AUDIT OF THE FUND ACCOUNTABILITY STATEMENT of USG/Ukraine Resources

managed by Charitable Organization
«Ukrainian Institute on Public Health Policy»

under USG-funded projects

for the year ended December 31, 2017

TABLE OF CONTENTS

SECTION I – BACKGROUND

unleashing corporate dynamism
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1. Transmittal letter

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

September 27, 2018

Audit of the Charitable Organization «Ukrainian Institute on Public Health Policy» as at December 31, 2017 and for the year then ended

Pursuant to the terms of the Service agreement #UIPHP/20-12-17/EO, entered into by and between Emergex Outsourcing Limited Liability Company (hereinafter – the Emergex Outsourcing LLC or Auditors)* and the Charitable Organization "Ukrainian Institute on Public Health Policy" (hereinafter – the Organization or UIPHP), we provide our reports on the Organization's audit findings.

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

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

Sincerely,

Olena Volska
Managing Partner and Director

ЕМЕРДЖЕКС АУТСОРСІНГ
м. Київ * Україна
32525549

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

Audit of the Charitable Organization «Ukrainian Institute on Public Health Policy» as of December 31, 2017 and for the year then ended

2. Summary

2.1. General information

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

The Organization was created by the change of status from local to all-Ukrainian based on the Protocol #6 dated March 21, 2011 of the Kyiv City Charitable Organization "Ukrainian Institute on Public Health Policy". It was registered by Kyiv Department of Justice dated July 07, 2016, certificate #1184-2006, identification number 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 p. 2.1 of Statute, the main goal of the Organization is charitable activities in providing voluntary and selfless financial, material, organizational and other self and/or property help for Organization's beneficiary interests assistance in charitable activities stipulated by Statute, developing and supporting of such activities, charitable activities that aim is to participate in researching and improving public health policy, protection of common social and creative interests of its members.

The main goals and objectives of the Organization are:

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

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

2.2. Projects

- The Project "Improving quality of medication assisted treatment in Ukraine" (the "OAT-Guide" or the "Grant 1") under the Grant Agreement # 025-CDC-16-A dated August 08, 2016 (the "Grant Agreement 1") signed with International Charitable Foundation "Alliance for Public Health" for the period from August 01, 2016 till December 31, 2016.

  In accordance with the Grant Agreement 1, the amount of the Grant 1 for the implementation period is UAH 838,872.

  The period of the project execution has been extended until January 31, 2017 by the letter # 60 dated December 09, 2016 and the letter # 1394 dated December 11, 2016.

  The main purpose of the Grant 1 is to develop a coherent system of evaluation and quality improvement which can be used by institutions implementing opioid substitution therapy, as well as by national agencies responsible for the implementation and effectiveness of the program. The objectives of the project include development of adapted clinical guidelines and unified clinical protocols of medical care, development and piloting system of quality improvement.

- The Grant Agreement # 010-CDC-17 dated February 01, 2017 (the "Grant Agreement 2") and signed with International Charitable Foundation "Alliance for Public Health" for the period from February 01, 2017 till January 31, 2018 continue the Project "Improving quality of medication assisted treatment in Ukraine" (the "OAT-Guide 2" or the "Grant 2").

  According to the Grant Agreement 2, the amount of funds for the OAT-Guide 2 implementation period is UAH 3,266,415.

  The purpose of the Grant 2 is to continue the development of the coherent system of evaluation and quality improvement which can be used by institutions implementing opioid substitution therapy, as well as by national agencies responsible for the implementation and effectiveness of the program.

- Project "Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine" (the "CDC" or the "Grant 3") has financed by Department of Health and Human Services Centers for Disease Control and Prevention in accordance with the Notice of Award # 1U01GH000752-01 dated August 22, 2013 (the "Grant Agreement 3"). The implementation period has been defined from September 30, 2013 to September 29, 2015. At the same time, the budget period lasted from September 30, 2013 to September 29, 2014 with the possible extension in case of Donor's funds availability.

  The main changes to the terms of the Grant agreement 3 are below:

  - Notice of Award # 5U01GH000752-02 signed July 03, 2014 for the continuing the budget period of the mentioned Project by the funds of the Centers for Disease Control and Prevention.
  - CDC was revised in October 30, 2014 and budget period was determined from September 30, 2013 to September 29, 2015. In addition, it was approved funds transfer in the amount of $160,199.00 from Year 01 to Year 02.
  - The period of the project implementation was continued to March 29, 2017 by the Notice of Award #5U01GH000752-02 revised dated July 12, 2015 without any additional funds.
  - However, Notice of Award # 3U01GH000752-02S1 dated July 12, 2015 approved the limited additional funding in the amount of $494,477.00, which is authorized only for the current financial year

- Notice of Award # 5U01GH000752-02 dated November 01, 2016 revised Grant 3 for purpose of the budget and project period continuing until March 29, 2018 without any additional funds.

The main purpose of the Grant 3 is to support the operational examination, which are necessary to increase effectiveness in attendance and treatment of HIV.

- The project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 4") has implemented by the Organization in accordance with FDP Cost Reimbursement Foreign Research Subaward Agreement # 100-1139670-78160 dated August 11, 2017 (the "Grant Agreement 4") 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.

  According to the Agreement 4, total amount awarded is $33,960.

  The main purpose of providing funds under Grant 4 is to strengthen the research and educational potential of UIPHP in relation to the response to the HIV epidemic in Ukraine.

- Financial assistance for implementation of the Project "Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care" (the "HPTN" or the "Grant 5"), which provides based on Grant Agreement # FCO 104124/ID 0080.0249 (the "Grant Agreement 5") concluded between Family Health International (FHI 360) and UIPHP for the period from June 01, 2014 to May 31, 2017.

  Grant Agreement 5 includes 3 Appendices and 9 Modifications. The main amendments to Grant agreements are described below:

  - According to the Modification #1 dated December 10, 2014, total obligated amount was made equal to total estimated amount, and the end date for the use of obligated funds was modified from November 30, 2014 to November 30, 2015.
  - In accordance with Modification #2, dated January 06, 2015 the total obligated amount was increased at $354,940
  - Modification #3 dated March 03, 2015 determines increasing of total obligated amount to $1,316,201 provides an advance in the amount of $35 000.
  - Modification #4 dated December 11, 2015 agreed an increase of total obligated amount to $1,645,871 and applied all existing advance payments to the invoice for December 2015.
  - Provisions of the Modification #5 dated September 16, 2016 amended the UIPHP's name and bank information under the Grant Agreement 5;
  - Modification #6 dated September 29, 2016 provides decrease of the obligated amount to $1,645,871.
  - Modification #7 dated December 30, 2016 agreed the relocation of the obligated amount balance between the budget lines.
  - The purpose of Modification #8 dated August 16, 2017 is to increase the obligated amount to $227,458 and extend the project's deadline by November 30, 2017.
  - Modification #9 dated December 12, 2017 increased the obligated amount for $480,269, in particular, from $1,873,329 to $2,353,598 and reduced the total estimated award for $102,633, in particular, from $2,456,231 to $2,353,598. This Modification also extends the duration of the project implementation period until November 30, 2018.

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

- Project "Prison interventions and HIV Prevention Collaboration" (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 6") for the period from August 01, 2015 till July 31, 2016. Grant 6 was funded by the Yale University.

  Mentioned above Grant agreement 6 includes 5 Appendices and 4 Amendments:

  - In accordance with Modification #1 dated August 20, 2016, implementation period was extended until July 31, 2017 with no additional funds;
  - Modification #2 signed as of 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 as of August 02, 2017 extended the period of performance until July 31, 2018.

  The main purpose of financing by Grant 6 is to pursue an examination of possibility of HIV in institution of confinement dissemination preventing on the territory of Ukraine.

- Grant Agreement #114-CDC-15-A dated June 16, 2015 (the "Grant Agreement 7") with International Charitable Foundation "International HIV/AIDS Alliance in Ukraine" was concluded for the implementation of the Project "An improving Treatment Engagement and Adherence for People who Inject Drugs in Ukraine" (the "KPIS" or "Grant 7") during the period from June 01, 2016 till May 31, 2016.

  The Grant Agreement 7 includes 9 Appendices with project description and other relevant information. In 2016, the following Modifications were made:

  - Modification #1 dated May 31, 2016 made changes to the name and bank requisites of International Charitable Foundation "International HIV / AIDS Alliance in Ukraine". Also it provides KPIS extending to September 27, 2016;
  - According to Modification #2 dated July 01, 2016, the end of the Grant 7 was rescheduled to March 31, 2017 and the amount of additional grant funds was increased by UAH 2,742,463.
  - Organization's bank requisites and name have been changed and have been reflected in Modification #3 from September 01, 2016.

