

**ALL-UKRAINIAN CHARITABLE
ORGANIZATION "ALL-UKRAINIAN
NETWORK OF PEOPLE LIVING WITH
HIV/AIDS"**

Financial Statements and Independent Auditor's
Report for the Years Ended 31 December 2015
and 2014

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

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ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014**

Management is responsible for the preparation of the financial statements that present fairly the financial position of All-Ukrainian Charitable Organization "All-Ukrainian network of people living with HIV/AIDS" (hereafter – "the Organization") as at 31 December 2015, 2014 and 1 January 2014 and the results of its financial performance and cash flows for the years ended 31 December 2015 and 2014, in compliance with International Public Sector Accounting Standards ("IPSAS").

In preparing the financial statements, Management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements of IPSAS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Organization's financial position and financial performance;
- Making an assessment of the Organization's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Organization;
- Maintaining adequate accounting records that are sufficient to show and explain the Organization's transactions and disclose with reasonable accuracy at any time the financial position of the Organization, and which enable them to ensure that the financial statements of the Organization comply with IPSAS;
- Maintaining statutory accounting records in compliance with local legislation and Ukrainian accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Organization; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the years ended 31 December 2015 and 2014, and as at 1 January 2014 were approved by Management on 5 October 2016.

On behalf of Management:



Dmytro Sherembey
Head of Coordination Council



Anastasia Marchuk
Finance Director

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Charitable Organization "All-Ukrainian network of people living with HIV/AIDS":

We have audited the accompanying financial statements of All-Ukrainian charitable Organization "All-Ukrainian network of people living with HIV/AIDS" (hereafter – the "Organization"), which comprise the statements of financial position as at 31 December 2015, 2014 and 1 January 2014 and the related statements of financial performance and cash flows for the years ended 31 December 2015 and 2014, and a summary of significant accounting policies and other explanatory information (collectively – the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2015, 2014 and 1 January 2014 and its financial performance and cash flows for the year ended 31 December 2015 and 2014, in accordance with the International Public Sector Accounting Standards.

Emphasis of Matter

We draw your attention to Note 2 to these financial statements. The impact of the continuing economic crisis and political turmoil in Ukraine and their final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Organization. Our opinion is not qualified in respect of this matter.



5 October 2016

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ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(in Ukrainian Hryvnias and in thousands)**

	Notes	<u>2015</u>	<u>2014</u>
Revenues and other support			
Contributions from donors, net	5	1,754,451	172,826
Gain on initial recognition of committed donations to sub-recipients	15	38,774	-
Interest income	6	96,996	2,068
Foreign exchange gain, net		-	69,383
Other income		34	59
Total revenues and other support		<u>1,890,255</u>	<u>244,336</u>
Expenses			
Committed donations to sub-recipients, net	7	(523,249)	(216,373)
Program expenses	8	(67,087)	(34,906)
Forex loss, net		(274,032)	-
Loss on initial recognition of contributions receivable	11	(239,095)	-
Interest expenses	9, 15	(18,818)	-
Tax expenses		(254)	-
Total expenses		<u>(1,122,535)</u>	<u>(251,279)</u>
Net increase/(decrease) for the year		<u>767,720</u>	<u>(6,943)</u>

On behalf of Management:



Dmytro Sherembey
Head of Coordination Council



Anastasia Marchuk
Finance Director

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015, 2014 AND 1 JANUARY 2014
(in Ukrainian Hryvnias and in thousands)**

	Notes	31 December 2015	31 December 2014	1 January 2014
Assets				
<i>Non-current assets</i>				
Property and equipment and intangible assets		416	452	362
Investment		303	289	289
Contributions receivable	11	347,147	9,134	9,873
Total non-current assets		347,866	9,875	10,524
<i>Current assets</i>				
Cash and cash equivalents	10	42,692	48,139	101,355
Contributions receivable	11	569,377	41,741	18,943
Receivables from sub-recipients	12	1,302	7,935	-
Advances paid	13	3,846	4,800	1,103
Inventories	14	169,002	145,285	203
Total current assets		786,219	247,900	121,604
Total assets		1,134,085	257,775	132,128
Net assets and liabilities				
<i>Net assets</i>				
Temporarily restricted assets		870,804	103,062	110,095
Unrestricted assets		719	741	651
Total net assets		871,523	103,803	110,746
<i>Non-current liabilities</i>				
Committed donations to sub-recipients	15	24,735	-	-
Total non-current liabilities		24,735	-	-
<i>Current liabilities</i>				
Committed donations to sub-recipients	15	60,536	4,541	19,932
Accounts payable	16	177,037	149,431	1,450
Income tax payable		254	-	-
Total current liabilities		237,827	153,972	21,382
Total net assets and liabilities		1,134,085	257,775	132,128

On behalf of Management:



Dmytro Sherembey
Head of Coordination Council



Anastasia Marchuk
Finance Director

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(in Ukrainian Hryvnias and in thousands)**

	<u>Temporarily restricted assets</u>	<u>Unrestricted assets</u>	<u>Total</u>
Balance as at 1 January 2014	110,095	651	110,746
(Deficit)/surplus for the reporting period	<u>(7,033)</u>	<u>90</u>	<u>(6,943)</u>
Balance as at 31 December 2014	103,062	741	103,803
Surplus/(deficit) for the reporting period	<u>767,742</u>	<u>(22)</u>	<u>767,720</u>
Balance as at 31 December 2015	<u>870,804</u>	<u>719</u>	<u>871,523</u>

On behalf of Management:



Dmytro Sherembey
Head of Coordination Council




Anastasia Marchuk
Finance Director

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(in Ukrainian Hryvnias and in thousands)**

	Notes	<u>2015</u>	<u>2014</u>
Cash flows from operating activities			
Cash inflows from:			
Contributions received from donors		506,841	188,636
Donations returned by sub-recipients		6,141	463
Gain on sale of foreign currency		-	1,305
Bank interest received		797	313
Cash outflows to:			
Donations disbursed to sub-recipients		(92,938)	(132,940)
Payments for inventories donated to sub-recipients		(365,625)	(105,673)
Payments to suppliers for inventories and services used by the Organization		(33,495)	(10,537)
Personnel costs		(34,464)	(23,343)
Loss on sale of foreign currency		(64)	-
Grants returned to donors		-	(3,844)
Net cash used in operating activities		<u>(12,807)</u>	<u>(85,620)</u>
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		<u>(229)</u>	<u>(415)</u>
Net cash used in investing activities		<u>(229)</u>	<u>(415)</u>
Net decrease in cash and cash equivalents		(13,036)	(86,035)
Cash and cash equivalents at the beginning of the year	10	48,139	101,355
Effect of exchange rates changes on the balance of cash and cash equivalents held in foreign currencies		<u>7,589</u>	<u>32,819</u>
Cash and cash equivalents at the end of the year	10	<u>42,692</u>	<u>48,139</u>

On behalf of Management:



Dmytro Sherembey
Head of Coordination Council



Anastasia Marchuk
Finance Director

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014 (in Ukrainian Hryvnias and in thousands)

1. ORGANIZATION

All-Ukrainian Charitable Organization "All-Ukrainian network of people living with HIV/AIDS" (hereinafter – "the Organization") is a Ukrainian charitable organization established under provisions of the Law of Ukraine "On charity and charitable organizations" in May 2001. The Organization's aim is the fighting of HIV infection and AIDS mortality in Ukraine, and alleviating the negative impact through supporting community actions against HIV/AIDS.

