

**AUDIT OF THE FUND ACCOUNTABILITY  
STATEMENT**

Charitable Organization «Ukrainian Institute on Public  
Health Policy»

under USG-funded projects

for the year ended December 31, 2019

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## **SECTION I – BACKGROUND**

To General meeting of members and management  
of Charitable Organization «Ukrainian Institute on Public Health Policy»  
Belorusskaya Str., house 5, office 20, 27  
Kyiv, 04050, Ukraine

## 1. TRANSMITTAL LETTER

Pursuant to the terms of the Service agreement #UIPHP/26-12-19/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 for the period from January 01, 2019 to December 31, 2019.

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 yours,

**Olena Volska**  
Managing Partner and Director



**Emergex Outsourcing LLC**  
13A Universytetska str. Kyiv, 03110 Ukraine

**September 28, 2020**

## 2. SUMMARY

### 2.1 GENERAL INFORMATION

According to the Statute, the Charitable Organization «Ukrainian Institute on Public Health Policy» is a non-governmental charitable organization, 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 is 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 has been approved by the protocol #9 July 13, 2016.

In accordance with para 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;
- assistance in the social, professional and psychologic rehabilitation and self-assistance programs extension among AIDS patients, patients depend on alcohol and on psychotropic and narcotic substances;
- participating in society development by its members understanding the signs of its own dependence and getting free;
- protecting the local, regional, national and international programs those are aimed at developing of social and psychologic rehabilitation of patients with alcoholism and addiction and assisted their families;
- assistance in social health problem solving by "hot lines", web-sites and working groups to be created,
- realizing courses and other educational programs for training the professionals in narcology, psychology, psychotherapy and other social areas;
- participating to ex-patients to be consultants or/and social workers in rehabilitation of patients with alcoholism and addiction;
- performing individual or taking part in general scientific investigations (including international);
- etc.

The Organization may also perform other activities aimed at goals and tasks required by its Statute.

## 2.2 PROJECTS

- Project "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 1") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 (the "Grant Agreement 1") concluded with Johns Hopkins University. The implementation period was defined from July 01, 2017 to June 30, 2018.

The approved amount of funding under Grant Agreement 1 was equal to \$47,289.

In accordance with Modification #1, signed on September 12, 2018, the total amount of funding for purpose of Grant 1 was increased to \$81,867 and the project implementation period was extended to June 30, 2019.

In accordance with Modification #2, signed on July 09, 2019, the project implementation period was extended to June 30, 2020.

Within the Hopkins 1 framework, it is investigated the social and geographical context of injecting drug use, the risk of HIV and hepatitis C among people who inject drugs in Ukraine. The investigation involves men and women aged 18 and over in Dnipro city, Ukraine.

- Project "Stigma, Risk Behaviors, and Health Care among HIV-infected Russian People Who Inject Drugs" (the "Stigma" or the "Grant 2") is implemented based on FDP Research Subaward Agreement #4R00DAO41245-03 dated February 15, 2019 (the "Grant Agreement 2") concluded with Boston Medical Center Corporation. The implementation period was defined from September 01, 2018 to August 31, 2019. The approved amount of funding under mentioned agreement was equal to \$6,480.

In accordance with Modification #1, signed on September 01, 2019, the total amount of funding for purpose of Grant 2 was increased on \$15,000 and the project implementation period was extended to August 31, 2020.

Within the Stigma framework, it is Study of the modified intervention based on the LINC-I and ACT intervention, to improve access to HIV care and decrease multi-layered stigma in people who inject drugs in Saint-Petersburg, Russia.

- Project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 3"), which is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 (the "Grant Agreement 3") for the period from August 01, 2015 to July 31, 2016. Grant 3 was funded by the Yale University.

In accordance with the agreement total amount of funding was equal to \$124,263 for the period of Pride 2 implementation.

Mentioned above Grant Agreement 3 includes 5 Appendices and 6 modifications, in particular:

- Modification #1 dated August 20, 2016, extended the implementation period till July 31, 2017 with no additional funds;
- Modification #2 signed on September 15, 2016 has revised the name of the Organization and its bank information;
- According to Modification #3 dated March 29, 2017, the bank requisites of the Organization have been changed;
- Modification #4 signed on August 02, 2017 extended the period of project performance till July 31, 2018.
- Modification #5 dated September 20, 2018 extended project's implementation period to July 31, 2019.

- In accordance with Modification #6 dated December 20, 2018, the approved amount of funding is increased by \$132,863 for the period from August 1, 2018 to July 31, 2019.
- In accordance with Modification #7 dated August 01, 2019, the approved amount of funding is increased by \$97,337 for the period from August 1, 2019 to July 31, 2020.

The main purpose of financing by the Grant 3 is to pursue an examination of possibility of HIV in institution of confinement dissemination preventing on the territory of Ukraine.

- The project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 4") was implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # M17A12601 dated November 29, 2016 (the "Grant Agreement 4"). In accordance with the Grant agreement 4, the Donor is Yale University and the period of the project implementation lasts from October 04, 2016 to January 31, 2017. The total amount of funding was equal to \$74,050.

During 2017 – 2019 the "Grant Agreement 4" was modified by following:

- The Organization's name has been changed and has been reflected in Amendment #1 dated March 09, 2017. Also the period of project's performance was extended to June 30, 2017 with no additional funds;
- According to Amendment #2 dated March 29, 2017, the bank requisites of the Organization have been changed;
- The Amendment #3, signed on August 14, 2017, extended the period of ECHO performance to June 30, 2018, and approved the increasing of funding by \$444,940;
- The period of project's implementation was extended to 30 June 2019 by the Modification #4, signed on October 04, 2018.
- The Amendment #5, signed on April 25, 2019, extended the period of ECHO performance to June 30, 2019, and approved the increasing of funding by \$95,187;
- The Amendment #6, signed on July 01, 2019, extended the period of ECHO performance to June 30, 2020, and approved the increasing of funding by \$426,222, the amount consists of \$394,835 – direct costs and \$31,387 – indirect costs.

Before the Agreement was signing, the Organization implemented project ECHO in accordance with the terms of Notice of Award dated September 09, 2016.

The aim of project is to study the effectiveness of the integrated model of health care services in primary care clinics and the interventions for quality improvement of health care services by means of training of physicians and their financial motivation.

- Project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 5"), is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 (the "Grant Agreement 5") and concluded with Mariam Hospital (NIAID contractor) for the period from June 25, 2018 to June 25, 2019.

According to the Grant Agreement 5, total funding of the Grant 5 is equal to \$20,640.

- Modification #1 dated July 15, 2019, extended the implementation period till December 24, 2019 with no additional funds;
- Modification #2 dated December 25, 2019, extended the implementation period till June 24, 2020 with no additional funds.

The aim of this project is to retrospective assessment of pediatric TB in Ukraine and prospective assessment of active TB among children in Ukraine.

- The project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 6") was implemented by the Organization in accordance with FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 (the "Grant Agreement 6"). Mentioned agreement was signed between the Organization and The Research Foundation for The State University of New York for the period from June 01, 2017 to May 31, 2018.

Total funds in amount of \$33,960 were approved by Grant Agreement 6 for all period of FIC realization.

According to the Amendment #1, total funding was increased by \$38,303 and is equal in total to \$72,763. In addition, the end of project implementation was also extended to May 31, 2019.

According to the Amendment #2, total funding was increased by \$47,961 and is equal in total to \$120,724. In addition, the end of project implementation was also extended to April 30, 2020.

According to the Amendment #3, the administrative mistakes made in Appendix #3 were corrected, namely, total amount of Federal Funds Obligated to Date, which reflects a correction to the "Amount Funded This Action" from \$47,961 to \$47,691. As such total amount in funding is \$120,454.

The main purpose of providing funds under Grant 6 is to strengthen the research and educational potential of UIPHP in relation to the response to the HIV epidemic in Ukraine.

- The project "Using latent class analysis to understand the role of layered stigma on engagement in care among HIV positive women who use drugs in Ukraine" (the "Hopkins-2" or the "Grant 7") is implemented by the Organization according to the "FDP Cost Reimbursement Research Subaward Agreement" #1R21TW01160 dated January 18, 2019 (the "Grant Agreement 7").

According to the Grant Agreement 7, total funding of the Grant 7 is equal to \$42,021.

According to the Amendment #1, total funding was increased to \$85,260. In addition, the end of project implementation was also extended to April 30, 2020.

The Purpose of the Program is a mix-method study explores how HIV, drug use, and gender stigma affect engagement in HIV care among women living with HIV with histories of drug use in Ukraine. Surveys with 300 such women in Kyiv City will be conducted.

- Project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 8") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 (the "Grant Agreement 8") and signed with Yale University. The implementation period is defined from January 30, 2018 to April 30, 2018.

In accordance with the agreement, the total funding of the Grant 8 is \$9,906.

Agreement #GR105153 (CON-80001602), dated January 17, 2019 extended the implementation period to February 28, 2019.

The aim of the project is using qualitative interviews with HIV care providers and with 50yo+ patients diagnosed with HIV in the last 6 months, to explore diverse factors that shape HIV risk and HIV care engagement for HIV+ 50yo+, and challenges experienced by HIV care providers in reaching and servicing this population.

- The project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 9") is implemented by the Organization according to the "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 (the "Grant Agreement 9"). In accordance with the Grant agreement 9, the Donor is National Institute on Drug Abuse (NIDA) and the period of the project's implementation lasts from July 01, 2018 to May 31, 2019.

The funding is agreed in amount of \$468 015 for the period of Medium realization.

Grant 9 has been implemented by the Organization according to the "Notice of Award" # 5U01DA045384-02 dated May 23, 2019 (the "Grant Agreement 9"). In accordance with the Grant agreement 9, the Donor is National Institute on Drug Abuse (NIDA) and the period of the project's implementation lasts from July 01, 2019 to May 31, 2020.

The funding is agreed in amount of \$454 226 for the period of Medium realization.

The aim of this project is to study the effectiveness of the modified SBIRT, where instead of offsite psychiatric referral, depression is treated onsite using SSRIs.

- The project "Expanding MAT in Ukraine" (the "XMAT" or the "Grant 10") is implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # GR 103901 (CON-80001355) dated September 10, 2018 (the "Grant Agreement 10"). In accordance with the Grant agreement 10, the Donor is Yale University and the period of the project implementation lasts from January 03, 2018 to June 30, 2019.

The total funding is approved for the Grant 10 implementation and equals to \$178,383.

In accordance with the FDP Amendment #1 dated September 12, 2019 total funding was increased by \$9,911 (\$9,177 – direct cost and \$734 – indirect cost). In addition, the end of project implementation was also extended to June 30, 2020.