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

- By the Grant Agreement # 009-CDC-17-A (the "Grant Agreement 8") signed with International Charitable Foundation "Alliance for Public Health" was continued the Project "Improving quality of medication assisted treatment in Ukraine" (the "KPIS 2" or the "Grant 8") for the period from April 01, 2017 till March 31, 2018. Total amount of financing was equal to UAH 7,548,549.

  The purpose of the Grant 8 is an evaluation of effectiveness of two strategies – Community Initiated Treatment Intervention (CITI) and medical-assisted treatment – and its influence to the indexes of involvement of patients to the programs of HIV treatment and ART, comparing with standard services.

- The project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 9") was implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 (the "Grant Agreement 9"). In accordance with the Grant agreement 9, the Donor is Yale University and the period of the project implementation lasts from October 04, 2016 till January 31, 2017.

  In 2017, the following Modifications were made:

  - The Organization's name has been changed and has been reflected in Amendment #1 dated March 09, 2017. Also the period of 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 of until June 30, 2018, and approved the increasing of funding up to $444,940 etc.

  Before the Agreement signing, the Organization acted in accordance with the terms of Notice of Award dated September 09, 2016.

  The aim of this 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 "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 10") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 (the "Grant Agreement 10"). The implementation period is defined from July 01, 2017 till June 30, 2018. It is funded by Johns Hopkins University.

  According to the Grant Agreement 10, total target funding under Grant 10 is $47,289.

  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 "Double stigma as barrier to integrated HIV treatment among HIV infected PWID in Ukraine" (the "CFAR" or the "Grant 11") is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement # 710-9156 dated March 25, 2017 (the "Grant Agreement 11") that is concluded with the Miriam Hospital (NIAID contractor). Implementation period of the CFAR is envisaged from April 01, 2017 till March 31, 2018. According to the Grant Agreement 11, total target funding is equal to $23,466.

  The purpose of the CFAR is to investigate the aspects of stigma that can be changed through the development and implementation of interventions, an assessment of internal stigma associated with HIV and drug use among injecting drug users and its association with access to HIV treatment and the quality of HIV services.

The Fund Accountability Statement was prepared for the period from January 01, 2017 to December 31, 2017.

2.3. Audit objectives and scope

2.3.1. Audit objectives

- To conduct an examination of the financial statements of the Organization, consisting of the balance sheet as at December 31, 2017 and related statement of financial results for the year ended December 31, 2017 (the "financial statements") prepared in accordance with the National Regulations (Standards) of Accounting in Ukraine (hereinafter – the "NAS") in order to express an opinion as to whether the financial statements are prepared in all material respects.
- To perform an audit of the Fund Accountability Statement of the projects indicated above for the period from January 01, 2017 to December 31, 2017, in order to express an opinion as to whether the Fund Accountability Statement is presented fairly in all material respects. The objectives of the audit included the following:
  - to express an opinion on whether the Fund Accountability Statement for the projects presents fairly, in all material respects, revenues received, purposive character and reasonability of costs incurred for the period audited in conformity with budgets, terms of the agreement and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and accruals basis and modifications of the cash basis);
  - to evaluate and obtain a sufficient understanding of the funding recipient's internal control system related to the projects to assess control risk, and identify reportable conditions, including material internal control weaknesses. That evaluation should include the internal control related to the required cost sharing/counterpart contributions;
  - to perform tests and to determine whether the Organization complied, in all material respects, with Grant agreements terms and applicable laws and regulations related to USG-funded projects. All material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred should be identified;
  - to review Schedule of indirect cost rates allocation for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements in order to express an opinion is fairly stated in all material respects in relation to the basic financial statements taken as whole.

2.3.2. Audit scope and methodology

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

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

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

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

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

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

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

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

  - Ensuring that charges to the program are proper and supported;
  - Managing cash on hand and bank accounts;
  - Procuring goods and services;
  - Managing inventory and reviewing functions, in order to identify the actual availability of funds, tangible assets, intangible assets, inventories, and the reality of the value credited to the balance of the sums of money on hand and in bank accounts, money in transit, accounts payable and receivables, deferred expenses, provisions and reserves for future expenses and payments, etc.;
  - Managing personnel functions such as timekeeping, salaries and benefits;
  - Storage and use of printed materials (books, pamphlets) and other inventories;

- Ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the Fund Accountability Statement.

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

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

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

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

2.4. Summary of audit results

The audit covers the year ended December 31, 2017.

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

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

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

We consider information received to be sufficient and reasonable evidence.

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

As a result of audit conducted we provide:

1) Independent auditors' report on Fund Accountability Statement;
2) Independent auditors' report on Internal Control;
3) Independent auditors' report on Compliance with Agreement terms and Applicable Laws and Regulations.

4) Independent auditors' report on Schedule of Computation of Indirect Cost Rates Allocation;
5) Independent auditors' report on General-purpose financial statements.

The findings of the audit are the following:

- We found that the Fund Accountability Statement on projects funded by USG, is presented fairly, in all material respects, the funds received and costs incurred for the period under audit are in conformity with Guidelines for Financial Audits Contracted by Foreign Recipients.

  However, we found out certain unsupported costs. The essence of the unsupported costs is listed in the Management letter dated September 27, 2018 and Note 4 to the Fund Accountability Statement.

- We did not identify any material weaknesses in internal control system of the Organization related to the projects.

  However, we noted certain immaterial matters involving internal control and its operation that we have reported in the Management letter dated September 27, 2018.

- 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 under U.S. Government Auditing Standards.

  However, we found out certain immaterial deviations from the internal policies and local legislation requirements. The essence of deviation and auditors' recommendation to be implemented are listed in the Management letter dated September 27, 2018.

- 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, 2017, no facts have been revealed that would indicate violations in material respects of the applicable basis for its preparation.

- During our audit of the General Purpose Financial Statements we have not identified deviations that exceed the materiality determined for these statements. The essence of deviations and auditors' recommendations to correct them are listed in a Management letter to UIPHP. Given that all necessary adjustments were made by the Organization such deviations had no impact on our audit reports.

2.5. Status of prior audit recommendations

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

In conducting the prior Fund Accountability Statement audit of the Organization for the year ended December 31, 2016, no significant deviations were found. As part of our audit, we reviewed appropriate corrective actions on recommendations provided in the previous Management letter.

Observation. Depreciation of non-current assets

During the audit for 2016 incorrect accruals of depreciation of some fixed assets were found out. The auditors recommended to strengthen the control over the correctness of the automatic depreciation, its reflection in the financial statements of the Organization, and to make the appropriate accounting system settings.

According to alternative calculations which have been made by auditors based on the information provided by the Organization about the initial cost, used useful lives and depreciation methods, the total amount of fixed assets' depreciation for 2017 should be 607,862 UAH, which is actually less than the amount reflected in the financial statements of the Organization for 2017 by UAH 9,358. The details of the deviations in terms of fixed assets are presented below.

Non-current	Account of Depreciation	Quantity of fixes assets	Depreciation for 2017 (Auditor's data), UAH	Sum of the Depreciation for 2017 (Organization's data), UAH	Deviations, UAH
Antivirus Kaspersky Work Spase Security Baltik Edition	133	1	470	0	470
Software products "Google Apps For Business" with support for 1 year	133	28	0	9,101	(9,101)
Computer GRAND 910B	131	1	0	402	(402)
Uninterrupted APC Back-UPS CS 500	131	1	0	113	(113)
Computer ASUS K72F-TY191R	131	1	0	212	(212)
Total		32	470	9,828	(9,358)

Auditors consider this deviation as insignificant misstatement for the financial statements for 2017.

At the same time, depreciation misstatements caused by the wrong settings of the accounting software may potentially lead to a significant effect on the financial statements including the value of fixed assets, revenues, deferred incomes, and expenses of the Organization. In general, the recommendation of the auditors wasn't fulfilled.

Observation. Applying of currency exchange rates

During the audit of the accounting transactions in foreign currency, the of applying of the incorrect currency exchange rates was revealed. Also, the auditors drew attention that the Accounting policy does not contain provisions regarding to the procedure for reflection transactions in foreign currency which entity could select between provisions defined by the AR(S) 21.

In 2017, all accounting transactions in foreign currency are reflected using the correct exchange rate. The Accounting policy is supplemented by the relevant provisions. Thus, the recommendation of the auditors was implemented.

Observation. Accounting of deferred expenses

During the audit for 2016 it was found out that expenses related to the next reporting period were included in the expenses of the current period at the time of their payment. This has led to the distortion of accounting data and financial reporting.

The auditors have recommended recording the expenses paid by the Organization in the reporting period which related to the future reporting periods on the Account 39 "Deferred expenses" and write off to the expenses of the Organization as they are actually incurred. It was recommended to perform the appropriate accounting adjustments.

