

**Charitable organization "Foundation of Olena Pinchuk" and
"Elena Pinchuk Antiaids Foundation" (United Kingdom)**

Combined Statement of Cash Receipts and Disbursements

*For the year ended 31 December 2016 and
cumulative as at that date
with Independent auditor's report*

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INDEPENDENT AUDITOR'S REPORT

To the Founders of
Charitable organization "Foundation of Olena Pinchuk" and
"Elena Pinchuk Antiaids Foundation" (United Kingdom)

Opinion

We have audited the combined statement of cash receipts and disbursements of Charitable organization "Foundation of Olena Pinchuk" and "Elena Pinchuk Antiaids Foundation" (United Kingdom) ("the Foundations") for the year ended 31 December 2016 and cumulatively from the commencement to 31 December 2016, including a summary of significant accounting policies ("the financial statements").

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting described in Note 2.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Foundations in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to Note 2 to the combined statement of cash receipts and disbursements, which describes the basis of accounting. The combined statement of cash receipts and disbursements is prepared to provide information to the founders and management of the Foundations. As a result, the combined statement of cash receipts and disbursements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation of the financial statements in accordance with the cash receipts and disbursements basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundations' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundations or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Foundations' financial reporting process.



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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundations' internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundations' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundations to cease to continue as a going concern.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kyiv, Ukraine
20 April 2018

Charitable organization "Foundation of Olena Pinchuk" and
"Elena Pinchuk Antiaids Foundation" (United Kingdom)

Combined Statement of Cash Receipts and Disbursements
For the year ended 31 December 2016 (in US dollars)

	Notes	2016	2015	Cumulative from commencement to 31 December 2016
Cash balance as at 1 January		113,779	156,491	-
Cash receipts collected:				
Contributions received from legal entities, including the founders' affiliates		936,234	869,811	19,059,620
Contributions received from the founders and other individuals		53,220	38,241	2,092,166
Founders' contributions to the Charter Fund		-	-	10,010
Bank interest		5,387	3,578	52,984
Total collected		994,841	911,630	21,214,780
Program disbursements made:				
Informational and educational campaigns on HIV/AIDS		(154,734)	(43,924)	(5,236,623)
Material aid paid to people with HIV/AIDS, medical establishments and orphanages		(132,399)	(225,557)	(4,556,706)
"Medsanbat" project	3	-	(47,834)	(97,906)
International co-operation	1	(615,248)	(462,752)	(8,819,937)
Other charitable programs		(15,236)	-	(15,236)
Total program disbursements		(917,617)	(780,067)	(18,726,408)
Administrative expenses	4	(103,283)	(145,247)	(2,224,074)
Total disbursements		(1,020,900)	(925,314)	(20,950,482)
Foreign exchange and translation differences		(164)	(29,028)	(176,742)
Cash balance as at 31 December		87,556	113,779	87,556

Signed and authorized for release on behalf of the Foundation on 20 April 2018:

Director



Olga Rudneva

Chief Accountant



Nataliia Kucherina



The accompanying notes are an integral part of this Combined Statement

1. General information

The Charitable organization “Foundation of Olena Pinchuk” (previously “Foundation of Olena Pinchuk “ANTIAIDS”) (“the Foundation”) was founded by three Ukrainian citizens, including Mrs. Olena Pinchuk jointly with her spouse, Mr. Victor Pinchuk, in September 2003. The registered office of the Foundation is at 2, Mechnikova Street, Kyiv, Ukraine.

“Elena Pinchuk Antiaids Foundation” (“the UK Foundation”) was registered by The Companies House of England and Wales on 13 October 2010. The UK Foundation was established by Mrs. Olena Pinchuk to facilitate the achievement of the Foundation’s goals through international cooperation.

All the activities of the foundations, hereinafter collectively referred to as “the Foundations”, are governed by the Foundation management appointed by and reporting to the founders. The governing power to the Foundation management is provided by virtue of the respective agreements between the Foundation and the UK Foundation.

