

AUDIT OF THE FUND ACCOUNTABILITY STATEMENT

**Charitable Organization «Ukrainian Institute on Public
Health Policy»**

under USG-funded projects

for the year ended December 31, 2018

CONTENTS

SECTION I – BACKGROUND	3
TRANSMITTAL LETTER	4
SUMMARY	5
GENERAL INFORMATION	5
PROJECTS	5
AUDIT OBJECTIVES AND SCOPE	10
AUDIT OBJECTIVES	10
AUDIT SCOPE AND METHODOLOGY	11
SUMMARY OF AUDIT RESULTS	14
STATUS OF PRIOR AUDIT RECOMMENDATIONS	15
INSPECTION AND ACCEPTANCE OF AUDIT WORK AND REPORTS	17
MANAGEMENT COMMENTS ON AUDIT RESULTS	17
SECTION II – INDEPENDENT AUDITORS' REPORTS	18
INDEPENDENT AUDITORS' REPORT ON FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS	19
FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS	21
NOTES TO THE FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS	26
ACCOUNTING POLICIES	26
REVENUES RECEIVED FROM USG	27
EXPENSES INCURRED	28
COMPLIANCE WITH APPROVED BUDGETS	28
RECONCILIATION WITH ACCOUNTING BALANCES	29
FUND BALANCE RECONCILIATION	29
QUESTIONED COSTS	29
INDIRECT COSTS OF THE ORGANIZATION	29
ADJUSTMENTS IN THE FUND ACCOUNTABILITY STATEMENT	30
REFUNDS	30
A RECONCILIATION OF FUNDS INCLUDED INTO THE GENERAL PURPOSE FINANCIAL STATEMENTS WITH THE FUND ACCOUNTABILITY STATEMENT	31
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	34
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS	36
INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF COMPUTATION OF INDIRECT COST RATE	38
SCHEDULE OF COMPUTATION OF INDIRECT COST RATE	39
NOTES TO SCHEDULE OF COMPUTATION OF INDIRECT COST RATE	40
INDIRECT CISTS IN TOTAL BUDGETED AMOUNT OF EXPENSES	40
BASIS OF INDIRECT COST RATE COMPUTATION	40
FUNCTIONAL AND PRESENTATION CURRENCY	41
INDEPENDENT AUDITORS' REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS	42
GENERAL-PURPOSE FINANCIAL STATEMENTS	44
BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	44
STATEMENT OF FINANCIAL RESULTS (PROFIT AND LOSS STATEMENT)	46
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	47
GENERAL INFORMATION	47
ACCOUNTING POLICY	47

SECTION I – BACKGROUND

To General meeting of members and management
of Charitable Organization «Ukrainian Institute on Public Health Policy»
5 Mala Zhytomyrska str., Office 61A
Kyiv, 01001 Ukraine

1. TRANSMITTAL LETTER

Pursuant to the terms of the Service agreement #UIPHP/27-12-18/EO, entered into by and between Emergex Outsourcing Limited Liability Company (hereinafter – the Emergex Outsourcing LLC or Auditors)* and the Charitable Organization “Ukrainian Institute on Public Health Policy” (hereinafter – the Organization or UIPHP), we provide our reports on the Organization’s audit findings for the period from January 01, 2018 to December 31, 2018.

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

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

Sincerely yours,

Olena Volska
Managing Partner and Director

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



September 23, 2019

2. SUMMARY

2.1 GENERAL INFORMATION

According to the Statute, the Charitable Organization «Ukrainian Institute on Public Health Policy» is a non-governmental charitable organization, which is created without the purpose of making profit.

The Organization was created by the change of status from local to all-Ukrainian based on the Protocol #6 dated March 21, 2011 of the Kyiv City Charitable Organization "Ukrainian Institute on Public Health Policy". It was registered by Kyiv Department of Justice dated July 07, 2016, certificate #1184-2006, identification number is 34493231.

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

In accordance with para 2.1 of Statute, the main goal of the Organization is charitable activities in providing voluntary and selfless financial, material, organizational and other self and/or property help for Organization's beneficiary interests assistance in charitable activities stipulated by Statute, developing and supporting of such activities, charitable activities that aim is to participate in researching and improving public health policy, protection of common social and creative interests of its members.

The main goals and objectives of the Organization are:

- assistance in performing and participate in fundamental and applied research in the sphere of public health policy, particularly in the diagnosis and treating of HIV/AIDS, dependence on alcohol, psychotropic and narcotic substances;
- promoting innovative, science-based diagnostic methods, treatment, rehabilitation and resocialization of patients with alcoholism, addiction, HIV and other socially significant diseases;
- assistance in the social, professional and psychologic rehabilitation and self-assistance programs extension among AIDS patients, patients depend on alcohol and on psychotropic and narcotic substances;
- participating in society development by its members understanding the signs of its own dependence and getting free;
- protecting the local, regional, national and international programs those are aimed at developing of social and psychologic rehabilitation of patients with alcoholism and addiction and assisted their families;
- assistance in social health problem solving by "hot lines", web-sites and working groups to be created,
- realizing courses and other educational programs for training the professionals in narcology, psychology, psychotherapy and other social areas;
- participating to ex-patients to be consultants or/and social workers in rehabilitation of patients with alcoholism and addiction;
- performing individual or taking part in general scientific investigations (including international);
- etc.

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

2.2 PROJECTS

- The Project "Improving quality of medication assisted treatment in Ukraine" (the "OAT-Guide 1" or the "Grant 1")

under the Grant Agreement # 010-CDC-17 dated February 01, 2017 (the "Grant Agreement 1") was signed with International Charitable Foundation "Alliance for Public Health" for the period from February 01, 2017 till January 31, 2018.

According to the Grant Agreement 1, the amount of funds for the OAT-Guide 1 implementation period is UAH 3,266,415.

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

- The Grant Agreement # 96-CDC-18 dated June 01, 2018 (the "Grant Agreement 2") and signed with International Charitable Foundation "Alliance for Public Health" for the period from February 01, 2018 till January 31, 2019 for the purpose to continue the Project "Improving quality of medication assisted treatment in Ukraine" (the "OAT-Guide 2" or the "Grant 2").

In accordance with the Grant Agreement 2, the amount of the Grant 2 is UAH 3,136,628 for the period of the project's implementation.

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

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

In accordance with Grant Agreement 3, the total amount of the grant was \$246,894 for the period of CDC implementation.

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

- Notice of Award # 5U01GH000752-02 dated July 03, 2014 was signed to continue the budget period of the mentioned Project by funds of the Centers for Disease Control and Prevention with the additional funding in amount of \$5,000
- CDC was revised in October 30, 2014 and budget period was determined from September 30, 2013 to September 29, 2015. In addition, it was approved funds transfer from Year 01 to Year 02 in the amount of \$160,199.
- The end of the period for project's implementation was put off on March 29, 2017 without any additional funds by revised Notice of Award #5U01GH000752-02 on July 12, 2015.
- However, Notice of Award # 3U01GH000752-02S1 dated July 12, 2015 approved the limited additional funding in the amount of \$494,477, which is authorized only for the current financial year

- Notice of Award # 5U01GH000752-02 "Revised" dated November 01, 2016 extended the budget and project period till March 29, 2018 without any additional funds.

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

- The project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 4") was implemented by the Organization in accordance with FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 (the "Grant Agreement 4"). Mentioned agreement was signed between the Organization and The Research Foundation for The State University of New York for the period from June 01, 2017 to May 31, 2018.

Total funds in amount of \$33,960 were approved by Grant Agreement 4 for all period of FIC realization.

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

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

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

The amount of funds for HPTN implementation is equal to \$2,456,231.

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

- According to the Modification #1 dated December 10, 2014, the total obligated amount was equal to the total estimated amount, and the end of the period of project's realization was extended to November 30, 2015;
- The total obligated amount was increased by \$354,940 according to Modification #2 signed on January 06, 2015;
- Modification #3 dated March 03, 2015 was signed for the purpose of increasing total obligated amount to \$1,316,201. Besides, mentioned modification approved an advance payment in the amount of \$35 000 under the project;
- Modification #4 dated December 11, 2015 agreed an increase of total obligated amount to \$1,645,871 and applied all existing advance payments to the invoice for December 2015;
- Provisions of the Modification #5 dated September 16, 2016 amended the UIPHP's name and bank information under the Grant Agreement 5;
- Modification #6 dated September 29, 2016 provides decrease of the obligated amount to \$1,645,871.
- Modification #7 dated December 30, 2016 agreed the relocation of the obligated amount balance between the budget lines.
- The purpose of Modification #8 dated August 16, 2017 is to increase the obligated amount to \$227,458 and extend the project's deadline by November 30, 2017.

- Modification #9 dated December 12, 2017 increased the obligated amount for \$480,269, in particular, from \$1,873,329 to \$2,353,598 and reduced the total estimated award for \$102,633, in particular, from \$2,456,231 to \$2,353,598. This Modification also extends the duration of the project implementation period until November 30, 2018.

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

- Project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 6"), which is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 (the "Grant Agreement 6") for the period from August 01, 2015 to July 31, 2016. Grant 6 was funded by the Yale University.

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

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

- Modification #1 dated August 20, 2016, extended the implementation period till July 31, 2017 with no additional funds;
- Modification #2 signed on September 15, 2016 has revised the name of the Organization and its bank information;
- According to Modification #3 dated March 29, 2017, the bank requisites of the Organization have been changed;
- Modification #4 signed on August 02, 2017 extended the period of project performance till July 31, 2018.
- Modification #5 dated September 20, 2018 extended project's implementation period to July 31, 2019.
- In accordance with Modification #6 dated December 20, 2018, the approved amount of funding is increased to \$132,863 for the period from August 1, 2018 to July 31, 2019.

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

- The Project "Improving quality of medication assisted treatment in Ukraine" (the "KPIS 1" or the "Grant 7") was implemented by the Organization during the period from April 01, 2017 to March 31, 2018 in accordance with conditions of the Grant Agreement # 009-CDC-17-A (the "Grant Agreement 7") signed with International Charitable Foundation "Alliance for Public Health". Total grant amount was equal to UAH 7,548,549.

Modification #1 dated April 02, 2018 extended the end date of KPIS 1 realization to April 30, 2018.

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

- Grant Agreement #111-CDC-18-A (the "Grant Agreement 8") was concluded with International Charitable Foundation "International HIV/AIDS Alliance in Ukraine" for the propose to implement the project "An improving Treatment Engagement and Adherence for People who Inject Drugs in Ukraine" (the "KPIS 2" or "Grant 8"). Project period was agreed from April 01, 2018 to December 31, 2018.

