;
- According to Modification #2, dated July 1, 2016, period of granting was rescheduled to March 31, 2017. Also an amount of additional grant funds was increased to UAH 2,742,463.32
- Organization's bank requisites and name have been changed and have been reflected in Modification #3 from September 1, 2016.

The major goal of granting is to realize the package of increasing of HIV prophylactic services, services of attendance and assistance HIV-positive people and medical services based on protocol HIV infection treatment

- In 2016 Organization UIPHP signed Cost reimbursement foreign research Subaward Agreement #M17A12601 (A10911) dated December 12, 2016 with Yale University. The project title is "Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (hereinafter – ECHO or Grant 7). Total period for project realization is from October 4, 2016 to January 31, 2017. There were no modifications to Agreement #M17A12601 (A10911) after it has been signed.



Before the Agreement signing, Organization implemented the goal of grant by Notice of Award from September 09, 2016.

The Fund Accountability Statement was prepared for the period from January 01, 2016 to December 31, 2016.

2.3. Audit objectives and scope

2.3.1. Audit objectives

- To conduct an examination of the financial statements of the Organization, consisting of Balance sheet as at December 31, 2016, and related Statement of revenues and expenses for the year ended December 31, 2016 (hereinafter – financial statements), prepared in accordance with the Ukrainian National Accounting Standards (hereinafter – the NAS) in order to express an opinion as to whether the financial statements are fairly stated in all material aspects.
- To perform an audit of the Fund Accountability Statement of the projects indicated above in order to express an opinion as to whether the Fund Accountability Statement is presented fairly in all material respects. The objectives of the audit included the following:
 - to express an opinion on whether the Fund Accountability Statement for the projects presents fairly, in all material respects, revenues received, costs incurred for the period audited in conformity with the terms of the agreement and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and accruals basis and modifications of the cash basis);
 - to evaluate and obtain a sufficient understanding of the funding recipient's internal control related to the project to assess control risk, and identify reportable conditions, including material internal control weaknesses. This evaluation should include the internal control related to the required cost sharing/counterpart contributions;
 - to perform tests to determine whether the Organization complied, in all material respects, with agreement terms and applicable laws and regulations related to USG-funded projects. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified;
 - to review Schedule of indirect cost rates allocation for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements in order to express an opinion is fairly stated in all material respects in relation to the basic financial statements taken as whole.

2.3.2. Audit scope and methodology

Audit scope related to the Fund Accountability Statement verification consists, but not limited to the following:

- An audit of accounting data to determine the accuracy of recording expenses incurred.
- Review direct and indirect costs billed to and reimbursed by USG and costs incurred but pending reimbursement by USG, towards identifying and quantifying any questioned and/or unsupported costs.
- Review internal procedures used the Organization to control the flow and use of funds, tangible and intangible assets.
- Review transactions in the bank accounts of the Organization and the controls on those bank accounts.
- Review procurement procedures to determine whether sound commercial practices, including competition, were



used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities of the goods and services received.

- Review direct salary charges to determine whether salary rates were reasonable for that position, in accordance with those approved by USG when USG approval is required, and supported by appropriate payroll records. Determine if overtime was charged to the program and whether it was allowable under the terms of the agreements.
- Review travel and transportation charges to determine whether they were adequately supported and approved and proper control by authorized persons of those costs existed.
- Review the transactions with fixed assets and intangible assets, including whether they are signs of recognition of the asset, as well as to the costs incurred for modernization (renovation, retrofit) of fixed assets owned by the Organization.
- An inspection of the inventory purchase and use of the Organization, including the availability of documents showing evidence of purchase and posting to the appropriate accounts accounting of UIPHP and directions for their use and proper cancellation of the account. These audit procedures applied in relation to inventory and low value items.

The scope of our work on Schedule of indirect cost rates allocation was determined with the following::

- Review of inclusion indirect costs incurred by Organization to allocation base;
- Tests on whether indirect costs, authorized by the USAID agreements and applicable cost principles;
- Analysis on reasonability of calculation of indirect cost rates allocation, based on separation the indirect cost from the allocation base;
- Reconciliation of costs by the Schedule of indirect cost rates allocation with the total expenses shown in the recipient's audited general purpose financial statements.

The scope of our work on internal control included the following main directions:

- Obtain an understanding of the organizational structure including design of the internal control to assess the risks of material misstatement due to error reporting or fraud, and to design the form, timing and extent of further audit procedures.
- We tested, studied and evaluated the major internal control components that include, but are not limited to the controls related to each revenue and expense account on Fund Accountability Statements on USG-funded project and determined whether they have been placed in operation.

The testing of internal control system includes, but not be limited to the following:

- Ensuring that charges to the program are proper and supported;
- Managing cash on hand and bank accounts;
- Procuring goods and services;
- Managing inventory and reviewing functions, in order to identify the actual availability of funds, tangible assets, intangible assets, inventories, and the reality of the value credited to the balance of the sums of money on hand and in bank accounts, money in transit, accounts payable and receivables, deferred expenses, provisions and reserves for future expenses and payments, etc.;

Background

Charitable Organization "Ukrainian Institute on Public Health Policy"



- Managing personnel functions such as timekeeping, salaries and benefits;
- Storage and use of printed materials (books, pamphlets) and other inventories;
- Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the Fund Accountability Statement.

Audit scope on compliance with the agreement terms, laws and regulations includes, but not limited to the following:

- Identify the agreement terms and pertinent laws and regulations and determine which of those, if not observed, could have a direct and material effect on the Fund Accountability Statement.
- Determine if payments have been made in accordance with agreement terms and applicable laws and regulations.
- Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms.
- Determine whether commodities, whether procured by the recipient or directly procured by USG for the recipient's use, exist or were used for their intended purposes in accordance with the terms of the agreement.
- Determine whether those who received services and benefits were eligible to receive them.
- Determine whether the recipient's financial reports (including those on the status of cost sharing/counterpart contributions) and claims for advances and reimbursement contain information that is supported by the books and records.

The scope of our work to verify the implementation of audit recommendations by the previous reporting period included:

- Review the status of actions taken by management of the Organization on findings and recommendations reported in prior audits of USG-funded project;
- Evaluate whether the audited entity has taken appropriate corrective actions to address findings and recommendations from previous auditors that could have a material effect on the financial statements.

2.4. Summary of audit results

The audit covers the year ended December 31, 2016.

In conducting the audit we assessed accounting principles used by the Organization, gained reasonable understanding of the control environment, assessed significant estimates made by the Management, examined audit evidence. For the purposes of the audit we have detected the level of materiality.

The examination of audit evidence was conducted on sampling basis. Audit sampling size was 58% of total expenditures.

We, as auditors of the Fund Accountability Statement, were allowed to have an access to all supporting documentation for financial transactions which was required.

We consider information received to be sufficient and reasonable evidence.

In conducting the audit of the Organization we found no unallowable, ineligible and unsupported expenses.

As a result of audit conducted we provide:

- 1) Independent auditors' report on Fund Accountability Statement;
- 2) Independent auditors' report on Internal Control;
- 3) Independent auditors' report on Compliance with Agreement terms and Applicable Laws and Regulations.
- 4) Independent auditors' report on Schedule of Computation of Indirect Cost Rates Allocation;
- 5) Independent auditors' report on General-purpose financial statements.

The findings of the audit are the following:

- We found that the Fund Accountability Statement on projects funded by USG, is presented fairly, in all material respects, the funds received and costs incurred for the period under audit are in conformity with Guidelines for Financial Audits Contracted by Foreign Recipients.
- Based on the internal control tests performed we did not identify any material weaknesses in internal control related to the projects.

