

Charitable Organization
“All-Ukrainian Network of People Living
with HIV/AIDS”

Consolidated Financial Statements
for the Year Ended 31 December 2022

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

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

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Management is responsible for the preparation of the consolidated financial statements that presents fairly, in all material respects, the consolidated financial position of Charitable Organization “All-Ukrainian Network of People Living with HIV/AIDS” and its subsidiary (the “Group”) as at 31 December 2022 and the results of its consolidated financial performance and cash flows for the year ended 31 December 2022, in accordance with International Public Sector Accounting Standards (“IPSAS”).

In preparing the consolidated 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 Group’s consolidated financial position and consolidated financial performance;
- Making an assessment of the Group’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 Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IPSAS and the requirements of the Law on accounting and financial reporting;
- Maintaining statutory accounting records in compliance with legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2022 was approved by Management on 5 December 2023.

On behalf of the Group’s Management:


Dmytro Sherembei
Head of Coordination Council




Anastasia Marchuk
Finance Director

INDEPENDENT AUDITOR'S REPORT

To the Management and Coordination Council of Charitable Organization "All-Ukrainian Network of People Living with HIV/AIDS":

Opinion

We have audited the consolidated financial statements of the Charitable Organization "All-Ukrainian Network of People Living with HIV/AIDS" and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of financial performance, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards ("IPSAS").

Basis for Opinion

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

Emphasis of Matter – Operating Environment

We draw your attention to Note 2 and Note 3 to the consolidated financial statements, which indicate that since 24 February 2022 the impact of the ongoing military actions in Ukraine, the magnitude of further developments, the timing of cessation of those actions and final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Group. Management's plans concerning this impact are also discussed in Note 3 to the consolidated financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

LLC, Deloitte & Touche USC


5 December 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

	Notes	2022	2021
Revenues			
Contributions from donors	4	2,114,249	1,822,793
Loss on initial recognition of contributions receivable		(4,990)	(20,438)
Interest income	7	9,159	15,100
Foreign exchange gain, net	4	468,132	-
Other income		13,451	9,929
Total revenues		2,600,001	1,827,384
Expenses			
Committed donations to sub-recipients	5	(2,121,254)	(755,922)
Program expenses	6	(242,438)	(147,166)
Foreign exchange loss, net	4	-	(60,181)
Other expenses		(22,959)	(17,058)
Total expenses		(2,386,651)	(980,327)
Surplus for the year		213,350	847,057

On behalf of the Group's Management:


Dmytro Sherembei
Head of Coordination Council




Anastasia Marghuk
Finance Director

The notes on pages 8-35 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

	Temporarily restricted assets	Unrestricted assets	Total
Balance as at 1 January 2021	543,914	14,441	558,355
(Deficit)/Surplus for the reporting period	847,324	(267)	847,057
Balance as at 31 December 2021	1,391,238	14,174	1,405,412
Application of IPSAS 41 (Note 4)	(7,742)	-	(7,742)
Balance as at 1 January 2022	1,383,496	14,174	1,397,670
Surplus for the reporting period	209,273	4,077	213,350
Balance as at 31 December 2022	<u>1,592,769</u>	<u>18,251</u>	<u>1,611,020</u>

On behalf of the Group's Management:


Dmytro Sherembei
Head of Coordination Council




Anastasia Marchuk
Finance Director


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


CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

	Notes	2022	2021
Cash flows from operating activities			
Cash inflows from:			
Contributions received from donors		892,050	637,835
Donations returned by sub-recipients		41,233	22,817
Cash received from customers		13,398	10,065
Bank interest received		-	15
Cash outflows to:			
Donations disbursed to sub-recipients		(520,128)	(429,093)
Payments for inventories donated to sub-recipients		(184,659)	(177,410)
Payments to suppliers for inventories and services used by the Group		(140,886)	(74,568)
Personnel costs		(106,389)	(79,281)
Cash returned to donors		(742)	(14,104)
Loss on sale of foreign currency		(1,875)	(3,900)
Net cash used in operating activities		(7,998)	(107,624)
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(7,017)	(1,544)
Net cash used in investing activities		(7,017)	(1,544)
Net decrease in cash and cash equivalents		(15,015)	(109,168)
Cash and cash equivalents at the beginning of the year	8	132,422	245,557
Effect of exchange rates changes on the balance of cash and cash equivalents held in foreign currencies		34,476	(3,967)
Cash and cash equivalents at the end of the year	8	151,883	132,422

On behalf of the Group's Management:


Dmytro Sherembei
Head of Coordination Council




Anastasia Marchuk
Finance Director

The notes on pages 8-35 form an integral part of these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

1. GENERAL INFORMATION

Charitable Organization “All-Ukrainian Network of People Living with HIV/AIDS” (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 is non-profit oriented entity with main purpose of the fighting over human immunodeficiency virus (“HIV”) infection and acquired immune deficiency syndrome (“AIDS”) mortality in Ukraine, and alleviating the negative impact through supporting community actions against HIV/AIDS. The registered office of the Organization is located at 87A/V, Mezhygirska Street, Kyiv, Ukraine.

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 for health and rehabilitation “Medexpress” (the “Subsidiary”) was purchased by the Organization as a social enterprise for the funds received from the Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”). The Subsidiary provides testing and treatment services for HIV positive patients, patients with co-infections, representatives of Key Affected Populations taking into account their specific needs. According to the updated organizational charter dated 19 September 2016 name of the Subsidiary was changed from LLC “Medical Center for Health and Rehabilitation “Medexpress” to LLC “Medical Center for Health and Rehabilitation “100% Life”. Together Organization and Subsidiary are referred to as the Group.

The main goals of the Group 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 Group are financed by international donor organizations and donations from private individuals and legal entities. The Group uses funds of charitable aid either directly in interest of the clients or by disbursements made to Ukrainian, as well as international non-for-profit organizations, so-called sub-recipients, who provide services to the clients locally. The Group disburses funds to its sub-recipients and monitors their activities and respective expenditures through their regular reporting.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

One of the major grants is provided by the Global Fund for the Program “Gain momentum in reducing TB/HIV burden in Ukraine”. Other donors that provide financing to the Group are the United States Agency of International Development (the “USAID”), Alliance for Public Health and Centers for Disease Control and Prevention (the “CDC”) and others.

Concentration

The financing provided by the Global Fund and USAID represented the major part of the total contributions obtained by the Group during the years ended 31 December 2022 and 2021. To manage this risk the Group is proactive in obtaining new financing from other donors.

2. OPERATING ENVIRONMENT

In February 2022, the Russian Federation recognized the temporarily occupied territories in Luhanska and Donetsk regions as independent republics and started its military invasion of Ukraine resulting in a full-scale war across the Ukrainian state. On 4 October 2022, the President of the Russian Federation signed laws on annexation of parts of Luhanska, Donetsk, Zaporizka, and Khersonska regions that had been previously ratified by the country’s Parliament.

The ongoing military attack has led to significant damage to infrastructure, dislocation of the population, and disruption to economic activities in Ukraine. By August 2022, all ports in the Black Sea area stopped working, which resulted in complete suspension of exports and imports made via seaports. Airports, many roads, and bridges were closed, damaged, or destroyed, further crippling transportation and logistics. Transportation of goods inbound and outbound was performed by railway and trucks, as well with involvement of European carriers, which made it possible for most companies in Ukraine, effective from May-June 2022, to restore and arrange transportation and logistics of their products.