Auditor's recommendations were implemented completely. Adjustments to the accounting and financial reporting for 2016 were made. As a result of checking the deferred expenses in 2017, misstatements were not detected.

Observation. Accounting for air tickets

In the course of carrying out the audit of financial statements for 2016, auditors noticed that the cost of acquiring airline tickets for future business trips was included in the expenses on the date of their acquisition. Since the date of the expense is the actual usage by employee during the business trip, such an approach, mentioned above, does not correspond to the principle of accrual.

To avoid the potential risk of overstatement of expenses and understatement of assets of the Organization, the auditors recommended recognizing expenses concerning purchasing of air tickets in the books of the Organization at the moment of their actual usage in the Organization's activity.

The auditor's recommendation was implemented.

Observation. Charging and payment of a single social fee

According to the audit findings for 2016, the Organization applied the maximum value base of accrual a Single social fee separately on income received by employee in the form of salary and payment under the civil contract of this employee. As a result, the amount of the accrued and paid single social fee was overestimated.

Auditors recommended performing the appropriate accounting adjustments regarding to 2016 and to apply maximum value of a single social fee base for aggregate monthly employee's income.

According to the results of the verification 2017, it was found out that the maximum value of a single social fee base was determined correctly. Therefore, the recommendation was implemented.

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

During audit the correctness of the accounting for currency sales transactions, the auditors found out that the exchange differences arising between the official exchange rate and the commercial exchange rate were recognized as revenues and expenses and were written off by Organization to the financial results of the period. The Organization did not reflect the above mentioned foreign exchange difference on the account 48 «Targeted funding and targeted receipts».

The auditors recommended to make adjustments and to charge currency exchange differences on the account 48 «Targeted funding and targeted receipts».

In 2017 the recommendation was not implemented in full.

Observation. Applying of the principle of accrual and matching revenues and expenses

During the audit of the accounting the amount of targeted funding and targeted receipts the auditors noticed that funds which were actually used by the Organization in 2016, were recorded on the credit of account 718 «Income from free of charge current assets» immediately at the moment of writing off funds from bank accounts for the payments of goods and services.

This approach does not ensure compliance with the principle of accrual and matching revenues and expenses, which led to distortion of accounting and financial statement data.

Auditors recommended making the appropriate accounting adjustments and to recognize income from the usage of target funding on accrual basis.

According to the recommendation, the Organization has made adjustments as at 31 December 2016. In general, this recommendation was implemented in 2017.

Observation. Recognition and accounting of expenses of Organization

During the audit it has been found out that the Organization recognized advance payment for audit services rendered in 2016 as current period expenses. Because of the audit reports were not finally approved as at December 31, 2016 mentioned above payment for audit services should be treated as an advance.

The auditors recommended to make adjustments of appropriate income and expenses accounts, as well as the balance of receivables and targeted financing, and subsequently, in accordance with the requirements of provisions of AR(S) 16 «Expenses», not include to the expenses of the current period the amount of paid advances.

The auditors' recommendation was implemented. According to the results of the audit for 2017, no similar violations were identified.

Observation. Accounting and reporting of deferred incomes

During audit 2016, it was identified an overstatement of deferred income caused by including non-sold currency and by recognizing income of targeted financing, that not in accordance with provisions of AR(S) 15 «Revenue».

Auditors recommended to make adjustments of accounting records and financial statement for 2016 and to reflect the income on the account of the targeted funding in the period when respecting expenses were incurred in the future.

According to the recommendation, the Organization has made the adjustments of accounting records and financial statement as at 31 December 2016. As a result of the audit of accounting and reporting of deferred incomes for 2017 no similar violations were not identified. The auditor's recommendation was implemented completely.

Observation. Disclosure of information about targeted funding in financial statement

In the course of audit for 2016, the auditors found out overstating of other current liabilities and understatement of targeted funding balance in balance sheet as at December 31, 2016 in total amount of UAH 2,063,687.

The auditor's recommendation was implemented completely. In particular, the Organization has made necessary adjustments to the balance sheet as at December 31, 2016.

Observation. Inventory accounting and writing-off of inventory

In the course of inventory accounting audit, the auditors found out that the inventories were writen-off from the Organization's Balance on the basis of usage reports provided by the respective manager. However, such inventories should be written off at the point of their transferring to the responsible manager, as the Organization actually loses control over such inventories.

Auditors recommended to amend the Policy of the Organization to write off the inventories at the point when it loses the control over stock .

In 2017 the order of accounting and writing-off of inventories has not been changed. Therefore, the auditor's recommendations were not implemented.

Observation. Per diem

During the audit for 2016 it was discovered that employees were paid per diem without documentary confirmation, which required by the Ukrainian Tax Code (hereinafter – UTC). According to the legislation the reimbursement of travel expenses without documentary confirmation should be treated as benefit in kind of such person and should be included to the tax base for PIT and military tax.

Auditors recommended to accrue appropriate amounts of PIT and military tax, to adjust respective accounting records. For avoiding repeated violations in the future, it was recommended to strengthen internal control on availability of all documentary confirmations concerning all business trips expenses, incurred by employees.

Following the results of the audit of 2017 it was revealed that auditor's recommendations were implemented completely.

Observation. Timely reporting on received advances

During audit of the expense reports for 2016 auditors found out that the expense reports provided by employees have been taken with violation of the deadlines, defined by legislation.

In June 2016 the Organization did not accrue (deduct) UAH 18,044 of PIT and UAH 1,233 of military tax from the advances given to employees which were not reported in time.

Auditors recommended to strengthen internal control on timely reporting by employees on business trip advances, to accrue and to pay respective taxes, to submit respective tax returns self adjustments.

Following the results of the audit of 2017 it was revealed that auditor's recommendations were implemented in full.

2.6. Inspection and acceptance of audit work and reports

The results of our audit have been discussed with management of the Organization on September 18, 2018. The Management of the Organization approved Fund Accountability Statement and General Purpose Financial Statements for the year ended December 31, 2017.

The statements mentioned above were approved by Tetiana Kiriazova, who holds the position of Director based on protocol #5 dated February 19, 2014 of the Conference of the All-Ukrainian Charitable Organization «Ukrainian Institute on Public Health Policy», by Deputy finance and administrative direcor Svitlana Remenets and Anna Palamarchuk who accepted the post of Chief Accountant.

SECTION II – INDEPENDENT AUDITORS' REPORTS

unleashing corporate dynamism
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INDEPENDENT AUDITORS' REPORT
on Fund Accountability Statement

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

We have audited the Fund Accountability Statement on Improving quality of medication assisted treatment in Ukraine Project under the Grant Agreement #025-CDC-16-A dated August 08, 2016 signed with International Charitable Foundation "Alliance for Public Health" (the "OAT-Guide" or the "Grant 1") and under Grant Agreement #010-CDC-17, dated February 01, 2017 (the "OAT-Guide 2" or the "Grant 2"), Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine Project under Notices of Award dated August 22, 2013 etc. with Centers for Disease Control and Prevention (the "CDC" or the "Grant 3"), Ukraine HIV Research Training Program Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 with the Research Foundation for The State University of New York (the "FIC" or the "Grant 4"), Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care Project under Grant Agreement dated August 29, 2014 with Family Health International (the "HPTN" or the "Grant 5"), Prison Interventions and HIV Prevention Collaboration Project under Research Sub-grant Agreement dated February 02, 2016 with Yale University (the "Pride 2" or the "Grant 6"), Improving Treatment Engagement and Adherence for People Who Inject Drugs in Ukraine Project under Grant Agreement #114-CDC-15-A dated June 16, 2015 with International Charitable Foundation "Alliance for Public Health" (the "KPIS" or the "Grant 7"), Improving quality of medication assisted treatment in Ukraine Project under the Grant Agreement #009-CDC-17-A signed with International Charitable Foundation "Alliance for Public Health" (the "KPIS 2" or the "Grant 8"), Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine Project under Cost reimbursement foreign research Sub-grant Agreement dated November 29, 2016 with Yale University (the "ECHO" or "the Grant 9"), Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #R21DA044807 dated December 08, 2017 with Johns Hopkins University (the "Hopkins-1" or the "Grant 10"), Double stigma as barrier to integrated HIV treatment among HIV infected PWID in Ukraine Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #710-9156 dated March 25, 2017 with The Miriam Hospital (the "CFAR" or the "Grant 11") (hereinafter jointly referred to as the "Projects") that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (the "Organization") and funded by USG funds, as at December 31, 2017 and for the year then ended. The Fund Accountability Statement is the responsibility of the Organization. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the paragraphs 3 and 4, we conducted our audit of the Fund Accountability Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

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

September 27, 2018
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director

Charitable Organization «Ukrainian Institute on Public Health Policy»