The aim of the project is to develop and test a two-step shared decision-making (SDM) aid, with a focus on HIV+ PWID, to promote OAT entry and retention in PWID who have previously or never been prescribed OAT.

Fund accountability statement was prepared for the period from January 01, 2019 to December 31, 2019.

### 3. AUDIT OBJECTIVES AND SCOPE

#### 3.1 AUDIT OBJECTIVES

The primary purpose of a financial statement audit is to provide an opinion about whether financial statements of the Organization are presented fairly in all material respects in conformity with an applicable generally accepted accounting principles and financial reporting standards. Reporting on financial statement audits performed in accordance with U.S. General Accepted Government Auditing Standards (GAGAS) included but not be limited on reports on internal control and on compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements. Audit objectives include the following:

- Express an opinion on whether the fund accountability statement for the USG-funded programs are prepared fairly in all material respects in relation to the Organization's financial statements as a whole and in revenues received, costs incurred and assets, commodities, and technical assistance directly procured with USG funding for the period audited in conformity with the terms of the award and generally accepted accounting principles;

- Evaluate and obtain a sufficient understanding on Organization's internal control related to the USG-funded programs (including such one as far as indirect costs allocation), assess control risk, and identify reportable conditions, including material internal control weaknesses;
- Perform tests to determine whether the Organization complied in all material respects with agreements terms and applicable laws and regulations (including requirements mentioned in 2CFR 200) related to USG-funded programs (including such ones as far as indirect costs allocation). Identify all material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred;
- Perform a revision of the indirect cost rate if the Organization has been authorized to charge indirect costs to USG using provisional or 10 percent de minimis rates when USG has not yet negotiated final rates with the Organization;
- Perform a financial audit of the Organization-wide general-purpose financial statements consisting of the balance sheet as at December 31, 2019 and related statement of financial results for the year ended December 31, 2019 prepared in accordance with the National Regulations (Standards) of Accounting in Ukraine (NAS) in order to express an opinion as to whether the financial statements were prepared fairly in all material respects;
- Determine if the Organization has taken adequate corrective actions on prior audit report recommendations.

### 3.2 AUDIT SCOPE AND METHODOLOGY

Audit scope on fund accountability statement under USG projects included but not be limited by following:

- Review direct and indirect costs billed to and reimbursed by USG and costs incurred but pending reimbursement by USG, identifying and quantifying any questioned costs (ineligible and/or unsupported with adequate primary documents). All costs that are not supported with adequate documentation or/and are not in accordance with the agreement terms must be reported as questioned;
- Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, USG to the program and general ledgers.
- Review the procedures used to control the funds. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances in bank accounts as at December 31, 2019 from Bank, where the Organization has opened bank accounts;
- Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available;
- Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with USG regulations, other implementing guidance, or the terms and conditions of the award;
- 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 received;
- Review Organization's direct salary charges to determine whether salary rates are 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 is charged to the program and whether it is allowable under the terms of the agreements and applicable legislation. Determine whether allowances and fringe benefits received by employees are in accordance with the agreements and applicable laws and regulations;

- Review Organization's travel and transportation charges to determine whether they are adequately supported, complied with agreement's terms and approved;
- Review commodities (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by the Organization to determine whether such commodities exist or were used for their intended purposes in accordance with the terms of the agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to perform end-use reviews for an appropriate sample of all commodities, ensure that such commodities are marked in accordance with grant or contract requirements;
- Review technical assistance and services procured by the Organization to determine whether they were used for their intended purposes in accordance with the terms of the agreements;

Audit scope on internal control included the following main directions:

- Obtain an understanding of the design of the internal control the Organization related to USG projects and programs and determine whether they have been placed in operation;
- Assess inherent risk, control risk, and determine the detection risk. Inherent risk is the susceptibility of an assertion, such as an account balance, to a misstatement that could be material, either individually or when aggregated with other misstatements, assuming that there are no related controls of the Organization. Control risk is the risk that a material misstatement, either individually or when aggregated with other misstatements could occur in a relevant assertion and will not be prevented or detected on a timely basis by the Organization's internal controls. Detection risk is the risk that the procedures performed by the auditor to reduce audit risk to an acceptably low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements;
- Evaluate the control environment, the adequacy of the accounting systems, and control procedures. Analyze the policies and procedures that pertain to the Organization's ability to record, process, summarize, and report financial data consistent with the assertions embodied in each account of the fund accountability statement. This evaluation included, but not limited to, the control systems for:
  - ensuring that charges to the program are proper and supported;
  - managing cash on hand and in bank accounts;
  - procuring goods and services;
  - managing inventory and receiving 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.;
  - 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 provisions of laws, regulations, contracts, and grant agreements includes but is not limited by following:

- Identify the agreements' terms and pertinent laws and regulations and determine which of those 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 materials which were either directly procured by the Organization or directly procured by USG for the Organization's actually existed and were used for their intended purposes in accordance with the agreements;
- Determine whether any technical assistance and services, either procured by the Organization or directly procured by USG for the Organization's use, were used for their intended purposes in accordance with the agreements;
- Determine whether those who received services and benefits were eligible to receive them;
- Determine whether the recipient's financial reports and claims for advances and reimbursement contain information that is supported by the books and records.

The scope of audit work on follow up on prior audit recommendations by the Organization included the following:

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

The scope of work on indirect cost rates included the following:

- Determine if distribution or allocation base includes all costs that benefited from indirect activities;
- Evaluate whether indirect cost pool includes only costs authorized by the USG agreements and applicable cost principles;
- Analyze whether indirect cost rates obtained by dividing the indirect cost pool by the base are accurately calculated;
- Costs included in this calculation reconcile with the total expenses shown in the Organization's audited general purpose financial statements.

#### 4. SUMMARY OF AUDIT RESULTS

We have conducted our audit for the year ended December 31, 2019.

During our 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 evidences. For the purposes of the audit we have detected the level of materiality.

The examination of audit evidences was conducted on sampling basis. Audit sampling size was 52% 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 were required.

We assess the 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:

- Independent auditors' report on Fund Accountability Statement under USG projects;
- Independent auditors' report on Internal Control;
- Independent auditors' report on Compliance with Agreement terms and Applicable Laws and Regulations.
- Independent auditors' report on Schedule of Computation of Indirect Cost Rates Allocation;
- Independent auditors' report on General-purpose financial statements.

Our audit findings are mentioned below:

- 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;
- We did not identify any material weaknesses in internal control system of the Organization related to the projects.
- The results of our tests disclosed no material instances of noncompliance that are required to be included in the Independent auditors' report on compliance with agreements terms and applicable laws and regulations
- The Organization is authorized to carry out indirect costs at the expense of USG funds. While conducting the audit of financial statements we have not found any facts of indirect costs contrary to the Grant Agreement terms.

In the result of the review of the Schedule of Computation of Indirect Cost Rate for the year ended December 31, 2019, no facts have been revealed that would indicate violations in material respects of the applicable basis for its preparation.

- We found that financial statement presents fairly in all material respects the financial position of the Organization as of December 31, 2019 and its financial results for the year then ended in conformity in accordance with NAS.

#### 4.1 STATUS OF PRIOR AUDIT RECOMMENDATIONS

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

In conducting the prior audit on Fund Accountability Statement under USG-projects for the year ended December 31, 2018, no significant deviations were found. As part of our audit, we reviewed appropriate corrective actions on recommendations provided in the previous Management letter. Furthermore, we analyzed the status of audit recommendations on audit for 2016, which were not implemented by the Organization during 2018.

##### *Recognition of incomes and losses from currency sale and operating exchange differences*

During 2016, the Organization did not reflect an effect of exchange rate differences between the NBU exchange rate and the commercial exchange rate on the amount of Targeted funding. According to the audit results of the 2016, 2017 and

2018, the Organization made adjustments to its financial statements at the end of the relevant reporting period.

In conducting our audit for 2019, we found that the Organization partially followed the recommendations. However, the Organization has made all necessary adjustments as at December 31, 2019. As a result, there were no deviations in the financial statements as of the above date.

*Provision for unused vacations*

In accordance with the current legislation the Organization is responsible to perform an inventory of its assets and liabilities at the end of the reporting year. According to accounting data, the total amount of provision for unused vacation was UAH 9,213 as at December 31, 2018.

Based on alternative calculation, the auditors found out that the amount of provision for unused vacations ought to be equaled UAH 43,017, including the single social contribution.

As a result, income and expenses of the Organization and the provision for future expenses and payments are understated, and target funding is overstated in amount of UAH 33,804 as of and for the year ended December 31, 2018.

Necessary adjustments were accrued in accounting system. Financial statements were corrected as at December 31, 2018.

*Procedure for execution of service contracts with contractors involved*

During 2018, the Organization has engaged individual entrepreneurs (hereinafter – involved contractors) on the basis of service contracts to achieve the project goals and objectives. Some of involved contractors are also full-time employees of the Organization.

In addition, such involved contractors systematically fulfilled the charges of the Organization's officers. At the same time, the duties under the contracts met with their duties under positions and approved job descriptions.

Relations with the involved contractors may be recognized as hidden labor relations in case of:

- the agreements with involved contractors require fixed monthly payment for the working process not for the outcomes of work done;
- the involved contractors systematically fulfill the charges of the Organization's officers;
- duties under the contracts with involved contractors met with their duties under job descriptions.

It was recommended to perform the necessary safety measures to reduce the risk of relations with the involved contractors to be recognized as labor relations.

According to the results of the sample analysis of contracts with contractors which was effective in 2019, the above mentioned recommendation was fully implemented.

### *Recognition of travel expenses incurred in foreign currency*

Throughout 2018, employees of the Organization were placed on business trips abroad for projects implementation. The Organization provided such employees for an advance in the amount of per diems for the entire period of business trip.

In 2018, the Organization reflected expenses incurred during the business trip in foreign currency and exceeded the amount of advance in national currency based on the NBU rate effective at the date of the supporting document (taxi check, hotel bills, etc.).

The method of business trip expenses reflection used by the Organization against the current legislation led to overstatement of income and expenses of the Organization and to understatement of target funding as of and for the year ended December 31, 2018 in the amount of UAH 1,446.

It was recommended to strengthen the internal control over compliance with current legislation regarding to reflection of business trip expenses incurred in foreign currency and exceeded the amount of advance payment.

In the course of sample verification we have not revealed the facts of incorrect foreign currency rate application in 2019. Therefore, the prior audit recommendation has been fulfilled.

All mentioned previous audit recommendations are immaterial and have no impact on the auditor opinion.