The Grant Agreement 8 includes 4 Appendices with project descriptions and other relevant information. The total amount of funding was UAH 2,959,451.

The goal of the KPIS 2 is to realize the package of increasing of HIV prophylactic services, services of attendance and assistance HIV-positive people and medical services based on protocol HIV infection treatment

- The project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 9") was implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 (the "Grant Agreement 9"). In accordance with the Grant agreement 9, the Donor is Yale University and the period of the project implementation lasts from October 04, 2016 to January 31, 2017. The total amount of funding was equal to \$74,050.

During 2017 and 2018 the "Grant Agreement 9" was modified by following:

- The Organization's name has been changed and has been reflected in Amendment #1 dated March 09, 2017. Also the period of project's performance was extended to June 30, 2017 with no additional funds;
- According to Amendment #2 dated March 29, 2017, the bank requisites of the Organization have been changed;
- The Amendment #3, signed on August 14, 2017, extended the period of ECHO performance to June 30, 2018, and approved the increasing of funding to \$444,940;
- The period of project's implementation was extended to 30 June 2019 by the Modification #4, signed on October 04, 2018.

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

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

- Project "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 10") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 (the "Grant Agreement 10") concluded with Johns Hopkins University. The implementation period was defined from July 01, 2017 to June 30, 2018. The approved amount of funding under mentioned agreement was equal to \$47,289

In accordance with Modification #1, signed on September 12, 2018, the total amount of funding for purpose of Grant 10 was increased to \$81,867 and the project implementation period was extended to June 30, 2019.

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

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

Modification #1 of March 12, 2018 extended the period of project's implementation to September 30, 2018 without additional funding.

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

- Project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 12"), is implemented under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 (the "Grant Agreement 12") and concluded with Mariam Hospital (NIAID contractor) for the period from June 25, 2018 to June 25, 2019.

According to the Grant Agreement 12, total funding of the Grant 12 is equal to \$20,640.

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

- Project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 13") is implemented based on FDP Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 (the "Grant Agreement 13") and signed with Yale University. The implementation period is defined from January 30, 2018 to April 30, 2018.

In accordance with the agreement, the total funding of the Grant 13 is \$9,906.

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

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

- The project "Expanding MAT in Ukraine" (the "XMAT" or the "Grant 14") is implemented by the Organization according to the Cost reimbursement foreign research Subaward Agreement # GR 103901 (CON-80001355) dated September 10, 2018 (the "Grant Agreement 14"). In accordance with the Grant agreement 9, the Donor is Yale University and the period of the project implementation lasts from January 03, 2018 to June 30, 2019.

The total funding is approved for the Grant 14 implementation and equals to \$178,383.

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

- The project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 15") is implemented by the Organization according to the "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 (the "Grant Agreement 15"). In accordance with the Grant agreement 15, the Donor is National Institute on Drug Abuse (NIDA) and the period of the project's implementation lasts from July 01, 2018 to May 31, 2019. The funding is agreed in amount of \$468 015 for the period of Medium realization.

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

Fund accountability statement was prepared for the period from January 01, 2018 to December 31, 2018.

3. AUDIT OBJECTIVES AND SCOPE

3.1 AUDIT OBJECTIVES

The primary purpose of a financial statement audit is to provide an opinion about whether financial statements of the

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

- Express an opinion on whether the fund accountability statement for the USG-funded programs prepares fairly in all material respects in relation to the Organization's financial statements as a whole and in revenues received, costs incurred, and assets, commodities, and technical assistance directly procured with USG funding for the period audited in conformity with the terms of the award and generally accepted accounting principles;
- Evaluate and obtain a sufficient understanding on Organization's internal control related to the USG-funded programs (including such one as far as indirect costs allocation), assess control risk, and identify reportable conditions, including material internal control weaknesses;
- Perform tests to determine whether the Organization complied, in all material respects, with agreements terms and applicable laws and regulations (including requirements mentioned in 2CFR 200) related to USG-funded programs (including such ones as far as indirect costs allocation). Identify all material instances of noncompliance and all illegal acts that have occurred or are likely to have occurred;
- Perform a revision of the indirect cost rate if the Organization has been authorized to charge indirect costs to USG using provisional or 10 percent de minimis rates when USG has not yet negotiated final rates with the Organization;
- Perform a financial audit of the Organization-wide general-purpose financial statements consisting of the balance sheet as at December 31, 2018 and related statement of financial results for the year ended December 31, 2018 prepared in accordance with the National Regulations (Standards) of Accounting in Ukraine (NAS) in order to express an opinion as to whether the financial statements were prepared fairly in all material respects;
- Determine if the Organization has taken adequate corrective actions on prior audit report recommendations.

3.2 AUDIT SCOPE AND METHODOLOGY

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

- Review direct and indirect costs billed to and reimbursed by USG and costs incurred but pending reimbursement by USG, identifying and quantifying any questioned costs (ineligible and/or unsupported with adequate primary documents). All costs that are not supported with adequate documentation or/and are not in accordance with the agreement terms must be reported as questioned;
- Review general and program ledgers to determine whether costs incurred were properly recorded. Reconcile direct costs billed to, and reimbursed by, USG to the program and general ledgers.
- Review the procedures used to control the funds. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances in bank accounts as at December 31, 2018 from Bank, where the Organization has opened bank accounts;
- Determine whether advances of funds were justified with documentation, including reconciliations of funds advanced, disbursed, and available;
- Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with

USG regulations, other implementing guidance, or the terms and conditions of the award;

- Review procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received;
- Review Organization's direct salary charges to determine whether salary rates are reasonable for that position, in accordance with those approved by USG when USG approval is required, and supported by appropriate payroll records. Determine if overtime is charged to the program and whether it is allowable under the terms of the agreements and applicable legislation. Determine whether allowances and fringe benefits received by employees are in accordance with the agreements and applicable laws and regulations;
- Review Organization's travel and transportation charges to determine whether they are adequately supported, complied with agreement's terms and approved;
- Review commodities (e.g., supplies, materials, vehicles, equipment, food products, tools, etc.) procured by the Organization to determine whether such commodities exist or were used for their intended purposes in accordance with the terms of the agreements, and whether control procedures exist and have been placed in operation to adequately safeguard the commodities. As part of the procedures to perform end-use reviews for an appropriate sample of all commodities, ensure that such commodities are marked in accordance with grant or contract requirements;
- Review technical assistance and services procured by the Organization to determine whether they were used for their intended purposes in accordance with the terms of the agreements;

Audit scope on internal control included the following main directions:

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

the sums of money on hand and in bank accounts, money in transit, accounts payable and receivables, deferred expenses, provisions and reserves for future expenses and payments, etc.;

- managing personnel functions such as timekeeping, salaries, and benefits;
- storage and use of printed materials (books, pamphlets) and other inventories;
- ensuring compliance with agreement terms and applicable laws and regulations that collectively have a material impact on the fund accountability statement.

Audit scope on compliance with provisions of laws, regulations, contracts, and grant agreements included but not be limited by following:

- Identify the agreements' terms and pertinent laws and regulations and determine which of those could have a direct and material effect on the fund accountability statement;
- Determine if payments have been made in accordance with agreement terms and applicable laws and regulations;
- Determine if funds have been expended for purposes not authorized or not in accordance with applicable agreement terms;
- Determine whether materials which were either directly procured by the Organization or directly procured by USG for the Organization's actually existed and were used for their intended purposes in accordance with the agreements;
- Determine whether any technical assistance and services, either procured by the Organization or directly procured by USG for the Organization's use, were used for their intended purposes in accordance with the agreements;
- Determine whether those who received services and benefits were eligible to receive them;
- Determine whether the recipient's financial reports and claims for advances and reimbursement contain information that is supported by the books and records.

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

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

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

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

4. SUMMARY OF AUDIT RESULTS

We have conducted our audit for the year ended December 31, 2018.

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

The examination of audit evidence was conducted on sampling basis. Audit sampling size was 46% of total expenditures.

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

We assess the information received to be sufficient and reasonable evidence.

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

As a result of audit conducted we provide:

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

Our audit findings are mentioned below:

- We found that the Fund Accountability Statement on projects funded by USG, is presented fairly, in all material respects, the funds received and costs incurred for the period under audit are in conformity with Guidelines for Financial Audits Contracted by Foreign Recipients;
- We did not identify any material weaknesses in internal control system of the Organization related to the projects.

However, we noted certain immaterial matters involving internal control and its operation that we have reported in the Management letter dated September 23, 2019;

- The results of our tests disclosed no material instances of noncompliance that are required to be included in the Independent auditors' report on compliance with agreements terms and applicable laws and regulations

However, we noted certain immaterial noncompliance with applicable laws and regulations that we have reported in the Management letter dated September 23, 2019;

- The Organization is authorized to carry out indirect costs at the expense of USG funds. While conducting the audit of financial statements we have not found any facts of indirect costs contrary to the Grant Agreement terms. In the result of the review of the Schedule of Computation of Indirect Cost Rate for the year ended December 31, 2018, no facts have been revealed that would indicate violations in material respects of the applicable basis for its preparation.
- We found that financial statement presents fairly in all material respects the financial position of the Organization as of December 31, 2018 and its financial results for the year then ended in conformity in accordance with NAS.

However, we determined certain deviations, which did not exceed the materiality under mentioned financial statement. Deviations' nature and audit recommendations were presented in the Management letter dated September 23, 2019

4.1 STATUS OF PRIOR AUDIT RECOMMENDATIONS

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

In conducting the prior audit on Fund Accountability Statement under USG-projects for the year ended December 31, 2017, no significant deviations were found. As part of our audit, we reviewed appropriate corrective actions on recommendations provided in the previous Management letter. Furthermore, we analyzed the status of audit recommendations on audit for 2016, which were not implemented by the Organization during 2017.

Observations 2016

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

During 2016, the Organization did not reflect an effect of exchange rate differences between the NBU exchange rate and the commercial exchange rate on the amount of Targeted funding. According to the results of the 2016 and 2017 audits, the Organization made adjustments to its financial statements at the end of the relevant reporting period.

In conducting our audit for 2018, we found that the Organization partially followed the recommendations. However, the Organization has made all necessary adjustments as at December 31, 2018. As a result, there were no deviations in the financial statements as of the above date.

Inventory accounting

In the course of audit for 2016, the auditors have found out that the inventories have been written-off on the basis of usage reports provided by the respective manager. However, the actual loss of control over such inventories occurs at the time of their transferring to the responsible manager. In addition, the Organization's policies did not formalize the accounting and use of inventories.

In 2017 the order of accounting and writing-off of inventories has not been changed, and the Organization's policies have not been amended.