FUND ACCOUNTABILITY STATEMENT

as at December 31, 2017 and for the year then ended

Budget items		Budget	Actual	Questioned costs		Notes
				Unsupported	Ineligible	
Outstanding Fund Balance as at December 31, 2016						
	Grant 1	-	$9,054	-	-	-
	Grant 2	-	-	-	-	-
	Grant 3	-	-	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	$47,718	-	-	-
	Grant 6	-	$5,030	-	-	-
	Grant 7	-	$32,206	-	-	-
	Grant 8	-	-	-	-	-
	Grant 9	-	-	-	-	-
	Grant 10	-	-	-	-	-
	Grant 11	-	-	-	-	-
Total		-	**$94,008**		-	-
Revenue - received grants						
	Grant 1	-	-	-	-	-
	Grant 2	-	$82,609	-	-	-
	Grant 3	-	$157,860	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	$567,054	-	-	-
	Grant 6	-	$40,950	-	-	-
	Grant 7	-	$30,319	-	-	-
	Grant 8	-	$208,370	-	-	-
	Grant 9	-	$119,368	-	-	-
	Grant 10	-	-	-	-	-
	Grant 11	-	$20,244	-	-	-
Subtotal		-	**$1,226,773**	-	-	-
EXPENDITURE						
Direct costs						
Personnel						
	Grant 1	$12,783	($2,222)	-	-	-
	Grant 2	$41,808	($30,961)	-	-	-
	Grant 3	$309,625	($73,576)	-	-	-
	Grant 4	$16,526	($6,475)	($152)	-	Note 4
	Grant 5	$996,635	($277,008)	-	-	-
	Grant 6	-	-	-	-	-
	Grant 7	$210,468	($26,870)	-	-	-
	Grant 8	$207,045	($118,348)	-	-	-
	Grant 9	-	($4,148)	-	-	-
	Grant 10	$18,247	($412)	-	-	-

Continuation of the Fund Accountability Statement as at December 31, 2017 and for the year than ended

Budget items		Budget	Actual	Questioned costs Unsupported	Questioned costs Ineligible	Notes
	Grant 11	$11,216	($8,361)	-	-	-
Subtotal		**$1,824,353**	**($548,381)**	**($152)**	-	Note 4
Fringe Benefits						
	Grant 1	-	($416)	-	-	-
	Grant 2	-	($6,132)	-	-	-
	Grant 3	-	($12,668)	-	-	-
	Grant 4	$3,935	($636)	($18)	-	Note 4
	Grant 5	$383,891	($48,253)	-	-	-
	Grant 6	-	-	-	-	-
	Grant 7	-	($6,406)	-	-	-
	Grant 8	-	($20,877)	-	-	-
	Grant 9	-	($10,387)	($22)	-	Note 4
	Grant 10	-	($20)	-	-	-
	Grant 11	-	($1,195)	-	-	-
Subtotal		**$387,826**	**($106,990)**	**($41)**	-	Note 4
Consultant Labor						
	Grant 1	$11,298	($680)	-	-	-
	Grant 2	-	($11,511)	-	-	-
	Grant 3	-	($38,216)	-	-	-
	Grant 4	-	($4,019)	($224)	-	Note 4
	Grant 5	-	($104,035)	-	-	-
	Grant 6	-	($30,806)	($113)	-	Note 4
	Grant 7	$128,080	($21,561)	-	-	-
	Grant 8	$39,696	($27,940)	-	-	-
	Grant 9	-	($54,368)	($177)	-	Note 4
	Grant 10	-	($4,684)	-	-	-
	Grant 11	-	-	-	-	-
Subtotal		**$179,074**	**($297,820)**	**($514)**	-	Note 4
Travel, Workshops, and Meetings				-	-	-
	Grant 1	$5,711	($5,154)	-	-	-
	Grant 2	$74,954	($14,414)	-	-	-
	Grant 3	$19,406	($1,556)	-	-	-
	Grant 4	$4,360	-	-	-	-
	Grant 5	$87,780	($78,651)	-	-	-
	Grant 6	-	($2,843)	($17)	-	-
	Grant 7	$8,412	($33)	-	-	-
	Grant 8	$5,302	($1,350)	-	-	-
	Grant 9	-	($12,945)	($19)	-	-
	Grant 10	$3,080	-	-	-	-
	Grant 11	$2,529	($791)	($9)	-	-
Subtotal		**$211,534**	**($117,737)**	**($45)**	-	Note 4
Other direct charges						
Office rent and utilities						
	Grant 1	$612	($163)	-	-	-
	Grant 2	-	($2,045)	-	-	-
	Grant 3	-	($6,280)	-	-	-

Continuation of the Fund Accountability Statement as at December 31, 2017 and for the year than ended

Budget items		Budget	Actual	Questioned costs Unsupported	Questioned costs Ineligible	Notes
	Grant 4	-	($204)	($4)	-	Note 4
	Grant 5	-	($22,804)	-	-	-
	Grant 6	-	($5,358)	($22)	-	Note 4
	Grant 7	$18,563	($2,488)	-	-	-
	Grant 8	$14,882	($7,599)	-	-	-
	Grant 9	-	($9,283)	($117)	-	Note 4
	Grant 10	-	-	-	-	-
	Grant 11	$1,020	($514)	-	-	-
Subtotal		**$35,077**	**($56,738)**	**($143)**	-	Note 4
Office Supplies						
	Grant 1	-	($10)	-	-	-
	Grant 2	-	($363)	-	-	-
	Grant 3	$10,734	($1,965)	-	-	-
	Grant 4	-	($110)	($2)	-	Note 4
	Grant 5	$130,889	($10,368)	-	-	-
	Grant 6	-	($1,170)	-	-	-
	Grant 7	-	($962)	-	-	-
	Grant 8	-	($4,755)	-	-	-
	Grant 9	-	($2,357)	($66)	-	Note 4
	Grant 10	$3,060	($53)	-	-	-
	Grant 11	$360	($131)	-	-	-
Subtotal		**$145,043**	**($22,244)**	**($68)**	-	Note 4
Bank fees						
	Grant 1	-	($35)	-	-	-
	Grant 2	-	($66)	-	-	-
	Grant 3	-	($278)	-	-	-
	Grant 4	-	($2)	-	-	-
	Grant 5	-	($1,075)	-	-	-
	Grant 6	-	-	-	-	-
	Grant 7	-	($95)	-	-	-
	Grant 8	-	($150)	-	-	-
	Grant 9	-	-	-	-	-
	Grant 10	-	($6)	-	-	-
	Grant 11	-	($9)	-	-	-
Subtotal		-	**($1,716)**	-	-	-
Other direct charges						
	Grant 1	$1,137	-	-	-	-
	Grant 2	$6,052	-	-	-	-
	Grant 3	$130,380	($6,053)	-	-	-
	Grant 4	$6,920	-	-	-	-
	Grant 5	$512,232	($9,931)	-	-	-
	Grant 6	-	($97)	($1)	-	Note 4
	Grant 7	$8,336	($2,118)	-	-	-
	Grant 8	$8,621	($1,549)	-	-	-
	Grant 9	-	($9,714)	($288)	-	Note 4
	Grant 10	$19,400	-	-	-	-
	Grant 11	$8,009	($7,814)	($46)	-	-
Subtotal		**$701,087**	**($37,276)**	**($335)**	-	Note 4

Continuation of the Fund Accountability Statement as at December 31, 2017 and for the year than ended

Budget items		Budget	Actual	Questioned costs		Notes
				Unsupported	Ineligible	
Equipment - initial purchase						
	Grant 1	-	-	-	-	-
	Grant 2	-	-	-	-	-
	Grant 3	$5,500	-	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	$73,257	($300)	-	-	-
	Grant 6	-	($985)	-	-	-
	Grant 7	$19,243	-	-	-	-
	Grant 8	$5,151	($919)	-	-	-
	Grant 9	-	($8,117)	-	-	-
	Grant 10	-	-	-	-	-
	Grant 11	-	-	-	-	-
Subtotal		**$103,151**	**($10,321)**	-	-	-
External audit						
	Grant 1	-	-	-	-	-
	Grant 2	-	($198)	-	-	-
	Grant 3	-	($1,673)	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	-	-	-	-
	Grant 6	-	-	-	-	-
	Grant 7	-	-	-	-	-
	Grant 8	-	($1,841)	-	-	-
	Grant 9	-	-	-	-	-
	Grant 10	-	-	-	-	-
	Grant 11	-	-	-	-	-
Subtotal		**-**	**($3,712)**	-	-	-
IT products and services						
	Grant 1	-	($55)	-	-	-
	Grant 2	-	($752)	-	-	-
	Grant 3	-	($3,175)	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	($3,270)	-	-	-
	Grant 6	-	($94)	-	-	-
	Grant 7	-	($665)	-	-	-
	Grant 8	-	($1,708)	-	-	-
	Grant 9	-	($3,761)	-	-	-
	Grant 10	-	-	-	-	-
	Grant 11	$312	($240)	-	-	-
Subtotal		**$312**	**($13,720)**	-	-	-
Printing / Publications						
	Grant 1	-	-	-	-	-
	Grant 2	-	-	-	-	-
	Grant 3	-	-	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	($608)	-	-	-
	Grant 6	-	-	-	-	-
	Grant 7	$4,018	-	-	-	-
	Grant 8	$3,119	-	-	-	-

