

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

Consolidated Financial Statements
for the Year Ended 31 December 2023

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 2023**

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 2023 and the results of its consolidated financial performance and cash flows for the year ended 31 December 2023, in accordance with International Public Sector Accounting Standards (“IPSAS”).

In preparing the consolidated financial statements, Management is responsible for:

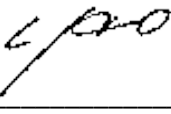

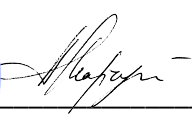
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements of IPSAS is insufficient 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 2023 was approved by Management on 27 November 2024.

On behalf of the Group’s Management:

 _____		 _____
Dmytro Sherembe 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 2023, 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 2023 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

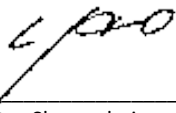
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CHARITABLE ORGANIZATION “ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS”

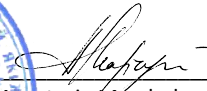
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (in Ukrainian Hryvnias and in thousands)

	Notes	2023	2022
Revenues			
Contributions from donors	4	1,777,937	2,114,249
Loss on initial recognition of contributions receivable		-	(4,990)
Interest income	7	1,332	9,159
Foreign exchange gain, net	4	31,680	468,132
Other income		18,571	13,451
Total revenues		1,829,520	2,600,001
Expenses			
Committed donations to sub-recipients	5	(2,091,019)	(2,121,254)
Program expenses	6	(379,592)	(242,438)
Other expenses		(30,873)	(22,959)
Total expenses		(2,501,484)	(2,386,651)
Surplus/(Deficit) for the year		(671,964)	213,350

On behalf of the Group's Management:


Dmytro Sherembei
Head of Coordination Council




Anastasia Marchuk
Finance Director

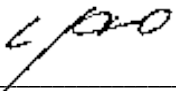
The notes on pages 8-36 form an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2023
(in Ukrainian Hryvnias and in thousands)**

	Temporarily restricted assets	Unrestricted assets	Total
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	1,592,769	18,251	1,611,020
Deficit/Surplus for the reporting period	(678,579)	6,615	(671,964)
Balance as at 31 December 2023	914,190	24,866	939,056

On behalf of the Group’s Management:



Dmytro Sherembei
Head of Coordination Council





Anastasia Marchuk
Finance Director

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

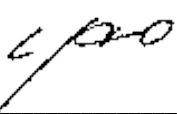
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023


(in Ukrainian Hryvnias and in thousands)

	Notes	31 December 2023	31 December 2022
Assets			
<i>Non-current assets</i>			
Property and equipment and intangible assets		24,866	18,251
Contributions receivable	4	21,971	46,164
Total non-current assets		46,837	64,415
<i>Current assets</i>			
Cash and cash equivalents	8	264,944	151,838
Contributions receivable	4	454,229	1,295,563
Receivables from sub-recipients	9	30,086	31,766
Advances paid		63,039	38,384
Inventories	10	170,940	187,486
Total current assets		983,238	1,705,037
Total assets		1,030,075	1,769,452
Net assets and liabilities			
<i>Net assets</i>			
Temporarily restricted assets		914,190	1,592,769
Unrestricted assets		24,866	18,251
Total net assets		939,056	1,611,020
Liabilities			
<i>Current liabilities</i>			
Committed donations to sub-recipients	5	70,692	123,591
Accounts payable	11	20,327	34,841
Total current liabilities		91,019	158,432
Total liabilities		91,019	158,432
Total net assets and liabilities		1,030,075	1,769,452

On behalf of the Group's Management:


Dmytro Sherembei
Head of Coordination Council




Anastasia Marchuk
Finance Director

The notes on pages 8-36 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023 (in Ukrainian Hryvnias and in thousands)

	Notes	<u>2023</u>	<u>2022</u>
Cash flows from (used in) operating activities			
Cash inflows from:			
Contributions received from donors		1,379,201	892,050
Donations returned by sub-recipients		34,201	41,233
Cash received from customers		18,227	13,398
Cash outflows to:			
Donations disbursed to sub-recipients		(703,660)	(520,128)
Payments for inventories donated to sub-recipients		(193,645)	(184,659)
Payments to suppliers for inventories and services used by the Group		(261,177)	(140,886)
Personnel costs		(157,229)	(106,389)
Cash returned to donors		-	(742)
Loss on sale of foreign currency		(1,366)	(1,875)
Net cash from (used in) operating activities		<u>114,552</u>	<u>(7,998)</u>
Cash flows from (used in) investing activities			
Purchase of property and equipment and intangible assets		(12,997)	(7,017)
Net cash used in investing activities		<u>(12,997)</u>	<u>(7,017)</u>
Net increase/(decrease) in cash and cash equivalents		101,555	(15,015)
Cash and cash equivalents at the beginning of the year	8	<u>151,883</u>	<u>132,422</u>
Effect of exchange rates changes on the balance of cash and cash equivalents held in foreign currencies		11,687	34,476
Cash and cash equivalents at the end of the year	8	<u><u>265,125</u></u>	<u><u>151,883</u></u>