However, we noted certain immaterial matters involving internal control and its operation that we have reported in the Management letter dated September 27, 2017.

- The results of our tests disclosed no instances of noncompliance that are required to be included in the Independent auditors' report on compliance with Agreements terms and Applicable Laws and Regulations under U.S. Government Auditing Standards.

However, we found out certain immaterial deviations from the internal policies and local legislation requirements. The essence of deviation and auditors' recommendation to be implemented are listed in the Management letter dated September 27, 2017.

- The Organization is authorized to carry out indirect costs at the expense of USG funds. In conducting the audit of financial statements of we have found any facts of indirect costs contrary to the Grant Agreement terms. As a result of the review Schedule of Computation of Indirect Cost Rate for the year ended December 31, 2016I, it has revealed no facts that would indicate on violations in material respects by the applicable basis for its preparation.
- During our audit of the General Purpose Financial Statements we identified deviations that exceed the materiality determined for these statements. The essence of deviations and auditors' recommendations to correct them are listed in a Management letter to UIPHP. Given that all necessary adjustments were made by the Organization such deviations had no impact on our audit reports.

2.5. Status of prior audit recommendations

There are no prior audit recommendations that were officially issued by the Inspector General.

In conducting the prior Fund Accountability Statement audit of the Organization for the year ended December 31, 2015, no significant deviations were found. As part of our audit, we reviewed appropriate corrective actions on recommendations provided in the previous Management letter.

Observation 1.1. Organization's accounting policy

During the audit of the compliance of applicable Organization's internal regulations to the valid legislation of Ukraine regarding accounting and financial reporting, we found, that the Accounting Policy Orders, which were applicable during 2015, provides to recognize objects with useful life less than one year, as low-value non-current tangible assets, contrary to provisions of accounting standard «Fixed assets», approved by the Ministry of Finance of Ukraine on April 27, 2000

#92 (hereinafter - AR(S) 7).

The audit recommendation regards aligning an Accounting Policy Order in accordance with the order provided by AR(S) 7 was implemented.

Observation 1.2. Recognition and accounting of low-value non-current tangible assets

Organization understated useful life of certain low-value non-current tangible assets in 2015 due to the fact that relevant information about the expected time of operating life was taken into account incompletely.

In order to ensure the representativeness of the applicable accounting estimates in determining useful life of assets, auditors recommended taking into account the data provided by accompanying technical documentation. In general, this recommendation was implemented in 2016.

Observation 1.3. Provision for future expenses and payments

Audit recommendation concerning obligation to accrual provision for payment of unused employee's vacation, including deductions on social insurance from these amounts according to the regulations, defined by the clause 14 of the Accounting Regulation (Standard) 11 «Liabilities», approved by the Ministry of Finance of Ukraine on January 31, 2000 #20 (hereinafter - AR(S) 11) and by the Instruction on the application of Chart of Accounts for the accounting of assets, capital, liabilities and business operations of enterprises and organizations, approved by the Ministry of Finance of Ukraine on November 30, 1999 #291 (hereinafter - Instruction #291), wasn't implemented.

Management personnel decided not to accrue provision for the vacation payment to employees, and to recognize related expenses in the period, when it was actually incurred, taking into account the non-obligatory nature of accrual of such a provision, as defined by the clause 8 of the Accounting Regulation (Standard) 25 «Financial statement of small business entity» (hereinafter - AR(S) 25).

Observation 2.1. Transportation costs during the business trip

It was incurred expenses for tickets under route Kyiv - Odessa - Kyiv in amount of UAH 12,287 in 2015 for the funds of the project implemented by the Organization under grant agreement dd. August 22, 2013, concluded with the Center for Disease Control and Prevention Department health and Human services of USA (hereinafter - Grant Agreement) named «Improving the Communication of individuals who have recently detected HIV, with specialized services in Ukraine». Confirmations for air transport costs in the budget of the above mentioned project or donor's Confirmation, provided by Business trips Policy, during the audit were not provided to the auditors.

According to the audit's results for year 2016, it hasn't found the acquisition of air tickets and tickets of level "luxury" without the confirmation of such expenses in the budgets or without appropriate approvals from donors. The audit recommendation was implemented.

Observation 2.2. Per diem expenses

Organization's Business trips Policy provides, that the amount of per diem is defined by the Order issued by Director in the beginning of the year, taking into account possible differences between particular projects, where applicable budget limitations, but no more than that defined by the applicable legislation of Ukraine.

In course of audit we found that per diem for business trips within Ukraine was accrued and paid to employee actually in 2015 the in amount of UAH 375, according to the Order of Organization's director dd. February 02, 2015 #15. Amount of per diem, provided by the Order, exceeded the threshold of amount of per diem within Ukraine defined by the applicable

Background

Charitable Organization "Ukrainian Institute on Public Health Policy"



legislation in amount of UAH 244. It led to excessive amount of per diem, charged and paid in the reporting period. Total amount of such excess was equal to UAH 14,590.

The provisions of the Business trips policy and the Order of Organization's director regarding the amount of per diem, were corrected in 2016. Thus, the audit recommendation was implemented.

Observations 2.3. Procurement procedures

In course of review of Organization's Procurement procedures for 2015 we found, that value criterias for procurement accompanied by concluding direct contracts are measured in the national currency and value criterias for local and special procurements - in USD currency. However, the procurement procedures don't define provisions concerning the way of applying of exchange rate for recalculation of criteria from foreign currency into UAH equivalent.

In order to prevent inconsistent application of internal regulations and the risk of abuse, following the audit recommendations, Organization made the amendments to the Procurement procedures on October 11, 2016. As a result, it was defined value criteria in the one currency, which should be applicable for different types of supplying goods and services.

2.6. Inspection and acceptance of audit work and reports

The results of our audit have been discussed with management of the Organization on April 06, 2017. The Management of the Organization approved Fund Accountability Statement and General Purpose Financial Statements for the year ended December 31, 2016.

The statements mentioned above were approved by Tetiana Kiriazova, who holds the position of Director based on protocol #5 dated February 19, 2014 of the Conference of the All-Ukrainian Charitable Organization «Ukrainian Institute on Public Health Policy» and Anna Palamarchuk who accepted the post of chief accountant according to the Director order dated January 04, 2016 p. #2



SECTION II – INDEPENDENT AUDITORS' REPORTS



unleashing corporate dynamism

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INDEPENDENT AUDITORS' REPORT on Fund Accountability Statement

To the Founders
of Charitable Organization
«Ukrainian Institute on Public Health Policy»
4, Malopidvalna Str., office 6,
Kyiv 01001, Ukraine

We have audited the Fund Accountability Statement on Feasibility Study of Opiate Substitution Treatment in Primary Healthcare Settings in Ukraine Project under Sub-grant Agreement dated July 31, 2014 with the Pact Inc. (contractor of the USAID) (hereinafter – FS or Grant 1), Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine Project under Notices of award dated August 22, 2013, from July 03, 2014, from July 12, 2015 with Centers for Disease Control and Prevention (hereinafter – CDC or Grant 2), Evaluating the Implementation of the two local Promising Behavioral Interventions for PLHIV: "TB is curable" and "Steps towards Health" Project under Simplified Cost Reimbursement Grant Agreement dated March 24, 2015 with the Pact Inc. (contractor of the USAID) (hereinafter – IDU-TB or Grant 3), Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care Project under Grant Agreement dated August 29, 2014 with Family Health International (hereinafter – HPTN or Grant 4), Prison Interventions and HIV Prevention Collaboration Project under Research Sub-grant Agreement dated February 02, 2016 with Yale University (hereinafter – Pride 2 or Grant 5), Improving Treatment Engagement and Adherence for People Who Inject Drugs in Ukraine Project under Grant Agreement dated June 16, 2015 with International Charitable Foundation "International HIV / AIDS Alliance in Ukraine" (hereinafter – KPIS or Grant 6), Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine Project under Cost reimbursement foreign research Sub-grant Agreement dated December 12, 2016 with Yale University (hereinafter – ECHO or Grant 7), that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (hereinafter – the Organization) and funded by USG, as at December 31, 2016 and for the year then ended.