Continuation of the Fund Accountability Statement as at December 31, 2017 and for the year than ended

Budget items	Budget	Actual	Questioned costs		Notes
			Unsupported	Ineligible	
Grant 9	-	($26)	-	-	-
Grant 10	-	-	-	-	-
Grant 11		-	-	-	-
Subtotal	**$7,137**	**($634)**	-	-	-
Total Other Direct Charges					
Grant 1	$1,749	($263)	-	-	-
Grant 2	$6,052	($3,424)	-	-	-
Grant 3	$146,614	($19,424)	-	-	-
Grant 4	$6,920	($316)	($6)	-	Note 4
Grant 5	$716,378	($48,355)	-	-	-
Grant 6	-	($7,702)	($23)	-	Note 4
Grant 7	$50,160	($6,328)	-	-	-
Grant 8	$31,773	($18,521)	-	-	-
Grant 9	-	($33,164)	($471)	-	Note 4
Grant 10	$22,460	($59)	-	-	-
Grant 11	$9,701	($8,708)	($46)	-	Note 4
Subtotal	**$991,807**	**($146,264)**	**($545)**	-	Note 4
Sub-Contracts					
Grant 1	-	-	-	-	-
Grant 2	-	-	-	-	-
Grant 3	$23 832	($12 600)	-	-	-
Grant 4	-	-	-	-	-
Grant 5	-	-	-	-	-
Grant 6	-	-	-	-	-
Grant 7	-	-	-	-	-
Grant 8	-	-	-	-	-
Grant 9	-	-	-	-	-
Grant 10	-	-	-	-	-
Grant 11	-	-	-	-	-
Subtotal	**$23 832**	**($12 600)**	-	-	-
Total direct and indirect costs					
Grant 1	$31,541	($8,735)	-	-	-
Grant 2	$122,814	($66,442)	-	-	-
Grant 3	$499,477	($158,040)	-	-	-
Grant 4	$31,741	($11,446)	($400)	-	Note 4
Grant 5	$2,184,684	($556,302)	-	-	-
Grant 6	$115,058	($41,351)	($153)	-	Note 4
Grant 7	$397,120	($61,198)	-	-	-
Grant 8	$283,816	($187,036)	-	-	-
Grant 9	$415,537	($115,012)	($689)	-	Note 4
Grant 10	$43,787	($5,175)	-	-	-
Grant 11	$23,446	($19,055)	($55)	-	Note 4
Subtotal	**$4,149,021**	**($1,229,791)**	**($1,297)**	-	Note 4
Indirect costs					
Grant 1	-	-	-	-	-
Grant 2	-	-	-	-	-
Grant 3	-	-	-	-	-
Grant 4	$2,219	-	-	-	-

Continuation of the Fund Accountability Statement as at December 31, 2017 and for the year than ended

Budget items		Budget	Actual	Questioned costs		Notes
				Unsupported	Ineligible	
	Grant 5	$168,914	($20,086)	-	-	-
	Grant 6	$9,205	($4,557)	($78)	-	Note 4
	Grant 7	-	-	-	-	-
	Grant 8	-	-	-	-	-
	Grant 9	$29,403	($3,270)	($97)	-	Note 4
	Grant 10	$3,503	-	-	-	-
	Grant 11	-	-	-	-	-
Subtotal		**$213,244**	**($27,913)**	**($175)**	-	Note 4
Pending expenses incurred						
	Grant 1	-	-	-	-	-
	Grant 2	-	-	-	-	-
	Grant 3	-	-	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	-	-	-	-
	Grant 6	-	($6)	-	-	Note 4
	Grant 7	-	-	-	-	-
	Grant 8	-	-	-	-	-
	Grant 9	-	($224)	-	-	Note 4
	Grant 10	-	-	-	-	-
	Grant 11	-	($34)	-	-	-
Subtotal		-	**($264)**	-	-	Note 4
Total costs incurred						
	Grant 1	$31,541	($8,735)	-	-	-
	Grant 2	$122,814	($66,442)	-	-	-
	Grant 3	$499,477	($158,040)	-	-	-
	Grant 4	$33,960	($11,446)	($400)	-	Note 4
	Grant 5	$2,353,598	($576,388)	-	-	-
	Grant 6	$124,263	($45,908)	($231)	-	Note 4
	Grant 7	$397,120	($61,197)	-	-	-
	Grant 8	$283,816	($187,036)	-	-	-
	Grant 9	$444,940	($118,507)	($786)	-	Note 4
	Grant 10	$47,290	($5,175)	-	-	-
	Grant 11	$23,446	($19,088)	($55)	-	Note 4
Subtotal		**$4,362,265**	**($1,257,968)**	**($1,472)**	-	Note 4
Refund						
	Grant 1	-	($299)	-	-	-
	Grant 2	-	-	-	-	-
	Grant 3	-	-	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	-	-	-	-
	Grant 6	-	-	-	-	-
	Grant 7	-	-	-	-	-
	Grant 8	-	-	-	-	-
	Grant 9	-	-	-	-	-
	Grant 10	-	-	-	-	-
	Grant 11	-	-	-	-	-
Total		-	**($299)**	-	-	-

Budget items		Budget	Actual	Questioned costs Unsupported	Questioned costs Ineligible	Notes
Adjustments in respect of currency transfers						
	Grant 1	-	($20)	-	-	-
	Grant 2	-	($1,577)	-	-	-
	Grant 3	-	$30	-	-	-
	Grant 4	-	($218)	-	-	-
	Grant 5	-	($1,815)	-	-	-
	Grant 6	-	$42	-	-	-
	Grant 7	-	($1,328)	-	-	-
	Grant 8		($737)	-	-	-
	Grant 9		($420)	-	-	-
	Grant 10		$470	-	-	-
	Grant 11		($13)	-	-	-
Total		-	**($5,586)**	-	-	-
Adjustments in respect cash transfers						
	Grant 1		-	-	-	-
	Grant 2		-	-	-	-
	Grant 3		$150	-	-	-
	Grant 4		$11,665	-	-	-
	Grant 5		($23,469)	-	-	-
	Grant 6		($105)	-	-	-
	Grant 7		-	-	-	-
	Grant 8		-	-	-	-
	Grant 9		$12,193	-	-	-
	Grant 10		$4,849	-	-	-
	Grant 11		($1,142)	-	-	-
Subtotal			**$4,140**	-	-	-
Outstanding Fund Balance as at December 31, 2017						
	Grant 1	-	-	-	-	-
	Grant 2	-	$14,591	-	-	-
	Grant 3	-	-	-	-	-
	Grant 4	-	-	-	-	-
	Grant 5	-	$13,100	-	-	-
	Grant 6	-	$4	-	-	-
	Grant 7	-	-	-	-	-
	Grant 8		$20,596	-	-	-
	Grant 9		$12,634	-	-	-
	Grant 10		$144	-	-	-
	Grant 11		-	-	-	-
Total			**$61,068**	-	-	-

Deputy finance and administrative director	*(signature)*	**Svitlana Remenets**
Director	*(signature)*	**Tetiana Kiriazova**

* Budgets of project KPIS under the Grant Agreement dated June 16, 2015, project KPIS 2 under the Grant Agreement dated April 1, 2017, project OAT-Guide under the Grant Agreement dated August 8, 2016 and project OAT-Guide 2 under Grant Agreement dated February 1, 2017 are established in UAH. Budgets of mentioned above projects was recalculated by auditors in USD based on NBU's average exchange rate for year 2017 (26.5966 uah for 1 dollar USD) with the propose of drawing up the FAS and using one currency

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

as at December 31, 2017 and for the year then ended

1. Introduction

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.

2. Accounting policies

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

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

3. Indirect costs of the Organization

In accordance with the terms of Grant Agreement # FCO 104124/ID 0080.0249 signed with Family Health International Organization (project HPTN) and Sub-award Agreements #100-1139670-78160 signed with The Research Foundation for The State University of New York (project FIC), # 5R01DA029910-06 (project Pride 2) and # M17A12601 (A109611) (project ECHO) signed with Yale University and # 1R21DA044807-01 (project Hopkins -1) which funded by Johns Hopkins University, budgeted expenses on projects' goals and objectives realization incudes the expenses with non-direct influence to the projects' activity of the Organization in amount of not more than 8% of total direct expenses.