## **4.2 INSPECTION AND ACCEPTANCE OF AUDIT WORK AND REPORTS**

The results of our audit have been discussed with management of the Organization on September 14, 2020. The Management of the Organization provided us with the Fund Accountability Statement under each separate project as at December 31, 2019 and for the year ended on mentioned date. We did not assist the Organization on statements preparation. However, for the purpose of our audit report we combined them into unified Fund Accountability Statement under USG-funded projects for the year ended December 31, 2019. In addition, we have been provided with and General Purpose Financial Statements for the year ended December 31, 2019.

The statements mentioned above were approved by Tatiana 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 by Deputy finance and administrative director Svitlana Remenets.

## **5. MANAGEMENT COMMENTS ON AUDIT RESULTS**

For the purpose to obtain an audit opinion on whether the financial statements are presented fairly, in all material respects, we have provided auditors with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- unrestricted access to persons within the entity from whom auditors determined it necessary to obtain audit evidence;
- confirm, that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- other additional information that auditors have requested from us for the purpose of the audit;

Based on audit results, we were provided with the full list of Independent auditor's reports and Management letter which includes recommendations regarding to amendments in Accounting policy and internal control on compliance with the current legislation. Mentioned recommendations have been closely studied by management to assess their full economic impact on future activity of the Organization.

We have adjusted accounting records and financial statements based on audit results with material influence on financial statements of the Organization. Recommendation without direct influence on financial statements will be taking into account in future activities.

## **SECTION II – INDEPENDENT AUDITORS' REPORTS**

## INDEPENDENT AUDITORS' REPORT ON FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS

**To General meeting of members and management  
of Charitable Organization «Ukrainian Institute on Public Health Policy»**  
Belorusskaya Str., house 5, office 20, 27  
Kyiv, 04050, Ukraine

We have audited the Fund Accountability Statement on the following projects: Project "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 1") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 (the "Grant Agreement 1") concluded with Johns Hopkins University; Project "Stigma, Risk Behaviors, and Health Care among HIV-infected Russian People Who Inject Drugs" (the "Stigma" or the "Grant 2") is implemented based on FDP Research Subaward Agreement #4R00DAO41245-03 dated February 15, 2019 (the "Grant Agreement 2") concluded with Boston Medical Center Corporation; Project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 3"), which is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 (the "Grant Agreement 3") and was funded by the Yale University; the project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 4") was implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 (the "Grant Agreement 4"). In accordance with the Grant agreement 4, the Donor is Yale University; Project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 5"), is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 (the "Grant Agreement 5") and concluded with Mariam Hospital (NIAID contractor); The project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 6") was implemented by the Organization in accordance with FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 (the "Grant Agreement 6"). The project "Using latent class analysis to understand the role of layered stigma on engagement in care among HIV positive women who use drugs in Ukraine" (the "Hopkins-2" or the "Grant 7") is implemented by the Organization according to the "FDP Cost Reimbursement Research Subaward Agreement" # 1R21TW01160 dated January 18, 2019 (the "Grant Agreement 7"); Project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 8") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 (the "Grant Agreement 8") and signed with Yale University; The project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 9") is implemented by the Organization according to the "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 and #5U01DA045384-02 dated May 23, 2019 (the "Grant Agreement 9"). In accordance with the Grant agreement 9, the Donor is National Institute on Drug Abuse (NIDA); The project "Expanding MAT in Ukraine" (the "XMAT" or the "Grant 10") is implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # GR 103901 (CON-80001355) dated September 10, 2018 (the "Grant Agreement 10"). In accordance with the Grant agreement 10, the Donor is Yale University and funded by USG funds for the year then ended December 31, 2019. The Fund Accountability Statement is the responsibility of the Organization's management. 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.

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, and commodities and technical assistance directly procured 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 Note 1.

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated September 28, 2020, 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 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.

Sincerely,

**Olena Volska**

Managing Partner and Director

**Energex Outsourcing LLC**

13A Universytetska Str., Kyiv 03110, Ukraine

**September 28, 2020**

  
(signature)

**FUND ACCOUNTABILITY STATEMENT UNDER USC-FUNDED PROJECTS**  
**as at December 31, 2019 and for the year then ended**  
*(in US dollars)*

VIPHP

**FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS (continuance)**  
**as at December 31, 2019 and for the year then ended**  
*(in US dollars)*

| Elements                                                  | Grant 4                                        |                                                                |                                                                    |                                                | Grant 5                                                        |                                                                    | Grant 6                                        |                                                                | Questioned Costs                                                   |            | Notes  |
|-----------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------|------------|--------|
|                                                           | Agreement Budget from 04.10.2016 to 30.06.2020 | Actual Revenues and Expenditures from 01.01.2019 to 31.12.2019 | Cumulative Revenues and Expenditures from 04.10.2016 to 31.12.2019 | Agreement Budget from 25.06.2018 to 24.06.2020 | Actual Revenues and Expenditures from 01.01.2019 to 31.12.2019 | Cumulative Revenues and Expenditures from 25.06.2018 to 31.12.2019 | Agreement Budget from 01.06.2017 to 30.04.2020 | Actual Revenues and Expenditures from 01.01.2019 to 31.12.2019 | Cumulative Revenues and Expenditures from 01.06.2017 to 31.12.2019 | Ineligible |        |
| Outstanding Fund Balance as at January 01, 2019           |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |            |        |
| Revenue - received grants                                 |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |            |        |
| USG Contribution                                          | \$1,040,399                                    | \$457,516                                                      | \$775,169                                                          | \$20,640                                       | \$10,745                                                       | \$16,671                                                           | \$120,454                                      | \$22,873                                                       | \$38,360                                                           | -          | Note 2 |
| Program Income                                            | -                                              | -                                                              | -                                                                  | -                                              | -                                                              | -                                                                  | -                                              | -                                                              | -                                                                  | -          | -      |
| Total Revenues                                            | \$1,040,399                                    | \$457,516                                                      | \$775,169                                                          | \$20,640                                       | \$10,745                                                       | \$16,671                                                           | \$120,454                                      | \$22,873                                                       | \$38,360                                                           | -          | -      |
| Expenditures                                              |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |            |        |
| Direct Costs                                              |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |            |        |
| Personnel                                                 | -                                              | (\$30,762)                                                     | -                                                                  | (\$13,110)                                     | (\$4,265)                                                      | (\$9,479)                                                          | (\$41,963)                                     | (\$15,843)                                                     | (\$44,580)                                                         | -          | -      |
| Fringe Benefits                                           | -                                              | (\$42,154)                                                     | -                                                                  | -                                              | (\$1,388)                                                      | -                                                                  | (\$8,681)                                      | (\$2,576)                                                      | -                                                                  | -          | -      |
| Consultant Labor                                          | -                                              | (\$230,652)                                                    | -                                                                  | -                                              | (\$2,737)                                                      | -                                                                  | -                                              | -                                                              | -                                                                  | -          | -      |
| Travel, Workshops, and Meetings                           | -                                              | (\$38,471)                                                     | -                                                                  | (\$660)                                        | (\$194)                                                        | (\$134)                                                            | (\$44,720)                                     | (\$29)                                                         | (\$1,072)                                                          | -          | -      |
| Equipment - initial purchase                              | -                                              | (\$5,366)                                                      | -                                                                  | -                                              | (\$538)                                                        | -                                                                  | (\$5,020)                                      | -                                                              | -                                                                  | -          | -      |
| Office Supplies                                           | -                                              | (\$3,047)                                                      | -                                                                  | (\$1,550)                                      | (\$3,412)                                                      | (\$1,528)                                                          | (\$4,160)                                      | (\$965)                                                        | -                                                                  | -          | -      |
| Other direct charges                                      | -                                              | (\$31,668)                                                     | -                                                                  | (\$5,320)                                      | (\$445)                                                        | (\$5,612)                                                          | (\$7,580)                                      | (\$1,433)                                                      | (\$11,041)                                                         | -          | -      |
| Sub-Contracts                                             | -                                              | (\$5,959)                                                      | -                                                                  | -                                              | -                                                              | -                                                                  | -                                              | -                                                              | -                                                                  | -          | -      |
| Total direct costs incurred                               | (\$957,167)                                    | (\$388,079)                                                    | (\$751,828)                                                        | (\$20,640)                                     | (\$12,979)                                                     | (\$16,753)                                                         | (\$112,124)                                    | (\$20,846)                                                     | (\$56,693)                                                         | -          | -      |
| Indirect costs                                            | (\$83,232)                                     | -                                                              | (\$59,016)                                                         | -                                              | -                                                              | -                                                                  | (\$8,330)                                      | -                                                              | (\$4,535)                                                          | -          | -      |
| Total direct and indirect costs incurred                  | (\$1,040,399)                                  | (\$388,079)                                                    | (\$810,844)                                                        | (\$20,640)                                     | (\$12,979)                                                     | (\$16,753)                                                         | (\$120,454)                                    | (\$20,846)                                                     | (\$61,228)                                                         | -          | -      |
| Refund                                                    | -                                              | -                                                              | -                                                                  | -                                              | -                                                              | -                                                                  | -                                              | -                                                              | -                                                                  | -          | -      |
| Adjustments                                               |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    | Note 10    | Note 9 |
| Adjustments in respect of currency transfers              | -                                              | \$1,839                                                        | -                                                                  | -                                              | (\$1,272)                                                      | -                                                                  | -                                              | \$450                                                          | -                                                                  | -          | -      |
| Adjustments in respect of cash transfers to other project | -                                              | (\$59,981)                                                     | -                                                                  | -                                              | \$2,878                                                        | -                                                                  | -                                              | (\$567)                                                        | -                                                                  | -          | -      |
| Total adjustments                                         | -                                              | (\$58,142)                                                     | -                                                                  | -                                              | \$1,606                                                        | -                                                                  | -                                              | (\$117)                                                        | -                                                                  | -          | -      |
| Outstanding Fund Balance as at December 31, 2019          |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |                                                |                                                                |                                                                    |            |        |
|                                                           | -                                              | \$11,295                                                       | -                                                                  | -                                              | -                                                              | -                                                                  | -                                              | \$1,910                                                        | -                                                                  | -          | Note 6 |

**FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS (continuance)**  
**as at December 31, 2019 and for the year then ended**  
*(in US dollars)*

| Elements                                                  | Grant 7           | Grant 7           | Grant 7           | Grant 8          | Grant 8          | Grant 8          | Grant 9            | Grant 9            | Grant 9            | Questioned Costs | Notes         |
|-----------------------------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|------------------|---------------|
| Outstanding Fund Balance as at January 01, 2019           | -                 | -                 | -                 | -                | -                | -                | -                  | -                  | -                  | -                | -             |
| Revenue - received grants                                 |                   |                   |                   |                  |                  |                  |                    |                    |                    |                  |               |
| USG Contribution                                          | \$85,260          | \$25,453          | \$49,266          | \$9,906          | \$9,903          | \$9,903          | \$922,241          | \$480,187          | \$568,551          | -                | Note 2        |
| Program Income                                            | -                 | -                 | -                 | -                | -                | -                | -                  | -                  | -                  | -                | -             |
| <b>Total Revenues</b>                                     | <b>\$85,260</b>   | <b>\$25,453</b>   | <b>\$49,266</b>   | <b>\$9,906</b>   | <b>\$9,903</b>   | <b>\$9,903</b>   | <b>\$922,241</b>   | <b>\$480,187</b>   | <b>\$568,551</b>   | <b>-</b>         | <b>-</b>      |
| Expenditures                                              |                   |                   |                   |                  |                  |                  |                    |                    |                    |                  |               |
| Direct Costs                                              |                   |                   |                   |                  |                  |                  |                    |                    |                    |                  |               |
| Personnel                                                 | (\$45,267)        | (\$17,412)        | (\$29,602)        | -                | (\$96)           | (\$702)          | (\$124,740)        | (\$80,132)         | (\$103,449)        | -                | -             |
| Fringe Benefits                                           | (\$1,191)         | (\$3,833)         | (\$758)           | -                | (\$108)          | -                | (\$56,134)         | (\$24,230)         | (\$24,576)         | -                | -             |
| Consultant Labor                                          | (\$14,201)        | (\$3,560)         | -                 | (\$5,073)        | (\$2,573)        | (\$7,579)        | (\$12,150)         | (\$77,347)         | (\$84,890)         | -                | -             |
| Travel, Workshops, and Meetings                           | (\$7,570)         | -                 | -                 | (\$883)          | -                | -                | (\$28,800)         | (\$11,017)         | (\$11,066)         | -                | -             |
| Equipment - initial purchase                              | -                 | -                 | -                 | -                | -                | -                | -                  | (\$191)            | (\$4,586)          | -                | -             |
| Office Supplies                                           | (\$2,304)         | (\$1,163)         | -                 | -                | (\$23)           | (\$344)          | (\$4,320)          | (\$3,374)          | (\$5,819)          | -                | -             |
| Other direct charges                                      | (\$8,412)         | (\$3,752)         | (\$8,990)         | (\$3,950)        | -                | (\$1,278)        | (\$71,100)         | (\$19,122)         | (\$23,480)         | -                | -             |
| Sub-Contracts                                             | -                 | -                 | -                 | -                | -                | -                | (\$597,217)        | (\$269,948)        | (\$309,309)        | -                | -             |
| <b>Total direct costs incurred</b>                        | <b>(\$78,945)</b> | <b>(\$29,720)</b> | <b>(\$39,350)</b> | <b>(\$9,906)</b> | <b>(\$2,900)</b> | <b>(\$9,903)</b> | <b>(\$894,461)</b> | <b>(\$485,361)</b> | <b>(\$567,175)</b> | <b>-</b>         | <b>-</b>      |
| Indirect costs                                            | (\$6,315)         | -                 | (\$3,148)         | -                | -                | -                | (\$27,780)         | (\$12,888)         | (\$19,356)         | -                | Note 8        |
| Понесені, але не відшкодовані<br>донором витрати          | -                 | -                 | -                 | -                | (\$7,003)        | -                | -                  | -                  | -                  | -                | -             |
| <b>Total direct and indirect costs incurred</b>           | <b>(\$85,261)</b> | <b>(\$29,720)</b> | <b>(\$42,498)</b> | <b>(\$9,906)</b> | <b>(\$9,903)</b> | <b>-</b>         | <b>(\$922,241)</b> | <b>(\$498,249)</b> | <b>(\$586,531)</b> | <b>-</b>         | <b>-</b>      |
| Refund                                                    | -                 | -                 | -                 | -                | -                | -                | -                  | -                  | -                  | -                | Note 10       |
| Adjustments                                               |                   |                   |                   |                  |                  |                  |                    |                    |                    |                  | Note 9        |
| Adjustments in respect of currency transfers              | -                 | \$521             | -                 | -                | -                | -                | -                  | (\$313)            | -                  | -                | -             |
| Adjustments in respect of cash transfers to other project | -                 | \$3,746           | -                 | -                | -                | -                | -                  | \$18,375           | -                  | -                | -             |
| <b>Total adjustments</b>                                  | <b>-</b>          | <b>\$4,267</b>    | <b>-</b>          | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>           | <b>\$18,062</b>    | <b>-</b>           | <b>-</b>         | <b>-</b>      |
| <b>Outstanding Fund Balance as at December 31, 2019</b>   | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>         | <b>Note 6</b> |

**FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS (CONTINUANCE)**  
**as at December 31, 2019 and for the year then ended**  
*(in US dollars)*

| Elements                                                  | Agreement Budget<br>from 03.01.2018 to<br>30.06.2020 |          | Actual Revenues and Expenditures<br>from 01.01.2019 to 31.12.2019 |          | Cumulative Revenues and<br>Expenditures<br>from 03.01.2018 to 31.12.2019 |          | Questioned Costs |             | Notes   |
|-----------------------------------------------------------|------------------------------------------------------|----------|-------------------------------------------------------------------|----------|--------------------------------------------------------------------------|----------|------------------|-------------|---------|
|                                                           | Grant 10                                             | Grant 10 | Grant 10                                                          | Grant 10 | Grant 10                                                                 | Grant 10 | Ineligible       | Unsupported |         |
| Outstanding Fund Balance as at January 01, 2019           | -                                                    | -        | -                                                                 | -        | -                                                                        | -        | -                | -           |         |
| Revenue - received grants                                 |                                                      |          |                                                                   |          |                                                                          |          |                  |             |         |
| USG Contribution                                          | \$188,294                                            |          | \$59,041                                                          |          | \$59,041                                                                 |          | -                | -           | Note 2  |
| Program Income                                            | -                                                    |          | -                                                                 |          | -                                                                        |          | -                | -           |         |
| <b>Total Revenues</b>                                     | <b>\$188,294</b>                                     |          | <b>\$59,041</b>                                                   |          | <b>\$59,041</b>                                                          |          | -                | -           |         |
| Expenditures                                              |                                                      |          |                                                                   |          |                                                                          |          |                  |             |         |
| Direct Costs                                              |                                                      |          |                                                                   |          |                                                                          |          |                  |             |         |
| Personnel                                                 | -                                                    |          | (\$33,525)                                                        |          | -                                                                        |          | -                | -           |         |
| Fringe Benefits                                           | -                                                    |          | (\$6,911)                                                         |          | -                                                                        |          | -                | -           |         |
| Consultant Labor                                          | (\$71,170)                                           |          | (\$22,655)                                                        |          | (\$74,402)                                                               |          | -                | -           |         |
| Travel, Workshops, and Meetings                           | (\$7,636)                                            |          | (\$20,206)                                                        |          | (\$2,615)                                                                |          | -                | -           |         |
| Equipment - initial purchase                              | -                                                    |          | -                                                                 |          | -                                                                        |          | -                | -           |         |
| Office supplies                                           | -                                                    |          | (\$10)                                                            |          | (\$6,035)                                                                |          | -                | -           |         |
| Other direct charges                                      | (\$95,540)                                           |          | (\$5,145)                                                         |          | (\$17,610)                                                               |          | -                | -           |         |
| Sub-Contracts                                             | -                                                    |          | -                                                                 |          | -                                                                        |          | -                | -           |         |
| <b>Total direct costs incurred</b>                        | <b>(\$174,346)</b>                                   |          | <b>(\$88,452)</b>                                                 |          | <b>(\$100,662)</b>                                                       |          | -                | -           | Note 8  |
| Indirect costs                                            | (\$13,948)                                           |          | -                                                                 |          | -                                                                        |          | -                | -           |         |
| <b>Total direct and indirect costs incurred</b>           | <b>(\$188,294)</b>                                   |          | <b>(\$88,452)</b>                                                 |          | -                                                                        |          | -                | -           |         |
| Refund                                                    | -                                                    |          | -                                                                 |          | -                                                                        |          | -                | -           | Note 10 |
| Adjustments                                               |                                                      |          |                                                                   |          |                                                                          |          |                  |             | Note 9  |
| Adjustments in respect of currency transfers              | -                                                    |          | \$2,171                                                           |          | -                                                                        |          | -                | -           |         |
| Adjustments in respect of cash transfers to other project | -                                                    |          | \$27,267                                                          |          | -                                                                        |          | -                | -           |         |
| <b>Total adjustments</b>                                  | -                                                    |          | <b>\$29,438</b>                                                   |          | -                                                                        |          | -                | -           |         |
| Outstanding Fund Balance as at December 31, 2019          | -                                                    |          | <b>\$27</b>                                                       |          | -                                                                        |          | -                | -           | Note 6  |

Deputy finance and administrative director

Svitlana Remenets

Director

Tatiana Kiriazova

## **NOTES TO THE FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS as at December 31, 2019 and for the year then ended**

### **NOTE 1: ACCOUNTING POLICIES**

The main accounting policies and principles, which are used by management regarding grant agreements, are disclosed below.

#### **1.1. Accounting basis of preparation of the Fund Accountability statement under USG-funded projects**

The Fund accountability statement under USG-funded projects was prepared in accordance with terms and conditions of agreements.

The Fund accountability statement was prepared based on 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.

The Charitable organization "Ukrainian Institute on Public Health Policy" (the Organization or UIPHP) has separate bank accounts and analytics in accounting data held by registration of revenues and expenses under each project. The accumulation of the revenue and cost generates the Fund Accountability Statement under projects which is audited for the period from January 1, 2019 to December 31, 2019.

The Fund Accountability Statement revenue corresponds to flow of funds received from USG.

Costs of the Fund Accountability Statement correspond to funds disbursed in payment of cost incurred or in advance payments.

#### **1.2. Budgets**

The Charitable organization "Ukrainian Institute on Public Health Policy" implements its statutory goals by using funds received from more than one donor. In accordance with Grant agreements, the duration of each project is different and distinct from generally accepted financial year.

Budgets of the projects presented at the Fund Accountability Statement have been prepared in accordance with the budgets approved by Grant agreements. Such budgets are expressed in USD.

#### **1.3. Functional and presentation currency**

The Fund Accountability Statement provided to auditors by UIPHP is stated in local currency of Ukraine - hryvnias (UAH).

The functional currency for funds received from USG under the grants is USD. The funds from USG were received in USD.