During the audit on financial statements for the year ended December 31, 2018, we found that the Organization's Accounting Policies dated January 2, 2018, approved to write-off inventory in the moment of its actual transfer from the Director of the Organization to respective manager based on acts of Acceptance. The accounting records of the Organization, as well as the primary documents we have verified, confirm inventories were written off at the moment of actual transfer to the respective manager. Thus, mentioned recommendation was implemented.

Observations 2017

Depreciation of non-current assets

During the audits for 2016 and 2017, auditors have detected that certain fixed assets have been depreciated incorrectly. The auditors recommended to strengthen the control over the correctness of the automatic depreciation, its reflection in the financial statements of the Organization, and to make the appropriate accounting system settings.

During the audit, we did not find depreciation to be accrued and/or presented incorrectly by the Organization in 2018. As a result, the recommendations of the previous auditors were implemented completely.

Remaining unused targeted funding

According to accounting data as at December 31, 2017, Organization's target funding included closing balance in the amount of UAH 13,698.88. Mentioned balance has incurred on November 19, 2014, due to unused funds have been refunded by Organization's sub-recipient Donetsk Regional Charitable Fund «Health of the Nation»

According to management comments there was a mistake in analytics in 2014. Therefore the Organization is not in debts to Donor.

We found that the Organization has made appropriate adjustments to analytics regarding to closing balance of target funding on January 01, 2018. Therefore, the auditors' recommendation is fulfilled.

Salary indexation

During the 2017, the Organization has not indexed the salary of the employees. According to the alternative calculations of the previous auditors, the employees of the Organization have received less income in the total amount of UAH 13,091. Furthermore, related taxes, contributions and fees were not accrued and paid in the amount of UAH 4,352.

The Organization accrued and paid the amounts mentioned before in 2018. In addition, we did not find any significant deviations in payroll indexation for 2018 during our verification. Therefore, the recommendation is fulfilled.

Currency exchange rate use at the reporting to the donors

According to the para 7 of the FIC, Pride 2, ECHO and CFAR grant agreements, all costs and financial data must be expressed in US dollars using an exchange rate applicable at the time the invoice is submitted. During 2017, the Organization has reflected the actual costs using the exchange rates applicable at the first date of the month in which such costs were incurred.

In addition, the grant agreement under Pride 2 requires calculating the amount of the indirect cost at 8% of direct costs with the exception of equipment costs. However, the amount of indirect costs was calculated based on the total amount of direct costs, including equipment costs, and reflected in the UIPHP's reports to the donor.

All mentioned above led to question costs in amount of \$1,472, which were presented in previous auditor report. During 2018, expenses under projects FIC, Pride 2, ECHO and CFAR were reduced on questioned costs amount.

In 2018 the costs incurred under the projects FIC, Pride 2, ECHO and CFAR have been expressed in invoices using correct currency exchange rate since November 2018. Moreover, the Organization has reviewed cumulative expenditures under each of mentioned projects incurred for the period from the beginning of implementation until August 2018. Differences due to incorrect currency exchange rates had direct influence on expenses presented to Donors in invoices on November 2018.

In addition total indirect costs under projects Pride 2, FIC and ECHO have been calculated based on the costs of equipment to be deducted.

Thus the Organization followed auditors' recommendations as to year 2017.

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

4.2 INSPECTION AND ACCEPTANCE OF AUDIT WORK AND REPORTS

The results of our audit have been discussed with management of the Organization on August 29, 2019. The Management of the Organization provided us with the Fund Accountability Statement under each separate project as at December 31, 2018 and for the year ended on mentioned date. We did not assist the Organization on statements preparation. However, for the purpose of our audit report we combined them into unified Fund Accountability Statement under USG-funded projects for the year ended December 31, 2018. In addition, we have been provided with and General Purpose Financial Statements for the year ended December 31, 2018.

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

5. MANAGEMENT COMMENTS ON AUDIT RESULTS

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

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

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

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

SECTION II – INDEPENDENT AUDITORS' REPORTS

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

**To General meeting of members and management
of Charitable Organization «Ukrainian Institute on Public Health Policy»
5 Mala Zhytomyrska str., Office 61A
Kyiv, 01001 Ukraine**

We have audited the Fund Accountability Statement on the project "Improving quality of medication assisted treatment in Ukraine" (the "OAT-Guide 1" or the "Grant 1") under the Grant Agreement # 010-CDC-17 dated February 01, 2017 and the Grant Agreement # 96-CDC-18 dated June 01, 2018 (the "OAT-Guide 2" or the "Grant 2") those were signed with International Charitable Foundation "Alliance for Public Health", the project "Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine" (the "CDC" or the "Grant 3") under Notice of Award # 1U01GH000752-01 dated August 22, 2013 and concluded with Department of Health and Human Services Centers for Disease Control and Prevention, the project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 4") under FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 signed with the Research Foundation for The State University of New York, the project "Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care" (the "HPTN" or the "Grant 5") under Grant Agreement # FCO 104124/ID 0080.0249 dated August 29, 2014 and concluded with Family Health International (FHI 360), the project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 6") under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 with the Yale University, the project "Improving quality of medication assisted treatment in Ukraine" (the "KPIS 1" or the "Grant 7") under Grant Agreement # 009-CDC-17-A signed with International Charitable Foundation "Alliance for Public Health", the project "An improving Treatment Engagement and Adherence for People who Inject Drugs in Ukraine" (the "KPIS 2" or "Grant 8") under Grant Agreement #111-CDC-18-A concluded with International Charitable Foundation "International HIV/AIDS Alliance in Ukraine", the project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 9") under the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 with the Yale University, the project "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 10") under FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 concluded with Johns Hopkins University, the project "Double stigma as barrier to integrated HIV treatment among HIV infected PWID in Ukraine" (the "CFAR" or the "Grant 11") under FDP Cost Reimbursement Foreign Research Subaward Agreement #710-9156 dated March 25, 2017 (the "Grant Agreement 11") concluded with the Miriam Hospital (NIAID contractor), the project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 12") under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 concluded with Mariam Hospital (NIAID contractor), the project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 13") under Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 signed with Yale University, the project "Expanding MAT in Ukraine" (the "XMAT" or the "Grant 14") under the Cost reimbursement foreign research Subaward Agreement

GR 103901 (CON-80001355) dated September 10, 2018 signed with Yale University, the project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 15") under "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 concluded with National Institute on Drug Abuse (NIDA) (hereinafter jointly referred to as the "Projects") that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (the "Organization") and funded by USG funds for the year then ended December 31, 2018. The Fund Accountability Statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

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

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

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

In our opinion, the Fund Accountability Statement referred to above presents fairly, in all material respects, project revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by USG for the year then ended in accordance with the terms of the agreement and in conformity with the basis of accounting described in Note 1.

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated September 23, 2019, on our consideration of Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

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

Sincerely,

Olena Volska
Managing Partner and Director

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

September 23, 2019



(signature)

Charitable Organization «Ukrainian Institute on Public Health Policy»

FUND ACCOUNTABILITY STATEMENT UNDER USC-FUNDED PROJECTS

as at December 31, 2018 and for the year then ended

(in US dollars)

Elements	Grant 1	Grant 1	Actual Revenues and Expenditures from 01.01.2018 to 31.01.2018	Cumulative Revenues and Expenditures from 01.02.2017 to 31.01.2018	Agreement Budget from 01.02.2018 to 31.01.19	Actual Revenues and Expenditures from 01.02.2018 to 31.12.2018	Agreement Budget from 30.09.2013 to 29.03.2018	Actual Revenues and Expenditures from 01.01.2018 to 29.03.2018	Cumulative Revenues and Expenditures from 30.09.2013 to 29.03.2018	Ineligible	Questioned Costs	Notes
Outstanding Fund Balance as at January 01, 2018	-	\$14,591	-	-	-	-	-	-	-	-	-	-
Revenue - received grants												
USG Contribution	\$120,087	\$8,315	\$89,453	\$89,453	\$115,316	\$83,778	\$746,371	\$75,680	\$724,112	-	-	Note 2
Program Income	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$120,087	\$8,315	\$89,453	\$89,453	\$115,316	\$83,778	\$746,371	\$75,680	\$724,112	-	-	-
Expenditures												
Direct Costs												
Personnel	(\$40,880)	(\$2,823)	(\$43,820)	(\$43,820)	(\$70,218)	(\$38,162)	(\$398,119)	(\$22,022)	(\$411,019)	-	-	-
Fringe Benefits	-	(\$1,415)	-	-	-	(\$2,295)	(\$5,606)	(\$39)	(\$4,679)	-	-	-
Consultant Labor	-	(\$6,927)	-	-	-	(\$7,106)	(\$32,974)	(\$12,998)	(\$33,485)	-	-	-
Travel, Workshops, and Meetings	(\$73,290)	(\$7,146)	(\$16,744)	(\$16,744)	(\$31,738)	(\$2,469)	(\$19,407)	(\$11,104)	(\$10,295)	-	-	-
Equipment - initial purchase	-	-	-	-	(\$390)	(\$392)	(\$26,560)	-	(\$26,560)	-	-	-
Office supplies	-	(\$737)	-	-	(\$3,816)	(\$2,922)	(\$48,334)	(\$18,046)	(\$47,284)	-	-	-
Other direct charges	(\$5,917)	(\$933)	(\$25,819)	(\$25,819)	(\$9,154)	(\$3,743)	(\$165,415)	(\$7,999)	(\$145,032)	-	-	-
Sub-Contracts	-	-	-	-	-	-	(\$49,956)	(\$3,475)	(\$45,761)	-	-	-
Total direct costs incurred	(\$120,087)	(\$19,981)	(\$86,383)	(\$86,383)	(\$115,316)	(\$57,089)	(\$746,371)	(\$75,683)	(\$724,115)	-	-	Note 8
Indirect costs	-	-	-	-	-	-	-	-	-	-	-	-
Total direct and indirect costs incurred	(\$120,087)	(\$19,981)	(\$86,383)	(\$86,383)	(\$115,316)	(\$57,089)	(\$746,371)	(\$75,683)	(\$724,115)	-	-	-
Refund	-	(\$1,596)	-	-	-	-	-	-	-	-	-	Note 10
Adjustments												Note 9
Adjustments in respect of currency transfers	-	(\$1,329)	-	-	-	(\$153)	-	-	-	-	-	-
Adjustments in respect of cash transfers to other project	-	-	-	-	-	-	-	-	-	-	-	-
Total adjustments	-	(\$1,329)	-	-	-	(\$153)	-	-	-	-	-	-
Outstanding Fund Balance as at December 31, 2018	-	-	-	-	-	\$26,536	-	(\$3)	-	-	-	Note 6

FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS (Continuance)
as at December 31, 2018 and for the year then ended
(in US dollars)

Elements	Grant 4	Grant 4	Grant 4	Grant 4	Grant 5	Grant 5	Grant 5	Grant 5	Grant 6	Grant 6	Grant 6	Notes
	Grant 4	Grant 4	Grant 4	Grant 4	Grant 5	Grant 5	Grant 5	Grant 5	Grant 6	Grant 6	Grant 6	
Outstanding Fund Balance as at January 01, 2018	-	-	-	-	-	-	\$13,100	-	-	\$3	-	
Revenue - received grants												
USG Contribution	\$72,763	\$35,361	\$27,529	\$2,353,598	\$523,767	\$2,353,598	\$132,863	\$44,684	\$108,241	-	-	Note 2
Program Income	-	-	-	-	-	-	-	-	-	-	-	
Total Revenues	\$72,763	\$35,361	\$27,529	\$2,353,598	\$523,767	\$2,353,598	\$132,863	\$44,684	\$108,241			
Expenditures												
Direct Costs												
Personnel	(\$28,530)	(\$14,382)	(\$28,109)	(\$996,635)	(\$241,869)	(\$1,051,475)	-	(\$2,036)	-	-	-	
Fringe Benefits	(\$6,876)	(\$848)	-	(\$383,891)	(\$15,409)	(\$404,021)	-	(\$2,297)	-	-	-	
Consultant Labor	-	(\$2,627)	-	-	(\$89,823)	-	-	(\$19,262)	-	-	-	
Travel, Workshops, and Meetings	(\$20,720)	(\$970)	(\$1,017)	(\$87,780)	(\$44,503)	(\$118,543)	-	(\$4,539)	-	-	-	
Equipment - initial purchase	(\$3,340)	(\$1,837)	-	(\$73,257)	(\$6,093)	(\$54,219)	-	-	-	-	-	
Office Supplies	(\$3,440)	(\$2,309)	-	(\$130,889)	(\$39,116)	(\$118,971)	-	(\$4,983)	-	-	-	
Other direct charges	(\$5,060)	(\$793)	(\$6,337)	(\$512,232)	(\$24,798)	(\$436,045)	-	(\$6,849)	-	-	-	
Sub-Contracts	-	-	-	-	-	-	-	(\$652)	-	-	-	
Total direct costs incurred	(\$67,966)	(\$23,966)	(\$35,463)	(\$2,184,684)	(\$461,611)	(\$2,183,274)	(\$123,196)	(\$40,618)	(\$105,896)			
Indirect costs	(\$4,797)	-	(\$2,837)	(\$168,914)	(\$15,787)	(\$170,324)	(\$9,667)	(\$4,296)	(\$8,194)	-	-	
Total direct and indirect costs incurred	(\$72,763)	(\$23,966)	(\$38,300)	(\$2,353,598)	(\$477,398)	(\$2,353,598)	(\$132,863)	(\$44,914)	(\$114,090)			
Refund	-	-	-	-	-	-	-	-	-	-	-	Note 10
Adjustments												Note 9
Adjustments in respect of currency transfers	-	\$97	-	-	(\$4,634)	-	-	\$227	-	-	-	
Adjustments in respect of cash transfers to other project	-	(\$11,892)	-	-	(\$41,865)	-	-	-	-	-	-	
Total adjustments	-	(\$11,895)	-	-	(\$46,499)	-	-	\$227	-	-	-	
Outstanding Fund Balance as at December 31, 2018	-	-	-	-	\$12,970	-	-	-	-	-	-	Note 6

FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS (continuance)
as at December 31, 2018 and for the year then ended
(in US dollars)

Elements	Grant 7	Grant 7	Grant 7	Grant 8	Grant 8	Grant 9	Grant 9	Cumulative Revenues and Expenditures from 04.10.2016 to 31.12.2018	Questioned Costs	Notes
									Ineligible	Unsupported
Outstanding Fund Balance as at January 01, 2018	-	\$0,597	-	-	-	-	\$12,634	-	-	-
Revenue - received grants										Note 2
USG Contribution	\$277,515	\$19,042	\$250,389	\$108,801	\$109,747	\$444,940	\$210,784	\$356,806	-	-
Program Income	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$277,515	\$19,042	\$250,389	\$108,801	\$109,747	\$444,940	\$210,784	\$356,806	-	-
Expenditures										
Direct Costs										
Personnel	(\$202,448)	(\$27,603)	(\$191,302)	(\$67,528)	(\$33,421)	-	(\$18,194)	-	-	-
Fringe Benefits	-	(\$1,700)	-	-	(\$4,917)	-	(\$20,895)	-	-	-
Consultant Labor	-	(\$5,397)	-	-	(\$53,482)	-	(\$117,742)	-	-	-
Travel, Workshops, and Meetings	(\$38,814)	(\$21)	(\$27,819)	(\$29,096)	(\$119)	-	(\$40,312)	-	-	-
Equipment - initial purchase	(\$5,037)	-	(\$3,102)	(\$331)	-	-	(\$5,202)	-	-	-
Office Supplies	(\$14,551)	(\$8,121)	(\$15,268)	(\$6,172)	(\$1,877)	-	(\$17,951)	-	-	-
Other direct charges	(\$16,665)	(\$5,777)	(\$12,307)	(\$5,674)	(\$6,514)	-	(\$20,098)	-	-	-
Sub-Contracts	-	-	-	-	-	-	(\$7,595)	-	-	-
Total direct costs incurred	(\$277,515)	(\$68,619)	(\$249,798)	(\$108,801)	(\$100,330)	(\$415,537)	(\$247,989)	(\$363,814)	-	-
Indirect costs	-	-	-	-	-	(\$29,403)	(\$4,759)	(\$28,818)	-	-
Total direct and indirect costs incurred	(\$277,515)	(\$68,619)	(\$249,798)	(\$108,801)	(\$100,330)	(\$444,940)	(\$252,748)	(\$392,632)	-	-
Refund	-	(\$3,212)	-	-	-	-	(\$12,500)	-	-	Note 10
Adjustments										Note 9
Adjustments in respect of currency transfers	-	\$2,192	-	-	(\$1,112)	-	\$409	-	-	-
Adjustments in respect of cash transfers to other project	-	-	-	-	-	-	\$41,421	-	-	-
Total adjustments	-	\$2,192	-	-	(\$1,112)	-	\$41,830	-	-	-
Outstanding Fund Balance as at December 31, 2018	-	-	-	-	\$8,305	-	-	-	-	Note 6

FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS (continuance)
as at December 31, 2018 and for the year then ended
(in US dollars)

Elements	Agreement Budget from 01.07.2017 to 30.06.2019	Actual Revenues and Expenditures from 01.01.2018 to 31.12.2018	Cumulative Revenues and Expenditures from 01.07.2017 to 31.12.2018	Agreement Budget from 01.04.2017 to 30.09.2018	Actual Revenues and Expenditures from 01.01.2018 to 30.09.2018	Cumulative Revenues and Expenditures from 01.04.2017 to 30.09.2018	Agreement Budget from 25.06.2018 to 25.06.2019	Actual Revenues and Expenditures from 25.06.2018 to 31.12.2018	Questioned Costs	Notes
	Grant 10	Grant 10	Grant 10	Grant 11	Grant 11	Grant 11	Grant 12	Grant 12		
Outstanding Fund Balance as at January 01, 2018	-	\$143	-	-	-	-	-	-	-	
Revenue - received grants										
USG Contribution	\$81,867	\$44,525	\$44,525	\$23,446	\$5,240	\$23,446	\$20,640	\$2,110	-	Note 2
Program Income	-	-	-	-	-	-	-	-	-	
Total Revenues	\$81,867	\$44,525	\$44,525	\$23,446	\$5,240	\$23,446	\$20,640	\$2,110	-	
Expenditures										
Direct Costs										
Personnel	(\$36,492)	(\$12,901)	(\$26,343)	(\$11,216)	(\$1,330)	(\$11,360)	(\$13,110)	(\$2,401)	-	
Fringe Benefits	-	(\$2,083)	-	-	\$330	-	-	-	-	
Consultant Labor	(\$17,660)	(\$9,502)	-	-	(\$1,273)	-	-	(\$240)	-	
Travel, Workshops, and Meetings	(\$6,340)	(\$536)	(\$597)	(\$2,529)	-	(\$784)	(\$660)	-	-	
Equipment - initial purchase	(\$2,500)	-	-	(\$1,591)	-	-	-	-	-	
Office supplies	(\$720)	(\$1,711)	(\$711)	(\$360)	(\$1,246)	-	(\$1,550)	(\$95)	-	
Other direct charges	(\$12,091)	(\$11,241)	(\$15,532)	(\$7,750)	(\$840)	(\$11,302)	(\$5,320)	(\$230)	-	
Sub-Contracts	-	-	-	-	-	-	-	-	-	
Total direct costs incurred	(\$75,803)	(\$37,974)	(\$43,183)	(\$23,446)	(\$4,359)	(\$23,446)	(\$20,640)	(\$2,966)	-	Note 8
Indirect costs	(\$6,064)	(\$63)	(\$3,455)	-	-	-	-	-	-	
Total direct and indirect costs incurred	(\$81,867)	(\$38,037)	(\$46,638)	(\$23,446)	(\$4,743)	(\$23,446)	(\$20,640)	(\$2,966)	-	
Refund	-	-	-	-	-	-	-	-	-	Note 10
Adjustments										Note 9
Adjustments in respect of currency transfers	-	\$38	-	-	\$722	-	-	(\$798)	-	
Adjustments in respect of cash transfers to other project	-	(\$4,932)	-	-	(\$1,603)	-	-	\$2,282	-	
Total adjustments	-	(\$4,894)	-	-	(\$881)	-	-	\$1,484	-	
Outstanding Fund Balance as at December 31, 2018	-	\$1,737	-	-	-	-	-	\$628	-	Note 6

FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS (Continuance)
as at December 31, 2018 and for the year then ended
(in US dollars)