On behalf of the Group's Management:


Dmytro Sherembei
Head of Coordination Council




Anastasiya Marchuk
Finance Director

The notes on pages 8-36 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 2023 *(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 2023 *(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 2023 and 2022. To manage this risk the Group is proactive in obtaining new financing from other donors.

2. OPERATING ENVIRONMENT

In 2023, the full-scale war which started in February 2022 as a result of the armed aggression of the Russian Federation continued in the whole territory of Ukraine. These events led to a significant destruction of infrastructure, displacement of large numbers of people, and disruption of economic activities in Ukraine. However, in 2023, Ukraine’s GDP began to recover and grew by 5% (in 2022, GDP dropped by 30%). Also, in 2023, the inflation rate sharply slowed down to 5.1% in annual terms (2022: 26.6%). However, the National Bank of Ukraine (the “NBU”) expects further growth in inflation in 2024. During 2023, the national currency devalued by 4% against USD and by 8% against EUR comparing to the official exchange rates at the end of 2022 (2022: devalued by 34% against USD and 26% against EUR).

From the onset of the full-scale war, the NBU has introduced a range of temporary protective measures, such as restriction of cross-border payments in foreign currencies and fixing the official exchange rate for major currencies. In October 2023, the NBU introduced a regime of managed flexibility of the exchange rate, which provides for daily exchange rate fluctuations within narrow limits in both directions depending on market conditions. In 2022, the NBU increased the discount rate to 25%. During 2023, the board of the NBU made decisions to reduce the discount rate, which as of 20 September 2024 was set at 13.0%. In 2023, the NBU additionally tightened the requirements to obligatory reserves of banks. Thanks to the assistance from partners, the NBU’s international reserves as at the beginning of December 2023 exceeded the pre-war level and reached USD 40.5 billion. In general, the Ukrainian Government continues to service external debt obligations, and the banking system remains operational and maintains stability.

In May 2024, the NBU introduced a significant easing of currency restrictions. All currency restrictions were lifted for imports of works and services; businesses are allowed to repatriate abroad dividends based on the results of their activities for the period starting from 1 January 2024; funds can be transferred abroad to pay for lease/rent without additional restrictions; conditions for interest payment and repayment of some types of foreign loans were relaxed; restrictions on the transfer of foreign currency from representative offices to their parent companies were eased, etc.

The approved state budget of Ukraine for 2024 presupposes that the budget deficit amount to about 20% of GDP (or USD 42 billion) (2023: 30% of GDP). 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(in Ukrainian Hryvnias and in thousands)

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. For the period from late January 2022 to late 2023, the volumes of declared international financial aid amounted to more than EUR 141 billion, the volumes of military assistance exceeded EUR 98 billion, and humanitarian – EUR 15 billion.

Starting from 22 July 2022, an agreement between Ukraine, Turkey, and the UN was in effect on unblocking ports and resuming the exports of grain, 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. Effective from 17 July 2023, Russia has officially withdrawn from the “grain agreement”, which creates difficulties for the export of agricultural products. In August 2023, a temporary sea corridor began to operate through which Ukraine succeeded to export 12.8 million tons of cargoes during 2023. In 2023, a total of 56.3 million tons of goods were exported through Ukrainian ports (2022: 47.8 million tons).

In the winter of 2022-2023, 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. However, in April-October 2024 missile attacks on Ukrainian energy system resumed that has led to new outages.

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.

In November 2023, Polish carriers started blocking the Polish-Ukrainian border by restricting the movement of load carriers at key checkpoints, which complicates logistics and results in significant losses to the Ukrainian economy. Later, similar border traffic blockades began in Slovakia, Hungary, and Romania. In December 2023, the movement of load carriers was partially unblocked, but the situation remains tough due to ongoing protests, including from Polish farmers.