On 22 July 2022, in Istanbul, representatives of Ukraine signed an agreement with Turkey and the United Nations on unblocking of ports and resumption of grain exports effective from 1 August 2022, which had been blocked in the Black Sea ports due to the war. The Russian Federation also signed a “mirror agreement” with Turkey and the United Nations. During 2022, the parties agreed on the extension of the “grain agreement”, which made it possible to export more than 33 million tons of agricultural produce from the ports of Ukraine from the beginning of the agreement until 17 July 2023. Effective from 17 July 2023, Russia has officially withdrawn from the “grain agreement”, which creates difficulties for the exports of agricultural produce.

In late April 2022, Ukraine also encountered a significant lack of fuel due to the need to create new logistics supply routes from Europe; the problem was resolved during May-June 2022. In October-December 2022, Ukraine witnessed massive power outages for the population and businesses due to a significant damage to power grids caused by missile attacks and shelling from the Russian Federation, which also caused problems with water and heat supply. The Government introduced a range of emergency measures to resolve those challenges and stabilize the economy. Effective from February 2023, the situation in the energy system of Ukraine improved and stabilized.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in Ukrainian Hryvnias and in thousands)*

In June 2023, the Russian troops blew up the dam of the Kakhovka Hydropower Station, which led to draining of the water reservoir. This caused negative environmental, humanitarian, and economic consequences for Khersonska and neighboring regions, in particular, for agriculture in the region.

As a result of the military invasion of the Russian Federation and the start of the full-scale war, the economy of Ukraine suffered serious consequences. In 2022, the drop in Ukraine's GDP reached 30.3% (in 2021, real GDP grew by 3.2%). Starting from February 2022, the inflation rate increased in annual terms and reached 26.6% by the end of the year (2021: 10.0%) because of the disruption of supply chains and production processes, uneven demand, increased business costs, increased global prices, limited supply of certain commodities, as well as physical destruction of assets of a range of companies caused by the Russian attack on Ukraine. The national currency devalued, according to the official exchange rates at the end of 2022, by 34% against USD and by 26% against EUR comparing to the averages at the end of 2021. In 2023, the inflation rate decreased to 12.8% annualized as of June 2023.

From the onset of the full-scale war, the National Bank of Ukraine (the “NBU”) has introduced a range of temporary protective measures, such as restriction of cross-border payments in foreign currency, fixing the official exchange rate for major currencies (on 21 July 2022, the NBU adjusted the official UAH/USD exchange rate by 25% to UAH 36.5686 per USD 1). Despite the increase in the official exchange rate of USD, the disparity between the official and market exchange rates remains. From the beginning of the war, the NBU fixed the discount rate at the level of 10% due to the forced administrative restrictions, however, later, in June, it increased it to the level of 25%. In July 2023, the NBU decreased the rate to 22%, and, in September 2023, to 20%. In 2023, the NBU additionally tightened the requirements to obligatory reserves of banks. The NBU stated it would revert to the traditional format of inflation targeting with a floating exchange rate after the economy and financial system return to their normal operational mode.

At the same time, thanks to the assistance from partners, the NBU's international reserves as at the end of 2022 exceeded the pre-war level and reached USD 28.5 billion. In August 2022, the Ministry of Finance of Ukraine postponed payments on sovereign Eurobonds for two years and amended the terms and conditions for issuing government derivatives by reducing financing needs. In general, the Ukrainian Government continues to service external debt obligations, and the banking system remains operational and maintains stability.

The approved state budget of Ukraine for 2023 presupposes that budget revenues be two times lower than expenditures, and the deficit will be about 21% of GDP (or USD 35.5 billion). It is expected that the budget deficit will be financed through financial assistance from foreign partners in the form of grants and preferential long-term interest-free loans.

The Ukrainian Government received a significant international support, financing, and donations from international organizations, along with individual countries, and charities to support financial stability, social related payments, and military needs. During 2022, the volumes of declared international financial aid amounted to more than USD 65 billion, whereas the volumes of received international financial aid were at the level of more than USD 32 billion. The volumes of military assistance exceeded USD 16 billion and humanitarian – USD 41 billion. In 2023, international support continued: the volumes of declared international financial aid for the first half of 2023 amounted to more than USD 23 billion.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in Ukrainian Hryvnias and in thousands)*

On 15 March 2022, the Verkhovna Rada of Ukraine introduced some changes to the tax legislation and adopted the Law of Ukraine No. 2120-IX “On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period”.

Exporters face problems and delays in VAT refunds due to the need to conduct tax audits to receive refunds.

In March 2022, the system operator of the Ukrainian electricity network, together with European operators, completed integration of the Ukrainian and European energy systems.

On 23 June 2022, the European Council summit in Brussels decided to provide Ukraine with the candidate status to the European Union. Ukraine is going to become a participant of the EU programs and initiatives opened for candidates.

On 27 September 2022, the Cabinet of Ministers approved resolutions that would allow Ukraine join the Common Transit Convention and Convention on the Simplification of Formalities in Trade in Goods (the so-called “customs free regime”) from 1 October 2022. The resolutions open access to an unlimited range of Ukrainian businesses to authorizations and simplifications of joint transit procedures similar to those available to economic operators in the 35 member states of the Convention.

During 2022, the Government introduced zero quotas on exports of gold and silver (except for bank metals), buckwheat, table salt, fuel oil, and fuel wood. Exports of chicken meat, cattle, cattle meat, eggs, mineral fertilizers, rye, oats, millet, and sugar are subject to licensing. Exports of gas are prohibited.

The war between Ukraine and the Russian Federation is ongoing, resulting in a significant destruction of property and assets in Ukraine and other serious consequences. The consequences of the war are changing day to day, and the long-term implications are unclear. Further impact on the Ukrainian economy depends upon the way the Russian military invasion in Ukraine is resolved and upon the success of the Ukrainian Government in realization of new reforms, recovery strategy after the invasion is stopped, and the transformation of the state to acquire the European Union membership, as well as cooperation with the international funds.

3. BASIS OF PRESENTATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of preparation

The consolidated financial statements have been prepared under the accrual basis of accounting in accordance with International Public Sector Accounting Standards (“IPSAS”) as issued by the International Public Sector Accounting Standards Board (the “IPSASB”). The consolidated financial statements are presented in Ukrainian Hryvnias (“UAH”), which is the functional and reporting currency of the Group. The accounting policies have been applied consistently throughout the period.

The consolidated financial statements have been prepared on the going concern basis, and on the basis of historical cost, unless stated otherwise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Going concern

These consolidated financial statements have been prepared on the assumption that the Group will be able to continue as a going concern and that it will continue in operation for the foreseeable future.

However, as noted in Note 2 and 3, on 24 February 2022, Russian forces began a military invasion of Ukraine, which led to a full-scale war throughout Ukraine. The operating environment remains risky and with a high level of uncertainty. Therefore, the going concern assumption are to be carefully assessed by management to ensure the Group has sufficient funding for its activities.