Elements	Grant 13	Grant 13	Grant 13	Grant 14	Grant 14	Grant 15	Grant 15	Actual Revenues and Expenditures from 01.01.2018 to 31.12.2018	Questioned Costs	Notes
Outstanding Fund Balance as at January 01, 2018	-	-	-	-	-	-	-	-	-	-
Revenue - received grants										
USG Contribution	\$9906	-	\$178,383	-	-	\$468,015	\$88,364	-	-	Note 2
Revenue - received grants	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$9906	-	\$178,383	-	-	\$468,015	\$88,364	-	-	-
Expenditures										
Direct Costs										
Personnel	-	(\$708)	-	-	(\$6,042)	(\$57,870)	(\$23,317)	-	-	-
Fringe Benefits	-	(\$310)	-	-	(\$144)	(\$26,042)	(\$346)	-	-	-
Consultant Labor	(\$5073)	(\$5,913)	(\$64,580)	(\$5,154)	(\$4,050)	(\$14,400)	(\$7,543)	-	-	-
Travel, Workshops, and Meetings	(\$883)	-	(\$11,440)	-	-	-	(\$49)	-	-	-
Equipment - initial purchase	-	-	(\$1,850)	-	-	-	(\$4,395)	-	-	-
Office supplies	-	(\$71)	-	-	-	(\$2,160)	(\$2,445)	-	-	-
Other direct charges	(\$3950)	-	(\$87,300)	(\$894)	-	(\$44,100)	(\$4,358)	-	-	-
Sub-Contracts	-	-	-	-	-	(\$303,503)	(\$39,361)	-	-	-
Total direct costs incurred	(\$9906)	(\$7,002)	(\$165,170)	(\$12,234)	(\$12,234)	(\$452,125)	(\$81,814)	-	-	Note 8
Indirect costs	-	-	(\$13,213)	-	-	(\$15,890)	(\$6,468)	-	-	-
Total direct and indirect costs incurred	(\$9906)	(\$7,002)	(\$178,383)	(\$12,234)	(\$12,234)	(\$468,015)	(\$88,282)	-	-	-
Refund	-	-	-	-	-	-	-	-	-	Note 10
Adjustments	-	-	-	-	-	-	-	-	-	Note 9
Adjustments in respect of currency transfers	-	(\$507)	-	\$144	-	-	(\$82)	-	-	-
Adjustments in respect of cash transfers to other project	-	\$7,509	-	\$12,090	-	-	-	-	-	-
Total adjustments	-	\$7,002	-	\$12,233	\$12,233	-	(\$82)	-	-	-
Outstanding Fund Balance as at December 31, 2018	-	-	-	-	-	-	-	-	-	Note 6

Deputy finance and administrative director

Svitlana Remenets

(signature)

Director

Tatiana Kiriazova

(signature)

NOTES TO THE FUND ACCOUNTABILITY STATEMENT UNDER USG-FUNDED PROJECTS as at December 31, 2018 and for the year then ended

NOTE 1: ACCOUNTING POLICIES

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

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

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

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

The Charitable organization "Ukrainian Institute on Public Health Policy" (the Organization or UIPHP) has separate bank accounts and analytics in accounting data held by registration of revenues and expenses under each project. The accumulation of the revenue and cost generates the Fund Accountability Statement under projects which is audited for the period from January 1, 2018 to December 31, 2018.

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

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

1.2. Budgets

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

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

Budgets under the projects KPIS 1 under the Grant agreement dated April 1, 2017, KPIS 2 under the Grant agreement dated April 1, 2018, OAT-Guide 1 under the Grant agreement dated February 1, 2017 and OAT-Guide 2 under the Grant agreement dated February 1, 2018 are established in UAH. Budgets of mentioned above projects was recalculated in USD based on NBU's average exchange rate for year 2018 (27.2005 uah for 1 dollar USD) for the purpose of drawing up the Fund Accountability Statement and using one currency.

1.3. Functional and presentation currency

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

The functional currency for funds received from USG under the grants is USD. The funds from USG were received in USD and in UAH. For the common currency, the Fund Accountability Statement was transferred into USD.

The expenses incurred in connection with performance of the Grant agreements signed with USG are made mostly in

hryvnias. As a general rule the expenditure of funds are recalculated into USD at the rate of the currency conversion for each tranche.

In addition, the Organization incurred costs in 2018 under the funds of the Grant 1, Grant 2, Grant 7 and Grant 8, received from donors in local currency. Revenue and expenses on these projects for the purposes of the presentation in the Fund Accountability Statement were transferred at the official NBU (National Bank of Ukraine) exchange rate effective at the date of receipt and use of cash, including the further adjustments in respect of currency transfers.

Moreover, conditions of Grand 4, Grand 6, Grand 9, Grand 11 provide for compensation of the actually incurred costs by donors based on the invoices billed on a periodic basis. Such expenses were converted according to terms of agreements at the NBU exchange rate effective at the date when respective invoices were issued for the purposes of presentation in the Fund Accountability Statement for the year ended December 31, 2018. Besides, the same approach was used also for the costs reflection under Grant 5, Grant 10, Grant 12, Grant 13, and Grant 14. In accordance with the Accounting policy of the Organization, such approach is the only one possible if another was not set by grant agreements.

NOTE 2: REVENUES RECEIVED FROM USG

During 2018, the Organization received target funds from USG on its bank accounts in total amount of USD 1 281 597, equaled to UAH 34 843 016 in local currency. These amounts are detailed by the following receptions:

Project	Month	Nature of reception	Amounts in local currency (UAH)	Amounts in USD
Grant 1	January	Bank transfer received in January 2018 (as advance)	240,000	\$8,315
Grant 1, Total			240,000	\$8,315
Grant 2	April	Bank transfer received in April 2018 (as advance)	796,352	\$30,597
Grant 2	July	Bank transfer received in July 2018 (as advance)	83,479	\$3,140
Grant 2	September	Bank transfer received in September 2018 (as advance)	280,000	\$9,978
Grant 2	November	Bank transfer received in November 2018 (as advance)	1,120,000	\$40,063
Grant 2, Total			2,279,831	\$83,778
Grant 3	January	Bank transfer received in January 2018 (as advance)	1,013,846	\$36,095
Grant 3	February	Bank transfer received in February 2018 (as advance)	312,757	\$11,615
Grant 3	March	Bank transfer received in March 2018 (as advance)	373,736	\$14,330
Grant 3	April	Bank transfer received in April 2018 (as advance)	207,990	\$7,940
Grant 3	May	Bank transfer received in May 2018 (as advance)	149,026	\$5,700
Grant 3, Total			2,057,355	\$75,680
Grant 4	March	Bank transfer received in March 2018 (as reimbursement)	433,882	\$16,683
Grant 4	April	Bank transfer received in April 2018 (as reimbursement)	57,860	\$2,215
Grant 4	July	Bank transfer received in July 2018 (as reimbursement)	212,609	\$8,106
Grant 4	September	Bank transfer received in September 2018 (as reimbursement)	89,015	\$3,156
Grant 4	November	Bank transfer received in November 2018 (as reimbursement)	109,776	\$3,952
Grant 4	December	Bank transfer received in December 2018 (as reimbursement)	40,262	\$1,448
Grant 4, Total			943,404	\$35,560
Grant 5	January	Bank transfer received in January 2018 (as reimbursement)	1,714,908	\$60,106
Grant 5	February	Bank transfer received in February 2018 (as reimbursement)	469,282	\$17,576
Grant 5	March	Bank transfer received in March 2018 (as reimbursement)	1,039,577	\$39,137
Grant 5	April	Bank transfer received in April 2018 (as reimbursement)	1,294,961	\$49,383
Grant 5	May	Bank transfer received in May 2018 (as reimbursement)	2,454,559	\$93,832
Grant 5	June	Bank transfer received in June 2018 (as reimbursement)	1,286,546	\$49,182
Grant 5	July	Bank transfer received in July 2018 (as reimbursement)	1,287,188	\$48,706
Grant 5	August	Bank transfer received in August 2018 (as reimbursement)	1,237,839	\$44,906
Grant 5	September	Bank transfer received in September 2018 (as reimbursement)	362,163	\$12,843
Grant 5	October	Bank transfer received in October 2018 (as reimbursement)	1,582,957	\$56,306
Grant 5	November	Bank transfer received in November 2018 (as reimbursement)	1,009,160	\$36,262

Project	Month	Nature of reception	Amounts in local currency (UAH)	Amounts in USD
Grant 5	December	Bank transfer received in December 2018 (as reimbursement)	428,210	\$15,528
Grant 5, Total			14,167,350	\$523,767
Grant 6	January	Bank transfer received in January 2018 (as reimbursement)	298,750	\$10,527
Grant 6	February	Bank transfer received in February 2018 (as reimbursement)	90,612	\$3,347
Grant 6	April	Bank transfer received in April 2018 (as reimbursement)	171,074	\$6,512
Grant 6	May	Bank transfer received in May 2018 (as reimbursement)	75,985	\$2,913
Grant 6	July	Bank transfer received in July 2018 (as reimbursement)	100,906	\$3,812
Grant 6	August	Bank transfer received in August 2018 (as reimbursement)	123,074	\$4,556
Grant 6	November	Bank transfer received in November 2018 (as reimbursement)	362,375	\$13,017
Grant 6, Total			1,222,776	\$44,684
Grant 7	February	Bank transfer received in February 2018 (as advance)	1,327,000	\$49,042
Grant 7, Total			1,327,000	\$49,042
Grant 8	May	Bank transfer received in May 2018 (as advance)	904,651	\$34,597
Grant 8	July	Bank transfer received in July 2018 (as advance)	1,029,064	\$38,462
Grant 8	November	Bank transfer received in November 2018 (as advance)	1,025,736	\$36,687
Grant 8, Total			2,959,451	\$109,746
Grant 9	January	Bank transfer received in January 2018 (as reimbursement)	540,919	\$18,740
Grant 9	February	Bank transfer received in February 2018 (as reimbursement)	374,514	\$13,876
Grant 9	March	Bank transfer received in March 2018 (as reimbursement)	521,726	\$19,656
Grant 9	April	Bank transfer received in April 2018 (as reimbursement)	409,566	\$15,614
Grant 9	May	Bank transfer received in May 2018 (as reimbursement)	143,740	\$5,506
Grant 9	July	Bank transfer received in July 2018 (as reimbursement)	661,254	\$24,811
Grant 9	August	Bank transfer received in August 2018 (as reimbursement)	961,764	\$34,725
Grant 9	September	Bank transfer received in September 2018 (as reimbursement)	485,826	\$17,277
Grant 9	November	Bank transfer received in November 2018 (as reimbursement)	1,005,980	\$35,985
Grant 9	December	Bank transfer received in December 2018 (as reimbursement)	684,360	\$24,596
Grant 9, Total			5,789,649	\$210,786
Grant 10	June	Bank transfer received in June 2018 (as reimbursement)	676,387	\$25,858
Grant 10	August	Bank transfer received in August 2018 (as reimbursement)	102,747	\$3,689
Grant 10	November	Bank transfer received in November 2018 (as reimbursement)	352,997	\$12,654
Grant 10	December	Bank transfer received in December 2018 (as reimbursement)	64,704	\$2,324
Grant 10, Total			1,196,835	\$44,525
Grant 11	March	Bank transfer received in March 2018 (as reimbursement)	104,479	\$3,936
Grant 11	April	Bank transfer received in April 2018 (as reimbursement)	34,014	\$1,304
Grant 11, Total			138,493	\$5,240
Grant 12	November	Bank transfer received in November 2018 (as reimbursement)	35,073	\$1,252
Grant 12	December	Bank transfer received in December 2018 (as reimbursement)	23,792	\$858
Grant 12, Total			58,865	\$2,110
Grant 15	August	Bank transfer received in August 2018 (as reimbursement)	347,865	\$12,727
Grant 15	September	Bank transfer received in September 2018 (as advance)	194,080	\$6,898
Grant 15	October	Bank transfer received in October 2018 (as advance)	242,342	8,606
Grant 15	November	Bank transfer received in November 2018 (as advance)	1,347,677	\$48,144
Grant 15	December	Bank transfer received in December 2018 (as advance)	330,043	\$11,989
Grant 15, Total			2,462,007	\$88,364
Total amount received from USG for the period from 01 January 2018 to 31 December 2018			\$34,843,016	\$1,281,597

NOTE 3: EXPENSES INCURRED

From January 1, 2018 to December 31, 2018, the Organization incurred a total amount of USD 1 274 687 equaled to UAH 34 630 952 in direct and indirect expenditures.