The legal address of the Organization is 3/1, Akademik Filatov Street, Kyiv, Ukraine.

The actual address of the Organization is 87a-b Mezhygirska Street, Kyiv, Ukraine.

The Organization's main purpose is a provision of charitable activities in the interest of public by assisting certain categories of people in need, such as people living with HIV/AIDS.

The main goals of the Organization are as follows:

- To promote local, regional, nationwide and international programs aimed to strengthen social and economic position of people living with HIV/AIDS;
- To represent people's living with HIV/AIDS rights on all levels of state and social life;
- To protect social, individual, and other rights and legal interests of people living with HIV/AIDS;
- To facilitate the development of science and education, to assist in realization of scientific and educational programs, to help scientists who work in the sphere related to HIV/AIDS prevention, treatment and rehabilitation;
- To intensify the development of information infrastructure, publishing, and mass media oriented on highlighting HIV/AIDS issues, as well as alcoholism and drug addiction connected problems;
- To facilitate the development of public health system, to popularize healthy life-style, and to provide medical assistance, social care and support to people living with HIV/AIDS;
- To enhance the development of society through the tolerant attitude and perceiving the equality of human rights for all people, including people living with HIV/AIDS.

The activities of the Organization are financed by international donor organizations and donations from private individuals and legal entities. The Organization uses funds of charitable aid either directly in interest of the clients or by disbursements made to non-for-profit organizations established in different regions of Ukraine, so-called sub-recipients, who provide services to the clients locally. The Organization disburses funds to its sub-recipients and monitors their activities and respective expenditures through their regular reporting. Average number of sub-recipients the Organization worked with during the year ended 31 December 2015 was 73 (2014: 101).

The Organization is nonprofit-oriented entity.

One of the major grants is provided by the Global Fund to Fight AIDS, Tuberculosis and Malaria (hereafter – the "Global Fund") for the Program "Investing for impact against Tuberculosis and HIV" (hereafter – the "GF Program"). On 23 February 2015 the Organization signed an agreement with the Global Fund with the implementation period from 1 January 2015 to 31 December 2017 according to which the two former programs financed by the Global Fund, Round 9 Program "Reducing Tuberculosis Burden in Ukraine Through Expanding and Enhancing Access to High Quality Tuberculosis Services" (hereafter – the "Round 9 Program") and Round 10 Program "Building a Sustainable System of Comprehensive Services on HIV Prevention, Treatment, Care and Support for Most-at-Risk Populations and People Living with HIV in Ukraine" (hereafter – the "Round 10 Program") were combined into single Program "Investing for Impact Against Tuberculosis and HIV", grant UKR-C-AUN-614. The overall goal of the Program is to suppress the Tuberculosis and HIV epidemics and reduce Tuberculosis and HIV-related morbidity and mortality in Ukraine through interventions focused at most-at-risk populations. In previous periods the Organization was also financed by the Global Fund for the Round 6 Program "Support for HIV/AIDS Prevention, Treatment and Care for Most Vulnerable Populations in Ukraine" (hereafter – the "Round 6 program").

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014 (in Ukrainian Hryvnias and in thousands)

Other donors that provided financing to the Organization during the year ended 31 December 2015 were the United States Agency of International Development (hereafter – "USAID"), Centers for Disease Control and Prevention (hereafter – "CDC") and others.

As at 31 December 2015, the Organization employed 71 persons (as at 31 December 2014: 87 persons, as at 1 January 2014: 95 persons).

2. OPERATING ENVIRONMENT

In 2015, the armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions, and a peaceful resolution of the conflict did not occur as it was foreseen by the Minsk agreements.

In 2015, the Ukrainian economy continued going through a recession, gross domestic product contracted by 10% (2014: 7%), and an annual inflation rate reached 43% (2014: 25%). Unfavourable conditions on markets where Ukraine's primary commodities were traded were influencing further devaluation of the Ukrainian Hryvnia against major foreign currencies. The Ukrainian companies and banks continued to suffer from lack of funding from domestic and international financial markets.

The National Bank of Ukraine (the "NBU") extended its range of measures that were introduced in 2014 and aimed at limiting the outflow of foreign currency from the country, inter alia, a mandatory sale of foreign currency earnings, certain restrictions on purchases of foreign currencies on the interbank market and on usage of foreign currencies for settlement purposes, limitations on remittances abroad.

In early 2015, the Government of Ukraine agreed with the IMF a four-year program for USD 17.5 billion loan aimed at supporting the economic stabilization of Ukraine. The program defines economic reforms that must be undertaken by the Government of Ukraine to reinstate a sustainable economic growth in the mid-term perspective.

In 2015, political and economic relationships between Ukraine and the Russian Federation remained strained that led to a significant reduction in trade and economic cooperation. On 1 January 2016, a free-trade element of Ukraine's association agreement with the European Union came into force. In late 2015, the Russian Federation denounced the free trade zone agreement with Ukraine and further trade restrictions were announced by both countries.

Stabilization of the economic and political situation depends, to a large extent, upon the ability of the Ukrainian Government to continue reforms and the efforts of the NBU to further stabilize the banking sector, as well as upon the ability of the Ukrainian economy in general to respond adequately to changing markets. Nevertheless, further economic and political developments, as well as the impact of the above factors on the Organization, its sub-recipients, and contractors are currently difficult to predict.

3. PRESENTATION OF THE FINANCIAL STATEMENTS

Statement of compliance

The financial statements of the Organization have been prepared in accordance with International Public Sector Accounting Standards ("IPSAS") as issued by the International Public Sector Accounting Standards Board (the "IPSASB").

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014
(in Ukrainian Hryvnias and in thousands)**

Purpose of the financial statements and application of International Public Sector Accounting Standards for the first time

Before 1 January 2014, the Organization did not prepare its financial statements in accordance with IPSAS. Before 1 January 2014, the Organization prepared its financial statements under International Financial Reporting Standards ("IFRS").

The Organization takes IPSAS as a base for its financial statements preparation. With this purpose, the Organization prepared preliminary financial statements as at 31 December and 1 January 2014 in accordance with the requirements of IPSAS 33 "First-time Adoption of Accrual Basis International Public Sector Accounting Standards" ("IPSAS 33"). This standard requires the financial statements to be prepared in accordance with accounting policies that comply with each IPSAS effective as of the date of preparation of the first complete set of IPSAS financial statements.

The financial statements prepared for the years ended 31 December 2015 and 2014, and as at 1 January 2014 are the first complete set of the Organization's financial statements in accordance with IPSAS comprising the statement of financial position, the respective statements of financial performance and cash flows, as well as comparative information for the prior year and an opening statement of financial position as at the beginning of the reporting period as at the date of adoption of accrual basis IPSAS.