Management believes that preparation of these consolidated financial statements on a going concern basis is appropriate due to the following factors and actions taken:

- During the period after the reporting date and before the authorization of these consolidated financial statements, the Group continues its operations and manages to meet main goals of the Group's activities in 2023.
- As of 31 December 2022, the Group has signed grant agreements with donors for funding of its activities both in 2023 and further years – total amount of contributions receivable from donors equal to UAH 1,342 mln as of 31 December 2022. Subsequently to 31 December 2022, the Group signed new grant agreements with the existing and new donors for funding additional program activities. The Group receives contributions from donors in accordance with grant agreements budgets and needs, and is in compliance with grant agreements terms.
- As of 31 December 2022 and subsequently, the Group has sufficient liquidity – all Group's liabilities are fully covered by liquid assets such as cash and cash equivalents and current receivables.
- The Group is operationally digitalized due to COVID-19, thus has managed the difficulties of relocating staff and remote work of employees. System of remote and extensive management of the Group and the projects built during the COVID-19 lockdowns, made it possible to work without significant operational break ups. The Group was able to master new types of activities (provision of antiretroviral therapy services abroad, assistance in migration, shelters, humanitarian assistance to displaced persons and people in the territories close to hostilities, provision of basic needs (medicine, food, means for heating and lighting, etc.), acquire additional financing for needs caused by the war and carry out additional purchases of vital goods, provide humanitarian corridors across the border for cargo.
- Since the beginning of the war, the Group has been supplying antiretroviral therapy to over 120 thousand patients in Ukraine, including those who received treatment with state funds, which relates to the cancellation of state purchases of antiretroviral therapy. The drugs are purchased with the support of donors, import and logistic support is conducted by the Group, which delivered drugs and goods throughout the territory of Ukraine, including cities to which state logistic companies did not go for a certain time, due to the war.
- There are no damages caused by the war and there are no assets in occupied territories.

Considering the reasons above, management believes that preparation of these consolidated financial statements on a going concern basis is appropriate, and the Group has adequate resources to realize its assets, discharge its liabilities and continue in operational existence for the foreseeable future.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Adoption of new and revised International Public Sector Accounting Standards

The Group has adopted IPSAS 41 “Financial Instruments” standard for the first time for the financial year beginning on or after 1 January 2022.

With the effect from 1 January 2022, the Group has changed its accounting policy for classification and measurement of financial instruments according to IPSAS 41.

The Group has adopted IPSAS 41 retrospectively. In accordance with the transitional provisions of IPSAS 41, comparative figures were not restated. The Group’s net assets were adjusted upon adoption of the new standard as described below.

Reconciliation of consolidated statement of financial position balances from IPSAS 29 to IPSAS 41 at 1 January 2022:

Financial assets	IPSAS 29 carrying amount as at 31 December 2021	Remeasurements	IPSAS 41 carrying amount as at 1 January 2022	Net assets effect as at 1 January 2022
<i>In thousands of Ukrainian hryvnias</i>				
Cash and cash equivalents	132,422	(8)	132,414	(8)
Contributions receivable	1,273,218	(7,466)	1,265,752	(7,466)
Receivables from sub-recipients	31,726	(1,096)	30,630	(1,096)
Total	1,437,366	(8,570)	1,428,796	(8,570)

New and amended IPSAS issued but not yet effective

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

Standards and amendments to standards	Effective for annual accounting periods beginning on or after
IPSAS 42 “Social Benefits”	1 January 2023
IPSAS 43 “Leases”	1 January 2025

Management anticipates that their adoption in future periods will not have a material effect on the consolidated financial statement of the Group.

Foreign currency translation

In preparing the consolidated financial statement of the Group, financial assets denominated in currencies other than the Group’s functional currency are translated at the appropriate exchange rates set by the NBU 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

The relevant exchange rates were as follows:

	<u>31 December 2022</u>	<u>Average for 2022</u>	<u>31 December 2021</u>	<u>Average for 2021</u>
USD/UAH	36.5686	32.3423	27.2782	27.2862
EUR/UAH	38.9510	33.9820	30.9226	32.3090
GBP/UAH	44.0048	39.8567	36.8392	37.5474

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.

Advances paid

Represented by the advances 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 less any provision for doubtful debts.

Net assets

Difference between assets and liabilities is the Group's net assets (or balance of funds obtained by the Group from donors). Net assets are divided into the net assets with temporarily restricted and unrestricted use. Contributions from 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 no return requirement from the donor when the grant program is completed and closed.

Financial instruments

The Group has adopted IPSAS 41 from 1 January 2022. In accordance with the transitional provisions of IPSAS 41, comparative figures were not restated.

Initial recognition of financial instruments

Financial assets and financial liabilities are initially measured at fair value.

The Group's principal financial instruments comprise cash and cash equivalents, contributions receivable, receivables from sub-recipients, committed donations to sub-recipients and accounts payable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Classification and subsequent measurement of financial assets

Financial assets are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

Amortised cost is calculated using the effective interest method and, for financial assets, it is determined net of any impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

The Group uses practical expedient according to which the amortised cost of financial assets with a maturity of less than one year, less any estimated credit losses, are assumed to be their face values.

Impairment of financial assets

At each reporting date the Group assesses whether credit risk increased since the initial recognition of financial asset. If the credit risk increased since the initial recognition, then the allowance for expected credit losses (“ECLs”) on such agreement is estimated in the amount which is equal to the ECLs arising from possible events of default during the lifetime of a financial instrument.

The carrying amount of the asset is reduced through the provision, and the amount of respective loss is recognised in the consolidated statement of profit or loss. When receivables are uncollectible, they are written off against the provision account for receivables. Subsequent recovery of amounts previously written off are credited to the consolidated statement of profit or loss.

Classification and subsequent measurement of financial liabilities

Financial liabilities are subsequently measured at amortised cost or fair value through profit or loss (“FVTPL”).

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in Ukrainian Hryvnias and in thousands)*

Derecognition of financial instruments

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Notes to the consolidated financial statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects both current and future periods.

Critical judgments in applying accounting policies and key sources of estimation uncertainty are disclosed in the notes to those elements of the consolidated financial statements to which they relate.

4. NON-EXCHANGE REVENUE AND CONTRIBUTIONS RECEIVABLE

Group's revenue occurs on non-exchange transactions and primarily comprises of cash contributions and in-kind contributions made by donors.

These contributions are recognized as revenue at the time the agreement becomes binding and when control over the underlying asset is obtained, unless the agreement establishes a condition on transferred assets that requires recognition of a liability. In such cases, revenue is recognized as the condition liability is discharged.

Contributions receivable are amounts to be received as contributions from donors that are recognized at fair value at initial recognition using prevailing market interest rates for alternative instruments and are measured at amortized cost using the effective interest rate method, less any impairment. The difference between the nominal value and the fair value of the contribution receivable is recognized in the consolidated statement of financial performance as loss on initial recognition. Unwinding of discount is recognized as interest income in the consolidated statement of financial performance.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Information for the year ended 31 December

Contributions from donors

Donor	Program	2022	2021
United States Agency for International Development	HealthLink, eHealth	172,703	84,198
Alliance for Public Health	GFR program	107,384	(13,892)
World Food Program		82,921	-
OFFICE FOR THE COORDINATION OF HUMANITARIAN AFFAIRS (OCHA)	OCHA program	37,583	-
Centers for Disease Control and Prevention	ACCESS Pro	34,203	46,066
Peace Winds Japan	PWJ program	31,415	-
Aids Fonds-STOP AIDS NOW	AF	1,054	-
The Global Fund	GF Program, PHC Program	(37,027)	1,514,621
Other		87,785	24,192
Total in cash		518,021	1,655,185
Word Food Program	WFP	1,158,738	-
United States President’s Emergency Plan for AIDS Relief	PEPFAR	326,595	68,650
The Global Fund	GF Program	53,050	97,690
Other		57,845	1,268
Total in kind		1,596,228	167,608
Total		2,114,249	1,822,793

Loss on initial recognition of contributions receivable

Donor	Program	2022	2021
Alliance for Public Health	GFR Program	4,990	-
The Global Fund	GF Program, PHC Program	-	20,438
Total		4,990	20,438

In 2022 contributions received from donors includes cancellations of contributions on mutual agreement with donors due to the Group’s savings in the amount of UAH 99,684 thousand (2021: UAH 169,341 thousand). Cancellations are recorded in the reporting period when such savings occur as deductions from donor’s contributions per each program.