During 2023, the Government continued to apply the zero quotas set in 2022 on exports of gold and silver (except for bank metals), table salt, fuel wood, coal, and natural gas. In 2023, quotas were introduced on exports of coking coal, fuel oil, and sugar. Exports of chicken meat, cattle, cattle meat, eggs, mineral fertilizers, wheat, rye, barley, and other seed crops, as well as vegetable oils were subject to licensing during the whole year or certain periods. Effective from 1 January 2024, exports of wheat, rye, oats, corn, soybeans and other oil crops, vegetable oil and by-products are subject to licensing.

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”. On 30 June 2023, the Verkhovna Rada of Ukraine adopted the Draft Bill No. 8401 which amended the Tax Code of Ukraine (Note 12).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *(in Ukrainian Hryvnias and in thousands)*

The business performance of the Company is tied to the Ukrainian agricultural sector’s development. In 2023, the area planted with spring and winter cereals was smaller than in 2022, but the weather conditions contributed to a high harvest. According to forecasts, the production will amount to 79.1 million tons of agricultural produce (in particular, about 57.5 million tons of grains and 21.6 million tons of oilseeds) in 2023, which is 8% more than the previous year indicator.

In the spring of 2023, Poland, Slovakia, Hungary, and Bulgaria unilaterally introduced a temporary ban on the imports of Ukrainian agricultural products. After that, the European Commission at the EU level introduced restrictions on the supply of Ukrainian wheat, corn, rapeseed, and sunflower seeds to those countries, first until 5 June, and then until 15 September 2023. After the expiration of the restrictions imposed by the European Commission, Hungary, Poland, and Slovakia announced that they were planning to maintain restrictions on the imports of Ukrainian grains. In accordance with the terms and conditions of the European Commission, Ukraine has developed a procedure for verifying the exports (issuance of a license) in respect of the specified agricultural crops and is not going to export agricultural products to five neighboring countries without their approval.

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(in Ukrainian Hryvnias and in thousands)

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 2023, the Group has signed grant agreements with donors for funding of its activities both in 2024 and further years – total amount of contributions receivable from donors equal to UAH 476 mln as of 31 December 2023. Subsequently to 31 December 2023, the Group signed new grant agreements with the existing and new donors for funding additional program activities including a new agreement for 2024-2026 was signed with the Global Fund, the project amount is USD 49 mln. 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 2023 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 and managed the difficulties of relocating staff and remote work of employees. The Group was able to master types of activities started from 24 February 2022 due to Invasion of Russia into Ukraine (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. Activities of humanitarian aid that began in 2022 were institutionalized by concluding agreements with donors in 2023 to meet the challenges of war with more sustainable donors support.
- 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.
- For two years since the beginning of the war, the Group has been providing food and nutrition assistance to crisis-affected populations with the support of the donor World Food Programme, an autonomous joint subsidiary program of the United Nations and the Food and Agriculture Organization of the United Nations. The total amount of food assistance provided to the population exceeded UAH 2 billion. A new agreement for this activity was also signed with the donor for 2024.
- 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”

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Adoption of new and revised International Public Sector Accounting Standards

The Group has adopted IPSAS 42 “Social Benefits” standard for the first time for the financial year beginning on or after 1 January 2023. Its adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

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:

<u>Standards and amendments to standards</u>	<u>Effective for annual accounting periods beginning on or after</u>
IPSAS 43 “Leases”	1 January 2025
IPSAS 44 “Non-current assets held for sale and discontinued operations”	1 January 2025
IPSAS 45 “Property, plant and equipment”	1 January 2025
IPSAS 46 “Measurement”	1 January 2025
IPSAS 47 “Revenue”	1 January 2026
IPSAS 48 “Transfer expenses”	1 January 2026
IPSAS 49 “Retirement Benefit plan”	1 January 2026

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.

The relevant exchange rates were as follows:

	<u>31 December 2023</u>	<u>Average for 2023</u>	<u>31 December 2022</u>	<u>Average for 2022</u>
USD/UAH	37.9824	36.5738	36.5686	32.3423
EUR/UAH	42.2079	39.5582	38.9510	33.9820
GBP/UAH	48.4883	45.4660	44.0048	39.8567
GEL/UAH	14.1403	13.9210	13.5605	11.1896

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.

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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 allowance for expected credit losses.

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.

Inventories

Inventories are mainly represented by drugs, other health care medications, and handout materials received as in-kind donations. In-kind inventories 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.

Financial instruments

The Group has adopted IPSAS 41 from 1 January 2022.

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.