The Fund Accountability Statement is the responsibility of the Organization. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the paragraphs 3 and 4, we conducted our audit of the Fund Accountability Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. 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 audit provides a reasonable basis for our opinion.

Independent Auditor's Report
Charitable Organization "Ukrainian Institute on Public Health Policy"



We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards. However, our current program provides for at least 160 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We did not have an external quality control review by an unaffiliated audit Organization as required by Chapter 3, paragraphs 3.82 and 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ukraine. We believe that the effects of this departure from U.S. Government Auditing Standards is not material as we designed and maintained policies and procedures in the quality control system that is subject to periodic control by Ukrainian Audit Chamber. As well, we received Regular Approval to perform audits of USG funds which also foresees conducting of quality control reviews by Regional Inspector General (RIG).

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, project revenues, costs incurred and reimbursed by USG for the year then ended in accordance with the terms of the agreement and in conformity with the basis of accounting described in below.

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated September 27, 2017, on our consideration of Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent's Auditor's Report in considering the results of our audit.

This report is intended for the information of the Organization and USG. However, upon release by USG, this report is a matter of public record and its distribution is not limited.

September 27, 2017
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director



Charitable Organization «Ukrainian Institute on Public Health Policy»

FUND ACCOUNTABILITY STATEMENT
as at December 31, 2016 and for the year then ended

Budget items	Budget	Actual	Questioned costs		Notes
			Ineligible	Unsupported	
Outstanding Fund Balance as at December 31, 2015					
Grant 1	-	\$7,613	-	-	-
Grant 2	-	-	-	-	-
Grant 3	-	\$5,859	-	-	-
Grant 4	-	\$68,918	-	-	-
Grant 5	-	-	-	-	-
Grant 6	-	\$20,223	-	-	-
Grant 7	-	-	-	-	-
Total		<u>\$102,613</u>	-	-	-
Revenue - received grants					
Grant 1	-	\$4,130	-	-	-
Grant 2	-	\$209,400	-	-	-
Grant 3	-	\$67,973	-	-	-
Grant 4	-	\$575,670	-	-	-
Grant 5	-	\$18,916	-	-	-
Grant 6	-	\$239,746	-	-	-
Grant 7	-	-	-	-	-
Subtotal		<u>\$1,115,835</u>	-	-	-
Expenditure					
Personnel					
Grant 1	\$59,847	(\$3,169)	-	-	-
Grant 2	\$296,821	(\$69,891)	-	-	-
Grant 3	\$80,301	(\$45,513)	-	-	-
Grant 4	\$792,250	(\$255,229)	-	-	-
Grant 5	-	(\$3,029)	-	-	-
Grant 6	\$109,621	(\$111,952)	-	-	-
Grant 7	\$258,822	(\$117)	-	-	-
Subtotal	<u>\$1,597,662</u>	<u>(\$488,900)</u>	-	-	-
Fringe Benefits					
Grant 1	\$15,603	(\$565)	-	-	-
Grant 2	\$5,606	(\$9,791)	-	-	-
Grant 3	\$21,280	(\$9,336)	-	-	-
Grant 4	\$538,730	(\$48,205)	-	-	-
Grant 5	-	(\$861)	-	-	-
Grant 6	-	(\$20,309)	-	-	-
Grant 7	\$80,235	(\$11)	-	-	-
Subtotal	<u>\$661,454</u>	<u>(\$89,078)</u>	-	-	-

Continuation of the Fund Accountability Statement
as at December 31, 2016 and for the year then ended

Budget items	Budget	Actual	Questioned costs		Notes
			Ineligible	Unsupported	
Consultant Labor					
Grant 1	\$18,067	(\$6,108)	-	-	-
Grant 2	\$7,198	(\$86,237)	-	-	-
Grant 3	-	(\$10,691)	-	-	-
Grant 4	-	(\$125,884)	-	-	-
Grant 5	-	(\$2,935)	-	-	-
Grant 6	-	(\$64,820)	-	-	-
Grant 7	\$8,500	(\$818)	-	-	-
Subtotal	\$33,765	(\$297,493)	-	-	-
Travel, Workshops, and Meetings					
Grant 1	\$4,212	(\$6)	-	-	-
Grant 2	\$19,406	(\$5,208)	-	-	-
Grant 3	\$4,568	(\$947)	-	-	-
Grant 4	\$164,600	(\$100,823)	-	-	-
Grant 5	-	(\$7,336)	-	-	-
Grant 6	\$2,740	(\$4,996)	-	-	-
Grant 7	\$17,000	-	-	-	-
Subtotal	\$212,526	(\$119,316)	-	-	-
Other direct charges					
Office rent and utilities					
Grant 1	-	(\$378)	-	-	-
Grant 2	-	(\$4,609)	-	-	-
Grant 3	-	(\$3,890)	-	-	-
Grant 4	-	(\$16,325)	-	-	-
Grant 5	-	(\$3,859)	-	-	-
Grant 6	\$11,131	(\$6,767)	-	-	-
Grant 7	-	-	-	-	-
Subtotal	\$11,131	(\$35,828)	-	-	-
Office Supplies					
Grant 1	-	(\$151)	-	-	-
Grant 2	\$10,734	(\$2,255)	-	-	-
Grant 3	-	(\$937)	-	-	-
Grant 4	\$126,460	(\$8,032)	-	-	-
Grant 5	-	(\$405)	-	-	-
Grant 6	-	(\$8,051)	-	-	-
Grant 7	\$5,100	(\$40)	-	-	-
Subtotal	\$142,294	(\$19,871)	-	-	-
Bank fees					
Grant 1	-	(\$56)	-	-	-
Grant 2	-	(\$1,273)	-	-	-
Grant 3	-	(\$510)	-	-	-
Grant 4	-	(\$3,429)	-	-	-
Grant 5	-	(\$193)	-	-	-
Grant 6	-	(\$733)	-	-	-
Grant 7	-	(\$6)	-	-	-
Subtotal	-	(\$6,200)	-	-	-

Continuation of the Fund Accountability Statement
as at December 31, 2016 and for the year then ended