Information as at 31 December

Contributions receivable

Donor	Program	2022	2021
<i>Non-current</i>			
Alliance for Public Health	GFR Program	46,692	-
The Global Fund	GF Program	-	402,469
Less: ECL		(528)	-
Total non-current		46,164	402,469

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Donor	Program	2022	2021
<i>Current</i>			
The Global Fund	GF Program	974,937	702,011
United States Agency for International Development	HealthLink, eHealth	105,141	96,210
Alliance for Public Health	GFR Program	59,539	495
Centers for Disease Control and Prevention	ACCESS Pro	53,433	46,570
Aids Fonds-STOP AIDS NOW	AF	194	773
Other		109,933	24,690
Less: ECL		(7,614)	-
Total current		1,295,563	870,749
Total		1,341,727	1,273,218

The Global Fund

GF Program. On 21 December 2017, the Group signed the agreement with the Global Fund, with implementation period of the program from 1 January 2018 to 31 December 2020 and total grant budget of USD 39,366 thousand. According to the decision of the Global Fund, total amount of funding under the agreement includes funds intended for the Crimean sub-recipients in amount of USD 600 thousand, that are transferred to Crimean sub-recipients directly by the Global Fund, thus they are not recognized by the Group. In April 2018 the amount of funding under the agreement was revised and increased from USD 39,366 thousand to USD 42,003 thousand. In November 2018 the amount of funding under the agreement was reduced for the received but not used contributions of the previous grant in amount of USD 956 thousand. On 18 November 2020 according to the decision of the Global Fund additional funding for COVID-19 support was approved. As a result, the grant budget amount increased for the Group by USD 4,809 thousand and total amount of the grant budget for the Group increased to USD 45,855 thousand. During 2020 in accordance with accounting policy, the Group recognized USD-denominated contribution receivable in the total amount of UAH 134,991 thousand. In 2021 after the end of the implementation period, the Group derecognized contribution receivable in amount of UAH 77,971 thousand against revenue on the amount of funds not received from the donor.

On 4 December 2020 the Group signed the grant agreement with the Global Fund amounted to USD 50,503 thousand with implementation period from 1 January 2021 to 31 December 2023. Total amount of funding under the agreement includes funds intended for the Crimean sub-recipients in the amount of USD 665 thousand that are transferred to Crimean sub-recipients directly by the Global Fund, thus they are not recognized by the Group. On 22 December 2020 the Group received a part of contribution from Donor in the amount of USD 3,205 thousand (UAH 89,859 thousand), that was recognized as accounts payable as the grant agreement became effective from 1 January 2021 (Note 11). Contributions from donors on this grant were recognized in the consolidated statement of financial performance for the year ended 31 December 2021.

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In 2021 the amount of funding under the agreement was increased and the total revised budget amounted to USD 60,801 thousand. In accordance with accounting policy, in 2021 the Group recognized USD-denominated contribution receivable in the total amount of UAH 1,612,311 thousand. The fair value of the receivable was estimated at UAH 1,591,873 thousand as at the recognition date. During 2022 the amount of funding under the agreement was decreased in amount USD 1,012 thousand and the Group derecognized receivables against revenue on the amount of UAH 37,027 thousand. Outstanding amount of contribution receivable under GF program as at 31 December 2022 is UAH 974,937 thousand (2021: UAH 1,104,480 thousand).

GF/PHC Programs. According to the tripartite agreement with the Global Fund and Center for Public Health of the Ministry of Health of Ukraine, signed on 1 November 2018, with the implementation period until 31 December 2019 and funding amount of USD 4,481 thousand.

In October 2019 the amount of funding under the prolonged agreement was increased by USD 5,349 thousand with extension of the implementation period to 31 December 2020, the total revised budget amounted to USD 9,830 thousand. In February and August 2020 the amount of funding under the agreements was increased by USD 2,076 thousand and USD 213 thousand, respectively, the total revised budget amounted to USD 12,119 thousand. In accordance with accounting policy, in 2020 the Group recognized USD-denominated contribution receivable in the total amount of UAH 57,294 thousand. As of the end date of the grant agreement, 30 June 2021 the Group derecognized the amount of UAH 106 thousand receivables against revenue on the amount of funds not received from the donor.

On 2 January 2020, the Group signed two grant agreements with the Center for Public Health of the Ministry of Health of Ukraine, funded by the Global Fund. According to these grant agreements with implementation periods to 31 July 2020 and 31 January 2021 and grant budgets of USD 162 thousand and USD 2,214 thousand, in 2020 the Group recognized USD-denominated current contributions receivable in amount of UAH 3,842 thousand and UAH 52,452 thousand, respectively. During 2021, as of the end date of the grant agreements the Group derecognized receivables against revenue on the amount of funds not received from the donor: UAH 372 thousand per program with implementation period to 31 July 2020 and UAH 16,139 thousand per program with implementation period to 31 January 2021, respectively.

United States Agency for International Development

HealthLink Program. On 28 September 2017, the Group signed the grant agreement with the United States Agency for International Development to implement the HealthLink program. According to the terms of the agreement the contributions are short-term with annual revision. Committed amount of USD 4,000 thousand for the first year of the program is recognized as revenue in 2017 in amount of UAH 105,891 thousand. The amount of contributions received in the second year of the program is USD 4,322 thousand. During the year ended 31 December 2018 the Group recognized USD denominated contribution receivable in amount of UAH 122,170 thousand. For the third year of the program committed amount of USD 3,000 thousand recognized as revenue for the year ended 31 December 2019 in amount of UAH 83,065 thousand. The amount of contributions received in the fourth year of the program is USD 7,300 thousand.

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During the year ended 31 December 2020 the Group recognized USD denominated contribution receivable in amount of UAH 202,407 thousand. The amount of contributions received in the fifth year of the program is USD 2,975 thousand. During the year ended 31 December 2021 the Group recognized USD denominated contribution receivable in amount of UAH 82,596 thousand.

In 2022 the amount of funding under the grant agreement was increased in amount of USD 6,525 thousand for the sixth year of the program is recognized as revenue in 2022 in amount of UAH 187,047 thousand.

Outstanding amount of contribution receivable under the HealthLink program as at 31 December 2022 is UAH 105,141 thousand (2021: UAH 41,071 thousand).

eHealth Program. On 28 September 2018, the Group signed the grant agreement with the United States Agency for International Development to implement the eHealth program with the implementation period until 27 September 2020 and funding amount of USD 2,000 thousand.

According to additional agreements with the United States Agency for International Development, signed on 30 May 2019, the grant budget has been changed from USD 2,000 thousand to USD 5,000 thousand. In accordance with accounting policy, in 2019 the Group recognized USD-denominated long-term contribution receivable in the total amount of UAH 80,050 thousand. Using prevailing market interest rates for alternative instruments in USD of 2.67%, the fair value of the receivable was estimated at UAH 78,995 thousand as at the recognition date.