Classification and subsequent measurement of financial assets

Financial assets are subsequently measured at amortized 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 amortized 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.

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Amortized 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 amortized based on the effective interest rate of the instrument.

The Group uses practical expedient according to which the amortized 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

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- a) Significant financial difficulty of the issuer or obligor;
- b) A breach of contract, such as a default or delinquency in interest or principal payments;
- c) The lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- e) The disappearance of an active market for that financial asset because of financial difficulties; or
- f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - i) Adverse changes in the payment status of borrowers in the group (e.g., an increased number of delayed payments); or
 - ii) National or local economic conditions that correlate with defaults on the assets in the group (e.g., an increase in the unemployment rate in the geographical area of the borrowers, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Since the Group uses the credit rating of the country of registration of the donors/sub-recipients, the information from Moody's includes changes in macroeconomic information.

The Group considers a debt receivable from donors to have low credit risk when its credit risk is Baa or higher from Moody’s (or Ukraine’s credit risk). The Group also takes a cautious approach to assessing the credit rating of a donor or sub-recipient, which is not to apply zero PD.

The Group monitors changes in credit risk by tracking published external credit ratings.

12-month and lifetime probabilities of default are based on historical data supplied by Moody’s for each credit rating.

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The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as security realization (if any is held); or
- The financial asset is more than 90 days past due in the absence of objective reasons that would explain such overdue and/or other information that may indicate a potential modification of the asset.

For modified financial assets, the Group applies the same approach to assessing the risk of credit loss as in the initial assessment (provided that there is no information indicating a significantly change in the credit rating of the donors or sub-recipients).

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 recognized 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 amortized 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 amortized 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 amortized cost of a financial liability.

Derecognition of financial instruments

The Group derecognizes 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 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 and payable is recognized 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.

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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.

In-kind donations are recognized as revenue at fair value at the moment of acquisition by Group.

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.

Information for the year ended 31 December

Contributions from donors

Donor	Program	2023	2022
United States Agency for International Development	HealthLink, eHealth	128,117	172,703
Office for the Coordination of Humanitarian Affairs	OCHA program	79,469	37,583
EXPERTISE FRANCE	5% program	58,427	2,193
United Nations Population Fund	UNF program	54,957	29,779
SCHWAB CHARITABLE FUND	SWB	38,653	-
Peace Winds Japan	PWJ	38,562	31,415
World Food Program	WFP	30,115	82,921
The Global Fund	GF Program	22,864	(37,027)
Alliance for Public Health	GFR program	15,407	107,384
Centers for Disease Control and Prevention	ACCESS	10,382	34,203
Other		30,209	56,867
Total in cash		507,162	518,021

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Donor	Program	2023	2022
World Food Program	WFP	1,086,319	1,158,738
United States President’s Emergency Plan for AIDS Relief	PEPFAR	129,505	326,595
Abbvie Logistics B.V.	VM	45,779	-
The Global Fund	GF Program	2,754	53,050
Other		6,418	57,845
Total in kind		1,270,775	1,596,228
Total		1,777,937	2,114,249

Loss on initial recognition of contributions receivable

Donor	Program	2023	2022
Alliance for Public Health	GFR Program	-	4,990
Total		-	4,990

In 2023 contributions received from donors includes cancellations of contributions on mutual agreement with donors due to the Group’s savings in the amount of UAH 65,390 thousand (2022: UAH 99,684 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	2023	2022
<i>Non-current</i>			
EXPERTISE FRANCE	5 %	18,173	-
SEVA FOUNDATION	Seva	3,828	-
Alliance for Public Health	GFR Program	-	46,692
Less: ECL		(30)	(528)
Total non-current		21,971	46,164
<i>Current</i>			
The Global Fund	GF Program	230,410	974,937
United States Agency for International Development	HealthLink, eHealth	86,143	105,141
Alliance for Public Health	GFR Program	56,998	59,539
Centers for Disease Control and Prevention	ACCESS Pro	31,808	53,433
Office for the Coordination of Humanitarian Affairs	OCHA program	16,739	37,583
World Food Program	WFP	12,918	45,549
Other		26,382	26,995
Less: ECL		(7,169)	(7,614)
Total current		454,229	1,295,563
Total		476,200	1,341,727

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The Global Fund

GF Program.

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.

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. In May 2023, the amount of funding under the agreement was revised and increased by USD 625 thousand denominated contribution receivable in amount of UAH 22,864 thousand.

Outstanding amount of contribution receivable under GF program as at 31 December 2023 is UAH 230,410 thousand (2022: UAH 974,937 thousand).