The expenses incurred in connection with performance of the Grant agreements signed with USG are made mostly in hryvnias. As a general rule the expenditure of funds are recalculated into USD at the rate of the currency conversion for each tranche.

Grand 1, Grand 2, Grand 3, Grand 4, Grand 5, Grand 6, Grand 7, Grand 8 and Grand 10 provides for compensation of the actually incurred costs by donors based on the invoices billed on a periodic basis. Such expenses were converted

according to terms of agreements at the NBU exchange rate effective at the date when respective invoices were issued for the purposes of presentation in the Fund Accountability Statement for the year ended December 31, 2019.

## **NOTE 2: REVENUES RECEIVED FROM USG**

During 2019, the Organization received target funds from USG on its bank accounts in total amount of \$1,163,310. These amounts are detailed by the following receptions:

| Project               | Month     | Nature of reception                                         | Amounts in local currency (UAH) | Amounts in USD   |
|-----------------------|-----------|-------------------------------------------------------------|---------------------------------|------------------|
| Grant 1               | February  | Bank transfer received in February 2019 (as reimbursement)  | 115,017                         | \$4 213          |
| Grant 1               | May       | Bank transfer received in May 2019 (as reimbursement)       | 63,758                          | \$2 373          |
| Grant 1               | June      | Bank transfer received in June 2019 (as reimbursement)      | 244,332                         | \$9 329          |
| Grant 1               | August    | Bank transfer received in August 2019 (as reimbursement)    | 118,800                         | \$4 657          |
| Grant 1               | September | Bank transfer received in September 2019 (as reimbursement) | 35,100                          | \$1 423          |
| Grant 1               | October   | Bank transfer received in October 2019 (as reimbursement)   | 61,174                          | \$2 440          |
| Grant 1               | November  | Bank transfer received in November 2019 (as reimbursement)  | 30,461                          | \$1 270          |
| <b>Grant 1, Total</b> |           |                                                             | <b>668 641</b>                  | <b>\$25,705</b>  |
| Grant 2               | September | Bank transfer received in September 2019 (as reimbursement) | 129,763                         | \$5 360          |
| <b>Grant 2, Total</b> |           |                                                             | <b>129 763</b>                  | <b>\$5,360</b>   |
| Grant 3               | January   | Bank transfer received in January 2019 (as reimbursement)   | 102,542                         | \$3,690          |
| Grant 3               | February  | Bank transfer received in February 2019 (as reimbursement)  | 269,287                         | \$9,997          |
| Grant 3               | March     | Bank transfer received in March 2019 (as reimbursement)     | 98,980                          | \$3,631          |
| Grant 3               | April     | Bank transfer received in April 2019 (as reimbursement)     | 67,581                          | \$2,531          |
| Grant 3               | May       | Bank transfer received in May 2019 (as reimbursement)       | 75,073                          | \$2,813          |
| Grant 3               | June      | Bank transfer received in June 2019 (as reimbursement)      | 67,410                          | \$2,576          |
| Grant 3               | July      | Bank transfer received in July 2019 (as reimbursement)      | 68,110                          | \$2,672          |
| Grant 3               | August    | Bank transfer received in August 2019 (as reimbursement)    | 60,897                          | \$2,380          |
| Grant 3               | October   | Bank transfer received in October 2019 (as reimbursement)   | 157,714                         | \$6,376          |
| Grant 3               | November  | Bank transfer received in November 2019 (as reimbursement)  | 503,653                         | \$20,544         |
| Grant 3               | December  | Bank transfer received in December 2019 (as reimbursement)  | 217,296                         | \$9,316          |
| <b>Grant 3, Total</b> |           |                                                             | <b>1 688 543</b>                | <b>\$66,527</b>  |
| Grant 4               | January   | Bank transfer received in January 2019 (as reimbursement)   | 1,088,075                       | \$39,153         |
| Grant 4               | February  | Bank transfer received in February 2019 (as reimbursement)  | 2,054,368                       | \$75,985         |
| Grant 4               | March     | Bank transfer received in March 2019 (as reimbursement)     | 882,107                         | \$32,363         |
| Grant 4               | April     | Bank transfer received in April 2019 (as reimbursement)     | 1,012,472                       | \$37,926         |
| Grant 4               | May       | Bank transfer received in May 2019 (as reimbursement)       | 418,264                         | \$15,675         |
| Grant 4               | June      | Bank transfer received in June 2019 (as reimbursement)      | 1,235,638                       | \$47,222         |
| Grant 4               | July      | Bank transfer received in July 2019 (as reimbursement)      | 1,246,628                       | \$48,199         |
| Grant 4               | October   | Bank transfer received in October 2019 (as reimbursement)   | 2,012,671                       | \$81,373         |
| Grant 4               | November  | Bank transfer received in November 2019 (as reimbursement)  | 899,309                         | \$37,171         |
| Grant 4               | December  | Bank transfer received in December 2019 (as reimbursement)  | 990,102                         | \$42,448         |
| <b>Grant 4, Total</b> |           |                                                             | <b>11 839 633</b>               | <b>\$457,516</b> |
| Grant 5               | February  | Bank transfer received in February 2019 (as reimbursement)  | 47,699                          | \$1,735          |
| Grant 5               | March     | Bank transfer received in March 2019 (as reimbursement)     | 41,486                          | \$1,529          |
| Grant 5               | April     | Bank transfer received in April 2019 (as reimbursement)     | 72,213                          | \$2,691          |
| Grant 5               | May       | Bank transfer received in May 2019 (as reimbursement)       | 51,363                          | \$1,967          |
| Grant 5               | June      | Bank transfer received in June 2019 (as reimbursement)      | 38,482                          | \$1,469          |
| Grant 5               | August    | Bank transfer received in August 2019 (as reimbursement)    | 24,204                          | \$948            |
| Grant 5               | September | Bank transfer received in September 2019 (as reimbursement) | 10,098                          | \$406            |
| <b>Grant 5, Total</b> |           |                                                             | <b>285 546</b>                  | <b>\$10,745</b>  |
| Grant 6               | February  | Bank transfer received in February 2019 (as reimbursement)  | 110,371                         | \$4,087          |
| Grant 6               | April     | Bank transfer received in April 2019 (as reimbursement)     | 86,802                          | \$3,250          |

|                        |           |                                                             |                   |                  |
|------------------------|-----------|-------------------------------------------------------------|-------------------|------------------|
| Grant 6                | May       | Bank transfer received in May 2019 (as reimbursement)       | 39,041            | \$1,475          |
| Grant 6                | June      | Bank transfer received in June 2019 (as reimbursement)      | 90,647            | \$3,461          |
| Grant 6                | August    | Bank transfer received in August 2019 (as reimbursement)    | 84,814            | \$3,348          |
| Grant 6                | September | Bank transfer received in September 2019 (as reimbursement) | 45,072            | \$1,815          |
| Grant 6                | November  | Bank transfer received in November 2019 (as reimbursement)  | 86,422            | \$3,527          |
| Grant 6                | December  | Bank transfer received in December 2019 (as reimbursement)  | 44,505            | \$1,911          |
| <b>Grant 6, Total</b>  |           |                                                             | <b>587,674</b>    | <b>\$22,873</b>  |
| Grant 7                | May       | Bank transfer received in May 2019 (as reimbursement)       | 278,121           | \$10,412         |
| Grant 7                | June      | Bank transfer received in June 2019 (as reimbursement)      | 57,479            | \$2,195          |
| Grant 7                | July      | Bank transfer received in July 2019 (as reimbursement)      | 59,232            | \$2,299          |
| Grant 7                | August    | Bank transfer received in August 2019 (as reimbursement)    | 62,236            | \$2,472          |
| Grant 7                | September | Bank transfer received in September 2019 (as reimbursement) | 62,862            | \$2,548          |
| Grant 7                | October   | Bank transfer received in October 2019 (as reimbursement)   | 73,614            | \$2,937          |
| Grant 7                | November  | Bank transfer received in November 2019 (as reimbursement)  | 62,128            | \$2,591          |
| <b>Grant 7, Total</b>  |           |                                                             | <b>655,674</b>    | <b>\$25,453</b>  |
| Grant 8                | March     | Bank transfer received in March 2019 (as reimbursement)     | 264,313           | \$9,903          |
| <b>Grant 8, Total</b>  |           |                                                             | <b>264,313</b>    | <b>\$9,903</b>   |
| Grant 9                | January   | Bank transfer received in January 2019 (as advance)         | 266,138           | \$9,525          |
| Grant 9                | February  | Bank transfer received in February 2019 (as advance)        | 263,432           | \$9,751          |
| Grant 9                | March     | Bank transfer received in March 2019 (as advance)           | 322,122           | \$12,086         |
| Grant 9                | April     | Bank transfer received in April 2019 (as advance)           | 2,546,576         | \$95,102         |
| Grant 9                | May       | Bank transfer received in May 2019 (as advance)             | 3,939,251         | \$146,667        |
| Grant 9                | July      | Bank transfer received in July 2019 (as advance)            | 541,692           | \$21,206         |
| Grant 9                | August    | Bank transfer received in August 2019 (as advance)          | 344,553           | \$13,702         |
| Grant 9                | September | Bank transfer received in September 2019 (as advance)       | 849,952           | \$33,968         |
| Grant 9                | October   | Bank transfer received in October 2019 (as advance)         | 618,303           | \$25,360         |
| Grant 9                | November  | Bank transfer received in November 2019 (as advance)        | 1,599,743         | \$65,900         |
| Grant 9                | December  | Bank transfer received in December 2019 (as advance)        | 1,113,204         | \$46,920         |
| <b>Grant 9, Total</b>  |           |                                                             | <b>12,404,967</b> | <b>\$480,187</b> |
| Grant 10               | January   | Bank transfer received in January 2019 (as reimbursement)   | 196,407           | \$7,068          |
| Grant 10               | February  | Bank transfer received in February 2019 (as reimbursement)  | 332,104           | \$12,292         |
| Grant 10               | March     | Bank transfer received in March 2019 (as reimbursement)     | 174,015           | \$6,386          |
| Grant 10               | April     | Bank transfer received in April 2019 (as reimbursement)     | 166,554           | \$6,257          |
| Grant 10               | May       | Bank transfer received in May 2019 (as reimbursement)       | 201,862           | \$7,565          |
| Grant 10               | June      | Bank transfer received in June 2019 (as reimbursement)      | 359,910           | \$13,622         |
| Grant 10               | July      | Bank transfer received in July 2019 (as reimbursement)      | 150,730           | \$5,851          |
| <b>Grant 10, Total</b> |           |                                                             | <b>1,581,583</b>  | <b>\$59,041</b>  |

### **NOTE 3: EXPENSES INCURRED**

From January 1, 2019 to December 31, 2019, the Organization incurred direct and indirect expenditures in a total amount of \$1,136,533.