Budget items	Budget	Actual	Questioned costs		Notes
			Ineligible	Unsupported	
Other direct charges					
Grant 1	\$15,215	-	-	-	-
Grant 2	\$130,380	(\$9,394)	-	-	-
Grant 3	\$42,519	-	-	-	-
Grant 4	\$612,433	(\$4,367)	-	-	-
Grant 5	-	(\$2,489)	-	-	-
Grant 6	\$19,057	-	-	-	-
Grant 7	\$19,656	-	-	-	-
Subtotal	\$839,260	(\$16,250)	-	-	-
Equipment - initial purchase					
Grant 1	\$947	-	-	-	-
Grant 2	\$5,500	(\$288)	-	-	-
Grant 3	\$1,268	(\$51)	-	-	-
Grant 4	\$43,000	(\$1,134)	-	-	-
Grant 5	-	(\$2,162)	-	-	-
Grant 6	\$17,964	-	-	-	-
Grant 7	-	-	-	-	-
Subtotal	\$68,679	(\$3,635)	-	-	-
External audit					
Grant 1	-	-	-	-	-
Grant 2	-	(\$1,644)	-	-	-
Grant 3	-	(\$1,966)	-	-	-
Grant 4	-	(\$8,136)	-	-	-
Grant 5	-	-	-	-	-
Grant 6	-	(\$937)	-	-	-
Grant 7	-	-	-	-	-
Subtotal	-	(\$12,683)	-	-	-
IT products and services					
Grant 1	-	(\$1,210)	-	-	-
Grant 2	-	(\$2,694)	-	-	-
Grant 3	-	(\$40)	-	-	-
Grant 4	-	(\$3,798)	-	-	-
Grant 5	-	(\$8)	-	-	-
Grant 6	\$104,318	(\$1,976)	-	-	-
Grant 7	-	-	-	-	-
Subtotal	\$104,318	(\$9,726)	-	-	-
Printing / Publications					
Grant 1	-	-	-	-	-
Grant 2	-	(\$2,378)	-	-	-
Grant 3	-	-	-	-	-
Grant 4	-	(\$1,931)	-	-	-
Grant 5	-	(\$64)	-	-	-
Grant 6	\$2,066	-	-	-	-
Grant 7	-	-	-	-	-
Subtotal	\$2,066	(\$4,373)	-	-	-

Continuation of the Fund Accountability Statement
as at December 31, 2016 and for the year then ended

Budget items	Budget	Actual	Questioned costs		Notes
			Ineligible	Unsupported	
Total Other Direct Charges					
Grant 1	\$16,162	(\$1,795)	-	-	-
Grant 2	\$146,614	(\$24,535)	-	-	-
Grant 3	\$54,521	(\$7,394)	-	-	-
Grant 4	\$781,893	(\$47,152)	-	-	-
Grant 5	-	(\$9,180)	-	-	-
Grant 6	\$154,536	(\$18,464)	-	-	-
Grant 7	\$24,756	(\$46)	-	-	-
Subtotal	\$1,178,482	(\$108,566)	-	-	-
Sub-Contracts					
Grant 1	-	-	-	-	-
Grant 2	\$23,832	(\$13,733)	-	-	-
Grant 3	-	-	-	-	-
Grant 4	-	-	-	-	-
Grant 5	-	-	-	-	-
Grant 6	-	-	-	-	-
Grant 7	\$380,937	-	-	-	-
Subtotal	\$404,769	(\$13,733)	-	-	-
Total costs incurred					
Grant 1	\$113,891	(\$11,643)	-	-	-
Grant 2	\$499,477	(\$209,395)	-	-	-
Grant 3	\$149,936	(\$73,881)	-	-	-
Grant 4	\$2,277,473	(\$577,293)	-	-	-
Grant 5	\$115,058	(\$23,341)	-	-	-
Grant 6	\$266,897	(\$220,541)	-	-	-
Grant 7	\$770,250	(\$992)	-	-	-
Subtotal	\$4,192,982	(\$1,117,086)	-	-	-
Refund					
Grant 1	-	-	-	-	-
Grant 2	-	-	-	-	-
Grant 3	-	-	-	-	-
Grant 4	-	-	-	-	-
Grant 5	-	-	-	-	-
Grant 6	-	-	-	-	-
Grant 7	-	-	-	-	-
Total	-	-	-	-	-
Adjustments in respect of currency transfers					
Grant 1	-	(\$100)	-	-	-
Grant 2	-	(\$5)	-	-	-
Grant 3	-	\$49	-	-	-
Grant 4	-	(\$19,577)	-	-	-
Grant 5	-	\$4,425	-	-	-
Grant 6	-	(\$7,222)	-	-	-
Grant 7	-	\$992	-	-	-
Total	-	(\$21,438)	-	-	-

Continuation of the Fund Accountability Statement
as at December 31, 2016 and for the year then ended

Budget items	Budget	Actual	Questioned costs		Notes
			Ineligible	Unsupported	
Outstanding Fund Balance as at December 31, 2016					
Grant 1	-	-	-	-	-
Grant 2	-	-	-	-	-
Grant 3	-	-	-	-	-
Grant 4	-	\$47,718	-	-	-
Grant 5	-	-	-	-	-
Grant 6	-	\$32,206	-	-	-
Grant 7	-	-	-	-	-
Total	-	\$79,924	-	-	-

Chief accountant

Director



(signature)

(signature)

Anna Palamarchuk

Tetiana Kiriazova

* Budget of Project KPIS, which is implemented in UAH by Grant Agreement dated June 16, 2015 was recalculated by auditors in USD based on NBU's average curs for year 2016 (25.5513)

Charitable Organization «Ukrainian Institute on Public Health Policy»

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
as at December 31, 2016 and for the year then ended

Introduction

The main purpose the main goal of the Organization is charitable activities in providing voluntary and selfless financial, material, organizational and other self and/or property help for Organization's beneficiary interests assistance in charitable activities stipulated by Statute, developing and supporting of such activities, charitable activities that aim is to participate in researching and improving public health policy, protection of common social and creative interests of its members.

Accounting policies

The Fund Accountability Statement under the projects for USG was made in accordance with the contract requirements.

The Fund Accountability Statement is made on the basis of accounting by cash receipts and expenditures, which is the common basis of accounting other than the Generally Accepted US Accounting Principles. Under this guidance, the revenue is recognized to the extent received, and not to the extent accrued, and the expenses are recognized when paid rather than when incurred.

Functional and presentation currency

The functional currency for funds received from USG under the grants is the U.S. dollar. The Fund Accountability Statement is disclosed in U.S. Dollars.

The funds from USG were received in U.S. dollars.

The expenses incurred in connection with performance of the Grant Agreements signed with USG are made mostly in UAH. As a general rule the expenditure of funds under each tranche shall be recalculated into U.S. dollars at the exchange rate ruling at the time of the currency exchange transaction under each received tranche.

In 2016 the Organization incurred costs by the Grant 7 and Grant 8, received from donors in local currency. Income and expenses related to the projects mentioned above in order to reflect in the Fund Accountability Statement were transferred at the official NBU (National Bank of Ukraine) exchange rate as at the date of receipt and use of cash and thereafter exchange rate differences recognized.

The Grant 5, and Grant 6, and Grant 7 provide compensation for the incurred costs by donor billing invoices on a periodic basis. For the purposes of inclusion of expenses related to the grants mentioned above to the Fund Accountability Statement for the year ended December 31, 2016 applied exchange rates of sale currency that came as compensation these costs were applied.

Budgets

The Charitable Organization "UIPHP" implements its statutory goals at the funds, that were received from more than one donor. In accordance to grant agreements, the duration of each project is different and distinct from generally accepted financial year. The amounts of grants on each project are allocated between costs items, but are set for the duration of the project as a whole. In accordance with the above, auditors have no possibility to allocate budget amounts for the fiscal year 2016. For purposes of the Fund Accountability Statements on projects, the budget amount is presented as a total for the entire period of the project implementation.