On August 2020, the Group signed the modification agreement with the United States Agency for International Development to extend of the period of performance from 27 September 2020 to 27 September 2021 at no additional cost. In accordance with accounting policy and revised budget of the agreement the Group reclassified USD-denominated contribution receivable in the total amount of UAH 62,887 thousand from short-term to long-term.

On September 2021, the Group signed the modification agreement with the United States Agency for International Development to extend of the period of performance from 27 September 2021 to 31 March 2022 and funding amount of USD 60 thousand. In accordance with accounting policy, the Group recognized USD-denominated contribution receivable in the total amount of UAH 1,602 thousand.

During 2022, as of the end date of the grant agreements the Group derecognized receivables against revenue on the amount of funds not used during the eHealth program: UAH 14,344 thousand.

Outstanding amount of accounts payable under eHealth program as at 31 December 2022 is UAH 13,782 thousand (Amount of contribution receivable in 2021: UAH 55,139 thousand).

Centers for Disease Control and Prevention

ACCESS Pro Program. On 9 March 2018, the Group signed the grant agreement with the Centers for Disease Control and Prevention to implement the ACCESS Pro program with the implementation period from 1 April 2018 to 31 March 2023 and funding amount of USD 1,700 thousand for the first year of the program implementation. In July 2019 and December 2019 the amount of funding under the agreement was revised and increased by USD 333 thousand and USD 395 thousand, respectively. Contribution receivable was recognized in the consolidated statement of financial performance for the year ended 31 December 2019 in amount of UAH 17,743 thousand.

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According to additional agreements signed with the Center for Disease Control and Prevention in February and August 2020 the amount of funding was revised and increased by USD 913 thousand and USD 1,224 thousand, respectively. Contribution receivable was recognized in the consolidated statement of financial performance for the year ended 31 December 2020 in amount of UAH 55,967 thousand.

In April and July 2021 the amount of funding under the agreement was increased by USD 618 thousand and USD 1,073 thousand, respectively. In accordance with accounting policy, in 2021 the Group recognized USD-denominated contribution receivable in the total amount of UAH 46,066 thousand.

According to additional agreement signed with the Center for Disease Control and Prevention in August 2022 the amount of funding was revised and increased by UAH 34,203 thousand.

Outstanding amount of contribution receivable under ACCESS Pro program as at 31 December 2022 is UAH 53,433 thousand (2021: UAH 46,570 thousand).

Alliance for Public Health

GFR Program. On 14 January 2019, the Group signed two grant agreements with the Alliance for Public Health to implement the GFR program, with the implementation period from 1 January 2019 until 31 December 2021.

One of these agreements is denominated in USD with the funding amount of USD 1,499 thousand. In 2019 the Group recognized USD denominated contribution receivable in the total amount of UAH 41,514 thousand. Using the prevailing market interest rates for alternative instruments in the USD of 3.43%, the fair value of contribution receivable was estimated at UAH 40,125 thousand as of the date of initial recognition (1 January 2019).

In October 2020 the amount of funding under the agreement was increased by USD 69 thousand, the total revised budget amounted to USD 1,568 thousand.

In April and October 2021 the amount of funding under the agreement was decreased by USD 46 thousand and was increased by USD 56 thousand, respectively. In accordance with accounting policy, in 2021 the Group recognized USD-denominated contribution receivable in the total amount of UAH 210 thousand. In 2021, after the end of the implementation period of the program, the Group derecognized contribution receivable in amount of UAH 1,151 thousand against revenue on the amount of funds not received from the donor.

Another agreement is denominated in UAH with the funding amount of UAH 76,394 thousand. In 2019 the Group recognized revenue and long-term contributions receivable in amount of UAH 76,394 thousand. Using the prevailing market interest rates for alternative instruments in the UAH of 15.53%, the fair value of contribution receivable was estimated at UAH 66,582 thousand as of the date of initial recognition. In July and October 2020 the amount of funding under the agreement was revised and decreased by UAH 7,087 thousand and UAH 1,817 thousand, respectively. According to additional agreement signed with the Alliance for Public Health in July 2021 the amount of funding was revised and decreased by UAH 8,792 thousand. In 2021, after the end of the implementation period of the program, the Group derecognized contribution receivable in amount of UAH 4,159 thousand receivables against revenue on the amount of funds not received from the donor.

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In June 2022 the Group received a donor's requests for the return of unused funds for both agreements. The Group derecognized receivables against revenue on the amount of UAH 446 thousand and UAH 189 thousand for these agreements. At the end of 2022 all settlements for both agreements have been completed and there are no balances outstanding.

In January 2022, the Group started two new grant agreements with the Alliance for Public Health to implement the GFR program, with the implementation period from 1 January 2022 until 31 December 2024.

One of these agreements is denominated in USD with the funding amount of USD 2,705 thousand.

In April 2022, the Group signed a memorandum, and in August 2022, a modification agreement was signed with the Alliance for Public Health, which entered into force in April 2022. According to them amount of the funding decreased on USD 638 thousand. And in July 2022 amount of memorandum was changed and the funding amount of grant agreement was additionally decreased on amount USD 169 thousand. During 2022 the Group recognized USD denominated contribution receivable in the total amount of UAH 48,949 thousand. Outstanding amount of contribution receivable under this agreement as at 31 December 2022 is UAH 69,144 thousand.

Another agreement is denominated in UAH with the funding amount of UAH 57,876 thousand. Using prevailing market interest rates for alternative instruments in UAH of 7.07%, the fair value of the receivable was estimated at UAH 54,054 thousand as at the recognition date. The Group signed two modification agreements with the Alliance for Public Health, which entered into force in April 2022. According to them amount of the funding increased on UAH 1,195 thousand. Using prevailing market interest rates for alternative instruments in the UAH of 7.07%, the, the fair value of the receivable was estimated at UAH 54,576 thousand as at the recognition date.

In 2022 the Group recognized revenue and contributions receivable in amount of UAH 59,071 thousand. Outstanding amount of contribution receivable under this agreement as at 31 December 2022 is UAH 37,087 thousand.

World Food Program

WFP Program. On 27 May 2022, the Group signed the grant agreement with the World Food Program to implement the WFP program with the implementation period until 31 August 2022 and funding in amount of USD 1,470 thousand. In September and December 2022 the Group signed the additional agreements with the World Food Program. According to them the amount of funding was increased by USD 779 thousand and USD 313 thousand, respectively, the total revised budget amounted to USD 2,562 thousand and the period of WFP program was prolonged to 31 January 2023. Also according to this agreement in-kind donating are supplied. During the year ended 2022 the Group received humanitarian aid in the amount of UAH 1,158,738 thousand. In 2022 the Group recognized revenue and contributions receivable in amount of UAH 82,921 thousand. Outstanding amount of contribution receivable under this agreement as at 31 December 2022 is UAH 45,549 thousand recorded within other contribution receivable.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Aids Fonds-STOP AIDS NOW

Aids Fonds(AF) Program. On 14 February 2018, the Group signed grant agreement with the Aids Fonds-STOP AIDS NOW to implement the AF program, with the implementation period from 1 January 2018 until 1 March 2021. Agreement was EUR denominated, with the funding amounted to EUR 250 thousand. In 2018 the Group recognized revenue and contribution receivable in the total amount of UAH 8,283 thousand.