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.

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.

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In March and July 2023 the amount of funding under the agreement was revised and increased by USD 2,500 thousand and USD 993 thousand, respectively. The amount of contributions received in the seventh year of the program in the 2023 is USD 127,738 thousand.

Outstanding amount of contribution receivable under the HealthLink program as at 31 December 2023 is UAH 86,143 thousand (2022: UAH 105,141 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.

In September 2023 the modification was signed between the Group and the donor, according to which the amount of funding was increased by USD 10 thousand. Based on this modification, the amount of contributions received in 2023 is UAH 379 thousand.

Settlements under the eHealth program are fully closed as at 31 December 2023.

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.

In September 2023, the Group signed the additional agreement with the Center for Disease Control for funding amount of USD 284 thousand. Based on this additional agreement, the Group recognized revenue in 2023 in the amount of UAH 10,382 thousand.

Outstanding amount of contribution receivable under ACCESS Pro program as at 31 December 2023 is UAH 31,808 thousand (2022: UAH 53,433 thousand).

Alliance for Public Health

GFR Program. 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.

In January 2023 the Group signed the additional agreement #2 and the additional agreement #3 to memorandum of understanding, after that in March 2023 the Group signed the additional agreement #3 to the grant agreement with the Alliance for Public Health. According to them amount of the funding increased on USD 421 thousand during 2023. Based on these additional agreements, the Group recognized revenue in the amount of UAH 15,407 thousand.

Outstanding amount of contribution receivable under this agreement as at 31 December 2023 is UAH 31,641 thousand (2022: UAH 69,144 thousand).

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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 2023 is UAH 25,357 thousand (2022: 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.

In 2023 after the end of the implementation period, the Group derecognized contribution receivable in amount of UAH 21,349 thousand against revenue on the amount of funds not received from the donor.

On 02 February 2023, the Group signed new grant agreement with the World Food Program to implement the WFP program with the implementation period from 01 February 2023 until 31 December 2023 and funding in amount of USD 1,775 thousand. In October and December 2023 the Group signed the additional agreements with the World Food Program. According to them the amount of funding was increased by USD 82 thousand and USD 33 thousand, respectively. In 2023 the Group recognized revenue and contributions receivable in amount of UAH 69,117 thousand.

Also, according to this agreement in-kind donating are supplied. During the year ended 2023 the Group received humanitarian aid in the amount of UAH 1,086,319 thousand.

As of the end date of the grant agreement the Group derecognized contributions receivable against revenue on the amount of funds not received from the donor: UAH 17,653 thousand.

Outstanding amount of contribution receivable under this agreement as at 31 December 2023 is UAH 12,918 thousand recorded within other contribution receivable.

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Office for the Coordination of Humanitarian Affairs (OCHA)

OCHA program. In November and December 2022, the Group signed two grant agreements with the Office for the Coordination of Humanitarian Affairs to implement the OCHA program with the implementation period until 31 May 2023 and until 31 December 2023, respectively. One of these agreements is denominated in USD with the funding amount of USD 248 thousand, the other agreement is denominated in USD and provides funding in amount of USD 779 thousand. The Group recognized revenue and contribution receivable of the both agreements in the total amount of UAH 37,533 thousand.

In 2023 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 1,111 thousand.

On 08 August 2023, the Group signed new grant agreement with the Office for the Coordination of Humanitarian Affairs with the implementation period from 15 August 2023 till 14 August 2024. Funding allocated to the project in accordance with the terms of the grant agreement is USD 2,204 thousand. In accordance with accounting policy, in 2023 the Group recognized USD-denominated contribution receivable in the total amount of UAH 80,580 thousand. In August 2023 amendment to the agreement was signed to prolongate the term of the grant agreement until 31 December 2024.

Outstanding amount of contribution receivable under this agreement as at 31 December 2023 is UAH 16,739 thousand recorded within other contribution receivable.

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 28 November 2024. 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 2023 the Group received humanitarian aid in the amount of UAH 129,505 thousand (2022: UAH 326,595 thousand).

Other donors and programs. Total cash contributions from other donors recognized during the year ended 31 December 2023 amounted to UAH 107,424 thousand (2022: UAH 88,282 thousand). Outstanding amount of contribution receivable related to other programs as at 31 December 2023 is UAH 26,382 thousand (2022: UAH 26,995 thousand).