Budget data according to the agreement Grant 1 is given below:

Cost Item	Amount
Personnel	\$59,847
Fringe Benefits	\$15,603
Travel, Workshops, and Meetings	\$4,212
Equipment - initial purchase	\$947
Other direct charges	\$15,215
Program & Technical Consultants-STTA	\$18,067
Total USAID funding	\$113,891
Total	\$113,891

According to the Notice of Award (CDC) on July 12, 2015 total budget amount on covering of expenses for project implementation is allocated between following items:

Cost Item	Amount
Salaries and Wages	\$296,821
Fringe Benefits	\$5,606
Personal Cost Subtotal	\$302,427
Consultant services	\$7,198
Equipment	\$5,500
Suppliers	\$10,734
Travel Costs	\$19,406
Other direct Costs	\$130,380
Consortium/Contractual Cost	\$23,832
Total	\$499,477

Total amount of Grant 3 was allocated in accordance to major directions of expenditures. Grant budget is given below:

Cost Item	Amount
Salaries	\$80,301
Fringe Benefits	\$21,280
Travel, workshops and meetings	\$4,568
Equipment	\$1,268
Other direct Costs	\$42,519
Total	\$149,936

Project HPTN is financed by Family Health International Organization and funds are allocated between following items:

Cost Item	Amount
Salaries	\$792,250
Fringe Benefits	\$538,730
Equipment	\$43,000
Suppliers	\$126,460
Travel/Transport	\$164,600
Other expenses	\$612,433
Total direct costs	\$2,277,473
Indirect cost/G&A	\$178,758
Total	\$2,456,231

In accordance with the grant agreement between Yale University and Organization it was set following amounts of budget be cost items:

Cost Item	Amount
Direct cost expenses	\$115,058
Indirect cost expenses	\$9,205
Total	\$124,263

In compliance with Grant agreement 114-CDC-15-A is detected the budget structure of expenses that provided below:

Cost Item	Amount
People resources	\$109,621
Technical help	\$104,318
Trainings	\$2,740
Infrastructure and other equipment	\$17,964
Post and other communicative expenses	\$2,066
Monitoring	\$12,939
Planning and administrating	\$6,118
Office rent expenses	\$11,131
Total	\$266,897

In compliance with Subaward Agreement # M17A12601 dated November 29, that was concluded with Yale University on Project ECHO it was determined following budget lines:

Cost Item	Amount
Salaries and Wages	\$258,822
Fridge Benefits	\$80,235
Personal Costs (Subtotal)	\$339,057
Consultants Services	\$8,500
Materials & Suppliers	\$5,100
Travel	\$17,000
Other	\$19,656
Subawards/Consortium/Contractual costs	\$380,937
Total direct costs	\$770,250
Federal F&A costs	\$116,283
Total	\$886,533

Remaining funds

The balances of funds correspond to the balance on the bank accounts of Grants received from USG as at December 31, 2016 , and are as follows:

The balance of the bank account as at December 31, 2015

Grant 1	\$7,613
Grant 2	-
Grant 3	\$5,859
Grant 4	\$68,918
Grant 5	-
Grant 6	\$20,223
Grant 7	-
Total	\$102,613

Total

Funds received during year ended December 31, 2016

Grant 1	\$4,130
Grant 2	\$209,400
Grant 3	\$67,973
Grant 4	\$575,670
Grant 5	\$18,916
Grant 6	\$239,746
Grant 7	-
Total	\$1,115,835

Total

Total expenses for year ended December 31, 2016

Grant 1	(\$11,643)
Grant 2	(\$209,395)
Grant 3	(\$73,881)
Grant 4	(\$577,293)
Grant 5	(\$23,341)
Grant 6	(\$220,541)
Grant 7	(\$992)
Total	(\$1,117,084)

Total

Total refund for year ended December 31, 2016

Grant 1	-
Grant 2	-
Grant 3	-
Grant 4	-
Grant 5	-
Grant 6	-
Grant 7	-
Total	-

Total

Remaining funds as of December 31, 2016

Grant 1	\$100
Grant 2	\$5
Grant 3	(\$49)
Grant 4	\$67,295
Grant 5	(\$4,425)
Grant 6	\$39,428
Grant 7	(\$992)
Total	\$101,362

Total

Unsupported expenses to be agreed with USAID

Grant 1	-
Grant 2	-
Grant 3	-
Grant 4	-
Grant 5	-
Grant 6	-
Grant 7	-

Total

Adjustments in respect of currency transfers

Grant 1	(\$100)
Grant 2	(\$5)
Grant 3	\$49
Grant 4	(\$19,577)
Grant 5	\$4,425
Grant 6	(\$7,222)
Grant 7	\$992

Total

(\$21,438)

The balance of the bank account as of December 31, 2016

Grant 1	-
Grant 2	-
Grant 3	-
Grant 4	\$47,718
Grant 5	-
Grant 6	\$32,206
Grant 7	-

Total

\$79,924

Chief accountant



(signature)

Anna Palamarchuk

Director

(signature)

Tetiana Kiriazova

A reconciliation of funds included into the General Purpose Financial Statements with the Fund Accountability Statement

The Fund Accountability Statement under the programs is compiled on a cash basis and differs from the statements of expenditure of USG funds compiled based on accrual basis. Below is the reconciliation information between the results of the activity recorded on an accrual and cash basis.

List of reconciliations	Notes *	Sum, USD
Total expenses in the Fund Accountability Statement for the year ended December 31, 2016		
		\$1,117,086
Expenses regard non-audit projects	1.1	\$144,284
Depreciation of fixed assets	1.2	\$26,495
Purchase of fixed assets	1.3	-
Purchase of materials	1.4	(\$78,683)
Write-off of the materials	1.5	\$65,363
Expenses Accrued as of December 31, 2015	1.6	(\$45)
Prepaid expenses as of December 31, 2015	1.7	\$30,271
Expenses accrued as of December 31, 2016	1.8	\$16
Prepaid expenses as of December 31, 2016	1.9	(\$57,649)
Operating foreign exchange difference and losses from foreign exchange difference	1.10	\$12,182
Other expenses		-
Unsupported costs associated with grants		-
Adjustments in respect of currency transfers	1.11	(\$858)
Total expenses in the General Purpose Financial Statements for the year ended December 31, 2016		
		\$1,258,462

* The reconciliation table should be read in conjunction with the notes

1.1. Expenses regard non-audit projects

Expenses on cash basis that were incurred on non-audit projects, are reflected in the Organization's financial statements but excluded from the Fund Accountability Statement. Based on the above, expenses by non-audit projects should be included to the Fund Accountability Statement in order to reconcile with General Purpose financial statements.

1.2. Depreciation of fixed assets

The depreciation of fixed assets is recorded in the General Purpose financial statements, but is not included in the Fund Accountability Statement. Consequently, the depreciation of fixed assets should be included in the Fund Accountability Statement to align with the expenditures in the General Purpose financial statements.

1.3. Purchase of fixed assets

The purchase of fixed assets is included in expenditure in the Fund Accountability Statement at acquisition cost. The cost of these fixed assets in the General Purpose Financial Statements is included in non-current assets in the balance sheet. Thus, the value of these fixed assets is excluded from the expenses in the Fund Accountability Statement for the purposes of alignment with the expenditures in the General Purpose financial statements.

1.4. Purchase of materials

The purchase of materials is included in expenses in the Fund Accountability Statement at acquisition cost. The cost of these materials in the General Purpose Financial Statements is included in reserves in the balance sheet. Thus, the value of these stocks is excluded from the expenses in the Fund Accountability Statement for the purposes of alignment with the expenditures in the General Purpose financial statements.

1.5. Write-off of the materials

After use, the materials were written off, i.e. charged to expenditures in the General Purpose financial statements. The costs associated with the use of the materials in the Fund Accountability Statement during the period in which they were incurred. Thus, the write-off of the materials should be included in the Fund Accountability Statement for the purposes of alignment with the expenditures in the General Purpose financial statements.