The Organization has previously prepared the financial statements under IFRS. During preparation of these financial statements the Organization made the following corrections of balances as at 31 December 2013 included in prior financial statements prepared in accordance with IFRS:

	31 December 2013, as reported previously under IFRS	Effect of the correction and reclassification	1 January 2014, in accordance with IPSAS
Contributions receivable – current	21,579	(2,636)	18,943
Contributions receivable – non-current	-	9,873	9,873
Total net assets	(117,371)	6,625	(110,746)
Committed donations to sub-recipients - current	(6,070)	(13,862)	(19,932)

Correction of contributions receivable – current in amount of UAH 2,636 thousand relates to the agreement with CDC in amount of UAH 9,081 thousand which was signed and should have been recognized as a qualified obligation, but due to the manual mistake was not recorded as at 31 December 2013. This amount was adjusted by the Organization for the effect of loss on initial recognition in amount of UAH 395 thousand, interest income accrued in amount of UAH 251 thousand and reclassification of non-current contributions receivable from USAID in amount of UAH 11,573 thousand.

Correction of contributions receivable – non-current in amount of UAH 9,873 thousand relates to reclassification of non-current portion of contribution receivable from the United States Agency for International Development in amount of UAH 11,573 thousand and loss on initial recognition recognized in amount of UAH 1,700 thousand.

Correction of committed donations to sub-recipients in amount of UAH 13,862 thousand relates to agreements for provision of grants to sub-recipients, that were signed in 2013, however, respective liability was not recorded as at 31 December 2013.

The accompanying financial statements have been prepared in accordance with the requirements of all IPSAS for the accrual basis of accounting issued by the International Public Sector Accounting Standards Board ("IPSASB"), which have been issued and effective or issued and early adopted at the time of preparing these financial statements. The Organization also performed early adoption of IPSAS 33 "First time Adoption of Accrual Basis International Public Sector Accounting Standards" which is effective for annual accounting periods beginning on or after 1 January 2017.

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014 (in Ukrainian Hryvnias and in thousands)

New and amended IPSAS issued but not yet effective

At the date of preparation of the IPSAS financial statements, the following Standards and Interpretations as well as amendments to the Standards were issued, but not yet effective:

<u>Standards and amendments to standards</u>	<u>Effective for annual accounting periods beginning on or after</u>
IPSAS 34 "Separate Financial Statements"	1 January 2017
IPSAS 35 "Consolidated Financial Statements"	1 January 2017
IPSAS 36 "Investments in Associates and Joint Ventures"	1 January 2017
IPSAS 37 "Joint Arrangements"	1 January 2017
IPSAS 38 "Disclosure of Interests in Other Entities"	1 January 2017
IPSAS 39 "Employee Benefits"	1 January 2018

Management is currently evaluating the impact of the adoption of new and amended standards.

Other basis of presentation criteria

These financial statements have been prepared on the assumption that the Organization is a going concern and will continue in operation for the foreseeable future. Management has the intention to further continue the activities of the Organization in Ukraine. Management believes that the going concern assumption is appropriate for the Organization.

These financial statements are presented in Ukrainian Hryvnias and in thousands, unless otherwise indicated.

These financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional currency

Items included in the financial statements of the Organization are measured using the currency that is the currency of primary economic environment in which Organization operates (the "functional currency"). The functional currency of the financial statements is the Ukrainian Hryvnia ("UAH").

Presentation currency

For purposes of these financial statements, the results and financial position of the Organization are expressed in Ukrainian Hryvnia ("UAH"), which is the functional currency of the Organization.

4. SIGNIFICANT ACCOUNTING POLICIES

Contributions from donors

All Organization's revenue occurs on non-exchange transactions. Revenue is measured at fair value of the consideration received or receivable. Revenue of the Organization comprises cash contributions or other assets (in-kind contributions) made by donors. Revenue is recognized when a donor makes a qualified obligation to contribute determined amount to the Organization. The qualified obligation is supported by signed notice of award or agreement. Revenue is derecognized, when the program ends in the same reporting period when the revenue was initially recognized based on qualified obligation to contribute, in amount of contribution have not yet received from donor or return of contribution received but not spent for the program purposes. If the cancellation of the contribution or return of unspent funds occurs in the next reporting period after initial recognition of the revenue, then cancellation is recorded in this next reporting period as deduction to revenue and contributions from donors are presented in the statement of financial performance net of cancellations of revenue.

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014
(in Ukrainian Hryvnias and in thousands)**

Interest income

Interest income contains accrued interest on accounts with banks and finance income accrued on non-current contributions receivable from donors. Interest income is recognized when it is probable that the economic benefits will flow to the Organization and its amount can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate.

Committed donations to sub-recipients

Committed donations to sub-recipients represent the agreements to contribute cash or other assets to sub-recipients. Although the commitments are conditional upon the continuing financial soundness of the Organization, the probability of the occurrence of events calling this into question is considered remote. Committed donations to sub-recipients are measured at the fair value of the consideration paid or payable.

Committed donations to sub-recipients are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. The effect of initial recognition of long-term committed donations to sub-recipients are recognised in statements of financial performance. Such effect determined as the difference between the fair value of the long-term committed donations as of the recognition date and its nominal amount. Fair value is determined using prevailing market interest rates for alternative instruments (bank borrowings of similar terms and currency).

Grants or portions of grants that have not been disbursed at the date of the statement of financial position are recorded as liabilities. The long-term portion of such liabilities represents amounts that are due to be contributed later than one year after the date of the statement of financial position, discounted to estimate its present value at the reporting date.

Committed donations to sub-recipients are derecognized, when the program ends in the same reporting period when the committed donations to sub-recipients were initially recognized, in amount of contributions have not yet provided to sub-recipients or return of contribution provided but not spent for program purposes by sub-recipients. If the cancellation of the committed donations occurs in the next reporting period after initial recognition of the committed donations to sub-recipients, then cancellation is recorded as deduction to committed donations to sub-recipients.

Program expenses

Program expenses incurred by the Organization are represented by the costs of services rendered by subcontractors, office premises leases, payroll expenses, and other services. All expenses are recognized as expenses of the period when they are incurred and included in profit or loss based on accrual method.

Operating leases

Operating lease is a lease under which the Organization does not obtain substantially all the risks and rewards of use and ownership of the asset. Rental costs are recognized in the statement of financial performance as expense of the current period over the term of the relevant lease.

Foreign currency translation

In preparing the financial statements of the Organization, financial assets denominated in currencies other than the Organization's functional currency are translated at the appropriate exchange rates set by the National Bank of Ukraine prevailing at the reporting date. Transactions in currencies other than the functional currency are recorded at the official rates of exchange set on the dates of the transactions. Profits and losses arising from these translations are included in net gain or loss on foreign exchange operations.