During the 2017, the Organization overstated to Donors the expenses by billing invoices which included indirect costs in amount of 8% of total direct expenses on project regardless of its actual amount.

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, 2017 applied actual amount of indirect costs.

4. Unallowable costs

1) Against to the Grant agreement requirements, the Organization has reflected indirect costs under the Pride 2 in the amount of 8% from total direct costs without deduction for the cost of the equipment. It has led to unallowable costs in the amount of $82.61 USD. Unallowable costs are able to be returned to the Donor.
2) During 2017, the Organization has recharged to the donors the expenses under the Grant 4, Grant 6, Grant 9 and Grant 11 that were caused by using the official NBU currency exchange rate applicable at the first date of the month they were incurred.

   Use of the currency exchange rate which is different than the required by the Grant agreements has led to costs overstatement in US dollars under the Grant 4, Grant 6, Grant 9 and Grant 11 in total amount of $ 1,472 and to costs understatement in the amount of $ 264. Unallowable costs should be returned to the Donor.

5. Functional and presentation currency

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

The funds from USG were received in U.S. dollars and in local currency UAH.

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

In 2017 the Organization incurred costs under the funds of the Grant 1, Grant 2, Grant 7 and Grant 8, received from donors in local currency. Income and expenses on these projects for the purposes of the presentation in the Fund Accountability Statement were transferred at the official NBU (National Bank of Ukraine) exchange rate effective at the date of receipt and use of cash. The Grant 4, Grant 6, Grant 9 and Grant 11 provide for compensation for the actually incurred costs which is to be compensated by the donor based on the invoices billed on a periodic basis. Such expenses were converted 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, 2017. The same approach was used also for the costs reflection under the Grant 5 and Grant 10 as the otherwise is not required by the Grant agreements.

6. Cash transfers between projects' bank accounts

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 as of December 31, 2017 are adjusted on the amount of funds borrowed or transferred in favor of other projects.

7. Budgets

The Charitable Organization "UIPHP" implements its statutory goals by using funds that were 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. The amounts of grants on each project are allocated between costs items, but are set for the duration of the project as a whole. In accordance with the above, auditors have no possibility to allocate budget amounts for the fiscal year 2017. For purposes of the Fund Accountability Statements on projects, the budget amount is presented as a total for the entire period of the project implementation.

Budget data according to the grant agreement № 025-CDC-16-A, dated August 08, 2016 is given below:

Cost Item	Amount
People resources	$12,783
Technical help	$11,298
Office rent expenses	$612
Planning and administrating	$573
Post and other communicative expenses	$564
Trainings	$5,711
Total	**$31,541**

According to the grant agreement № 010-CDC-17, dated February 01, 2017 (OAT-Guide 2) total budget amount on covering of expenses for project implementation is allocated between following items:

Cost Item	Amount
People resources	$41,808
Trainings	$74,954
Planning and administrating	$6,052
Total	**$122,813**

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

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

Total amount of Grant 4 was allocated in accordance to major directions of expenditures. Grant budget is given below:

Cost Item	Amount
Senior/Key person	$9,514
Other Personnel	$7,012
Fridge benefits	$3,935
Participant/Trainee Support Costs	$4,360
Other direct Costs	$6,920
Indirect Costs	$2,219
Total	**$33,960**

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

Cost Item	Amount
Salaries	$996,635
Fringe Benefits	$383,891
Equipment	$73,257
Suppliers	$130,889
Travel/Transport	$87,780
Other expenses	$512,232
Total direct costs	**$2,184,684**
Indirect cost/G&A	$168,914
Total	**$2,353,598**

In accordance with the grant agreement between Yale University and Organization for Grant 6 it was set following amounts of budget be cost items:

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

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

Cost Item	Amount
People resources	$105,313
Technical help	$100,218
Trainings	$2,632
Infrastructure and other equipment	$17,258
Post and other communicative expenses	$1,985
Monitoring	$12,430
Planning and administrating	$5,877
Office rent expenses	$10,693
Total	**$256,407**

In compliance with Grant agreement # 009-CDC-17-A is detected the budget structure of expenses that provided below:

Cost Item	Amount
People resources	$207,045
Technical help	$39,696
Infrastructure and other equipment	$5,151
Post and other communicative expenses	$3,119
Monitoring	$5,302
Planning and administrating	$8,621
Office rent expenses	$14,882
Total	**$283,816**

In compliance with Amendment #3 to Subaward Agreement # M17A12601 dated August 14, 2017 that was concluded with Yale University on Project ECHO it was determined following costs:

Cost Item	Amount
Direct cost expenses	$415,537
Indirect cost expenses	$29,403
Total	**$444,940**

In compliance with FDP Cost Reimbursement Foreign Research Subaward Agreement # R21DA044807 is detected the budget structure of expenses that provided below:

Cost Item	Amount
Personnel	$18,247
Supplies	$3,060
Research Staff Travel	$3,080
Other Direct Expenses	$19,400
Overhead	$3,503
Total	**$47,289**

Project CFAR is financed by The Miriam Hospital (NIAID contractor) and funds are allocated between following items:

Cost Item	Amount
Salaries	$11,216
Travel to regions	$2,189
Trainings	$340
Other Direct Costs	$5,609
Study Implementation Costs	$4,092
Total	**$23,446**

8. Remaining funds

The balances of funds correspond to the balance on the bank accounts of Grants received from USG as at December 31, 2017, and are as follows:

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

	Grant 1	$9,054
	Grant 2	-
	Grant 3	-
	Grant 4	-
	Grant 5	$47,718
	Grant 6	$5,030
	Grant 7	$32,206
	Grant 8	-
	Grant 9	-
	Grant 10	-
	Grant 11	-
Total		**$94,008**

Funds received during year ended December 31, 2017

	Grant 1	-
	Grant 2	$82,609
	Grant 3	$157,860
	Grant 4	-
	Grant 5	$567,054
	Grant 6	$40,950
	Grant 7	$30,319
	Grant 8	$208,370
	Grant 9	$119,368
	Grant 10	-
	Grant 11	$20,244
Total		**$1,226,773**

Total expenses for year ended December 31, 2017

	Grant 1	($8,735)
	Grant 2	($66,442)
	Grant 3	($158,040)
	Grant 4	($11,446)
	Grant 5	($576,388)
	Grant 6	($45,908)
	Grant 7	($61,197)
	Grant 8	($187,036)
	Grant 9	($118,507)
	Grant 10	($5,175)
	Grant 11	($19,088)
Total		**($1,257,968)**

Total refund for the year ended December 31, 2017

	Grant 1	($299)
	Grant 2	-
	Grant 3	-
	Grant 4	-
	Grant 5	-
	Grant 6	-
	Grant 7	-
	Grant 8	-
	Grant 9	-
	Grant 10	-
	Grant 11	-
Total		**($299)**

Remaining funds as of December 31, 2017

	Grant 1	$20
	Grant 2	$16 168
	Grant 3	($180)
	Grant 4	($11 447)
	Grant 5	$38 383
	Grant 6	$67
	Grant 7	$1 328
	Grant 8	$21 334
	Grant 9	$861
	Grant 10	($5 175)
	Grant 11	$1 156
Total		**$62 515**

Adjustments in respect of currency transfers

	Grant 1	($20)
	Grant 2	($1,577)
	Grant 3	$30
	Grant 4	($218)
	Grant 5	($1,815)
	Grant 6	$42
	Grant 7	($1,328)
	Grant 8	($737)
	Grant 9	($420)
	Grant 10	$470
	Grant 11	($13)
Total		**($5,586)**

Adjustments in respect of cash transfers

	Grant 1	-
	Grant 2	-
	Grant 3	$150
	Grant 4	$11,665
	Grant 5	($23,469)
	Grant 6	($105)
	Grant 7	-
	Grant 8	-
	Grant 9	$12,193
	Grant 10	$4,849
	Grant 11	($1,142)
Total		**$4,140**

The balance of the bank account as of December 31, 2017

	Grant 1	-
	Grant 2	$14,591
	Grant 3	-
	Grant 4	-
	Grant 5	$13,100
	Grant 6	$4
	Grant 7	-
	Grant 8	$20,596
	Grant 9	$12,634
	Grant 10	$144
	Grant 11	-
Total		**$61,068**

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

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

List of reconciliations	Notes *	Sum, USD
Total expenses in the Fund Accountability Statement for the year ended December 31, 2017		**($1,257,968)**
Expenses regard non-audit projects	1.1	($43,522)
Depreciation of fixed assets	1.2	($23,207)
Purchase of fixed assets	1.3	$18,521
Purchase of materials	1.4	$47,752
Write-off of the materials	1.5	($60,948)
Expenses Accrued as of December 31, 2016	1.6	$1,139
Prepaid expenses as of December 31, 2016	1.7	($27,853)
Expenses accrued as of December 31, 2017	1.8	($34)
Prepaid expenses as of December 31, 2017	1.9	$38,351
Provision for future liabilities and charges	1.10	($8,775)
Payments made through provisions for future liabilities and charges accrued in previous years	-	-
Operating foreign exchange difference and losses from foreign exchange difference	1.11	($3,504)
Other expenses	1.12	($12,657)
Adjustments in respect of currency transfers	1.13	$351
Total expenses in the General Purpose Financial Statements for the year ended December 31, 2017		**($1,332,354)**

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

1.1. Expenses regard non-audit projects

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

1.2. Depreciation of fixed assets

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

1.3. Purchase of fixed assets

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

1.4. Purchase of materials

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

1.5. Write-off of the materials

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

1.6. Accrued expenses as at December 31, 2016

The accounts payable under settlements with suppliers and contractors, as well as under settlements related to salaries and the compulsory state social insurance emerged and is charged to expenses in the General Purpose Financial Statements in 2016, however, this debt was repaid in 2017. This means that for purposes of alignment with the expenditures in the General Purpose Financial Statements the amount of expenditures accrued at the end of the previous period, but paid in the current period should be excluded.