1.6. Accrued expenses as at December 31, 2015

The accounts payable under settlements with suppliers and contractors, as well as under settlements related to salaries and the compulsory state social insurance emerged and is charged to expenses in the General Purpose Financial Statements in 2015, however, this debt was repaid in 2016. This means that for purposes of alignment with the expenditures in the General Purpose Financial Statements the amount of expenditures accrued at the end of the previous period, but paid in the current period should be excluded.

1.7. Prepaid expenses as at December 31, 2015

The funds which were paid to suppliers and contractors in advance in 2015 were attributed to the costs as a part of the General Purpose Financial Statements in the period of actual receipt of the goods (works, services), i.e. in 2016. Thus the prepaid expenses as of December 31, 2015 should be included in the General Purpose financial statements.

1.8. Accrued expenses as at December 31, 2016

The accounts payable under settlements with suppliers and contractors occurred and was attributed to expenditure in the General Purpose Financial Statements in 2016. However, this debt will be repaid in 2017. This means that for the purposes of alignment with the expenditures in the General Purpose Financial Statements the amount of expenditures accrued at the end of 2016 but not paid should be included.

1.9. Prepaid expenses as at December 31, 2016

The funds paid to suppliers and contractors in advance in 2016 and which will be attributed to expenses as a part of the General Purpose Financial Statements in the period of actual receipt of the goods (works, services) in 2017. Therefore, this amount should be excluded for coordination of the General Purpose financial statements.

1.10. Operating foreign exchange difference and losses from foreign exchange difference

The cost of operating exchange differences existed due to the evaluation of the same number of units of foreign currency at different exchange rates. Organization also incurred costs when selling foreign currency, including negative difference between the sale of foreign currency and its carrying value. Consequently, the amount of the expenses pointed out above should be included in alignment with the expenditures in the General Purpose financial statements.

1.11. Adjustments in respect of currency transfers

The Organization's General Purpose Financial Statements have been prepared in UAH. For the purposes of alignment of expenditures reflected in the General Purpose Financial Statements with expenditures reflected in the Fund Accountability Statement, the expenditures in the General Purpose Financial Statements have been restated using the average exchange rate for 2016, which amounted to UAH 25,5513 for USD 1. The adjustments in respect of currency transfers are made as a result of recalculation of the articles included in the Fund Accountability Statement under each tranche of the Grant, using the exchange rate in force at the time of the currency exchange transaction under each received tranche, and recalculation of items included in the General Purpose Financial Statements which amounted UAH 32,156,339.69 at the rate listed above.



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INDEPENDENT AUDITORS' REPORT on Internal control

To the Founders
of Charitable Organization
«Ukrainian Institute on Public Health Policy»
4, Malopydvalna Str., office 6,
Kyiv 01001, Ukraine

We have audited the Fund Accountability Statement on Feasibility Study of Opiate Substitution Treatment in Primary Healthcare Settings in Ukraine Project under Sub-grant Agreement dated July 31, 2014 with the Pact Inc. (contractor of the USAID) (hereinafter – FS or Grant 1), Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine Project under Notices of award dated August 22, 2013, from July 03, 2014, from July 12, 2015 with Centers for Disease Control and Prevention (hereinafter – CDC or Grant 2), Evaluating the Implementation of the two local Promising Behavioral Interventions for PLHIV: "TB is curable" and "Steps towards Health" Project under Simplified Cost Reimbursement Grant Agreement dated March 24, 2015 with the Pact Inc. (contractor of the USAID) (hereinafter – IDU-TB or Grant 3), Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV prevention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care Project under Grant Agreement dated August 29, 2014 with Family Health International (hereinafter – HPTN or Grant 4), Prison Interventions and HIV Prevention Collaboration Project under Research Sub-grant Agreement dated February 02, 2016 with Yale University (hereinafter – Pride 2 or Grant 5), Improving Treatment Engagement and Adherence for People Who Inject Drugs in Ukraine Project under Grant Agreement dated June 16, 2015 with International Charitable Foundation "International HIV / AIDS Alliance in Ukraine" (hereinafter – KPIS or Grant 6), Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine Project under Cost reimbursement foreign research Sub-grant Agreement dated December 12, 2016 with Yale University (hereinafter – ECHO or Grant 7), that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (hereinafter – the Organization) and funded by USG, as at December 31, 2016 and for the year then ended. The Fund Accountability Statement is the responsibility of the Organization. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except for not having a fully satisfactory continuing education program and not having an external quality control review by an unaffiliated audit organization (as described in our Independent auditors' report on the Fund Accountability Statement), we conducted our audit in accordance with U.S. *Government Auditing Standards* issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing and opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we noted certain immaterial matters involving internal control and its operation that we have reported in the Management letter dated September 27, 2017.

This report is intended for the information of the Organization and USG. However, upon release by USG, this report is a matter of public record and its distribution is not limited.

September 27, 2017
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director





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INDEPENDENT AUDITORS' REPORT on compliance with Agreement terms and Applicable Laws and Regulations

To the Founders
of Charitable Organization
«Ukrainian Institute on Public Health Policy»
4, Malopydvalna Str., office 6,
Kyiv 01001, Ukraine

We have audited the Fund Accountability Statement on Feasibility Study of Opiate Substitution Treatment in Primary Healthcare Settings in Ukraine Project under Sub-grant Agreement dated July 31, 2014 with the Pact Inc. (contractor of the USAID) (hereinafter – FS or Grant 1), Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine Project under Notices of award dated August 22, 2013, from July 03, 2014, from July 12, 2015 with Centers for Disease Control and Prevention (hereinafter – CDC or Grant 2), Evaluating the Implementation of the two local Promising Behavioral Interventions for PLHIV: "TB is curable" and "Steps towards Health" Project under Simplified Cost Reimbursement Grant Agreement dated March 24, 2015 with the Pact Inc.(contractor of the USAID) (hereinafter – IDU-TB or Grant 3), Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care Project under Grant Agreement dated August 29, 2014 with Family Health International (hereinafter – HPTN or Grant 4), Prison Interventions and HIV Prevention Collaboration Project under Research Sub-grant Agreement dated February 02, 2016 with Yale University (hereinafter – Pride 2 or Grant 5), Improving Treatment Engagement and Adherence for People Who Inject Drugs in Ukraine Project under Grant Agreement dated June 16, 2015 with International Charitable Foundation "International HIV / AIDS Alliance in Ukraine" (hereinafter – KPIS or Grant 6), Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine Project under Cost reimbursement foreign research Sub-grant Agreement dated December 12, 2016 with Yale University (hereinafter – ECHO or Grant 7), that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (hereinafter – the Organization) and funded by USG, as at December 31, 2016 and for the year then ended. The Fund Accountability Statement is the responsibility of the Organization. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except for not having a fully satisfactory continuing education program and/or not having an external quality control review by an unaffiliated audit organization (as described in our Independent auditors' report on the Fund Accountability Statement) , we conducted our audit in accordance with U.S. *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund Accountability Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund Accountability Statement amounts.

Compliance with agreement terms and laws and regulations applicable to the Organization is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the fund Accountability Statement is free of material misstatement, we performed tests of the Organization compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards.

However, we found out certain immaterial deviations from the internal policies and local legislation requirements. The essence of deviation and auditors' recommendation to be implemented are listed in the Management letter dated September 27, 2017.

This report is intended for the information of the Organization and USG. However, upon release by USG, this report is a matter of public record and its distribution is not limited.