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014
(in Ukrainian Hryvnias and in thousands)**

The relevant exchange rates were as follows:

	As at 31 December 2015	Average for the year ended 31 December 2015	As at 31 December 2014	Average for the year ended 31 December 2014	As at 1 January 2014
UAH/USD	24.0007	21.8290	15.7686	11.9095	7.9930
UAH/EUR	26.2231	24.2054	19.2329	15.7410	11.0415
UAH/GBP	35.5332	33.3785	24.5255	19.5728	13.1973

Interest expense

Interest expenses contain finance expenses accrued on non-current committed donations to sub-recipients. Interest expenses are recognized as expenses of the period when they are incurred and included in net increase or decrease as unwinding of discount on committed donations to sub-recipients calculated using effective interest rate method.

Property and equipment and intangible assets

All property and equipment and intangible assets are carried at historical cost, less any accumulated depreciation and accumulated impairment losses. Historical cost of property and equipment and intangible assets consists of the purchase price, non-refundable indirect taxes related to their purchase, costs of installation, and maintenance, and other directly attributable costs of bringing the items to working condition for their intended use. Depreciation of all groups of property and equipment and intangible assets is calculated using a straight-line method over the definite useful lives.

Investment

Investment is presented by net assets of wholly owned subsidiary LLC "Centre of Development of Social Entrepreneurship of People Living with HIV/AIDS", that was incorporated under the provision of Ukrainian law on 14 April 2005. LLC "Centre of Development of Social Entrepreneurship of People Living with HIV/AIDS" did not perform any activities during the years ended 31 December 2015 and 2014, net assets as at 31 December 2015, 2014 and 1 January 2014 were immaterial and, thus, not consolidated by the Organization.

Contributions receivable

Contributions receivable are amounts to be received as contributions from donors and are measured at amortized cost using the effective interest rate method, less any impairment.

The Organization performs regular assessment of any impairment losses incurred on the contributions receivable. For those amounts that would not be definitely received the Organization writes off outstanding balances directly to profit or loss accounts.

Contributions to be received within a period over one year from the balance sheet date are measured at initial recognition at fair value, classified as non-current assets and are subsequently measured at amortized cost using the effective interest rate method.

The effect of initial recognition at fair value of long-term contributions receivable is recognised in the statements of financial performance. Such effect determined as the difference between the fair value of the long-term receivable as of the recognition date and its nominal amount. Fair value is determined using prevailing market interest rates for alternative instruments (bank deposits of similar terms and currency).

ALL-UKRAINIAN CHARITABLE ORGANIZATION "ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS"

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014, AND AS AT 1 JANUARY 2014
(in Ukrainian Hryvnias and in thousands)**

Effective interest method

The effective interest method is a method of calculating the amortized cost of financial instrument and of allocating interest expense/income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts/payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash and deposits in banks with original maturity of less than three months.

Receivables from sub-recipients

Receivables from sub-recipients occur when the program ends and outstanding donations that were provided to sub-recipients, but not spent for the program purposes, is expected to be returned back to the Organization.

Advances paid

Advances paid are represented by the advances issued to suppliers in the course of purchasing inventories, including medical supplies, services, etc. in order to conduct the activities under the programs and are carried as advances issued, less any provision for doubtful debts.

Inventories

Inventories are mainly represented by drugs, other health care medications, and handout materials. An accounting unit of inventories is acknowledged to be a homogeneous group, batch, or type.

Inventories are carried at cost that includes expenditure incurred in acquiring inventories, delivering, and bringing them to their existing condition for the intended use. Disposal cost of inventories is determined for individual groups using weighted average cost method and identifiable cost of individual inventory items. As at the balance sheet date, the Organization reviews the expiry dates of inventories (including drugs) and, if they are short-term or delayed, writes off the respective inventories. The inventories are recorded net of provision for slow moving, damaged, or obsolete assets.

Net assets

Difference between assets and liabilities is the Organization's net assets (or balance of funds obtained by the Organization from donors). Net assets are divided into the net assets with temporarily restricted and unrestricted use. Contributions of donors made without stipulations are reported as unrestricted net assets. Contributions received with donors' stipulation, which restricts their use, are reported as temporarily restricted net assets. Unrestricted net assets are the net assets with unlimited use.

Accounts payable

Accounts payable include payables to suppliers for goods and services, liabilities to employees and unused vacation provision. Accounts payable are initially measured at fair value, net of transaction costs, and subsequently are measured at amortized cost using the effective interest method.

The Organization derecognizes financial liabilities when, and only when, the Organization's obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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Income taxes

The Organization is registered as a non-tax payer and, respectively, deferred tax is not estimated.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Organization's accounting policies, Management has made certain judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements. These judgements include, inter alia, the appropriateness of the going concern assumption (Note 3).

Key sources of estimation uncertainty

Impairment allowance for contributions receivable and receivables from sub-recipients

The impairment allowance for contributions receivable and receivables from sub-recipients is based on the Organization's assessment of the collectability of specific receivable.

Cancellation of qualified obligation

In the circumstances when donors subsequently change their decision to provide contribution to the Organization, the actual results could differ from the Organization's estimates. Additionally due to occurred circumstances, the Organization could subsequently change its decision to provide donations to sub-recipients, therefore, amount of committed donations to sub-recipients could differ from the Organization's estimates and signed agreements with sub-recipients.

Cost of inventories

Inventories are mainly represented by drugs, other health care medications, and handout materials. Majority of inventories are bought by the Organization and subsequently provided as in kind donations to sub-recipients. Inventories are carried at cost that includes expenditure incurred in acquiring inventories, delivering, and bringing them to their existing condition for the intended use. The inventories are recorded net of provision for slow moving, damaged, or obsolete assets. Net realizable value of inventories are not estimated by the Organization, as the inventories are unique, properly purchased based on tender procedures and provided to sub-recipients for free distribution to afflicted persons according to the agreements with sub-recipients.

Initial recognition of contributions receivable from donors and committed donations to sub-recipients

The Organization recognized long-term contributions to be received from donors and long-term donations committed to sub-recipients at fair value, and subsequently measured at amortized cost using the effective interest rate method. The effect of initial recognition at fair value is recognized in the statements of financial performance. Such effect determined as the difference between the fair value as of the recognition date and nominal amount. Fair value is determined using prevailing market interest rates for alternative instruments (bank deposits of similar terms and currency for contributions to be received and bank borrowings of similar terms and currency for committed donations to be paid). Loss or gain recognized on initial recognition of contributions receivable from donors and committed donations to sub-recipients is deferred through the contractual life of the financial instrument and is recognized as interest income or expense in respective period.