The initial goals of the Foundation, as stated in their founding documents, were to combat the HIV/AIDS epidemic in Ukraine, to reduce its escalation, to support people living with HIV/AIDS by improving their quality of life, and to bring to Ukraine the best international experience in combating HIV/AIDS.

On 6 December 2017, the Foundation announced that the scope of its activities would be expanded going forward. In addition to combatting the HIV/AIDS epidemic, which would remain one of its top priorities, the Foundation would also focus on promoting a healthy lifestyle, educational projects for young girls and women, and bringing the best international experience in the humanitarian area to Ukraine. The legal name of the Foundation was changed accordingly.

The Foundations’ projects implemented during 2003-2016 were mainly focused on the following areas:

- Informational and educational campaigns;
- Support to people with HIV/AIDS, medical establishments and orphanages;
- “Medsanbat” project (Note 3);
- International co-operation.

International co-operation mainly related to the Foundations’ participation in the joint project with the Clinton Foundation and the joint project of the UK Foundation with the Elton John AIDS Foundation.

The aim of the joint project with the Clinton Foundation, initiated in 2007, is to expand an access to HIV/AIDS treatment in Ukraine, to reduce the risk of HIV transmission among non-injecting drug users, and, finally, to cut down the number of AIDS related deaths. Main directions of the project are: HIV/AIDS testing and identifying new cases of HIV infection; training, mentoring, consulting and support for health care providers of various qualification levels; comprehensive drug treatment and substitution therapy for injecting drug users; improvement of the existing drug procurement system. In 2016 and 2015, disbursements of USD 399,940 and USD 399,589 correspondingly, were made for such Clinton Foundation programs.

Cooperation with The Elton John AIDS Foundation (“the EJAF”) started in 2007. In 2016 and 2015 Foundations’ cash disbursements of USD 215,308 and USD 63,163 correspondingly were used by the Elton John AIDS Foundation to support a project targeted at prevention of HIV transmission among street children in Ukraine through affiliate organizations as well as an arrangement of services for identification of HIV infection new cases.

During 2016 cash receipts of USD 255,000 and disbursements of USD 235,308 were made through the UK Foundation’s bank accounts (2015: cash receipts of USD 65,000 and disbursements of USD 63,163).

2. Summary of significant accounting policies

Basis of accounting

The Foundations’ combined statement of cash receipts and disbursements (“the Combined Statement”) is prepared on the cash receipts and disbursements basis of accounting, which represents a special purpose framework and which is not intended to be a presentation in conformity with International Financial Reporting Standards or accounting principles generally accepted in any other country, including Ukraine or the UK, where the Foundations are registered. On this basis of accounting, income is recognized when collected in cash, and expenses are recognized when paid rather than when incurred.

For tax and other statutory purposes, the Foundations prepare their separate reporting.

2. Summary of significant accounting policies (continued)

Basis of combination

The Combined Statement of cash receipts and disbursements of the Foundations is presented on a combined basis, which management considered appropriate for entities under its control exercised as described above in the Note 1. The Combined Statement comprises individual statements of the Foundations for the year ended and cumulatively through 31 December 2016. The separate statements of the Foundations are prepared as of the same reporting date, using consistent accounting policies. All cash receipts and disbursements between the Foundations have been eliminated in full.

Foreign Currencies

The presentation currency for the purpose of this Combined Statement of cash receipts and disbursements is the United States dollar ("US dollar"). The functional currency of the Foundation is the national currency of Ukraine - hryvnia ("UAH"). The functional currency of the UK Foundation is US dollar. Accordingly, transactions included in the Combined statement that were not already measured in US dollars have been premeasured into US dollars using the official exchange rate established by the National Bank of Ukraine ("NBU") at the date of transaction throughout 2016. The remaining cash balance as at the reporting date is translated into the presentation currency using the closing exchange rate at that date (27.1909 UAH for 1 US dollar as at 31 December 2016 (2015: 24.0007 UAH for 1 US dollar)).