September 27, 2017

Emergex Outsourcing LLC

Olena Volska

Managing Partner and Director





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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF COMPUTATION OF INDIRECT COST RATE

as at December 31, 2016 and for the year then ended

To the Founders
of Charitable Organization
«Ukrainian Institute on Public Health Policy»
4, Malopidvalna Str., office 6,
Kyiv 01001, Ukraine

Our audit was made for the purpose of forming an opinion on basic financial statements taken as whole. The schedule of computation of indirect cost rate contained on page 34 is presented for purposes of additional analysis and is not a required part of basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly in all material respects in relation to the basic financial statements taken as whole.

September 27, 2017
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director



Charitable Organization «Ukrainian Institute on Public Health Policy»

SCHEDULE OF COMPUTATION OF INDIRECT COST RATE

as at December 31, 2016 and for the year then ended

	Exclusions/ Unallowable Expenses	Direct Cost Base	Indirect Cost Pool
Account revaluation expenses	-	\$8,034	-
Bank charge expenses	-	\$6,814	-
Consulting	-	\$352,384	\$36,459
Depreciation	-	\$27,191	-
Employees Benefits	-	-	\$23,057
Equipment and other office supplies	-	\$1,104	-
Expenses of foreign exchange trading	-	\$3,452	-
Law expenses	-	\$2,841	-
Miscellaneous	-	\$3,487	\$747
Occupancy and cleaning	-	\$8,289	\$41,808
Office supplies	-	\$56,375	\$8,991
Other office expenses	-	\$566	\$1,456
Postage and Shipping	-	\$11,941	\$3,173
Repairs and maintenance	-	\$51	-
Safeguarding expenses	-	-	\$709,
Salaries and Wages	-	\$601,075	-
Sub-grant expenses	-	\$12,729	-
Telephone or internet expenses	-	-	\$1,876
Translate expenses	-	\$11,819	\$2,555
Travel	\$1,315	\$27,365	\$799
Total	\$1,315	\$1,135,517	\$121,630

Indirect cost rate calculation: Indirect Costs Pool \$121,630 = 10,71%
 Direct Cost base \$1,135,517

Chief accountant



(signature)

Anna Palamarchuk

Director

(signature)

Tetiana Kiriazova

Charitable Organization «Ukrainian Institute on Public Health Policy»

NOTES TO THE SCHEDULE OF COMPUTATION OF INDIRECT COST RATE

as at December 31, 2016 and for the year then ended

General information

The total amount of expenses for implementation of project's goals was \$1,258,462. In accordance with Grant Indicated above amount includes expenses, directly related to the project, and expenses, covered the by donor on proportion basis to the awarded amount.

According to the Agreement on audit services #UIPHP/23-11-16/EO, there are audited seven USG funded projects. However, only three of them have in the budget the amount of indirect costs covered by the donor.

This is in accordance with the terms of the Grant Agreement #FCO 104124/ID 0080.0249 with the International Family Health International Organization FHI 360) Organization (HPTN) and subgrant agreements #5R01DA029910-06 (Project Pride 2) and #M17A12601 (A109611) (Project ECHO) with the Yale University ,to the expenses on the realization of the project's goals and objectives are included expenses that have an indirect effect on the project activities of the Organization.

Amount of allowable indirect cost by project's budgets

In compliance with Grant agreement of HPTN, Organization could compensate the expenses, which have no direct influence to Project realization, but fall within Organization activities, by grant funds. For the paying off the mentioned earlier expenses in HPTN budget is foreseen an amount of \$178,758.00.

In accordance with Subgrant Agreement Prison interventions and HIV Prevention Collaboration Project #5R01DA029910-06 concluded with Yale University, it was approved amount of \$9,205.00 by appropriate cost item for indirect costs compensation.

According to the Subaward Agreement #M17A12601 (A10911) with Yale University. The project title is "Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" the amount of allowable indirect expenses was approved at \$116,283.00.

The calculation of indirect cost rate in Organization was done based on temporary minimal rates of indirect cost. Indirect cost rate in the year 2017 was 8% for each grant

Basis of Indirect costs rate calculation

The basis for creation of the Organization's Schedule Computation of indirect cost rate was accounting records prepared in accordance with National Accounting Regulations (Standards) in Ukraine. Also the rules of Guidelines for Financial audit contracted by foreign recipients (of OIG) and 2 part CFR 200.

Functional and presentation currency

Schedule Computation of indirect cost rate is presented in U.S. dollars.

The expenses incurred in connection with performance of the Grant Agreements signed with USG and were financed in year 2016 are made mostly in UAH.

The expenditure of funds under each tranche shall be recalculated into U.S. dollars at the exchange rate ruling at the time of the currency exchange transaction under each received tranche.

Chief accountant



Anna Palamarchuk

Director

Tetiana Kiriazova



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INDEPENDENT AUDITORS' REPORT on General-purpose financial statements

To the Founders
of Charitable Organization
«Ukrainian Institute on Public Health Policy»
4. Malopidvalna Str. office 6
Kyiv 01001 Ukraine

We have audited the accompanying financial statements of Charitable Organization «Ukrainian Institute on Public Health Policy» (hereinafter – the Organization) including Balance sheet as at December 31, 2016. Statement of financial results for 2016 and a summary of significant accounting policies prepared in accordance with National Regulations (Standards) of Accounting in Ukraine (referred to as NAS). These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs 3 and 4 we conducted our audit in accordance with the requirements of auditing standards generally accepted in the United States of America and U.S. Government Auditing Standards issued by the Comptroller General of the United States. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards. However, our current program provides for at least 160 hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement of Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraphs 3.82 and 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Ukraine. We believe that the effects of this departure from U.S. Government Auditing Standards are not material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and the results of its operation for the year then ended in conformity with generally accepted accounting principles in accordance with NAS.

This report is intended for the information of the Organization and the U.S. Government (USG). However upon release



USG this report is a matter of public record and its distribution is not limited.

September 27, 2017
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director



GENERAL-PURPOSE FINANCIAL STATEMENTS
of Charitable Organization «Ukrainian Institute on Public Health Policy»
as of December 31, 2016 and for the year then ended

**FINANCIAL STATEMENTS
of small business**

CODE

Date (yy / mm / dd)	2016	01	01
EDRPOU	34493231		
KOATUU	8039100000		
SPODU	845		
KVED	88.99		

Entity Charitable organization "Ukrainian Institute on Public Health Policy"
Territory _____
Organizational and legal form of economic activity Charitable organization
Type of economic activity Providing a social assistance without security of tenure
The average number of employees, people 20
Measurement unit: in thousands of dollars / hryvnas
Address, phone number 6 flat, 4 Malopidvalna Str., Kyiv 01001, Ukraine, 222-62-71

1. Balance Sheet as at 31 December 2016

Form #1-m

DKUD code

1801006

Assets	Line code	As at beginning of the reporting year		As at end of the reporting period	
		USD	UAH	USD	UAH
1	2	3	4	5	6
I. Non-current assets					
Construction in progress	1005	-	-	-	-
Property, plant and equipment:	1010	67,4	1 616,5	52,7	1 433,3
initial cost	1011	85,8	2 059,1	93,9	2 552,9
accumulated depreciation	1012	(18,4)	(442,6)	(41,2)	(1 119,60)
Non-current biological assets	1020	-	-	-	-
Non-current financial investments	1030	-	-	-	-
Other non-current assets	1090	-	-	-	-
Total section I	1095	67,4	1 616,5	52,7	1 433,3
II. Current assets					
Inventories:	1100	20,1	481,4	30,2	821,8
including finished goods	1103	-	-	-	-
Current biological assets	1110	-	-	-	-
Trade accounts receivable	1125	-	-	-	-
Accounts receivable on settlements with government	1135	-	0,8	1,0	28,0
including corporate tax	1136	-	-	-	-
Other current accounts receivable	1155	12,2	293,2	20,5	556,3
Current financial investments	1160	-	-	-	-
Cash and cash equivalents	1165	105,7	2 535,8	97,7	2 657,8
Prepaid expenses	1170	5,1	122,4	5,8	156,6
Other current assets	1190	14,9	357,1	27,0	732,2
Total section II	1195	157,9	3 790,7	182,2	4 952,7
III. Non-current assets for sale and disposal groups	1200	-	-	-	-
Total Assets	1300	225,3	5 407,2	234,9	6 386,0