1.7. Prepaid expenses as at December 31, 2016

The funds which were paid to suppliers and contractors in advance in 2016 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 2017. Thus the prepaid expenses as of December 31, 2016 should be included in the General Purpose financial statements.

1.8. Accrued expenses as at December 31, 2017

The accounts payable under settlements with suppliers and contractors occurred and was attributed to expenditure in the General Purpose Financial Statements in 2017. However, this debt will be repaid in 2018. 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 2017 but not paid should be included.

1.9. Prepaid expenses as at December 31, 2017

The funds paid to suppliers and contractors in advance in 2017 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 2018. Therefore, this amount should be excluded for coordination of the General Purpose financial statements.

1.10. 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 2017 should be included in alignment with the expenditures in the General Purpose financial statements.

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

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

1.12. Other expenses

Other accrued administrative expenses that have been incurred by the Organization and were related to its activity in 2017, 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.

1.13. 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 2017, which amounted to UAH 26.5966 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 35,436,088.56 at the rate listed above.

Deputy finance and administrative director	(signature)	**Svitlana Remenets**
Director	(signature)	**Tetiana Kiriazova**

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INDEPENDENT AUDITORS' REPORT
on internal control

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

We have audited the Fund Accountability Statement on Improving quality of medication assisted treatment in Ukraine Project under the Grant Agreement #025-CDC-16-A dated August 08, 2016 signed with International Charitable Foundation "Alliance for Public Health" (the "OAT-Guide" or the "Grant 1") and under Grant Agreement #010-CDC-17, dated February 01, 2017 (the "OAT-Guide 2" or the "Grant 2"), Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine Project under Notices of Award dated August 22, 2013 etc. with Centers for Disease Control and Prevention (the "CDC" or the "Grant 3"), Ukraine HIV Research Training Program Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 with the Research Foundation for The State University of New York (the "FIC" or the "Grant 4"), Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care Project under Grant Agreement dated August 29, 2014 with Family Health International (the "HPTN" or the "Grant 5"), Prison Interventions and HIV Prevention Collaboration Project under Research Sub-grant Agreement dated February 02, 2016 with Yale University (the "Pride 2" or the "Grant 6"), Improving Treatment Engagement and Adherence for People Who Inject Drugs in Ukraine Project under Grant Agreement #114-CDC-15-A dated June 16, 2015 with International Charitable Foundation "Alliance for Public Health" (the "KPIS" or the "Grant 7"), Improving quality of medication assisted treatment in Ukraine Project under the Grant Agreement #009-CDC-17-A signed with International Charitable Foundation "Alliance for Public Health" (the "KPIS 2" or the "Grant 8"), Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine Project under Cost reimbursement foreign research Sub-grant Agreement dated November 29, 2016 with Yale University (the "ECHO" or "the Grant 9"), Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #R21DA044807 dated December 08, 2017 with Johns Hopkins University (the "Hopkins-1" or the "Grant 10"), Double stigma as barrier to integrated HIV treatment among HIV infected PWID in Ukraine Project under FDP Cost Reimbursement Foreign Research Subward Agreement #710-9156 dated March 25, 2017 with The Miriam Hospital (the "CFAR" or the "Grant 11") (hereinafter jointly referred to as the "Projects") that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (the "Organization") and funded by USG funds, as at December 31, 2017 and for the year then ended and provide our Report dated September 27, 2018.

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

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

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

However, we noted certain immaterial matters involving internal control and its operation that we have reported in the Management letter dated September 27, 2018.

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

September 27, 2018
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director

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INDEPENDENT AUDITORS' REPORT

on compliance with Agreement terms and Applicable Laws and Regulations

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

We have audited the Fund Accountability Statement on Improving quality of medication assisted treatment in Ukraine Project under the Grant Agreement #025-CDC-16-A dated August 08, 2016 signed with International Charitable Foundation "Alliance for Public Health" (the "OAT-Guide" or the "Grant 1") and under Grant Agreement #010-CDC-17, dated February 01, 2017 (the "OAT-Guide 2" or the "Grant 2"), Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine Project under Notices of Award dated August 22, 2013 etc. with Centers for Disease Control and Prevention (the "CDC" or the "Grant 3"), Ukraine HIV Research Training Program Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 with the Research Foundation for The State University of New York (the "FIC" or the "Grant 4"), Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care Project under Grant Agreement dated August 29, 2014 with Family Health International (the "HPTN" or the "Grant 5"), Prison Interventions and HIV Prevention Collaboration Project under Research Sub-grant Agreement dated February 02, 2016 with Yale University (the "Pride 2" or the "Grant 6"), Improving Treatment Engagement and Adherence for People Who Inject Drugs in Ukraine Project under Grant Agreement #114-CDC-15-A dated June 16, 2015 with International Charitable Foundation "Alliance for Public Health" (the "KPIS" or the "Grant 7"), Improving quality of medication assisted treatment in Ukraine Project under the Grant Agreement #009-CDC-17-A signed with International Charitable Foundation "Alliance for Public Health" (the "KPIS 2" or the "Grant 8"), Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine Project under Cost reimbursement foreign research Sub-grant Agreement dated November 29, 2016 with Yale University (the "ECHO" or "the Grant 9"), Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #R21DA044807 dated December 08, 2017 with Johns Hopkins University (the "Hopkins-1" or the "Grant 10"), Double stigma as barrier to integrated HIV treatment among HIV infected PWID in Ukraine Project under FDP Cost Reimbursement Foreign Research Subaward Agreement #710-9156 dated March 25, 2017 with The Miriam Hospital (the "CFAR" or the "Grant 11") (hereinafter jointly referred to as the "Projects") that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (the "Organization") and funded by USG funds, as at December 31, 2017 and for the year then ended and for the year then ended and provide our Report dated September 27, 2018.

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

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

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

However, we found out certain immaterial deviations from the internal policies and local legislation requirements. The essence of deviation and auditors' recommendation to be implemented are listed in the Management letter dated September 27, 2018.

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

September 27, 2018
Emergex Outsourcing LLC

Olena Volska

Managing Partner and Director

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

as at December 31, 2017 and for the year then ended

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Our audit was made for the purpose of forming an opinion on basic financial statements taken as whole. The schedule of computation of indirect cost rate contained on page 42 is presented for purposes of additional analysis and is not a required part of basic financial statements.

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

September 27, 2018
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director

Charitable Organization «Ukrainian Institute on Public Health Policy»

SCHEDULE OF COMPUTATION OF INDIRECT COST RATE

as at December 31, 2017 and for the year then ended

	Total Expenses	Exclusions	Direct Cost Base	Indirect Cost Pool
Accout revaluation expenses	($2,054)	-	($2,054)	-
Bank charge expenses	($1,956)	-	($1,956)	-
Consulting	($362,388)	-	($362,388)	-
Depreciation	($23,207)	-	($23,207)	-
Employes Benefits	($84,519)	($4,585)	($79,934)	-
Equipment and other office supplies	($1,208)	-	($1,208)	-
Expenses of foreign exchange trading	($2,323)	-	($2,323)	-
Law expenses	($2,256)	-	($1,692)	($564)
Meeting, Workshops and other travel expenses	($145,057)	($248)	($144,808)	-
Miscellaneous	($54,363)	($34)	($7,507)	($46,823)
Occupancy and cleaning	($58,589)	-	-	($58,589)
Office supplies	($53,655)	-	($53,380)	($275)
Other office expenses	($9,206)	-	($224)	($8,982)
Postage and Shipping	($16,162)	-	($16,081)	($82)
Printing, publications and translate expenses	($8,334)	-	($7,055)	($1,279)
Repairs and maintenance	($2,212)	-	($1,017)	($1,196)
Safeguarding expenses	($681)	-	-	($681)
Salaries and Wages	($468,938)	-	($468,938)	-
Subgrant expenses	($32,859)	-	($32,859)	-
Telephone or internet expenses	($2,387)	-	($1,977)	($410)
Total	**($1,332,354)**	**($4,867)**	**($1,208,607)**	**($118,880)**

Indirect cost rate calculation:	**Indirect Costs Pool**	**$118,880**	= 9.84%
	Direct Cost base	**$1,208,607**	

УКРАЇНА * КИЇВ * УКРАЇНСЬКИЙ ІНСТИТУТ ПОЛІТИКИ ГРОМАДСЬКОГО ЗДОРОВ'Я» Ідентифікаційний код 34493231 ОРГАНІЗАЦІЯ

Deputy finance and administrative director (signature) **Svitlana Remenets**

Director (signature) **Tetiana Kiriazova**

NOTES TO THE SCHEDULE OF COMPUTATION OF INDIRECT COST RATE

as at December 31, 2017 and for the year then ended

General information

The total amount of expenses for implementation of project's goals was $1,332,354. In accordance with Grant Indicated above amount includes expenses, directly related to the project, and expenses, covered by the donor on proportion basis to the awarded amount.