NOTE 4: COMPLIANCE WITH APPROVED BUDGETS

Throughout the implementation of Grant 1, Grant 3, Grant 4, Grant 5, Grant 6, Grant 7, Grant 9, Grant 10, Grant 11 the

Organization incurred cumulative expenses which are not exceed approved obligated amounts by donors.

However, expenditures under budget lines Personnel, Consultant Labor, Travel, Workshops, and Meetings and Other direct charges were incurred in greater amounts than the approved ones. At the same time, the expenditures under other budget lines were less than agreed with donors.

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

NOTE 5: RECONCILIATION WITH ACCOUNTING BALANCES

Revenues and expenses recorded by the Organization in the Fund Accountability Statement under the projects and in invoices to donors for the period from January 01, 2018 to December 31, 2018 are consistent with accounting books. The remaining funds received from donors are equal to closing balances in bank accounts of the Organization placed in bank statements.

NOTE 6: FUND BALANCE RECONCILIATION

The remaining balances on the bank accounts of the Organization as at December 31, 2018 reconciled with the remaining balances received from USG and recorded in the accounting books and in the Funds Accountability Statement of the Organization.

However, HPTN has been fully implemented till November 30, 2018 and the funds received from donor have been fully used. The Organization decided to use the bank account intended for the Grant 5 for further accumulation of its own funds balances. As a result, the closing balance recorded in the Fund Accountability Statement under Grant 5 is in fact the closing balance of the Organization's own funds without any linkage to projects.

NOTE 7: QUESTIONED COSTS

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

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

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

During the 2018 year, the Organization has not incurred any ineligible and/or unsupported costs. In addition, the majority of projects which are audited are implemented on a reimbursement basis, and then the Organization is not required to hold any funds from USG with interest-bearing bank accounts. Under CDC and Medium projects the Organization receives advances and spends it on monthly basis. Hereby, the closing balances in bank accounts of mentioned projects are scanty to be hold with interest-bearing bank accounts.

NOTE 8: INDIRECT COSTS OF THE ORGANIZATION

According to terms of agreements with FIC, HPTN, Pride 2, ECHO, Hopkins-1, XMAT and Medium funded by USG, expenses on projects' goals and objectives realization includes the expenses with non-direct influence to the projects' activity of the Organization which are specifically limited to 8% of total direct expenses. In addition, indirect costs under

the projects FIC, Pride 2 and ECHO, is calculated based on modified total direct costs less the equipment.

During the 2017, the Organization overstated to Donors the expenses by billing invoices which included indirect costs in amount of 8% of total direct expenses (or if it was required by donor in amount of 8% of modified total direct costs less the equipment). Mentioned amount of indirect costs is allowed by grant agreements but does not correspond with its actual amount.

For the purposes of inclusion of indirect costs related to the grants mentioned above to the Fund Accountability Statement for the year ended December 31, 2018 applied actual amount of indirect costs.

NOTE 9: ADJUSTMENTS IN THE FUND ACCOUNTABILITY STATEMENT

9.1. Adjustments in respect of currency transfers

Organization receives funds for projects implementation mainly in USD. However, the Organization received funds in local currency (UAH) under projects OAT-Guide 1, OAT-Guide 2, KPIS 1 and KPIS 2. Expenses under Grant agreements conducted with USG were incurred mainly in hryvnas.

Expenses under the projects were transferred in USD with the purpose of using one currency at:

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

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

For the Fund Accountability statement purposes for the year ended December 31, 2018, the closing balances under the projects were adjusted in respect of currency transfers occurred by using of different approaches for revenue and expenses recognition in USD.

9.2. Adjustments in respect of cash transfers to other project

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

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

For the purposes of the Fund Accountability Statement, closing balances on the projects' bank accounts as at December 31, 2018 were adjusted on the amount of funds borrowed or transferred in favor of other projects. In addition, adjustment under the project HPTN was recognized in amount of \$41,865. Mentioned amount was related to cash transferred during December 2018. In case of the project HPTN have been finished in November 2018, an adjustment of closing balance was the amount borrowed from the Organization's own funds.

NOTE 10: REFUNDS

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

During the 2018, UIPHP refunded to the donors the amount of USD 4 808 which was unused for projects implementation.

In addition, the Organization has received \$12,500 on its bank account under ECHO as at December 31, 2017. At the beginning of 2018 such amount was identified as funds for the purpose of other project implementation. The Organization transferred such amount into the correct bank account.

NOTE 11: A RECONCILIATION OF FUNDS INCLUDED INTO THE GENERAL PURPOSE FINANCIAL STATEMENTS WITH THE FUND ACCOUNTABILITY STATEMENT

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

List of reconciliations	Notes	Amount in USD
Total expenses in the Fund Accountability Statement for the year ended		(\$1,274,685)
December 31, 2018		
Expenses regard non-audit projects	11.1	(\$44,675)
Depreciation of fixed assets	11.2	(\$29,053)
Purchase of fixed assets	11.3	\$27,666
Purchase of materials	11.4	\$34,479
Write-off of the materials	11.5	(\$51,762)
Expenses Accrued as of December 31, 2017	11.6	\$33
Prepaid expenses as of December 31, 2017	11.7	(\$37,464)
Expenses accrued as of December 31, 2018	11.8	(\$51)
Prepaid expenses as of December 31, 2018	11.9	\$88,852
Provision for future liabilities and charges	11.10	(\$650)
Payments made through provisions for future liabilities and charges accrued in previous years	-	-
Operating foreign exchange difference and losses from foreign exchange difference	11.11	(\$6,481)
Other expenses	11.12	(\$1,474)
Adjustments in respect of currency transfers	11.13	\$1,334
Total expenses in the General Purpose Financial Statements for the year ended		(\$1,293,931)
December 31, 2018		

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

11.1. Expenses regard non-audit projects

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

11.2. Depreciation of fixed assets

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

11.3. Purchase of fixed assets

The purchase of fixed assets is included in expenditure in the Fund Accountability Statement in acquisition cost. The cost of these fixed assets in the General Purpose Financial Statements is included in non-current assets in the balance sheet. Thus, the value of these fixed assets is excluded from the expenses in the Fund Accountability Statement for the purposes of alignment with the expenditures in the General Purpose financial statements.

11.4. Purchase of materials

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

11.5. Write-off of the materials

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

11.6. Accrued expenses as at December 31, 2017

The accounts payable under settlements with suppliers and contractors, as well as under settlements related to salaries and the compulsory state social insurance emerged and is charged to expenses in the General Purpose Financial Statements in 2017, however, this debt was repaid in 2018. This means that for purposes of alignment with the expenditures in the General Purpose Financial Statements the amount of expenditures accrued at the end of the previous period, but paid in the current period should be excluded.

11.7 Prepaid expenses as at December 31, 2017

The funds which were paid to suppliers and contractors in advance in 2017 were attributed to the costs as a part of the General Purpose Financial Statements in the period of actual receipt of the goods (works, services), i.e. in 2018. Thus the prepaid expenses as of December 31, 2017 should be included in the General Purpose financial statements.

11.8. Accrued expenses as at December 31, 2018

The accounts payable under settlements with suppliers and contractors occurred and was attributed to expenditure in the General Purpose Financial Statements in 2018. However, this debt will be repaid in 2019. This means that for the purposes of alignment with the expenditures in the General Purpose Financial Statements the amount of expenditures accrued at the end of 2018 but not paid should be included.

11.9. Prepaid expenses as at December 31, 2018

The funds paid to suppliers and contractors in advance in 2018 and will be attributed to expenses as a part of the General Purpose Financial Statements in the period of actual receipt of the goods (works, services) in 2019. Therefore, this amount should be excluded for coordination of the General Purpose financial statements.

11.10. Provision for future liabilities and charges

As a part of provision for future liabilities and charges, the amount of provision for leave is reflected. This reserve was formed as required by national legislation of Ukraine. The cash expenditures for leaves are made and implemented in the period in which the annual leaves are granted to the Organization employees. Consequently, the amount of the provision accrued in 2018 should be included in alignment with the expenditures in the General Purpose financial statements.

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

The cost of operating exchange differences existed due to the evaluation of the same number of units of foreign

currency at different exchange rates. Organization also incurred costs when selling foreign currency, including negative difference between the sale of foreign currency and its carrying value. Consequently, the amount of the expenses pointed out above should be included in alignment with the expenditures in the General Purpose financial statements.

11.12. Other expenses

Other accrued administrative expenses that have been incurred by the Organization and were related to its activity in 2018, including write-off of fixed assets, bad debts etc. These expenses were not related to payments. Therefore, the amount of other expenses should be included in alignment with the expenditures in the General Purpose financial statements.

11.13. Adjustments in respect of currency transfers

The Organization's General Purpose Financial Statements have been prepared in UAH. For the purposes of alignment of expenditures reflected in the General Purpose Financial Statements with expenditures reflected in the Fund Accountability Statement, the expenditures in the General Purpose Financial Statements have been restated using the average exchange rate for 2018, which amounted to UAH 27.2005 for USD 1.

The adjustments in respect of currency transfers are made as a result of recalculation of the articles included in the Fund Accountability Statement under each tranche of the Grant, using the exchange rate in force at the time of the currency exchange transaction under each received tranche, and recalculation of items included in the General Purpose Financial Statements which amounted UAH 35,187,092 at the rate listed above.