### **NOTE 4: COMPLIANCE WITH APPROVED BUDGETS**

Throughout the implementation of mentioned above Grants, the Organization incurred cumulative expenses which do not exceed approved obligated amounts by donors.

In general, reallocations between approved budget lines were less than 10% of obligated amounts. In addition, all budget overruns were allowed by the donors at the moment of financial statements and/or interim fund accountability reports approval.

#### **NOTE 5: RECONCILIATION WITH ACCOUNTING BALANCES**

Revenues and expenses recorded by the Organization in the Fund Accountability Statement under the projects and in invoices to donors for the period from January 01, 2019 to December 31, 2019 are consistent with accounting books. The remaining funds received from donors are equal to closing balances in bank accounts of the Organization confirmed by bank statements.

#### **NOTE 6: FUND BALANCE RECONCILIATION**

The remaining balances on the bank accounts of the Organization as at December 31, 2019 reconciles with the remaining balances received from USG and recorded in the accounting books and in the Funds Accountability Statement of the Organization.

However, Grant named TIM has been fully implemented till May 20, 2019 and the funds received from donor have been fully used. The Organization decided to use the bank account intended for the TIM for further accumulation of its own funds balances received from another Donor for Stigma (Grant 2). Also, one bank account was used to obtain targeted funding for four different projects but at different times. That is why it is not difficult to track the receipt and movement of funds for different Projects in one bank account. According the Projects to be audited, the information is as follows: for Grant 8 – the bank account was used January 02, 2019 till March 31, 2019; for Grant 2 – from April 1, 2019 to April 12, 2019.

#### **NOTE 7: QUESTIONED COSTS**

Ineligible costs are costs that are explicitly questioned because they are unreasonable, prohibited by the agreements or applicable laws and regulations, or not program related. In addition, if a recipient was required to place USG funds in an interest-bearing account but did not, then the imputed interest that would have been earned is also classified as an ineligible cost.

Unsupported costs are not supported with adequate documentation and/or did not have required prior approvals or authorizations (if it is applicable).

All question costs must be refunded to the donor. In case of donor prior approval, a recipient may reduce its future project expenses in amount of questioned costs.

During the 2019 year, the Organization has not incurred any ineligible and/or unsupported costs. In addition, the majority of projects which are audited are implemented on a reimbursement basis, and then the Organization is not required to hold any funds from USG with interest-bearing bank accounts. Under CDC and Medium projects the Organization receives advances and spends it on monthly basis. Hereby, the closing balances in bank accounts of mentioned projects are scanty to be hold with interest-bearing bank accounts.

#### **NOTE 8: INDIRECT COSTS OF THE ORGANIZATION**

In 2019 the Organization re-invoiced to Donors the expenses actually incurred which included indirect costs in amount of 8% of total direct expenses (or if it was required by donor in amount of 8% of modified total direct costs less the equipment). Mentioned overhead charges are allowed by grant agreements but does not correspond with its actual amount.

The Organization has a separate bank account for indirect costs accounting.

For the purposes of inclusion of indirect costs related to the grants mentioned above to the Fund Accountability Statement for the year ended December 31, 2019 applied actual amount of indirect costs in case of such indirect costs have been incurred from each bank accounts.

## **NOTE 9: ADJUSTMENTS IN THE FUND ACCOUNTABILITY STATEMENT**

### **9.1. Adjustments in respect of currency transfers**

Expenses under Grant agreements conducted with USG were incurred mainly in hryvnas.

Expenses incurred in UAH under the projects were translated in USD for the reporting purposes at:

- NBU exchange rate effective at the date of cash to be used under the projects funded in UAH
- NBU exchange rate effective at the date of invoice to be issued for projects under Grant agreements which required such approach and for projects without any approved approach for cost transfers in USD in agreements;
- exchange rate effective at the date of currency to be sold under projects with advance funding in USD.

Revenues received from the USG were recognized in the Fund Accountability statement in USD as at the date of such funds to receive.

For the Fund Accountability statement purposes for the year ended December 31, 2019, the closing balances under the projects were adjusted in respect of currency translation done by using different approaches for revenue and expenses recognition in USD.

### **9.2. Adjustments in respect of cash transfers to other project**

The Organization has opened separate bank accounts for each Grant for the purpose of the cash accumulation and spending for projects' goals realization in compliance with requirements of Grant Agreements.

If there is an absence or lack of the funds on project bank account, the Organization transfers funds in order to pay off the expenses on its realization from another Grant bank account. Transferred funds are returned on projects bank account in part or in full amount after regular tranche from the donor.

For the purposes of the Fund Accountability Statement, closing balances on the projects' bank accounts were adjusted on the amount of funds borrowed or transferred and not returned in favor of other projects as at December 31, 2019.

## **NOTE 10: REFUNDS**

According to the Grant agreements' conditions under audited projects, the amounts of funds received but did not spend must be refunded to the donor.

In 2019 the Organization has refunded one incorrect payment in amount of \$4,238.

## **NOTE 11: 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 | Amount in USD |
|------------------------------------------------------------------------|-------|---------------|
| Total expenses in the Fund Accountability Statement for the year ended |       |               |
| December 31, 2019                                                      |       | (\$1,136,533) |
| Expenses regard non-audit projects                                     | 11.1  | (\$240,672)   |
| Depreciation of fixed assets                                           | 11.2  | (\$22,063)    |
| Purchase of fixed assets                                               | 11.3  | \$11,318      |
| Purchase of materials                                                  | 11.4  | \$40,107      |

|                                                                                                        |       |                      |
|--------------------------------------------------------------------------------------------------------|-------|----------------------|
| Write-off of the materials                                                                             | 11.5  | (\$23,935)           |
| Expenses Accrued as of December 31, 2018                                                               | 11.6  | \$54                 |
| Prepaid expenses as of December 31, 2018                                                               | 11.7  | (\$93,563)           |
| Expenses accrued as of December 31, 2019                                                               | 11.8  | (\$205)              |
| Prepaid expenses as of December 31, 2019                                                               | 11.9  | \$129,043            |
| Provision for future liabilities and charges                                                           | 11.10 | (\$5,202)            |
| Payments made through provisions for future liabilities and charges accrued in previous years          |       | \$1,664              |
| Other expenses                                                                                         | 11.11 | (\$13,024)           |
| Adjustments in respect of currency transfers                                                           | 11.12 | (\$6,012)            |
| <b>Total expenses in the General Purpose Financial Statements for the year ended December 31, 2019</b> |       | <b>(\$1,359,023)</b> |

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

### 11.1. 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 incurred under non-audit projects should be included for the purposes of the reconciliation of the expenses stated in the Fund Accountability Statement and in the General Purpose financial statements.

### 11.2. 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 for the purposes of the reconciliation of the expenses stated in the Fund Accountability Statement and in the General Purpose financial statements.

### 11.3. Purchase of fixed assets

The purchase of fixed assets is included in expenditure in the Fund Accountability Statement in 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.

### 11.4. Purchase of materials

The purchase of materials is included in expenses in the Fund Accountability Statement in acquisition cost. The cost of the materials not written off is included in the inventory line of the balance sheet in the General Purpose Financial Statements. 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.

### 11.5. 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.

### 11.6. Accrued expenses as at December 31, 2018

The accounts payable to suppliers and contractors, as well as payable for salaries and social security contribution were recorded as expenses in the General Purpose Financial Statements for 2018, however, this debt was paid in 2019. 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 the previous period, but paid in the current period should be excluded.

#### **11.7 Prepaid expenses as at December 31, 2018**

The funds which were paid to suppliers and contractors in advance in 2018 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 2019. Thus the prepaid expenses as of December 31, 2018 should be included in the General Purpose financial statements.

#### **11.8. Accrued expenses as at December 31, 2019**

The accounts payable under settlements with suppliers and contractors occurred and was attributed to expenditure in the General Purpose Financial Statements in 2019. However, this debt will be repaid in 2020. 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 2019 but not paid should be included.

#### **11.9. Prepaid expenses as at December 31, 2019**

The funds paid to suppliers and contractors in advance in 2019 and 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 2020. Therefore, this amount should be excluded for coordination of the General Purpose financial statements.

#### **11.10. Provision for future liabilities and charges**

As a part of provision for future liabilities and charges, the amount of provision for leave is reflected. This reserve was formed as required by national legislation of Ukraine. The cash expenditures for leaves are made and implemented in the period in which the annual leaves are granted to the Organization employees. Consequently, the amount of the provision accrued in 2019 should be included in alignment with the expenditures in the General Purpose financial statements.

#### **11.11. Other expenses**

Other accrued administrative expenses that have been incurred by the Organization and were related to its activity in 2019, including write-off of fixed assets, bad debts etc. These expenses were not related to payments. Therefore, the amount of other expenses should be included in alignment with the expenditures in the General Purpose financial statements.

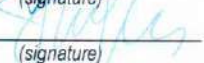
#### **11.12. Adjustments in respect of currency transfers**

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 2019, which amounted to UAH 25.8456 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 35 124 761 at the rate listed above.

Deputy finance and administrative director

Director

  
(signature)  
  
(signature)

Svitlana Remenets

Tatiana Kiriazova

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

**To General meeting of members and management  
of Charitable Organization «Ukrainian Institute on Public Health Policy»**  
Belorusskaya Str., house 5, office 20, 27  
Kyiv, 04050, Ukraine

We have audited the Fund Accountability Statement on the following projects: "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 1") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 (the "Grant Agreement 1") concluded with Johns Hopkins University; Project "Stigma, Risk Behaviors, and Health Care among HIV-infected Russian People Who Inject Drugs" (the "Stigma" or the "Grant 2") is implemented based on FDP Research Subaward Agreement #4R00DAO41245-03 dated February 15, 2019 (the "Grant Agreement 2") concluded with Boston Medical Center Corporation; Project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 3"), which is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 (the "Grant Agreement 3") and was funded by the Yale University; the project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 4") was implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 (the "Grant Agreement 4"). In accordance with the Grant agreement 4, the Donor is Yale University; Project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 5"), is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 (the "Grant Agreement 5") and concluded with Mariam Hospital (NIAID contractor); The project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 6") was implemented by the Organization in accordance with FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 (the "Grant Agreement 6"). The project "Using latent class analysis to understand the role of layered stigma on engagement in care among HIV positive women who use drugs in Ukraine" (the "Hopkins-2" or the "Grant 7") is implemented by the Organization according to the "FDP Cost Reimbursement Research Subaward Agreement" # 1R21TW01160 dated January 18, 2019 (the "Grant Agreement 7"); Project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 8") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 (the "Grant Agreement 8") and signed with Yale University; The project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 9") is implemented by the Organization according to the "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 and # 5U01DA045384-02 dated May 23, 2019 (the "Grant Agreement 9"). In accordance with the Grant agreement 9, the Donor is National Institute on Drug Abuse (NIDA); The project "Expanding MAT in Ukraine" (the "XMAT" or the "Grant 10") is implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # GR 103901 (CON-80001355) dated September 10, 2018 (the "Grant Agreement 10"). In accordance with the Grant agreement 10, the Donor is Yale University and funded by USG funds for the year then ended December 31, 2019 and funded by USG funds as of and for the year ended December 31, 2019 and have issued our report on it dated September 28, 2020.