In March 2021, January 2022 and June 2022, three additional agreements were signed to prolongate the term of the grant agreements until 31 March 2022, 30 September 2022 and 31 December 2022, respectively.

In March 2022, a grant agreement with a duration of eight weeks was signed between the Group and Aids Fonds-STOP AIDS NOW. Agreement was denominated in EUR with the funding amount of EUR 5 thousand.

On 19 August 2022, the Group signed grant agreement with the Aids Fonds-STOP AIDS NOW with the implementation period from 1 July 2022 till 30 June 2025. In accordance with the terms of the grant agreement, with funding allocated to the first year of the project in the amount of EUR 29 thousand. Funding for the second and third years will be separately agreed by the donor in line with the terms of the agreement.

In 2022 the Group recognized revenue and contributions receivable in amount of UAH 1,054 thousand. Outstanding amount of contribution receivable under this agreement as at 31 December 2022 is UAH 194 thousand.

United States President’s Emergency Plan for AIDS Relief

PEPFAR. According to the Humanitarian Aid Agreement with the Chemonics International, Inc, signed on 24 April 2017, the implementation period of the program is until 30 November 2023. In-kind donations are supplied under this agreement with support of the United States President’s Plan for AIDS Relief (PEPFAR) through the USAID Global Health Supply Chain Procurement Program and Supply Management project. During the year ended 2022 the Group received humanitarian aid in the amount of UAH 326,595 thousand (2021: UAH 68,650 thousand).

Other donors and programs. Total cash contributions from other donors recognized during the year ended 31 December 2022 amounted to UAH 87,785 thousand (2021: UAH 24,192 thousand). Outstanding amount of contribution receivable related to other programs as at 31 December 2022 is UAH 109,933 thousand (2021: UAH 24,690 thousand).

Foreign exchange loss/gain, net

Net foreign exchange gain for the year ended 31 December 2022 incurred mainly due to revaluation of contributions receivable from donors and cash and cash equivalents, denominated in foreign currencies, and amounted to UAH 432,030 thousand (net foreign exchange loss for the year ended 31 December 2021: UAH 55,388 thousand) and UAH 35,922 thousand (net foreign exchange loss for the year ended 31 December 2021: UAH 5,293 thousand), respectively and net foreign exchange gain for UAH 180 thousand (net foreign exchange gain for the year ended 31 December 2021: UAH 499 thousand) occurred upon revaluation of accounts payable, receivables from sub-recipients and committed donations to sub-recipients, denominated in foreign currencies.

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Fair value of financial instruments

As at 31 December 2022 and 2021, the fair value of contributions receivable was estimated to approximate their carrying values due to their short-term nature. The fair value is classified to Level 2 of fair value hierarchy. There were no transfers between the levels during the years ended 31 December 2022 and 2021.

Key sources of estimation uncertainty

Stipulations on contributions from donors. Stipulations imposed by donors on the use of transferred assets are classified as either conditions or restrictions. Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but may not specify that the asset is required to be returned to the donor if not deployed as specified (i.e. no return obligation exists in case the stipulation is breached). Conditions on transferred assets are stipulations that specify that the asset is required to be consumed by the Group as specified, or the asset must be returned to the donor and/or the donor’s participation is to be renegotiated (i.e. a return obligation or other renegotiation of the asset exists in case the stipulation is breached). In many cases judgment is required in establishing whether certain stipulations are restrictions or conditions. In determining this the Group considers whether the requirement to return the asset or other future economic benefits is enforceable, and would be enforced by the donor.

Having analysed existing agreements with donors, past history of cooperation with them, the management concluded that despite certain stipulations may have a form of conditions, there were no by-substance conditions. Therefore, all stipulations were treated as restrictions.

Initial recognition of contributions receivable from donors. Long-term contributions receivable from donors are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate method. Key estimates and assumptions used during fair value measurements (using discounted cash flow method) are as follows:

- Discount rate is determined using prevailing market interest rates for long-term bank deposits in similar currency. The average market rate for the month previous to the month of contributions receivable recognition is used.
- If the agreement does not specify otherwise, the incoming cash flows are discounted, based on the assumption that the first cash flow is to occur at the last day of month in which the agreement is signed. All subsequent cash flows occur at the first day of each year within subtotal annual budget for particular year.

Expected credit losses (“ECLs”) of contributions receivable from donors. Upon initial recognition of the contributions receivable from donors, the Group considers the credit risk of the financial asset to be low, therefore the period in assessing ECLs used by the Group is 12 months from the initial recognition.

To assess the credit risk, the Group determines the rating of the debtor, applying the criteria established in the Group Accounting Policy.

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At each reporting date the Group assesses whether credit risk increased since the initial recognition of contributions receivable from donors. If the credit risk increased since the initial recognition, then the allowance for ECLs on such agreement is estimated in the amount which is equal to the ECLs arising from possible events of default during the lifetime of a financial instrument.

As of 31 December 2022, the Group applied 0.5% rate of ECLs for international or foreign donors and 1% rate of ECLs for domestic donors.

5. NON-EXCHANGE EXPENSES AND PAYABLES

Expenses from non-exchange funding agreements are recognized when the funding is legally in force, except where the agreement establishes a condition on transferred assets. In-kind committed donations to sub-recipients are recognized as expenses at the time the agreement becomes binding and when control over the underlying asset is transferred, unless the agreement establishes a condition on transferred assets. In such cases, expenses are recognized once the conditions on transferred assets are fulfilled consistent with the terms of the agreement.

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.

Committed donations to sub-recipients are derecognized, when the program is cancelled or expired in the same reporting period when the committed donations to sub-recipients were initially recognized, in amount of contributions not 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 in this next reporting period as deduction to committed donations to sub-recipients.

Information for the year ended 31 December

Committed donations to sub-recipients

	<u>2022</u>	<u>2021</u>
Committed donations	2,204,481	808,876
Less: Cancellation of donations to sub-recipients	<u>(83,227)</u>	<u>(52,954)</u>
Total	<u>2,121,254</u>	<u>755,922</u>

Presented by type:

	<u>2022</u>	<u>2021</u>
In cash	502,917	395,431
In kind	<u>1,618,337</u>	<u>360,491</u>
Total	<u>2,121,254</u>	<u>755,922</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in Ukrainian Hryvnias and in thousands)

Presented by donors and programs:

Donor	Program	2022	2021
World Food Program	WFP	1,212,728	-
The Global Fund	GP Program	375,251	518,442
United States President’s Emergency Plan for AIDS Relief	PEPFAR	307,656	65,895
United States Agency for International Development	HealthLink, eHealth	120,344	119,813
Alliance for Public Health	GFR Program	14,753	24,088
Centers for Disease Control and Prevention	ACCESS, ACCESS Pro	11,436	20,624
Other		79,086	7,060
Total		2,121,254	755,922

Information as at 31 December

Committed donations to sub-recipients

Donor	Program	2022	2021
United States Agency for International Development	HealthLink	90,567	86,260
World Food Program	WFP	18,165	-
Centers for Disease Control and Prevention	ACCESS Pro	6,786	9,332
Other		8,073	3,272
Total		123,591	98,864

As at 31 December 2022 and 2021 the Group had active agreements with 16 sub-recipients under the programs funded by the United States Agency for International Development and Centers for Disease Control and Prevention. Committed donations to sub-recipients under the programs funded by the Global Fund are short-term. During the years ended 31 December 2022 and 2021 the Group worked with 46 and 45 sub-recipients, respectively, under the programs funded by the Global Fund. During 2022 the Group had also short-term local agreements with 17 sub-recipients under the program funded by World Food Program. As at 31 December 2022 the Group didn’t have any international agreements (2021: 6 sub-recipients, under the program funded by the Alliance for Public Health).