Deputy finance and administrative director

Director


(signature)

(signature)

Svitlana Remenets

Tatiana Kiriazova

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

**To General meeting of members and management
of Charitable Organization «Ukrainian Institute on Public Health Policy»
5 Mala Zhytomyrska str., Office 61A
Kyiv, 01001 Ukraine**

We have audited the Fund Accountability Statement on the project "Improving quality of medication assisted treatment in Ukraine" (the "OAT-Guide 1" or the "Grant 1") under the Grant Agreement # 010-CDC-17 dated February 01, 2017 and the Grant Agreement # 96-CDC-18 dated June 01, 2018 (the "OAT-Guide 2" or the "Grant 2") those were signed with International Charitable Foundation "Alliance for Public Health", the project "Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine" (the "CDC" or the "Grant 3") under Notice of Award # 1U01GH000752-01 dated August 22, 2013 and concluded with Department of Health and Human Services Centers for Disease Control and Prevention, the project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 4") under FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 signed with the Research Foundation for The State University of New York, the project "Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care" (the "HPTN" or the "Grant 5") under Grant Agreement # FCO 104124/ID 0080.0249 dated August 29, 2014 and concluded with Family Health International (FHI 360), the project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 6") under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 with the Yale University, the project "Improving quality of medication assisted treatment in Ukraine" (the "KPIS 1" or the "Grant 7") under Grant Agreement # 009-CDC-17-A signed with International Charitable Foundation "Alliance for Public Health", the project "An improving Treatment Engagement and Adherence for People who Inject Drugs in Ukraine" (the "KPIS 2" or "Grant 8") under Grant Agreement #111-CDC-18-A concluded with International Charitable Foundation "International HIV/AIDS Alliance in Ukraine", the project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 9") under the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 with the Yale University, the project "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 10") under FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 concluded with Johns Hopkins University, the project "Double stigma as barrier to integrated HIV treatment among HIV infected PWID in Ukraine" (the "CFAR" or the "Grant 11") under FDP Cost Reimbursement Foreign Research Subaward Agreement #710-9156 dated March 25, 2017 (the "Grant Agreement 11") concluded with the Miriam Hospital (NIAID contractor), the project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 12") under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 concluded with Mariam Hospital (NIAID contractor), the project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 13") under Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 signed with Yale University, the project "Expanding MAT in Ukraine" (the "XMAT" or the "Grant 14") under the Cost reimbursement foreign research Subaward Agreement

GR 103901 (CON-80001355) dated September 10, 2018 signed with Yale University, the project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 15") under "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 concluded with National Institute on Drug Abuse (NIDA) (hereinafter jointly referred to as the "Projects") that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (the "Organization") and funded by USG funds as of and for the year ended December 31, 2018 and have issued our report on it dated September 23, 2019.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we noted certain immaterial matters involving internal control and its operation that we have reported in the Management letter dated September 23, 2019

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

Sincerely,

Olena Volska
Managing Partner and Director

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

September 23, 2019



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

**To General meeting of members and management
of Charitable Organization «Ukrainian Institute on Public Health Policy»
5 Mala Zhytomyrska str., Office 61A
Kyiv, 01001 Ukraine**

We have audited the Fund Accountability Statement on the project "Improving quality of medication assisted treatment in Ukraine" (the "OAT-Guide 1" or the "Grant 1") under the Grant Agreement # 010-CDC-17 dated February 01, 2017 and the Grant Agreement # 96-CDC-18 dated June 01, 2018 (the "OAT-Guide 2" or the "Grant 2") those were signed with International Charitable Foundation "Alliance for Public Health", the project "Enhancing linkage to HIV care for newly detected HIV-positive persons in Ukraine" (the "CDC" or the "Grant 3") under Notice of Award # 1U01GH000752-01 dated August 22, 2013 and concluded with Department of Health and Human Services Centers for Disease Control and Prevention, the project "Ukraine HIV Research Training Program" (the "FIC" or the "Grant 4") under FDP Cost Reimbursement Foreign Research Subaward Agreement #100-1139670-78160 dated August 11, 2017 signed with the Research Foundation for The State University of New York, the project "Integrated treatment and prevention for people who inject drugs: A vanguard study for a network-based randomized HIV pretention trial comparing on integrated intervention including supported antiretroviral therapy to the standard of care" (the "HPTN" or the "Grant 5") under Grant Agreement # FCO 104124/ID 0080.0249 dated August 29, 2014 and concluded with Family Health International (FHI 360), the project "Prison interventions and HIV Prevention Collaboration" (the "Pride 2" or the "Grant 6") under FDP Cost Reimbursement Foreign Research Subaward Agreement to the Grant # 2R01DA029910-06 dated February 02, 2016 with the Yale University, the project "Improving quality of medication assisted treatment in Ukraine" (the "KPIS 1" or the "Grant 7") under Grant Agreement # 009-CDC-17-A signed with International Charitable Foundation "Alliance for Public Health", the project "An improving Treatment Engagement and Adherence for People who Inject Drugs in Ukraine" (the "KPIS 2" or "Grant 8") under Grant Agreement #111-CDC-18-A concluded with International Charitable Foundation "International HIV/AIDS Alliance in Ukraine", the project "Addiction Treatment and HIV Services into Primary Care Clinics in Ukraine" (the "ECHO" and the "Grant 9") under the Cost reimbursement foreign research Subaward Agreement # M17A12601 (A10911) dated November 21, 2016 with the Yale University, the project "Examining the social, spatial, and temporal context of injection drug use and HIV and HCV risk among people who inject drugs in Ukraine" (the "Hopkins-1" or the "Grant 10") under FDP Cost Reimbursement Foreign Research Subaward Agreement #1R21DA044807 dated December 08, 2017 concluded with Johns Hopkins University, the project "Double stigma as barrier to integrated HIV treatment among HIV infected PWID in Ukraine" (the "CFAR" or the "Grant 11") under FDP Cost Reimbursement Foreign Research Subaward Agreement #710-9156 dated March 25, 2017 (the "Grant Agreement 11") concluded with the Miriam Hospital (NIAID contractor), the project "Enhancing Detection of Pediatric Tuberculosis in Ukraine" (the "CFAR-TB" or "Grant 12") under FDP Cost Reimbursement Foreign Research Subaward Agreement # 4P30AI042853-19 dated June 23, 2018 concluded with Mariam Hospital (NIAID contractor), the project "Barriers to HIV Care for Adults 50yo+, a Neglected but at-risk Population in Ukraine" (the "Barriers 50+" or the "Grant 13") under Cost Reimbursement Foreign Research Subaward Agreement #GR102318 (CON-80001179) dated April 23, 2018 signed with Yale University, the project

"Expanding MAT in Ukraine" (the "XMAT" or the "Grant 14") under the Cost reimbursement foreign research Subaward Agreement # GR 103901 (CON-80001355) dated September 10, 2018 signed with Yale University, the project "Integrating Treatment for Mental Disorders in Methadone Clinics in Ukraine" (the "Medium" or the "Grant 15") under "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 concluded with National Institute on Drug Abuse (NIDA) (hereinafter jointly referred to as the "Projects") that were implemented by the Charitable Organization «Ukrainian Institute on Public Health Policy» (the "Organization") and funded by USG funds as of and for the year ended December 31, 2018 and have issued our report on it dated September 23, 2019.

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

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

The results of our tests disclosed no instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards. However, we found out certain immaterial deviations from the internal policies and local legislation requirements. The essence of deviation and auditors' recommendation to be implemented are listed in the Management letter dated September 23, 2019.

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

Sincerely,

Olena Volska
Managing Partner and Director

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

September 23, 2019



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

To General meeting of members and management
of Charitable Organization «Ukrainian Institute on Public Health Policy»
5 Mala Zhytomyrska str., Office 61A
Kyiv, 01001 Ukraine

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of computation of indirect cost rate contained on page 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Sincerely,

Olena Volska
Managing Partner and Director

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

September 23, 2019



Charitable Organization «Ukrainian Institute on Public Health Policy»

SCHEDULE OF COMPUTATION OF INDIRECT COST RATE for the year then ended December 31, 2018 (in US dollars)

Expenses nature	Total costs	Exclusions / Unallowable costs	Direct costs base	Indirect costs	Notes
Account revaluation expenses	(\$4,433)	-	(\$4,433)	-	-
Audit expenses	-	-	-	-	-
Bank charge expenses	(\$815)	-	(\$815)	-	-
Consulting	(\$382,754)	-	(\$380,968)	(\$1,786)	-
Depreciation	(\$29,053)	-	(\$29,053)	-	-
Employees Benefits	(\$94,506)	-	(\$72,044)	(\$22,462)	-
Equipment and other office supplies	(\$1,993)	-	(\$1,993)	-	-
Expenses of foreign exchange trading	(\$1,559)	-	(\$1,559)	-	-
Law expenses	(\$2,225)	-	(\$2,206)	(\$19)	-
Meeting, Workshops and other travel expenses	(\$164,272)	-	(\$160,205)	(\$4,067)	-
Miscellaneous	(\$32,828)	-	(\$3,146)	(\$29,682)	-
Occupancy and cleaning	(\$66,297)	-	(\$12,731)	(\$53,566)	-
Office supplies	(\$41,923)	-	(\$41,746)	(\$177)	-
Other office expenses	(\$1,815)	-	(\$1,286)	(\$529)	-
Postage and Shipping	(\$7,044)	-	(\$5,839)	(\$1,205)	-
Printing, publications and translate expenses	(\$14,494)	-	(\$14,340)	(\$154)	-
Repairs and maintenance	(\$661)	-	(\$506)	(\$155)	-
Safeguarding expenses	(\$664)	-	-	(\$664)	-
Salaries and Wages	(\$431,918)	-	(\$431,918)	-	-
Subgrant expenses	(\$12,594)	(\$12,594)	-	-	-
Telephone or internet expenses	(\$2,083)	-	(\$1,672)	(\$411)	-
Total:	(\$1,293,931)	(\$12,594)	(\$1,166,460)	(\$114,877)	Note 2

Indirect costs rate computation:

Indirect costs	(\$114,877)	=	9.85%
Direct cost base	(\$1,166,460)		

Deputy finance and administrative director

Director

(signature)

(signature)

Svitlana Remenets

Tatiana Kiriazova

NOTES TO SCHEDULE OF COMPUTATION OF INDIRECT COST RATE for the year then ended December 31, 2018

During 2018, the Charitable organization "Ukrainian Institute on Public Health Policy" incurred expenses directly related to the projects and indirect expenses as Organization general activities covered by donors.