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 Organization'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 an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

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.

Sincerely,

**Olena Volska**

Managing Partner and Director

**Emergex Outsourcing LLC**

13A Universytetska Str., Kyiv 03110, Ukraine

**September 28, 2020**

  
(signature)

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

**To General meeting of members and management  
of Charitable Organization «Ukrainian Institute on Public Health Policy»**  
Belorusskaya Str., house 5, office 20, 27  
Kyiv, 04050, Ukraine

We have audited the Fund Accountability Statement on the following projects: "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 1") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 (the "Grant Agreement 1") concluded with Johns Hopkins University; Project "Stigma, Risk Behaviors, and Health Care among HIV-infected Russian People Who Inject Drugs" (the "Stigma" or the "Grant 2") is implemented based on FDP Research Subaward Agreement #4R00DAO41245-03 dated February 15, 2019 (the "Grant Agreement 2") concluded with National Institutes of Health (NIH); Project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 6"), which is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 (the "Grant Agreement 3") for the period from August 01, 2015 to July 31, 2016. Grant 3 was funded by the Yale University; The project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 4") was implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 (the "Grant Agreement 4"). In accordance with the Grant agreement 4, the Donor is Yale University; Project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 5"), is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 (the "Grant Agreement 5") and concluded with Mariam Hospital (NIAID contractor); The project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 6") was implemented by the Organization in accordance with FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 (the "Grant Agreement 6"). The project "Using latent class analysis to understand the role of layered stigma on engagement in care among HIV positive women who use drugs in Ukraine" (the "Hopkins-2" or the "Grant 7") is implemented by the Organization according to the "FDP Cost Reimbursement Research Subaward Agreement" # 1R21TW01160 dated January 18, 2019 (the "Grant Agreement 7"); Project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 8") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 (the "Grant Agreement 8") and signed with Yale University; The project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 9") is implemented by the Organization according to the "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 and # 5U01DA045384-02 dated May 23, 2019 (the "Grant Agreement 9"). In accordance with the Grant agreement 9, the Donor is National Institute on Drug Abuse (NIDA); The project "Expanding MAT in Ukraine" (the "XMAT" or the "Grant 10") is implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # GR 103901 (CON-80001355) dated September 10, 2018 (the "Grant Agreement 10"). In accordance with the Grant agreement 9, the Donor is Yale University and funded by USG funds as of and for the year ended December 31, 2019 and have issued our report on it dated September 28, 2020.

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.

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.

Sincerely,

**Olena Volska**

Managing Partner and Director

**Emergex Outsourcing LLC**

13A Universytetska Str.,Kyiv 03110, Ukraine

**September 28, 2020**



(signature)

## INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF COMPUTATION OF INDIRECT COST RATE

To General meeting of members and management  
of Charitable Organization «Ukrainian Institute on Public Health Policy»  
Belorusskaya Str., house 5, office 20, 27  
Kyiv, 04050, Ukraine

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of computation of indirect cost rate contained on page 36 is presented 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 and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

Olena Volska  
Managing Partner and Director

**Emergex Outsourcing LLC**  
13A Universytetska Str., Kyiv 03110, Ukraine

September 28, 2020

  
(signature)

# Charitable Organization «Ukrainian Institute on Public Health Policy»

## SCHEDULE OF COMPUTATION OF INDIRECT COST RATE for the year then ended December 31, 2019 (in US dollars)

| Expenses nature                               | Total costs          | Exclusions /<br>Unallowable costs | Direct costs<br>base | Indirect<br>costs | Notes         |
|-----------------------------------------------|----------------------|-----------------------------------|----------------------|-------------------|---------------|
| Foreign exchange differences                  | (\$12,133)           | -                                 | (\$12,133)           | -                 | -             |
| Audit expenses                                | -                    | -                                 | -                    | -                 | -             |
| Bank charge expenses                          | (\$594)              | -                                 | (\$145)              | (\$449)           | -             |
| Consulting                                    | (\$533,844)          | -                                 | (\$511,135)          | (\$22,709)        | -             |
| Depreciation                                  | (\$21,592)           | -                                 | (\$21,592)           | -                 | -             |
| Employees Benefits                            | (\$56,190)           | -                                 | (\$50,539)           | (\$5,651)         | -             |
| Equipment and other office supplies           | (\$4,451)            | -                                 | (\$4,451)            | -                 | -             |
| Expenses of foreign exchange trading          | (\$2,027)            | -                                 | (\$2,027)            | -                 | -             |
| Legal expenses                                | (\$3,676)            | -                                 | -                    | (\$3,676)         | -             |
| Meeting, Workshops and other travel expenses  | (\$127,538)          | -                                 | (\$108,701)          | (\$18,837)        | -             |
| Miscellaneous                                 | (\$19,881)           | -                                 | -                    | (\$19,881)        | -             |
| Occupancy and cleaning                        | (\$72,451)           | -                                 | (\$65,333)           | (\$7,118)         | -             |
| Office supplies                               | (\$20,818)           | -                                 | (\$18,814)           | (\$2,004)         | -             |
| Other office expenses                         | (\$1,977)            | -                                 | (\$562)              | (\$1,415)         | -             |
| Postage and Shipping                          | (\$2,299)            | -                                 | (\$940)              | (\$1,360)         | -             |
| Printing, publications and translate expenses | (\$15,509)           | -                                 | (\$14,301)           | (\$1,208)         | -             |
| Repairs and maintenance                       | (\$774)              | -                                 | -                    | (\$774)           | -             |
| Security expenses                             | (\$692)              | -                                 | -                    | (\$692)           | -             |
| Salaries and Wages                            | (\$226,168)          | -                                 | (\$226,168)          | -                 | -             |
| Subgrant expenses                             | (\$248,326)          | (\$248,326)                       | -                    | -                 | -             |
| Telephone or internet expenses                | (\$2,243)            | -                                 | (\$2,190)            | (\$52)            | -             |
| <b>Total:</b>                                 | <b>(\$1,373,183)</b> | <b>(\$248,326)</b>                | <b>(\$1,039,031)</b> | <b>(\$85,826)</b> | <b>Note 2</b> |

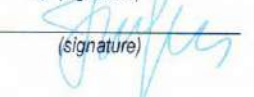
Indirect costs rate computation:

|                  |                      |   |       |
|------------------|----------------------|---|-------|
| Indirect costs   | <u>(\$85,826)</u>    | = | 8.26% |
| Direct cost base | <u>(\$1,039,031)</u> |   |       |

Deputy finance and administrative director

Director

  
(signature)

  
(signature)

Svitlana Remenets

Tatiana Kiriazova

## **NOTES TO SCHEDULE OF COMPUTATION OF INDIRECT COST RATE for the year then ended December 31, 2019**

During 2019, the Charitable organization "Ukrainian Institute on Public Health Policy" incurred expenses directly related to the projects and indirect expenses as Organization general activities covered by donors.

According to Agreement on audit services № UIPHP/26-12-19/EO there are 10 USG-funded projects which are to be audited. However, only 7 of them have in the budget the amount of indirect costs covered by the donor.

### **NOTE 1: INDIRECT COSTS IN TOTAL BUDGETED AMOUNT OF EXPENSES**

Subaward Agreement # 1R21DA044807 dated December 08, 2017 with Johns Hopkins University under Hopkins -1 sets expenses with no direct influence in the amount of \$6,064.

In accordance with Subgrant Agreement Prison interventions and HIV Prevention Collaboration Project #2R01DA029910-06 concluded with Yale University, it was approved in amount of \$25,909 by appropriate cost item for indirect costs compensation for Pride 2.

Sub-grant Agreement # 100-1139670-78160 conducted with the Research Foundation for The State University of New York foresees the indirect cost items in amount of \$4,797 for FIC.

According to the Subaward Agreement #M17A12601 (A10911) with Yale University the amount of allowable indirect expenses was approved for ECHO in the amount of \$83,232.

Subaward Agreement #100-1139670-78160 concluded by the Organization under The project "Ukraine HIV Research Training Program" (the "FIC") is allowed to incur indirect costs in amount of \$8,330.

The project "Using latent class analysis to understand the role of layered stigma on engagement in care among HIV positive women who use drugs in Ukraine" (the "Hopkins-2" or the "Grant 7") is implemented by the Organization according to the "FDP Cost Reimbursement Research Subaward Agreement" # 1R21TW01160 and provides for the indirect cost items in amount of \$6,316.

The Organization is allowed to incur indirect costs in amount of \$27,780 under the Notice of Award" # 1U01DA045384-01 dated June 28, 2018 and # 5U01DA045384-02 dated May 23, 2019 concluded with National Institute on Drug Abuse (NIDA) during the period of the project to be implemented.

For the purpose of XMAT implementation, the subgrant agreement # GR 103901 (CON-80001355) dated September 10, 2018 requires indirect costs in amount of \$13,213.

Indirect cost rate is not computed on temporary basis. It is fixed and authorized by grant agreements by 8 percent.

### **NOTE 2: BASIS OF INDIRECT COST RATE COMPUTATION**

The Organization has prepared the Schedule of Computation of Indirect Cost Rate Schedule based on its accounting records in accordance with National Accounting Regulations (Standards) in Ukraine and on rules of Guidelines for Financial audit contracted by foreign recipients (of OIG) and 2 part CFR 200.

2.1. According to the accounting data, the Organization has incurred expenses in total amount of USD 1,359,023 during 2019 year. Mentioned amount was presented in Statement of financial results (Profit and Loss Statement). For the purposes of indirect cost rate computation the amount of declared expenses was increased by USD 14,160 of foreign exchange losses incurred on the currency conversion which is reported directly through the target funds account and is not recorded in the Organization income and expenses.