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5. CONTRIBUTIONS FROM DONORS, NET

Contributions from donors, net for the years ended 31 December 2015 and 2014 included:

	<u>2015</u>	<u>2014</u>
Contributions received	1,754,451	178,437
Less: Cancellation of contributions from donors	-	(5,611)
Total	<u>1,754,451</u>	<u>172,826</u>

Contributions from donors recognized for the years ended 31 December 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
In cash	1,735,346	160,105
In kind	19,105	18,332
Total	<u>1,754,451</u>	<u>178,437</u>

Contributions in cash recognized for the years ended 31 December 2015 and 2014 were as follows:

Donor	Program	<u>2015</u>	<u>2014</u>
The Global Fund	GF Program	1,712,402	-
The Tides Foundation	UNITAID-2015	9,324	-
Centers for Disease Control and Prevention	ACCESS	4,711	5,874
The Global Fund	Round 10	-	104,648
The Global Fund	Round 9	-	40,644
United States Agency for International Development	RESPECT	-	7,100
Other	Other	8,909	1,839
Total		<u>1,735,346</u>	<u>160,105</u>

Contributions in kind recognized for the years ended 31 December 2015 and 2014 were as follows:

Donor	<u>2015</u>	<u>2014</u>
Schering-Plough Central East AG	17,918	-
Abbvie Logistics B.V.	-	17,789
Other	1,187	543
Total	<u>19,105</u>	<u>18,332</u>

Cancellation of contributions for the year ended 31 December 2014 relates to the return of cash donations not spent per the Round 6 Program as financed by the Global Fund in amount of UAH 3,742 thousand and other programs in amount of UAH 102 thousand. Additionally there were some cancelled donations per programs that have been terminated as at 31 December 2014 in amount of UAH 1,767 thousand.

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6. INTEREST INCOME

Interest income for the years ended 31 December 2015 and 2014 comprised the following:

	<u>2015</u>	<u>2014</u>
Unwinding of discount on contributions receivable	96,199	1,256
Interest income on bank accounts	797	812
Total	<u>96,996</u>	<u>2,068</u>

Unwinding of discount on contributions receivable for the year ended 31 December 2015 in amount of UAH 96,199 thousand consist of unwinding of discount on contributions receivable from the Global Fund, USAID and Tides Foundation in amount of UAH 93,039 thousand, UAH 2,250 thousand and UAH 910 thousand, respectively (2014: unwinding of discount on contributions receivable from the USAID in amount of UAH 1,256 thousand) (Note 11).

Interest income on bank accounts includes interest income on the Organization's bank accounts in amount of UAH 375 thousand (2014: UAH 313 thousand) and interest income on sub-recipients' bank accounts in amount of UAH 422 thousand (2014: UAH 499 thousand) that are considered as part of receivables from sub-recipients (Note 12).

7. COMMITTED DONATIONS TO SUB-RECIPIENTS, NET

Committed donations to sub-recipients, net for the years ended 31 December 2015 and 2014 included:

	<u>2015</u>	<u>2014</u>
Committed donations	523,249	221,127
Less: Cancellation of donations to sub-recipients	-	(4,754)
Total	<u>523,249</u>	<u>216,373</u>

Committed donations to sub-recipients for the years ended 31 December 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
In kind	329,254	106,893
In cash	193,995	114,234
Total	<u>523,249</u>	<u>221,127</u>

The grants committed to sub-recipients for the years ended 31 December 2015 and 2014 were as follows in terms of the programs:

Donor	Program	<u>2015</u>	<u>2014</u>
The Global Fund	GF Program	499,235	-
United States Agency for International Development	RESPECT	14,071	4,024
Centers for Disease Control and Prevention	ACCESS	9,837	2,542
The Global Fund	Round 10	-	173,766
The Global Fund	Round 9	-	40,795
Other		106	-
Total		<u>523,249</u>	<u>221,127</u>

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Cancellation of donations to sub-recipients in amount of UAH 4,754 thousand for the year ended 31 December 2014 relates to termination of the Round 10 Program financed by the Global Fund. Respectively all agreements signed with sub-recipients in terms of the program were terminated as well.

8. PROGRAM EXPENSES

Program expenses for the years ended 31 December 2015 and 2014 comprised the following:

	<u>2015</u>	<u>2014</u>
Personnel costs	34,841	20,675
Storage and transportation expenses	10,124	3,575
Trainings and events	5,205	1,762
Technical assistance	4,379	1,908
Information and promotion	2,937	515
Rent and office maintenance	2,228	2,275
Insurance and audit services	1,658	783
Bank fees	1,168	1,107
Travel and per diem allowance	1,031	355
Depreciation and amortization	375	362
Doubtful debt allowance	200	479
Other program expenses	2,941	1,110
Total	<u>67,087</u>	<u>34,906</u>

Technical assistance in amount of UAH 4,379 thousand (2014: UAH 1,908 thousand) is represented by consulting services provided by freelancers. Consulting services relate to preparation for trainings and events and other services.

9. INTEREST EXPENSE

Interest expense for the year ended 31 December 2015 in amount of UAH 18,818 thousand (2014: nil) comprised the unwinding of discount on committed donations to sub-recipients (Note 15).

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2015, 2014 and 1 January 2014 were presented as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>	<u>1 January 2014</u>
Cash in USD	40,685	42,208	99,464
Cash in Ukrainian Hryvnia	2,007	5,443	1,513
Cash in EUR	-	488	378
Total	<u>42,692</u>	<u>48,139</u>	<u>101,355</u>

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Cash and cash equivalents as at 31 December 2015, 2014 and 1 January 2014 were allocated to the following programs:

Donor	Program	31 December 2015	31 December 2014	1 January 2014
The Global Fund	GF Program	39,788	-	-
The Tides Foundation	UNITAID-2015	1,761	-	-
United States Agency for International Development	RESPECT	133	1,403	137
The Global Fund	Round 10	-	42,390	96,532
The Global Fund	Round 6	-	-	3,742
The Global Fund	Round 9	-	1,982	-
Other	Other	1,010	2,364	944
Total		42,692	48,139	101,355

Cash and cash equivalents as at 31 December 2015 included cash on bank accounts in amount of UAH 41,286 thousand (31 December 2014: UAH 47,539 thousand, 1 January 2014: UAH 29,138 thousand) and overnight deposits amounted to UAH 1,406 thousand (31 December 2014: UAH 600 thousand, 1 January 2014: UAH 72,217 thousand). Interest rate for overnight deposits as at 31 December 2015 was 2.1% (as at 31 December 2014: 14%).

As at 31 December 2015, 94% and 6% of cash and cash equivalents are placed by the Organization in two domestic banks with Fitch credit rating "B-" and "CCC-" respectively (31 December 2014: 92%, 6% and 2% in three domestic banks with Fitch credit rating "B-", "CCC" and "CCC", respectively, 1 January 2014: 12%, 87% and 1% in three domestic banks with Fitch credit rating "B-", "CCC+" and "CCC+", respectively).

All cash and cash equivalents are restricted for target financing within the approved budgets and aims of respective programs.