Fair value of financial instruments

As at 31 December 2022 and 2021 all sub-grant agreements are short-term, using prevailing market interest rates for alternative instruments in UAH of 17.21%, the fair value of the committed donations to sub-recipients was estimated to UAH 109,721 thousand (2021: UAH 98,864 thousand). The fair value is classified to Level 2 of fair value hierarchy.

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Key sources of estimation uncertainty

Stipulations on donations to sub-recipients. Stipulations imposed by the Group on the use of transferred assets are classified as either conditions or restrictions. Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but may not specify that the asset is required to be returned to the donor if not deployed as specified (i.e. no return obligation exists in case the stipulation is breached). Conditions on transferred assets are stipulations that specify that the asset is required to be consumed by the sub-recipients as specified, or the asset must be returned to the Group and/or the Group’s participation is to be renegotiated (i.e. a return obligation or other renegotiation of the asset exists in case the stipulation is breached). In many cases judgment is required in establishing whether certain stipulations are restrictions or conditions. In determining this the Group considers whether there are requirement to return the assets or other future economic benefits is enforceable, and would be enforced by the Group. Having analysed existing agreements with sub-recipients and history of cooperation with them, the management concluded that despite certain stipulations may have form of conditions, there were no by-substance conditions. Therefore, all stipulations are treated as restrictions.

6. PROGRAM EXPENSES

Program expenses incurred by the Group 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 consolidated statement of financial performance based on accrual method.

Information for the year ended 31 December

	2022	2021
Personnel costs	99,456	72,352
Technical assistance	31,083	21,501
Medical and other supplies	39,454	-
Information and promotion	20,002	17,302
Insurance and audit services	8,925	4,928
Rent and office maintenance	3,802	4,991
Bank fees	3,670	3,056
Trainings and events	3,523	5,409
Depreciation and amortization	1,682	1,427
Business trips	1,345	1,002
Costs of storage and transportation of medicines	11,626	7,693
Other program expenses	17,870	7,505
Total	242,438	147,166

Amount of personnel expenses includes personal expenses related to employees’ salary and wages in the amount of UAH 77,614 thousand (2021: UAH 54,959 thousand), expenses related to unified social tax in the amount of UAH 15,513 thousand (2021: UAH 11,653 thousand) and vacation reserve in the amount of UAH 6,329 thousand (2021: UAH 5,740 thousand).

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7. INTEREST INCOME

Interest income contains accrued interest on accounts with banks and finance income accrued on non-current contributions receivable from donors.

Information for the year ended 31 December

	<u>2022</u>	<u>2021</u>
Unwinding of discount on contributions receivable	9,134	15,084
Interest income on own bank accounts	25	16
Total interest income	<u>9,159</u>	<u>15,100</u>

8. CASH AND CASH EQUIVALENTS

Information as at 31 December

	<u>2022</u>	<u>2021</u>
Cash in USD	129,817	128,823
Cash in UAH	12,567	3,599
Cash in EUR	9,499	-
Less: ECL	(45)	-
Total	<u>151,838</u>	<u>132,422</u>

Presented by donors and programs:

Donor	<u>Program</u>	<u>2022</u>	<u>2021</u>
The Global Fund	GF Program, PHC Program	71,781	99,277
United States Agency for International Development	HealthLink, eHealth	50,961	31,574
World Food Program	WFP program	6,244	-
Aids Fonds-STOP AIDS NOW	AF	969	-
Other		21,928	1,571
Less: ECL		(45)	-
Total		<u>151,838</u>	<u>132,422</u>

Cash and cash equivalents as at 31 December 2022 and 2021 is fully represented by cash on bank accounts.

As at 31 December 2022, almost 100% of cash and cash equivalents are placed by the Group in domestic subsidiaries of foreign banks with Fitch credit rating “C” (2021: 100% in domestic subsidiaries of foreign banks with Fitch credit rating “B”).

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As at 31 December 2022, the allowance for expected credit losses was created in respect of cash and cash equivalents in the amount of UAH 45 thousand.

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

9. 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, are expected to be returned back to the Group.

Expected credit losses of receivables from sub-recipients

Upon initial recognition of the receivables from sub-recipients, the Group considers the credit risk of the financial asset to be low, therefore the period in assessing ECLs used by the Group is 12 months from the initial recognition.

To assess the credit risk, the Group determines the rating of the debtor, applying the criteria established in the Group Accounting Policy.

At each reporting date the Group assesses whether credit risk increased since the initial recognition of receivables from sub-recipients. If the credit risk increased since the initial recognition, then the allowance for ECLs on such agreement is estimated in the amount which is equal to the ECLs arising from possible events of default during the lifetime of a financial instrument.

As of 31 December 2022 the Group considers the probability of default to be 1%.

There were no historical credit losses incurred by the Group in prior years as a result of the write off of receivables from sub-recipients.

Information as at 31 December

Donor	Program	2022	2021
The Global Fund	GF Program, PHC Program	23,513	20,417
United States Agency for International Development	HealthLink	7,993	10,272
Alliance for Public Health	GFR Program	400	1,005
Centers for Disease Control and Prevention	ACCESS Pro	25	25
Other		1,004	837
Less: Doubtful debt allowance and ECL		(1,169)	(830)
Total		31,766	31,726

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10. INVENTORIES

Inventories are mainly represented by drugs, other health care medications, and handout materials received as in-kind donations. These goods are recognized at their fair value, measured as at the date of acquisition.

An accounting unit of inventories is acknowledged to be a homogeneous group, batch, or type. Disposal cost of inventories is determined for individual groups using FIFO method. As at reporting date, the Group 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.

Information as at 31 December

	<u>2022</u>	<u>2021</u>
Medicines	101,968	15,738
Other materials	<u>85,518</u>	<u>43,174</u>
Total	<u>187,486</u>	<u>58,912</u>

As at 31 December 2022 most of the medicines were kept on a responsible storage at the warehouses of third party, except for medicines purchased for the operation of the subsidiary in the amount of UAH 1,003 thousand (2021: UAH 912 thousand).

Together with the state authorities the Group is engaged in several projects for improving healthcare environment in Ukraine. The Group obtained funding from donors to develop informational systems “HIV-infection in Ukraine”, “eHealth”, “The laboratory information management system (LIMS)”, and “Information system of the National Health Service of Ukraine”. According to the terms of grant agreements the informational systems must be transferred to the state authorities upon full completion of system or completion of additional modules of the systems.

As at 31 December 2022 information systems “HIV-infection in Ukraine” and “eHealth” amounted to UAH 3,713 thousand and UAH 7,500 thousand, respectively (2021: UAH 3,011 thousand and UAH 9,183 thousand, respectively). In 2020 the Group started to develop informational systems: “The laboratory information management system (LIMS)”. As at 31 December 2022 that information system amounted to UAH 2,025 thousand (2021: UAH 1,236 thousand). In 2020 the Group started to develop new informational system “Information system of the National Health Service of Ukraine”. As at 31 December 2022 that information systems amounted to UAH 68,363 thousand (2021: UAH 27,770 thousand). The cost of software products is included to category “Other materials”.

During the year ended 31 December 2022 part of information system “eHealth” that represent minimum viable product in the amount of UAH 2,048 thousand was transferred to the Ministry of Health of Ukraine.