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBU exchange rate on the date of the transaction are also included in gains / losses from foreign currencies.

3. "Medsanbat" project

On 10 September 2014 Victor and Olena Pinchuk announced the launch of the project of training for military medics who served in combat units in the areas of armed confrontations in certain parts of the Donetsk and Lugansk regions. Starting from October 2014 the special tactical medical training courses are provided within the project aimed to military medics professional development. In addition, some combat medics were supported with medical backpacks equipped to provide first aid in combat situations, after completion of the full courses. Furthermore, replenishment of medical supplies for these backpacks is provided within the project. In 2016 the support of the project was temporarily suspended.

4. Administrative expenses

Administrative expenses represent cash disbursements related to general management of the projects and arrangement of the Foundations' activities and comprise the following expenses:

	<u>2016</u>	<u>2015</u>
Payroll and related expenses	72,355	85,857
Rent of premises	21,217	40,808
Other expenses	9,711	18,582
	<u>103,283</u>	<u>145,247</u>

5. Operating environment and economic conditions

The operations of the Foundations are significantly influenced by operating environment of Ukraine. The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation, and significant imbalances in the public finance and foreign trade.

Following the significant deterioration in 2014 - 2016, the current political and economic situation in Ukraine remains unstable. The Ukrainian government continues to pursue a comprehensive structural reform agenda aiming at the removal of the existing imbalances in the economy, public finance and governance, fighting corruption, reforming judiciary system, etc. with the ultimate goal to secure conditions for the economic recovery in the country.

5. Operating environment and economic conditions (continued)

The weakness of the national currency, which experienced more than triple devaluation against US dollar since the beginning of 2014, combined with cross border settlement restrictions, negative external trade balance, along with continued volatility in the country's traditional export commodity markets, and high inflation represent key risks to the stabilization of the Ukrainian operating environment in the near future. The support from the IMF and other international donors is contingent upon the mentioned above structural reforms sustaining momentum.

The known and estimable effects of the above factors on the results of the Foundations' cash receipts and disbursements in the reporting period have been taken into account in preparing this Combined statement of cash receipts and disbursements.

Management is monitoring the developments in the current environment and taking actions, where appropriate, to minimize any negative effect to the extent possible. Further adverse developments in the political, macroeconomic and/or international trade conditions may further adversely affect the Foundations' cash receipts and disbursements in a manner not currently determinable.

6. Tax and regulatory compliance

The Foundations have the status of non-for-profit organizations and are generally exempt from income tax and other taxes, which would otherwise be applicable to their activity, including passive income earned, subject to their continued compliance with this status.

Management believes that its interpretation of the relevant applicable legislation is appropriate and that the Foundations have complied with all regulations and continues to maintain their non-for-profit status. All due statutory taxes and withholdings, including employment related, have been paid timely and properly. At the same time it is possible that transactions and interpretations those have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavourable outcome.

7. Other commitments and contingencies

Legal

In the ordinary course of activities, the Foundations may become subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints would not have a material adverse effect on the financial condition or the future operations of the Foundations.

Appropriation of donations

Prior to entering into the projects, management evaluates the compliance of the proposed project activities with the statutory goals of the Foundations as well as with the statutory requirements for the charitable and non-for-profit activities. Further, in course of the projects' implementation, management monitors, to the extent practical and possible, their alignment with the declared goals based on the reports and other documentation provided by the participants of the projects and donation recipients as well as selective inspections.

However, because of the inherently limited ability of the Foundations' management to assess and monitor eligibility and actual appropriation of the funding by the other project participants and the donation recipients, misappropriation of the funds extended to the projects by the Foundations may take place and not be detected. As with other contingencies, management believes that the ultimate liability of the Foundations arising from such cases, if any, will not have a material adverse effect on the financial condition or the future operations of the Foundations.