11. CONTRIBUTIONS RECEIVABLE

Contributions receivable from donors as at 31 December 2015, 2014 and 1 January 2014 were presented as follows:

Donor	Program	31 December 2015	31 December 2014	1 January 2014
<i>Non-current</i>				
The Global Fund	GF Program	343,116	-	-
The Tides Foundation	UNITAID-2015	4,031	-	-
United States Agency for International Development	RESPECT	-	9,134	9,873
Total non-current		347,147	9,134	9,873
<i>Current</i>				
The Global Fund	GF Program	517,145	-	-
United States Agency for International Development	RESPECT	25,187	20,482	3,377
Centers for Disease Control and Prevention	ACCESS	19,972	20,763	10,356
The Tides Foundation	UNITAID-2015	4,170	-	-
The Global Fund	Round 10	-	-	1,947
Other	Other	2,903	496	3,263
Total current		569,377	41,741	18,943
Total		916,524	50,875	28,816

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During 2015, according to agreement with the Global Fund signed on 23 February 2015 with the implementation period to 31 December 2017 and grant budget of USD 60,406 thousand, the Organization recognized USD-denominated long-term contribution receivable in amount of UAH 1,712,402 thousand (Note 5). Using prevailing market interest rates for alternative instruments of 8.8%, the fair value of the receivable was estimated at UAH 1,474,502 thousand as of the recognition date. The difference of UAH 237,900 thousand between the nominal amount and the fair value of the receivable was recognized in the statement of financial performance. Unwinding of discount for 2015 in amount of UAH 93,039 thousand was recognized as interest income in statements of financial performance (Note 6).

During 2015, according to agreement with the Tides Foundation signed on 15 January 2015 with the implementation period to 31 October 2017 and grant budget USD 591 thousand, the Organization recognized USD-denominated long-term contribution receivable in amount of UAH 9,324 thousand (Note 5). Using prevailing market interest rates for alternative instruments of 7.7%, the fair value of the receivable was estimated at UAH 8,129 thousand as of the recognition date. The difference of UAH 1,195 thousand between the nominal amount and the fair value of the receivable was recognized in the statement of financial performance. Unwinding of discount for 2015 in amount of UAH 910 thousand was recognized as interest income in statement of financial performance (Note 6). Based on agreement with the USAID signed on 20 September 2013 with implementation period to 31 September 2016 and grant budget USD 2,487 thousand unwinding of discount for 2015 in amount of UAH 2,250 thousand (2014: UAH 1,256 thousand) was recognized as interest income in statement of financial performance (Note 6).

Total difference between the nominal amount and the fair value of the receivable was recognized as loss on initial recognition of contributions receivable in the statement of financial performance for the year ended 31 December 2015 in the amount of UAH 239,095 thousand.

All agreements with donors signed during the year ended 31 December 2014 had implementation period less than one year.

12. RECEIVABLES FROM SUB-RECIPIENTS

As at 31 December 2015, 2014 and 1 January 2014 receivables from sub-recipients included donations granted to sub-recipients for the following programs:

Donor	Program	31 December 2015	31 December 2014	1 January 2014
The Global Fund	GF Program	1,981	-	-
The Global Fund	Round 9	-	4,652	-
The Global Fund	Round 10	-	3,762	-
Less: Doubtful debt allowance		(679)	(479)	-
Total		1,302	7,935	-

Receivables from sub-recipients in amount of UAH 1,981 thousand as at 31 December 2015 (31 December 2014: UAH 8,414 thousand) consist of amounts paid but not used for program activities and not returned by sub-recipients to the Organization within the Round 9 and Round 10 programs that were combined together in 2015 (Note 1). As at 1 January 2014, there was no requirement to sub-recipients to return any donations as the programs were in process of implementation.

The amount of receivables from sub-recipients includes interest income on sub-recipients' bank accounts not spent for Round 10 and Round 9 programs and committed to be returned by sub-recipients to the Organization as earned on the funds obtained by the Global Fund (Note 6) in amount of UAH 78 thousand as at 31 December 2015 that is a part of total interest income on sub-recipients' bank accounts in amount of UAH 422 thousand (31 December 2014: UAH 499 thousand, 1 January 2014: nil).

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The doubtful debt allowance in amount of UAH 679 thousand as at 31 December 2015 consists of UAH 479 thousand that is related to bank accounts of sub-recipients put into the banks that stopped their operations in Crimea and UAH 200 thousand allowance for banks that became insolvent in 2015 (31 December 2014: UAH 479 thousand and nil, respectively).

13. ADVANCES PAID

Advances paid in amount of UAH 3,846 thousand, UAH 4,800 thousand and UAH 1,103 thousand as at 31 December 2015, 2014 and 1 January 2014, respectively, represent amounts of prepayments to suppliers for medicines and other materials.

14. INVENTORIES

Inventories as at 31 December 2015, 2014 and 1 January 2014 were presented as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>	<u>1 January 2014</u>
Medicines	168,349	142,103	-
Other materials	653	3,182	203
Total	<u>169,002</u>	<u>145,285</u>	<u>203</u>

As at 31 December 2015 100% of inventories were kept on a responsible storage at the warehouses of third parties (31 December 2014: 99%, 1 January 2014: nil).

15. COMMITTED DONATIONS TO SUB-RECIPIENTS

Committed donations to sub-recipients as at 31 December 2015, 2014 and 1 January 2014 were presented as follows:

Donor	Program	<u>31 December 2015</u>	<u>31 December 2014</u>	<u>1 January 2014</u>
<i>Non-current</i>				
The Global Fund	GF Program	24,735	-	-
Total non-current		<u>24,735</u>	<u>-</u>	<u>-</u>
<i>Current</i>				
The Global Fund	GF Program	51,267	-	-
United States Agency for International Development	RESPECT	3,189	2,266	-
Centers for Disease Control and Prevention	ACCESS	6,080	2,275	2,026
The Global Fund	Round 10	-	-	17,906
Total current		<u>60,536</u>	<u>4,541</u>	<u>19,932</u>
Total		<u>85,271</u>	<u>4,541</u>	<u>19,932</u>

During 2015, according to the Global Fund Program the Organization signed the sub-grant agreements with 63 sub-recipients with the implementation period from 1 January 2015 to 30 June 2017. According to the agreements with sub-recipients the Organization recognized UAH-denominated long-term committed donations in cash in amount of UAH 171,204 thousand.

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Using prevailing market interest rates for alternative instruments of 22.0%, the fair value of the payable was estimated at UAH 132,430 thousand as of the recognition date. The difference of UAH 38,774 thousand between the nominal amount and the fair value of the payable was recognized in the statements of financial performance. Unwinding of discount in 2015 in amount of UAH 18,818 thousand was recognized as interest expense in the statements of financial performance (Note 9).

16. ACCOUNTS PAYABLE

As at 31 December 2015, 2014 and 1 January 2014 accounts payable were represented by:

	31 December 2015	31 December 2014	1 January 2014
Payable to suppliers of medicines and other materials	175,292	148,153	307
Unused vacation reserve	1,661	1,278	1,143
Other liabilities	84	-	-
Total	177,037	149,431	1,450

17. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

In July 2013 the Organization has entered into commercial lease of office premises with the duration of three years.