Foreign exchange loss/gain, net

Foreign exchange gain for the year ended 31 December 2023 incurred mainly due to revaluation of contributions receivable from donors and cash and cash equivalents, denominated in foreign currencies, and amounted to UAH 17,300 thousand (2022: UAH 432,030 thousand) and UAH 14,645 thousand (2022: UAH 35,922 thousand), respectively and foreign exchange loss for UAH 265 thousand (foreign exchange gain for the year ended 31 December 2022: UAH 180 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 2023 and 2022, 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 2023 and 2022.

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 and sub-recipients. The Group determines contributions receivables from donors and sub-recipients with accrual of allowance for ECLs.

For each reporting date, the Group calculates the allowance for expected credit losses. Upon initial recognition of the contributions receivable, 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.

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The Group assesses credit risks on an individual basis for each donor and sub-recipient.

The Group allocates each exposure to a credit risk use data provided by the international rating agency Moody's. The Group applies the rating of the country of registration of the donor/sub-recipient as the minimum credit rating that can be applied by the Group.

For Ukrainian donors/sub-recipients, the Group defines the current credit rating as the credit rating of Ukraine.

The probability of default (PD) score is an estimate as of a certain date, calculated on the basis of statistical rating models and evaluated using assessment tools adapted to different categories of counterparties and positions exposed to credit risk. To assess the probability of default (PD), the Group uses the credit rating of the country of registration of the donor/sub-recipient based on the values established by the international rating agency Moody's (Issuer-weighted cumulative default rates).

The Group determines the probability of default (PD) based on the entire term of the relevant agreement (financial asset), including taking into account the appropriate modification.

The Group determines the LGD indicator based on the value of the recovery rate in case of default (recovery rate) based on the values of the weighted average recovery rates established by the international rating agency Moody's (Recovery rates on defaulted sovereign bond issuers). In the absence, according to the international rating agency Moody's, of information on the recovery rate in case of default, for the purposes of calculating the allowance, the Group defines the LGD indicator as equal to 1. That is, the recovery rate in case of default is considered equal to 100%.

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.

The increase of the contributions receivable from donors and sub-recipients receivables didn't have a significant impact on the change in the allowance for Expected credit losses.

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.

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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>2023</u>	<u>2022</u>
Committed donations	2,138,855	2,204,481
Less: Cancellation of donations to sub-recipients	(47,836)	(83,227)
Total	<u>2,091,019</u>	<u>2,121,254</u>

Presented by type:

	<u>2023</u>	<u>2022</u>
In cash	614,992	502,917
In kind	1,476,027	1,618,337
Total	<u>2,091,019</u>	<u>2,121,254</u>

Presented by donors and programs:

Donor	Program	<u>2023</u>	<u>2022</u>
Word Food Program	WFP	1,136,665	1,212,728
The Global Fund	GP Program	521,807	375,251
United States Agency for International Development	HealthLink, eHealth	134,769	120,344
United States President’s Emergency Plan for AIDS Relief	PEPFAR	68,166	307,656
Alliance for Public Health	GFR Program	66,121	14,753
Office for the Coordination of Humanitarian Affairs	OCHA	49,087	11,436
Centers for Disease Control and Prevention	ACCESS, ACCESS Pro	9,397	-
Other		105,007	79,086
Total		<u>2,091,019</u>	<u>2,121,254</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in Ukrainian Hryvnias and in thousands)

Information as at 31 December

Committed donations to sub-recipients

Donor	Program	2023	2022
United States Agency for International Development	HealthLink	30,709	90,567
Alliance for Public Health	GFR Program	11,855	-
World Food Program	WFP	10,541	18,165
Centers for Disease Control and Prevention	ACCESS Pro	4,592	6,786
Other		12,995	8,073
Total		70,692	123,591

As at 31 December 2023 and 2022 the Group had active agreements with 14 and 16 sub-recipients, respectively, 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 2023 and 2022 the Group worked with 39 and 46 sub-recipients, respectively, under the programs funded by the Global Fund. As at 31 December 2023 and 2022 the Group had active agreements with 22 and 17 sub-recipients, respectively under the program funded by World Food Program. As at 31 December 2023 the Group has active agreements with 9 sub-recipients (2022: the Group didn't have any international agreements with sub-recipients) under the program funded by the Alliance for Public Health.

Fair value of financial instruments

As at 31 December 2023 and 2022 all sub-grant agreements are short-term, using prevailing market interest rates for alternative instruments in UAH of 17.34%, the fair value of the committed donations to sub-recipients was estimated to UAH 65,275 thousand (2022: UAH 109,721 thousand). The fair value is classified to Level 2 of fair value hierarchy.