Liabilities	Line code	As at beginning of the reporting year		As at end of the reporting period	
		USD	UAH	USD	UAH
1	2	3	4	5	6
I. Equity					
Statutory capital	1400	-	-	-	-
Additional paid-in capital	1410	-	-	-	-
Reserve capital	1415	-	-	-	-
Retained earnings	1420	-	0,8	-	0,8
Subscribed capital unpaid	1425	-	-	-	-
Total section I	1495	-	0,8	-	0,8
II. Long-term liabilities. special purpose funding and provision	1595	156,8	3 763,5	179,6	4 882,8
III. Current liabilities					
Short-term bank loans	1600	-	-	-	-
Current portion of the long-term liabilities	1610	-	-	-	-
Trade accounts payable	1615	-	1,2	-	0,4
Accounts payable on settlements with government	1620	-	-	1,1	28,9
including corporate tax	1621	-	-	-	-
Accounts payable on settlements on insurance	1625	-	-	-	-
Accounts payable on settlements with personnel	1630	-	-	-	-
Deferred income	1665	68,4	1 641,7	54,2	1 473,1
Other current liabilities	1690	-	-	-	-
Total section III	1695	68,4	1 642,9	55,3	1 502,4
IV. Liabilities related to non-current assets for sale and disposal groups	1700	-	-	-	-
Total equity and liabilities	1900	225,3	5 407,2	234,9	6 386,0

Chief accountant

Director



Signature

Signature

Anna Palamarchuk

Tetiana Kiriazova

2. Statements of financial results for the year 2016

Form #2-m

DCUD code

1801006

Line	Line code	For the reporting period		For the same period of the previous year	
		USD	UAH	USD	UAH
1	2	3	4	5	6
Income (revenue) from the sale of goods (works. services)	2000	-	-	-	-
Other operational income	2120	1 219,2	31 153,2	1 138,1	24 861,3
Other income	2240	39,2	1 002,2	32,7	714,9
Total income (2000 + 2120 + 2240)	2280	1 258,5	32 155,4	1 170,8	25 576,2
Cost of goods (works. services) sold	2050	-	-	-	-
Other operational expenses	2180	(1 258,5)	(32 155,4)	(1 042,4)	(22 769,8)
Other expenses	2270	-	-	(128,5)	(2 806,4)
Total expenses (2050 + 2180 + 2270)	2285	(1 258,5)	(32 155,4)	(1 170,8)	(25 576,2)
Financial result before taxation (2280 – 2285)	2290	-	-	-	-
Corporate tax	2300	-	-	-	-
Net profit (loss) (2290 – 2300)	2350	-	-	-	-

Chief accountant

Director



Signature

Signature

Anna Palamarchuk

Tetiana Kiriazova

EXPLANATORY NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS AS AT END FOR THE PERIOD ENDED DECEMBER 31, 2016

(in thousands of Ukrainian Hryvnias)

1. GENERAL INFORMATION

The Charitable organization "Ukrainian Institute on Public Health Policy" (hereinafter – Organization or UIPHP) is a non-governmental voluntary public association, which is created without the purpose of making profit.

The Organization was created by the change of status from local to all-Ukrainian based on the Protocol #6 dated March 21, 2011 of the Kyiv City Charitable Organization "Ukrainian Institute of Public Health Policy". It was registered by Kyiv Department of Justice dated July 07, 2006, certificate #1184-2006, identification code 34493231.

All-Ukrainian Charitable Organization "Ukrainian Institute of Public Health Policy" has been renamed to Charitable Organization "Ukrainian Institute of Public Health Policy" by the decision of the All-Ukrainian Charitable Organization "Ukrainian Institute of Public Health Policy" Conference which have been approved by the Protocol #9 dated July 13, 2016.

The charitable activity conducted by the UIPHP does not provide for making profit and payment of any remuneration or compensation to the Organization for or on behalf of the beneficiary; the Organization revenues shall not be distributed among its founders, members or related parties.

As at December 31, 2016 the number of employees of the Organization amounted to 20 people.

2. ACCOUNTING POLICY

General information. Financial statements of the Organization have been prepared in accordance with the regulations (standards) of Accounting in Ukraine (hereinafter – NAS), approved by the Ministry of Finance of Ukraine and registered with the Ministry of Justice of Ukraine on the date of preparation of the financial statements and other regulatory requirements for accounting and reporting in Ukraine.

Financial statements are presented with the observance of requirements NAS 25 "Financial statement of small enterprise". This standard envisages a stowage and presentation such forms of the financial reporting: Balance sheet (form № 1-m) and Statement of financial results (form № 2-m).

These financial statements have been prepared as of December 31, 2016 and covered the period from January 01, 2016 to December 31, 2016.

The financial statements have been prepared in the national currency of Ukraine – Hryvnya (UAH).

The preparation of financial statements in accordance with NAS requires from the management of Organization to provide estimates and assumptions that affect the articles of the financial reporting of the Organization, the disclosure of assets and liabilities at the balance sheet date and the reported amounts listed in revenues and expenses during the reporting period.

Fixed assets are stated at historical cost less accumulated depreciation and impairment costs. The historical cost of fixed assets includes the cost of acquisition, indirect taxes related to the acquisition of fixed assets and non-refundable costs of installation and adjustment of fixed assets and other costs directly related to bringing the assets to a state in which they are suitable for use with the planned purpose.

The Organization recognizes as fixed assets the tangible assets that are used repeatedly and continuously in the course of performing their basic functions, the expected useful life of which exceeds one year and the cost UAH 2,500.00 or

more per unit (without VAT) in period from January 01, 2016 till September 01, 2016 and the costs UAH 6,000.00 or more per unit (without VAT) from September 01, 2016 till December 31, 2016.

Depreciation of all groups of fixed assets accrued straight-line method over its useful life.

Liquidation value of fixed assets and intangible assets is set as UAH 0 (zero).

Low-value non-current assets - all assets used in the activity of more than one year. The initial value is less than UAH 2,500.00 per unit (without VAT) in period from January 01, 2016 till September 01 2016 and the initial value is less than UAH 6,000.00 or more per unit (without VAT) in period from September 01, 2016 till December 31, 2016.

The depreciation/amortization of tangible and intangible assets shall be calculated at 100% of the cost subject to depreciation/amortization in the first month of use.

Inventories. Recognition and initial measurement of inventories (raw materials, components, products) carried out in accordance with NAS 9 "Inventories".

Inventory is written off according to FIFO method.

Cash includes cash which is on banks accounts, cash on hand and cash in transit.

Revenue recognition. Received targeted funding under the grant agreements and in accordance with NAS 15 "Revenue" is recognized as income over the periods in which the expenses were incurred related to the fulfillment of the targeted funding.

Recognition of costs. Costs incurred by the Organization include costs associated with the terms of grants received.

Costs are expensed certain period of time with the recognition of income for which they were made.

Taking into consideration the peculiarities specific for accounting for income and expenses of non-governmental organization that had been indicated above, a financial result of the organization from realization of its activities always equals to zero.