Future minimum rentals payable under non-cancellable operating lease as at 31 December 2015, 2014 and 1 January 2014 were as follows:

	31 December 2015	31 December 2014	1 January 2014
Within one year	536	1,609	1,781
After one year but no more than five years	-	671	2,280
Total	536	2,280	4,061

Purchase commitments

As at 31 December 2015 the Organization had short-term commitments and related to purchases budgeted for the Program granted by the Global Fund in amount of UAH 13,563 thousand (31 December 2014: 11,645, 1 January 2014: nil).

Compliance with the grant agreement terms

Under the terms of the grant agreements with the Global Fund and other donors the Organization is required to comply with certain terms such as incurring expenditures solely for program purposes within approved budgets, timely and accurate reporting to the donors, compliance with laws, rules, policies and regulations, regular audits by an independent auditor, etc. For any breach of the grant agreement terms the donor may claim from the Organization a full reimbursement of the amounts disbursed for project implementation purposes. As at 31 December 2015 the Organization management believes it is in compliance with the terms of the grant agreements and amendments thereto.

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Title to goods or other property financed by the Global Fund under the Grant agreement shall be held by the Organization or a sub-recipient or other entity approved by the Organization, unless the Global Fund directs, at any time in its sole discretion, that title be transferred to the Global Fund or another entity nominated by the Global Fund. Upon the expiry of the program or on the earlier termination of the Grant agreement, the Global Fund may direct that title to any asset acquired for program purposes to be transferred to the Global Fund or another entity nominated by the Global Fund.

Legal proceedings

In the ordinary course of operations the Organization can be a subject to legal actions and complaints. Where the risk of outflow of financial resources associated with such legal actions and complaints is deemed to be probable and the amount can be measured with sufficient reliability, the Organization accounts for those contingencies as a charge to the statement of financial performance. Where Management of the Organization estimates the risk of financial resources outflow as possible or the amount can not be measured reliably, the Organization makes a disclosure of such contingent liability.

In 2015 the Organization was brought in an action against Mr. V.O. Zhovtyak, the former Head of Coordination Council, who was contesting in the courts the decision of the General Members' Meeting as of 20 October 2015 concerning the reelection of the Head of Coordination Council of the Organization, as well as his dismissal from the Executive Director's position.

As at 31 December 2015 Management assessed that there were no liabilities related to legal proceedings that should have been charged or disclosed as contingent.

Taxation

The Organization is a non-profit organization and specific taxation requirements are applied to it. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigations which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and these amounts could be material. Laws and regulations affecting business in Ukraine continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Organization may be challenged by the relevant authorities. Due to changes in tax legislation for non-for-profit organizations during 2015, the Organization has accrued income tax liabilities as at 31 December 2015 in amount of UAH 254 thousands. Management believes that it has provided adequately for tax liabilities applying prudent approach and based on its interpretations of tax legislation. However, the relevant authorities may have different interpretations, and the effect on the Organization's activity is currently difficult to predict.

Pensions and retirement plans

Employees receive pension benefits from respective state authorities of Ukraine in accordance with the laws and regulations of the country. As at 31 December 2015 the Organization was not liable for any supplementary pensions, post-retirement or health care, insurance benefits, or retirement indemnities to its current or former employees.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosure of estimated fair values of financial instruments is made in accordance with the requirements of IPSAS 15 "*Financial Instruments: Disclosure and Presentation*" and IPSAS 29 "*Financial Instruments: Recognition and Measurement*". Fair value is defined as the amount for which the instrument can be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a part of the Organization's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

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For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Except as detailed in the following table, the Organization considered that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

	31 December 2015			Carrying value
	Level 1	Fair value Level 2	Level 3	
Financial assets				
Contributions receivable from donors	-	-	952,218	916,524
Total financial assets	-	-	952,218	916,524
Financial liabilities				
Committed donations to sub-recipients	-	-	85,137	85,271
Total financial liabilities	-	-	85,137	85,271
	31 December 2014			Carrying value
	Level 1	Fair value Level 2	Level 3	
Financial assets				
Contributions receivable from donors	-	-	47,919	50,875
Total financial assets	-	-	47,919	50,875
Financial liabilities				
Committed donations to sub-recipients	-	-	4,541	4,541
Total financial liabilities	-	-	4,541	4,541
	1 January 2014			Carrying value
	Level 1	Fair value Level 2	Level 3	
Financial assets				
Contributions receivable from donors	-	-	29,587	28,816
Total financial assets	-	-	29,587	28,816
Financial liabilities				
Committed donations to sub-recipients	-	-	19,932	19,932
Total financial liabilities	-	-	19,932	19,932

For disclosure purpose the Organization uses discounted cash flows method for calculation of fair value of financial instruments. This method takes into account budgeted grants receivable from donors/committed donations to sub-recipients, the program implementation periods and the discount factor.

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Fair value is determined using prevailing market interest rates for alternative instruments (bank deposits of similar terms and currency for contributions to be received and bank borrowings of similar terms and currency for committed donations to be paid).

For the purposes of estimating fair values of contributions receivable from donors as of year end, the Organization used market interest rates for bank deposits prevailing in December of 2015, 2014 and 2013, that were equal to 6.0%, 7.7% and 7.6%, respectively.

For the purposes of estimating fair values of committed donations to sub-recipients as at 31 December 2015, the Organization used market interest rate for bank loans prevailing in December 2015, that was equal to 22.0%. As at 31 December and 1 January 2014 committed donations to sub-recipients had contractual maturity period of less than one year and their carrying values approximated their fair values.

19. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties, as defined by IPSAS 20 "Related party disclosures", represent:

- a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Organization;
- b) Associates (as defined by IPSAS 7, "Investments in Associates");
- c) Individuals owning, directly or indirectly, an interest in the reporting Organization that gives them significant influence over the Organization, and close members of the family of any such individual;
- d) Key management personnel, and close members of the family of key management personnel; and
- e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

During the years ended 31 December 2015 and 2014 there were no related party transactions besides remuneration provided to key management personnel and close family members of key management personnel. Remuneration of 6 key management personnel and 2 close family members of key management personnel for the year ended 31 December 2015 amounted to UAH 5,612 thousand and UAH 525 thousand, respectively (2014: 5 key management personnel and 1 close family member of key management personnel – UAH 2,882 thousand and UAH 221 thousand, respectively).

20. RISK MANAGEMENT POLICIES

The Organization manages its expenditures and net assets to ensure that it will be able to continue as a going concern while achieving its goals through the optimization of expenses which are being born during programs implementation.

The main risks arising from the Organization's operations are concentration risk, risk of inappropriate use of funds by sub-recipients, foreign currency and liquidity risks. The Organization does not have any external liabilities except those to execute programs. It has never been granted any loans or other debt, as it is fully financed by donors.

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Risk of concentration

As disclosed in Note 5, during the year ended 31 December 2015, the financing provided by the Global Fund represented 98% of the total contributions obtained by the Organization. To manage this risk the Organization is proactive in obtaining new financing from other donors.

Moreover, as at 31 December 2015, 100% of cash and cash equivalents are placed by the Organization in two domestic banks with credit rating "B-" and "CCC-" (Note 10). The Organization considers that the selected banks is solid and no risk of recoverability of cash and cash equivalents exists as at 31 December 2015.