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11. ACCOUNTS PAYABLE

Accounts payable are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled, or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in surplus or deficit.

Information as at 31 December

	<u>2022</u>	<u>2021</u>
Accounts payables on contributions from Donor	14,216	470
Payable to suppliers of medicines and other materials	9,493	7,795
Provision for services	6,520	4,220
Unused vacation reserve	4,612	2,761
Other liabilities	-	1,340
Total	<u>34,841</u>	<u>16,586</u>

12. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

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

The Group has entered into commercial lease of office premises with the duration of 1-3 years. Future minimum rentals payable within one year under non-cancellable operating lease amounted to UAH 5,074 thousand (2021: UAH 5,623 thousand). Future minimum rentals payable over one year under non-cancellable operating lease amounted to UAH 2,849 thousand (2021: UAH 3,785 thousand).

Compliance with the grant agreement terms

Under the terms of the grant agreements with the Global Fund and other donors the Group 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 Group a full reimbursement of the amounts disbursed for project implementation purposes. As at 31 December 2022 the Group’s 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 Donor under the grant agreement shall be held by the Group or a sub-recipient or other entity approved by the Group, unless the Donor directs, at any time in its sole discretion, that title be transferred to the Donor or another entity nominated by the Donor. Upon the expiry of the program or on the earlier termination of the grant agreement, the Donor may direct that title to any asset acquired for program purposes to be transferred to the Donor or another entity nominated by the Donor.

Legal proceedings. In the ordinary course of operations the Group 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 Group accounts for those contingencies as a charge to the consolidated statement of financial performance. Where management of the Group estimates the risk of financial resources outflow as possible or the amount cannot be measured reliably, the consolidated financial statements make a disclosure of such contingent liability.

Management assessed that there were no liabilities related to legal proceedings that should have been charged or disclosed as contingent as at 31 December 2022 and 2021.

Taxation. The parent organization of the Group 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 Group may be challenged by the relevant authorities. 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 Group’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. The Group’s contributions to the State Pension Fund are recorded in the statement of profit or loss and other comprehensive income on the accrual basis. The Group is not liable for any supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

13. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and key management personnel. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties of the Group, are either have close affiliation with the Group’s key management personnel, or are closely related to them through family relationship.

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In the ordinary operations, the Group implements program activities through two sub-recipients, which are related parties of the Group. Representatives of the Group’s key personnel were part of the management of the sub-recipients and during 2022 and 2021 had the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. During 2022 and 2021 related party transactions between the Group and sub-recipients were conducted under normal conditions with taking into account the interests of both parties.

Committed donations from transactions with related parties were recognized in the consolidated statement of financial performance for the year ended 31 December 2022 in amount of UAH 24,418 thousand (2021: UAH 35,910 thousand).

As at 31 December 2022 and 2021 the net book value of committed donations to related party amounted to UAH 4,126 thousand (2021: UAH 8,545 thousand). Outstanding amount of receivables with sub-recipient as at 31 December 2022 amounted to UAH 1,272 thousand (2021: UAH 3,884 thousand).

The activities of the Group are financed by international donor organization which are related party of the Group. Representative of the Group’s key personnel was the Board Member of donor. During 2022 related party transactions between the Group and donor were conducted under normal conditions with taking into account the interests of both parties.

Contribution from transactions with related parties were recognized in the consolidated statement of financial performance for the year ended 31 December 2022 in amount of UAH 3,232 thousand (2021: UAH 0 thousand). Outstanding amount of Contributions receivables with donor as at 31 December 2022 amounted to UAH 455 thousand (2021: UAH 0 thousand).

Remuneration provided to 9 key management personnel and 1 close family members of key management personnel for the year ended 31 December 2022 amounted to UAH 11,341 thousand and UAH 1,061 thousand, respectively (2021: 8 key management personnel and 1 close family members of key management personnel – UAH 9,161 thousand and UAH 854 thousand, respectively).

14. RISK MANAGEMENT POLICIES

The Group 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 arise during programs implementation.

The main financial risks arising in the normal course of the Group’s operations are: foreign currency, credit and liquidity risks. Because the Group does not have neither interest-bearing financial liabilities nor financial liabilities carried through profit and loss, interest rate risk is not relevant.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Maximum credit risk exposure is limited to the carrying amounts of the financial assets, being primarily cash and cash equivalents and contributions receivable.

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The Group considers that the selected banks are solid and no risk of recoverability of cash and cash equivalents exists (Note 8), whereas contributions receivable are primarily from global organizations, which bare remote risks of defaults.

Foreign currency risk

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

The carrying amounts of the Group’s financial assets and liabilities by currencies as at 31 December 2022 are as follows:

	31 December 2022			Total balance
	UAH	USD	EUR	
Financial assets				
Cash and cash equivalents	12,564	129,775	9,499	151,838
Contributions receivable	36,680	1,301,174	3,873	1,341,727
Receivables from sub-recipients	31,492	274	-	31,766
Total financial assets	80,736	1,431,223	13,372	1,525,331
Financial liabilities				
Committed donations to sub-recipients	123,593	-	-	123,593
Accounts payable	34,841	-	-	34,841
Total financial liabilities	158,434	-	-	158,434
Net position	(77,698)	1,431,223	13,372	

The carrying amounts of the Group’s financial assets and liabilities by currencies as at 31 December 2021 are as follows:

	31 December 2021			Total balance
	UAH	USD	EUR	
Financial assets				
Cash and cash equivalents	3,599	128,823	-	132,422
Contributions receivable	11,217	869,709	3,997	884,923
Receivables from sub-recipients	30,710	1,016	-	31,726
Total financial assets	45,526	999,548	3,997	1,049,071
Financial liabilities				
Committed donations to sub-recipients	98,864	-	-	98,864
Accounts payable	16,116	413	57	16,586
Total financial liabilities	114,980	413	57	115,450
Net position	(69,454)	999,135	3,940	

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The table below details the Group’s sensitivity to weakening of the Ukrainian Hryvnia against USD and EUR by 20% for years ended 31 December 2022 and 2021. The analysis was applied to monetary items at the report dates denominated in respective currencies.

	2022	2021
USD impact: Effect on net assets, net surplus	286,245	196,992
EUR impact: Effect on net assets, net surplus	2,674	788

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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they are due. The Group’s liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations. For liquidity risk management the Group performs analysis of the contractual undiscounted cash flows. Such undiscounted cash flows may differ from the amounts included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on the discounted cash flows.

As at 31 December 2022 and 2021 all financial liabilities are on demand and up to 1 year.

15. SUBSEQUENT EVENTS AND BUDGET APPROVAL

On 9 January 2023, the Coordination Council of the Group approved the budget of the Group for the year ended 31 December 2023 in the total amount of UAH 1,356,312 thousand.

Until the date of authorization of these consolidated financial statements for issue, receivables from sub-recipients outstanding as of 31 December 2022 in the amount of UAH 32,552 thousand were either returned in cash or appropriate eligible expenses incurred by sub-recipients were reported to the Group.

On 3 July 2023 the Organization transferred software developed SAP program to National Health Service of Ukraine (hereafter – “NHSU”) in the amount of UAH 31,781,908. As of the date of this report, remaining software, titled to NHSU in the amount of UAH 42,325,874 is in the process of formal acceptance by NHSU and is expected to be transferred by the end of the 2023 year.

16. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by Management 5 December 2023.