According to Agreement on audit services № UIPHP/27-12-18/EO there are 15 USG-funded projects which are to be audited. However, only 7 of them have in the budget the amount of indirect costs covered by the donor.

Thus, in accordance with Grant Agreement # FCO 104124/ID 0080.0249 dated August 29, 2014 concluded with Family Health International (FHI 360) ("HPTN" or Grant 5) and subgrant agreements #100-1139670-78160 dated August 11, 2017 signed with the Research Foundation for The State University of New York ("FIC" or Grant 4), # 2R01DA029910-06 dated February 02, 2016 ("Pride 2" or Grant 6) and # M17A12601 (A10911) dated November 21, 2016 ("ECHO" or Grant 9) and # GR 103901 (CON-80001355) dated September 10, 2018 ("XMAT" or Grant 14) which are funded by the Yale University, #1R21DA044807 dated December 08, 2017 concluded with Johns Hopkins University ("Hopkins-1" or Grant 10), # 1U01DA045384-01 dated June 28, 2018 concluded with National Institute on Drug Abuse (NIDA) ("Medium" or Grant 15) to the expenses on the realization of the projects' goals and objectives are included expenses that have an indirect effect on the project activities of the Organization.

NOTE 1: INDIRECT COSTS IN TOTAL BUDGETED AMOUNT OF EXPENSES

In compliance with Grant agreement #FCO 104124/ID 0080.0249 with the International Family Health International Organization FHI 360, Organization could compensate the expenses, which have no direct influence to Project realization, but fall within Organization activities, by grant funds. The amount of budgeted expenses with no direct influence to HPTN for the period of the project realization amounts to USD 168,914.

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

In accordance with Subgrant Agreement Prison interventions and HIV Prevention Collaboration Project #2R01DA029910-06 concluded with Yale University, it was approved in amount of USD 9,205 by appropriate cost item for indirect costs compensation for Pride 2.

According to the Subaward Agreement #M17A12601 (A10911) with Yale University the amount of allowable indirect expenses was approved for ECHO in the amount of USD 29,403.

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

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

The Organization is allowed to incur indirect costs in amount of USD 15,890 under the "Notice of Award" # 1U01DA045384-01 dated June 28, 2018 concluded with National Institute on Drug Abuse (NIDA) during the period of the project to be implemented.

Indirect cost rate is not computed on temporary basis. It is fixed and authorized by grant agreements by 10 percent.

NOTE 2: BASIS OF INDIRECT COST RATE COMPUTATION

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

2.1. According to the accounting data, the Organization has incurred expenses in total amount of USD 1,293,620 during 2018 year. Mentioned amount was presented in Statement of financial results (Profit and Loss Statement) excluding account revaluation expenses and expenses of foreign exchange trading for the year ended December 31, 2018. Expenses incurred from changes in currency exchange rates in the amount of USD 5,992 have had the direct influence on target funds and have not been respectively connected with financial results of the Organization.

2.2. The allocation base (direct cost base) is the total direct costs incurred by Organization in 2018 excluding capital expenditures; and sub-contracts/sub-grants (according to 2 parts CFR 200).

In 2018 the costs of sub-contracts/sub-grants were USD 12,594 and were excluded from the computation. During 2018 the Organization has not incurred any capital expenditures.

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

NOTE 3: FUNCTIONAL AND PRESENTATION CURRENCY

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

The expenses incurred in 2018 due to performance of the USG-funded projects and made in UAH, were recalculated in USD based on NBU's average exchange rate for year 2018 namely 27.2005 UAH for 1 dollar USD

Deputy finance and administrative director

Director


(signature)

(signature)

Svitlana Remenets

Tatiana Kiriazova

INDEPENDENT AUDITORS' REPORT ON GENERAL PURPOSE FINANCIAL STATEMENTS

**To General meeting of members and management
of Charitable Organization «Ukrainian Institute on Public Health Policy»
5 Mala Zhytomyrska str., Office 61A
Kyiv, 01001 Ukraine**

We have audited the accompanying financial statements of Charitable Organization «Ukrainian Institute on Public Health Policy» (hereinafter – the Organization) which comprise the balance sheet (statement of financial position) as at December 31, 2018 and the related statement of financial results (profit and loss statement) for the year then ended and the related summary of significant accounting policies prepared in accordance with National Regulations (Standards) of Accounting in Ukraine (NAS).

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

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

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

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

In our opinion, the financial statements referred to above present fairly in all material respects the financial position

of the Organization as of December 31, 2018 and the results of its operation for the year then ended in conformity with generally accepted accounting principles in accordance with NAS.

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

Sincerely,

Olena Volska

Managing Partner and Director

Emergex Outsourcing LLC

13A Universytetska Str., Kyiv 03110, Ukraine

September 23, 2019



(signature)

GENERAL-PURPOSE FINANCIAL STATEMENTS

Charitable Organization «Ukrainian Institute on Public Health Policy»

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

as at December 31, 2018


(in thousands of US dollars)

ASSETS	Line code	At the beginning of the reporting period	At the end of the reporting period
I. Non-current assets			
Capital investments in progress	1005	-	-
Property, plant and equipment	1010	43.0	41.5
historical cost	1011	101.0	107.3
depreciation	1012	(58.0)	(65.8)
Long-term biological assets	1020	-	-
Long-term financial investments	1030	-	-
Other non-current assets	1090	-	-
Total Section I	1095	43.0	41.5
II. Current assets			
Inventories	1100	16.8	-
including finished goods	1103	-	-
Current biological assets	1110	-	-
Accounts receivable for goods, works and services	1125	-	-
Accounts receivable on settlements with the budget	1135	-	-
including corporate tax	1136	-	-
Other current accounts receivable	1155	29.9	80.6
Current financial investments	1160	-	-
Cash and cash equivalents	1165	61.1	73.5
Deferred expenses	1170	6.4	6.7
Other current assets	1190	44.5	103.2
Total Section II	1195	158.7	264.0
III. Non-current assets for sale and disposal groups	1200	-	-
BALANCE	1300	201.7	305.5

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (continuance)**as at December 31, 2018***(in thousands of US dollars)*

LIABILITIES	Line code	At the beginning of the reporting period	At the end of the reporting period
I. Equity			
Statutory capital	1400	-	-
Additional paid-in capital	1410	-	-
Reserve capital	1415	-	-
Retained earnings (uncovered loss)	1420	-	-
Unpaid capital	1425	-	-
Total Section I	1495	-	-
II. Long-term liabilities, special purpose funding and provision	1595	158.2	224.3
III. Current liabilities			
Short-term bank loans	1600	-	-
Current accounts payable of:		-	-
long-term liabilities	1610	-	-
goods, works and services	1615	-	0.1
settlements with the budget	1620	-	-
including corporate tax	1621	-	-
settlements on insurance	1625	-	-
settlements with personnel	1630	-	-
Deferred income	1665	43.5	81.1
Other current liabilities	1690	-	-
Total Section III	1695	43.5	81.2
IV. Liabilities related to non-current assets for sale and disposal groups	1700	-	-
BALANCE	1900	201.7	305.5

Chief accountant


(signature)

Anna Palamarchuk

Director


(signature)

Tatiana Kiriazova

* Reporting data of Balance Sheet at the beginning and at the end of the reporting period was recalculated by auditors in USD based on NBU's exchange rate as at December 31, 2017 (28.0672 for 1 dollar USD) and as at December 31, 2018 (27,6883 for 1 dollar USD) appropriately

Charitable Organization «Ukrainian Institute on Public Health Policy»

STATEMENT OF FINANCIAL RESULTS (PROFIT AND LOSS STATEMENT)

for the year ended December 31, 2018

(in thousands of US dollars)

ITEM	Line code	For the reporting period	For prior period
Net revenue from sales of goods, works and services	2000	-	-
Other operating income	2120	1 246.3	1 275,1
Other income	2240	41,6	57,3
Total net income (2000 + 2120 + 2240)	2280	1 287.9	1 332,4
Cost of sales of goods, works and services	2050	-	-
Other operating expenses	2180	(1 286.5)	(1 332,4)
Other expenses	2270	(1,4)	-
Total expenses (2050 + 2180 + 2270)	2285	(1 287,9)	(1 332,4)
Financial results before taxation (2280 - 2285)	2290	-	-
Corporate tax	2300	-	-
Net profit (loss) (2290 - 2300)	2350	-	-

Chief accountant

(signature)

Anna Palamarchuk

Director

(signature)

Tatiana Kiriazova

* Reporting data of Statement of Financial Results for the prior and reporting period was recalculated by auditors in USD based on NBU's average exchange rate for year 2017 (26.5966 for 1 dollar USD) and 2018 (27.2005 for 1 dollar USD), appropriately

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended December 31, 2018

GENERAL INFORMATION

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

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

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

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

As at December 31, 2018 the number of employees of the Organization was 26 people.

ACCOUNTING POLICY

General information

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

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

These financial statements have been prepared as of December 31, 2018 and covered the period from January 01, 2018 to December 31, 2018.

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

The preparation of financial statements in accordance with NAS requires from the management of Organization to provide estimates and assumptions that affect the articles of the financial reporting of the Organization, the disclosure of assets and liabilities at the balance sheet date and the reported amounts listed in revenues and expenses during the reporting period.

Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation and impairment costs. The historical cost of fixed assets includes the cost of acquisition indirect taxes related to the acquisition of fixed assets and non-refundable costs of installation and adjustment of fixed assets and other costs directly related to bringing the assets to a state in which they are suitable for use with the planned purpose.

The Organization recognized as fixed assets the tangible assets that are used repeatedly and continuously in the course of performing their basic functions the expected useful life of which exceeds one year and the cost UAH 6,000 or more per unit.

Depreciation of all groups of fixed assets accrued straight-line method over its useful life.

Liquidation value of fixed assets and intangible assets is set as UAH 0 (zero).

Low-value non-current assets

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

The depreciation/amortization of tangible and intangible assets shall be calculated at 100% of the cost subject to depreciation/amortization in the first month of use.

Inventories

Recognition and initial measurement of inventories (raw materials, components, products) carried out in accordance with NAS 9 "Inventories".

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

Cash

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

Revenue recognition

Received targeted funding under the grant agreements and in accordance with NAS 15 "Revenue" is recognized as income over the periods in which the expenses were incurred related to the fulfillment of the targeted funding.

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

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

Cost recognition

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

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

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

Taking into consideration the peculiarities specific for accounting for income and expenses of non-governmental organization that had been indicated above a financial result of the organization from realization of its activities always equals to zero.

Provision accruals

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

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

Chief accountant

(signature)

Anna Palamarchuk

Director

(signature)

Tatiana Kiriazova