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 is 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in Ukrainian Hryvnias and in thousands)

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

	<u>2023</u>	<u>2022</u>
Personnel costs	142,273	99,456
Technical assistance	79,931	31,083
Medical and other supplies	67,853	39,454
Information and promotion	24,384	20,002
Trainings and events	16,923	3,523
Costs of storage and transportation of medicines	16,679	11,626
Bank fees	4,867	3,670
Rent and office maintenance	4,026	3,802
Depreciation and amortization	3,349	1,682
Insurance and audit services	3,063	8,925
Business trips	2,040	1,345
Other program expenses	14,204	17,870
Total	<u>379,592</u>	<u>242,438</u>

Amount of personnel expenses includes personal expenses related to employees' salary and wages in the amount of UAH 111,659 thousand (2022: UAH 77,614 thousand), expenses related to unified social tax in the amount of UAH 20,807 thousand (2022: UAH 15,513 thousand) and vacation reserve in the amount of UAH 9,807 thousand (2022: UAH 6,329 thousand).

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>2023</u>	<u>2022</u>
Unwinding of discount on contributions receivable	1,270	9,134
Interest income on own bank accounts	62	25
Total interest income	<u>1,332</u>	<u>9,159</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in Ukrainian Hryvnias and in thousands)

8. CASH AND CASH EQUIVALENTS

Information as at 31 December

	<u>2023</u>	<u>2022</u>
Cash in USD	209,683	129,817
Cash in UAH	31,174	12,567
Cash in EUR	22,585	9,499
Cash in GEL	1,683	-
Less: ECL	(181)	(45)
Total	<u>264,944</u>	<u>151,838</u>

Presented by donors and programs:

Donor	<u>Program</u>	<u>2023</u>	<u>2022</u>
he Global Fund	GF Program	112,248	71,781
Office for the Coordination of Humanitarian Affairs	OCHA	54,641	-
SCHWAB CHARITABLE FUND	SWB	31,437	-
United States Agency for International Development	HealthLink, eHealth	8,857	50,961
World Food Program	WFP	7,098	6,244
Centers for Disease Control and Prevention	ACCESS	1,999	5,244
Other		48,845	17,653
Less: ECL		(181)	(45)
Total		<u>264,944</u>	<u>151,838</u>

Cash and cash equivalents as at 31 December 2023 and 2022 is fully represented by cash on bank accounts.

As at 31 December 2023, the most of cash and cash equivalents are placed by the Group in domestic subsidiaries of foreign banks with Fitch credit rating “C” (2022: 100% in domestic subsidiaries of foreign banks with Fitch credit rating “C”).

The increase in the allowance 2023 compared to 2022 was due to an increase in cash balances on the current accounts of the Group.

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.

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Information as at 31 December

Donor	Program	2023	2022
The Global Fund	GF Program, PHC Program	24,345	23,513
United States Agency for International Development	HealthLink	6,105	7,993
Alliance for Public Health	GFR Program	942	400
Centers for Disease Control and Prevention	ACCESS Pro	25	25
Other		2,822	1,004
Less: Doubtful debt allowance and ECL		(4,153)	(1,169)
Total		30,086	31,766

10. INVENTORIES

Information as at 31 December

	2023	2022
Medicines	144,141	101,968
Other materials	26,799	85,518
Total	170,940	187,486

As at 31 December 2023 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 1,427 thousand (2022: UAH 1,003 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)”, “Information system of the National Health Service of Ukraine” and web site for 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 2023 information systems “HIV-infection in Ukraine” and “eHealth” amounted to UAH 378 thousand and UAH 7,500 thousand, respectively (2022: UAH 3,713 thousand and UAH 7,500 thousand). In 2020 the Group started to develop informational systems: “The laboratory information management system (LIMS)”. As at 31 December 2023 that information system amounted to UAH 2,416 thousand (2022: UAH 2,025 thousand).

In 2023 the Group started to develop software product “LOINC” and web site for the National Health Service of Ukraine. As at 31 December 2023 that software product and web site amounted to UAH 1,549 thousand and UAH 919 thousand, respectively. The cost of software products is included to category “Other materials”.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (in Ukrainian Hryvnias and in thousands)

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.

During the year ended 31 December 2023 parts of information systems “eHealth”, “Information system of the National Health Service of Ukraine” and “HIV-infection in Ukraine” in the amount of UAH 74,108 thousand, UAH 702 thousand and UAH 2,633 thousand was transferred to the Ministry of Health of Ukraine.