According to the Agreement on audit services # UIPHP/20-12-17/EO, there are 11 USG funded projects which are to be audited. However, only three of them have in the budget the amount of indirect costs covered by the donor.

This is in accordance with the terms of the Grant Agreement #FCO 104124/ID 0080.0249 with the International Family Health International Organization FHI 360 Organization (project HPTN) and subgrant agreements # 100-1139670-78160 with the Research Foundation for The State University of New York (project FIC), #5R01DA029910-06 (project Pride 2) and #M17A12601 (A109611) (project ECHO) with the Yale University, #,1R21DA044807-01 (project Hopkins – 1) funded by Johns Hopkins University, to the expenses on the realization of the projects' goals and objectives are included expenses that have an indirect effect on the project activities of the Organization.

Amount of allowable indirect cost by project's budgets

In compliance with Grant agreement #FCO 104124/ID 0080.0249 with the International Family Health International Organization FHI 360, Organization could compensate the expenses, which have no direct influence to Project realization, but fall within Organization activities, by grant funds. The amount of budgeted expenses with no direct influence to the project HPTN for the period of the project realization amounts to $178,758.00.

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 $2,219.

In accordance with Subgrant Agreement Prison interventions and HIV Prevention Collaboration Project #5R01DA029910-06 concluded with Yale University, it was approved in amount of $9,205 by appropriate cost item for indirect costs compensation.

According to the Subaward Agreement #M17A12601 (A10911) with Yale University. The project title is "Integrating Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" the amount of allowable indirect expenses was approved in the amount of $29,403.

Subaward Agreement # 1R21DA044807 dated December 08, 2017 with Johns Hopkins University under the project "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" sets expenses with no direct influence in the amount of $3,503.

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

Basis of Indirect costs rate calculation

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

Functional and presentation currency

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

The expenses incurred in 2017 in connection with performance of the projects, funded by USG, and made in UAH, were recalculated by auditors in USD based on NBU's average exchange rate for year 2017 namely 26.5966 UAH for 1 dollar USD

Deputy finance and administrative director	(signature)	**Svitlana Remenets**
Director	(signature)	**Tetiana Kiriazova**

unleashing corporate dynamism
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INDEPENDENT AUDITORS' REPORT
on General-purpose financial statements

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

We have audited the accompanying financial statements of Charitable Organization «Ukrainian Institute on Public Health Policy» (hereinafter – the Organization) including Balance sheet as at December 31, 2017. Statement of financial results for 2017 and a summary of significant accounting policies prepared in accordance with National Regulations (Standards) of Accounting in Ukraine (referred to as NAS). These financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs 3 and 4 we conducted our audit in accordance with the requirements of auditing standards generally accepted in the United States of America and U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and the results of its operation for the year then ended in conformity with generally accepted accounting principles in accordance with NAS.

This report is intended for the information of the Organization and the U.S. Government (USG). However upon release USG this report is a matter of public record and its distribution is not limited.

September 27, 2018
Emergex Outsourcing LLC

Olena Volska
Managing Partner and Director

GENERAL-PURPOSE FINANCIAL STATEMENTS

of Charitable Organization «Ukrainian Institute on Public Health Policy»

as of December 31, 2017 and for the year then ended

BALANCE SHEET
AS AT DECEMBER 31, 2017
(in thousands of USD)

ASSETS	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Capital investments in progress	1005	-	-
Property, plant and equipment	1010	52.7	43.0
historical cost	1011	93.9	101.0
depreciation	1012	(41.2)	(58.0)
Long-term biological assets	1020	-	-
Long-term financial investments	1030	-	-
Other non-current assets	1090	-	-
Total Section I	**1095**	**52.7**	**43.0**
II. Current assets			
Inventories	1100	30.2	16.8
including finished goods	1103	-	-
Current biological assets	1110	-	-
Accounts receivable for goods, works and services	1125	-	-
Accounts receivable on settlements with the budget	1135	1.0	-
including corporate tax	1136	-	-
Other current accounts receivable	1155	20.5	30.7
Current financial investments	1160	-	-
Cash and cash equivalents	1165	97.7	61.1
Deferred expenses	1170	5.8	6.4
Other current assets	1190	26.9	44.5
Total Section II	**1195**	**182.1**	**159.5**
III. Non-current assets for sale and disposal groups	**1200**	-	-
TOTAL	1300	234.9	202.6

BALANCE SHEET (CONTINUED)
AS AT DECEMBER 31, 2017
(in thousands of USD)

LIABILITIES	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Equity			
Statutory capital	1400	-	-
Additional paid-in capital	1410	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered loss)	1420	-	-
Unpaid capital	1425	-	-
Total Section I	**1495**	**-**	**-**
II. Long-term liabilities, special purpose funding and provision	**1595**	**179.6**	**158.2**
III. Current liabilities			
Short-term bank loans	1600	-	-
Current accounts payable of:			
long-term liabilities	1610	-	-
goods, works and services	1615	-	-
settlements with the budget	1620	1.1	-
including corporate tax	1621	-	-
settlements on insurance	1625	-	-
settlements with personnel	1630	-	-
Deferred income	1665	54.2	44.4
Other current liabilities	1690	-	-
Total Section III	**1695**	**55.3**	**44.4**
IV. Liabilities related to non-current assets for sale and disposal groups	**1700**	**-**	**-**
TOTAL	**1900**	**234.9**	**202.6**

Chief accountant Signature **Anna Palamarchuk**

Director Signature **Tetiana Kiriazova**

«УКРАЇНСЬКИЙ ІНСТИТУТ ПОЛІТИКИ ГРОМАДСЬКОГО ЗДОРОВ'Я» м.КИЇВ УКРАЇНА Ідентифікаційний код 34493251

* 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, 2016 (27.1908 for 1 dollar USD) and as at December 31, 2017 (28.0672 for 1 dollar USD) appropriately

STATEMENTS OF FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

(in thousands of USD)

Item	Line code	For the reporting period	For prior period
1	2	3	
Net revenue from sales of goods, works and services	2000	-	-
Other operating income	2120	1 303,6	1 219
Other income	2240	52,6	39
Total net income (2000 + 2120 + 2240)	**2280**	**1 356,3**	**1 258**
Cost of sales of goods, works and services	2050	-	-
Other operating expenses	2180	(1 344,5)	(1 258)
Other expenses	2270	(11,8)	-
Total expenses (2050 + 2180 + 2270)	**2285**	**(1 356,3)**	**(1 258)**
Financial results before taxation (2280 - 2285)	**2290**	-	-
Corporate tax	2300	-	-
Net profit (loss) (2290 - 2300)	**2350**	-	-

Chief accountant Signature **Anna Palamarchuk**

Director Signature **Tetiana 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 2016 (25.5513 for 1 dollar USD) and 2017 (26.5966 for 1 dollar USD), appropriately

EXPLANATORY NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS AS AT END FOR THE PERIOD ENDED DECEMBER 31, 2017

1. GENERAL INFORMATION

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

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

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

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

As at December 31, 2017 the number of employees of the Organization amounted to 26 people.

2. ACCOUNTING POLICY

General information

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

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

These financial statements have been prepared as of December 31, 2017 and covered the period from January 01, 2017 to December 31, 2017.

The financial statements have been prepared in the national currency of Ukraine – Hryvnya (UAH) and have been recalculated by auditors in USD based on 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 recognizes as fixed assets the tangible assets that are used repeatedly and continuously in the course of performing their basic functions the expected useful life of which exceeds one year and the cost UAH 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 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.

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.

Recognition of costs

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.

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.