Risk of inappropriate use of funds by sub-recipients

The Organization is exposed to a risk of inappropriate use of funds by sub-recipients, i.e. a risk that the recipients obtaining funds from the Organization may not be able to use the funds for a program in accordance with the terms and the budget of a grant agreement, thus, causing loss to the Organization.

This risk is mainly attributable to receivables from sub-recipients and represented by advances issued to sub-recipients. The amounts are recorded in the statement of financial position net of provision for inappropriate use of advances to sub-recipients, if any, and from placement of cash by sub-recipients in insolvent banks. This provision is calculated by the Organization's management based on the recoverability of funds by sub-recipients.

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Organization will be adversely impacted by changes in exchange rates to which the Organization is exposed. The Organization undertakes certain transactions denominated in foreign currencies. The Organization does not use any derivatives to manage its foreign currency risk exposure.

The carrying amounts of the Organization's financial assets and liabilities denominated in foreign currencies as at 31 December 2015, 2014 and 1 January 2014 are as follows:

	31 December 2015				Total balance
	UAH	USD	EUR	GBP	
Financial assets					
Investment	303	-	-	-	303
Cash and cash equivalents	2,007	40,685	-	-	42,692
Contributions receivable, including current and non-current	142	915,784	598	-	916,524
Receivables from sub-recipients	1,302	-	-	-	1,302
Total financial assets	3,754	956,469	598	-	960,821
Financial liabilities					
Committed donations to sub-recipients, including current and non-current	85,271	-	-	-	85,271
Accounts payable	2,066	174,971	-	-	177,037
Total financial liabilities	87,337	174,971	-	-	262,308
Net position	(83,583)	781,498	598	-	

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	31 December 2014				Total balance
	UAH	USD	EUR	GBP	
Financial assets					
Investment	289	-	-	-	289
Cash and cash equivalents	5,443	42,208	488	-	48,139
Contributions receivable, including current and non-current	54	50,383	438	-	50,875
Receivables from sub-recipients	7,935	-	-	-	7,935
Total financial assets	13,721	92,591	926	-	107,238
Financial liabilities					
Committed donations to sub-recipients, current	4,541	-	-	-	4,541
Accounts payable	18,192	131,239	-	-	149,431
Total financial liabilities	22,733	131,239	-	-	153,972
Net position	(9,012)	(38,648)	926	-	
	1 January 2014				Total balance
	UAH	USD	EUR	GBP	
Financial assets					
Investment	289	-	-	-	289
Cash and cash equivalents	1,513	99,464	378	-	101,355
Contributions receivable, including current and non-current	-	26,075	1,515	1,226	28,816
Total financial assets	1,802	125,539	1,893	1,226	130,460
Financial liabilities					
Committed donations to sub-recipients, current	19,932	-	-	-	19,932
Accounts payable	1,450	-	-	-	1,450
Total financial liabilities	21,382	-	-	-	21,382
Net position	(19,580)	125,539	1,893	1,226	

The table below details the Organization's sensitivity to weakening of the Ukrainian Hryvnia against US Dollar, EURO and GBP by 32%, 21% and 33% for years ended 31 December 2015, 2014 and 1 January 2014, respectively. The analysis was applied to monetary items at the report dates denominated in respective currencies.

	US Dollar – impact		
	31 December 2015	31 December 2014	1 January 2014
Effect on net assets, net surplus/(deficit)	250,079	(12,367)	40,172
	EURO – impact		
	31 December 2015	31 December 2014	1 January 2014
Effect on net assets, net surplus	126	194	398

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	GBP – impact		
	31 December 2015	31 December 2014	1 January 2014
Effect on net assets, net surplus	-	-	405

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Interest rate risk

The Organization is not exposed to interest rate risk because it did not hold financial liabilities with floating interest rates.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to settle all liabilities as they are due. The Organization's liquidity position is carefully monitored and managed. The Organization has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

The amounts of financial liabilities as at 31 December 2015 disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows may differ from the amounts included in the statement of financial position because the statement of financial position amount is based on the discounted cash flows.

The Organization's liquidity risk position as at 31 December 2015 is following:

	On demand and up to 1 year	Over 1 year	Total
Financial liabilities			
Committed donations to sub-recipients	71,891	33,337	105,228
Accounts payable	177,037	-	177,037
Total financial liabilities	248,928	33,337	282,265

As at 31 December 2014 and 1 January 2014, all financial liabilities of the Organization based on contractual payments were due within the period of one year.

21. SUBSEQUENT EVENTS AND BUDGET APPROVAL

The budget of the Organization for the year ended 31 December 2016 was approved by Coordination Council of the Organization on 29 January 2016. The total budgeted contributions for 2016 amounted to UAH 612,416 thousand, that were expected to be covered by further grants to be received subsequently.

Subsequent to the year end the Global Fund's Program budget has been revised. As a result of revision of the grant budget has been changed from USD 60,406 thousand to USD 66,936 thousand.

On 28 March 2016 CDC has issued a Notice of Award for the Organization awarding the grant in the amount of USD 600 thousand in the support of the project "Access of Communities to Care through Enabling System Strengthening" for the budget period 1 April 2016 – 31 March 2017.

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On 2 February 2016 a new grant agreement for the award of USD 25 thousand was signed with The Foundation Open Society Institute to implement the project "Improving access to innovative medicines for hepatitis C treatment in Ukraine". The project period is through 31 December 2016.

As of the date of issuance of these financial statements, there was no final effective court decision concerning the contest of Mr. V.O. Zhovtyak, former Head of Coordination Council (Note 17).

Subsequently to 31 December 2015, the Organization has updated its organizational Charter that was approved by Organization's General Meeting of Members and included into the Unified State Register of Legal Entities on 8 July 2016. The main changes were introduced to reflect the requirement of the Ukrainian legislation, namely the Law of Ukraine #652-VIII "About the Introduction of Changes into The Tax Code of Ukraine on Taxation of Not-for-profit Organizations" dated 17 July 2015. Additionally according to the updated organizational Charter name of the Organization was changed from All-Ukrainian Charitable Organization "All-Ukrainian Network of People Living with HIV/AIDS" to Charitable Organization "All-Ukrainian Network of People Living with HIV/AIDS".

On 19 August 2016 the Organization's Coordination Council has made a decision to pilot a new model of community based service provision on the basis of an existing clinic in order to support the expansion of HIV treatment in Ukraine. With this aim a 100% of share capital in LLC "Medical center of health and rehabilitation "Medexpress" was purchased by the Organization as a social enterprise for the funds received from the Global Fund. The Center will provide testing and treatment services for HIV positive patients, patients with co-infections, representatives of Key Affected Populations taking into account their specific needs.

On 13 September 2016 modification to the Grant agreement with USAID was signed. According to the modification the cumulative budgeted amount of the Grant was increased up to USD 2,986 thousand and the ending date of the Program was extended to 17 September 2017.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by Management on 5 October 2016.