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>2023</u>	<u>2022</u>
Payable to suppliers of medicines and other materials	7,589	9,493
Unused vacation reserve	6,720	4,612
Provision for services	4,423	6,520
Accounts payables on Contribution from Donor	1,595	14,216
Total	<u>20,327</u>	<u>34,841</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 7,047 thousand (2022: UAH 5,074 thousand). Future minimum rentals payable over one year under non-cancellable operating lease amounted to UAH 8,671 thousand (2022: UAH 2,849 thousand).

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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 of 31 December 2023 the Group’s management believes it is in compliance with the terms of the grant agreements and amendments thereto.

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 2023 and 2022.

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.

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Social Benefits. The Group’s personnel management policy provides for the provision of only the following social benefits to employees:

- Employee health insurance.
- Severance pay upon dismissal.

Health insurance involves the purchase of insurance for employees and does not provide cash transfers to employees.

Since the payments of severance pay are carried out in accordance with the requirements of Ukrainian legislation, the Group recognizes the obligation in the period of making a decision on the corresponding reduction of the position.

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.

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 2023 and 2022 had the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. During 2023 and 2022 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 2023 in amount of UAH 44,948 thousand (2022: UAH 24,418 thousand).

As at 31 December 2023 and 2022 the net book value of committed donations to related party amounted to UAH 751 thousand (2022: UAH 4,126 thousand). Outstanding amount of receivables with sub-recipient as at 31 December 2023 amounted to UAH 854 thousand (2022: UAH 1,272 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 2023 related party transactions between the Group and donor were conducted under normal conditions with taking into account the interests of both parties.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *(in Ukrainian Hryvnias and in thousands)*

Contribution from transactions with related parties were recognized in the consolidated statement of financial performance for the year ended 31 December 2023 in amount of UAH 414 thousand (2022: UAH 3,232 thousand). Outstanding amount of Contributions receivables with donor as at 31 December 2023 amounted to UAH 912 thousand (2022: UAH 455 thousand).

Remuneration provided to 7 key management personnel and 1 close family member of key management personnel for the year ended 31 December 2023 amounted to UAH 15,039 thousand and UAH 1,230 thousand, respectively (2022: 9 key management personnel and 1 close family members of key management personnel – UAH 11,341 thousand and UAH 1,061 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 though 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, contributions receivable and receivables from sub-reipients.

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.

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The carrying amounts of the Group’s financial assets and liabilities by currencies as at 31 December 2023 are as follows:

	31 December 2023					Total balance
	UAH	USD	EUR	GEL	JPY	
Financial assets						
Cash and cash equivalents	31,154	209,534	22,574	1,682	-	264,944
Contributions receivable	24,302	409,564	40,641	-	1,693	476,200
Receivables from sub-recipients	30,086	-	-	-	-	30,086
Total financial assets	85,542	619,098	63,215	1,682	1,693	771,230
Financial liabilities						
Committed donations to sub-recipients	58,837	11,855	-	-	-	70,692
Accounts payable	20,327	-	-	-	-	20,327
Total financial liabilities	79,164	11,855	-	-	-	91,019
Net position	6,378	607,243	63,215	1,682	1,693	

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 table below details the Group’s sensitivity to weakening of the Ukrainian Hryvnia against USD, EUR, JPI and GEL by 20% for years ended 31 December 2023 and 2022. The analysis was applied to monetary items at the report dates denominated in respective currencies.

	2023	2022
USD impact: Effect on net assets, net surplus	121,449	286,245
EUR impact: Effect on net assets, net surplus	12,643	2,674
JPI impact: Effect on net assets, net surplus	339	-
GEL impact: Effect on net assets, net surplus	336	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 *(in Ukrainian Hryvnias and in thousands)*

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 2023 and 2022 all financial liabilities are on demand and up to 1 year.

15. SUBSEQUENT EVENTS AND BUDGET APPROVAL

On 4 January 2024, the Coordination Council of the Group approved the budget of the Group for the year ended 31 December 2024 in the total amount of UAH 1,139,742 thousand.

Until the date of authorization of these consolidated financial statements for issue, receivables from sub-recipients outstanding as of 31 December 2023 in the amount of UAH 43,096 thousand were either returned in cash or appropriate eligible expenses incurred by sub-recipients were reported to the Group.

On 15 July 2024 the Organization transferred Informational systems: “The laboratory information management system (LIMS)” to Center for public in the amount of UAH 2,416 thousand.

16. AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by Management on 27 November 2024.