2.2. The allocation base (direct cost base) is the total direct costs incurred by Organization in 2019 excluding capital expenditures; and sub-contracts/sub-grants (according to 2 parts CFR 200).

In 2019 the costs of sub-contracts/sub-grants were \$248,326 and were excluded from the computation. During 2019 the Organization has not incurred any material capital expenditures.

2.3. According to 2 parts CFR 200, ineligible expenses must be excluded from the computation of allocation base. During 2018 the Organization has not incurred any expenses that may be ineligible.

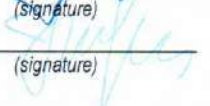
**NOTE 3: FUNCTIONAL AND PRESENTATION CURRENCY**

Schedule of Computation of Indirect Cost Rate is presented in U.S. dollars.

The expenses incurred in 2019 due to performance of the USG-funded projects and made in UAH, were recalculated in USD based on NBU's average exchange rate for year 2019 namely 25.8456 UAH for 1 dollar USD

Deputy finance and administrative director

Director

  
(signature)  
  
(signature)

Svitlana Remenets

Tatiana Kiriazova

## INDEPENDENT AUDITORS' REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

**To General meeting of members and management  
of Charitable Organization «Ukrainian Institute on Public Health Policy»**  
Belorusskaya Str., house 5, office 20, 27  
Kyiv, 04050, Ukraine

We have audited the accompanying financial statements of Charitable Organization «Ukrainian Institute on Public Health Policy» (hereinafter – the Organization) which comprise the balance sheet (statement of financial position) as at December 31, 2019 and the related statement of financial results (profit and loss statement) for the year then ended and the related summary of significant accounting policies prepared in accordance with National Regulations (Standards) of Accounting in Ukraine (NAS).

Management is responsible for the preparation of these financial statements in accordance with NAS; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2019 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 USG. However, upon release by USG, this report is a matter of public record and its distribution is not limited.

Sincerely,

**Olena Volska**

Managing Partner and Director

  
\_\_\_\_\_  
(signature)

**Emergex Outsourcing LLC**

13A Universytetska Str., Kyiv 03110, Ukraine

**September 28, 2020**

**GENERAL-PURPOSE FINANCIAL STATEMENTS****Charitable Organization «Ukrainian Institute on Public Health Policy»****BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)****as at December 31, 2019***(in thousands of US dollars)*

| ASSETS                                                      | Line code   | At the beginning of the reporting period | At the end of the reporting period |
|-------------------------------------------------------------|-------------|------------------------------------------|------------------------------------|
| <b>I. Non-current assets</b>                                |             |                                          |                                    |
| Capital investments in progress                             | 1005        | -                                        | -                                  |
| Property, plant and equipment                               | 1010        | 41.5                                     | 33.3                               |
| historical cost                                             | 1011        | 107.3                                    | 117.8                              |
| depreciation                                                | 1012        | (65.8)                                   | (84.5)                             |
| Long-term biological assets                                 | 1020        | -                                        | -                                  |
| Long-term financial investments                             | 1030        | -                                        | -                                  |
| Other non-current assets                                    | 1090        | -                                        | -                                  |
| <b>Total Section I</b>                                      | <b>1095</b> | <b>41.5</b>                              | <b>33.3</b>                        |
| <b>II. Current assets</b>                                   |             |                                          |                                    |
| Inventories                                                 | 1100        | -                                        | 17.7                               |
| including finished goods                                    | 1103        | -                                        | -                                  |
| Current biological assets                                   | 1110        | -                                        | -                                  |
| Accounts receivable for goods, works and services           | 1125        | -                                        | -                                  |
| Accounts receivable on settlements with the budget          | 1135        | -                                        | -                                  |
| including corporate tax                                     | 1136        | -                                        | -                                  |
| Other current accounts receivable                           | 1155        | 80.6                                     | 140.4                              |
| Current financial investments                               | 1160        | -                                        | -                                  |
| Cash and cash equivalents                                   | 1165        | 73.5                                     | 17.8                               |
| Deferred expenses                                           | 1170        | 6.7                                      | 0.4                                |
| Other current assets                                        | 1190        | 103.2                                    | -                                  |
| <b>Total Section II</b>                                     | <b>1195</b> | <b>264.0</b>                             | <b>176.3</b>                       |
| <b>III. Non-current assets for sale and disposal groups</b> | <b>1200</b> | <b>-</b>                                 | <b>-</b>                           |
| <b>BALANCE</b>                                              | <b>1300</b> | <b>305.5</b>                             | <b>209.6</b>                       |

**BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (continuance)****as at December 31, 2019***(in thousands of US dollars)*

| LIABILITIES                                                                       | Line code   | At the beginning of the reporting period | At the end of the reporting period |
|-----------------------------------------------------------------------------------|-------------|------------------------------------------|------------------------------------|
| <b>I. Equity</b>                                                                  |             |                                          |                                    |
| Statutory capital                                                                 | 1400        | -                                        | -                                  |
| Additional paid-in capital                                                        | 1410        | -                                        | -                                  |
| Reserve capital                                                                   | 1415        | -                                        | -                                  |
| Retained earnings (uncovered loss)                                                | 1420        | -                                        | -                                  |
| Unpaid capital                                                                    | 1425        | -                                        | -                                  |
| <b>Total Section I</b>                                                            | <b>1495</b> | <b>-</b>                                 | <b>-</b>                           |
| <b>II. Long-term liabilities, special purpose funding and provision</b>           | <b>1595</b> | <b>224.3</b>                             | <b>102.6</b>                       |
| <b>III. Current liabilities</b>                                                   |             |                                          |                                    |
| Short-term bank loans                                                             | 1600        | -                                        | -                                  |
| Current accounts payable of:                                                      |             | -                                        | -                                  |
| long-term liabilities                                                             | 1610        | -                                        | -                                  |
| goods, works and services                                                         | 1615        | 0.1                                      | 0.2                                |
| settlements with the budget                                                       | 1620        | -                                        | -                                  |
| including corporate tax                                                           | 1621        | -                                        | -                                  |
| settlements on insurance                                                          | 1625        | -                                        | -                                  |
| settlements with personnel                                                        | 1630        | -                                        | -                                  |
| Deferred income                                                                   | 1665        | 81.1                                     | 106.8                              |
| Other current liabilities                                                         | 1690        | -                                        | -                                  |
| <b>Total Section III</b>                                                          | <b>1695</b> | <b>81.2</b>                              | <b>107.0</b>                       |
| <b>IV. Liabilities related to non-current assets for sale and disposal groups</b> | <b>1700</b> | <b>-</b>                                 | <b>-</b>                           |
| <b>BALANCE</b>                                                                    | <b>1900</b> | <b>305.5</b>                             | <b>209.6</b>                       |

Deputy finance and  
administrative director

(signature)

Svitlana Remenets

Director

(signature)

Tatiana Kiriazova

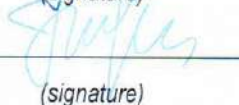
\* Reporting data of Balance Sheet at the beginning and at the end of the reporting period was recalculated by auditors in USD based on NBU's exchange rate as at December 31, 2018 (27.6883 for 1 dollar USD) and as at December 31, 2019 (23.6862 for 1 dollar USD) appropriately

**Charitable Organization «Ukrainian Institute on Public Health Policy»****STATEMENT OF FINANCIAL RESULTS (PROFIT AND LOSS STATEMENT)****for the year ended December 31, 2019***(in thousands of US dollars)*

| ITEM                                                   | Line code   | For the reporting period | For prior period |
|--------------------------------------------------------|-------------|--------------------------|------------------|
| Net revenue from sales of goods, works and services    | 2000        | -                        | -                |
| Other operating income                                 | 2120        | 1,077.4                  | 1,246.3          |
| Other income                                           | 2240        | 281.6                    | 41.6             |
| <b>Total net income (2000 + 2120 + 2240)</b>           | <b>2280</b> | <b>1,359.0</b>           | <b>1,287.9</b>   |
| Cost of sales of goods, works and services             | 2050        |                          |                  |
| Other operating expenses                               | 2180        | (1,355.3)                | (1,286.5)        |
| Other expenses                                         | 2270        | (3.7)                    | (1.4)            |
| <b>Total expenses (2050 + 2180 + 2270)</b>             | <b>2285</b> | <b>(1,359.0)</b>         | <b>(1,287.9)</b> |
| <b>Financial results before taxation (2280 - 2285)</b> | <b>2290</b> | <b>-</b>                 | <b>-</b>         |
| Corporate tax                                          | 2300        | -                        | -                |
| <b>Net profit (loss) (2290 - 2300)</b>                 | <b>2350</b> | <b>-</b>                 | <b>-</b>         |

Deputy finance and  
administrative director

Director

  
(signature)  
  
(signature)

Svitlana Remenets

Tatiana Kiriazova

\* Reporting data of Statement of Financial Results for the prior and reporting period was recalculated by auditors in USD based on NBU's average exchange rate for year 2018 (27.2005 for 1 dollar USD) and 2019 (25.8456 for 1 dollar USD), appropriately

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **for the year ended December 31, 2019**

#### **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, and 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, 2019 the number of employees of the Organization was 16 people.

#### **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, 2019 and covered the period from January 01, 2019 to December 31, 2019.

The financial statements have been prepared in the national currency of Ukraine – Hryvnia (UAH) and have been recalculated in applicable NBU's exchange rate.

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**

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 recognized 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 6,000 or more per unit.

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**

Low-value non-current assets are all assets used in the activity of more than one year and the initial value is less than UAH 6,000 or more per unit.

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. Purchased office supplies and housekeeping are written-off on monthly basis. Other materials are written-off in the moment of its actual transfer from the Director of the Organization to respective manager (or other authorized person) based on acts of Acceptance.

#### **Cash**

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

#### **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.

Incomes from currency sale and operating exchange differences are recognized as target fund increasing and have no influence on financial results of the Organization.

Recognition of incomes and losses from currency sale and operating exchange differences

#### **Cost recognition**

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

Costs are expensed in a period of time when they were actually incurred together with the respective recognition of the revenue.

Losses from currency sale and operating exchange differences are recognized as target fund decreasing and have no influence on financial results of the Organization.

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.

### Provision accruals

The Organization makes the provision accruals on unused vacations as at the end of the financial year and makes the adjustments on it during the year if it is necessary. The provision is calculated in accordance with the applicable legislation requirements.

Prepaid air tickets and goods are registered on the account of other expenses provisions till their actual use by employees in business trip.

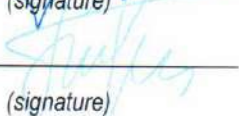
Deputy finance and  
administrative director



(signature)

Svitlana Remenets

Director



(signature)

Tatiana Kiriazova