

Ukrainian Charity Fund

“Social Partnership”

Statement of Sources and Uses of Funds

for the year ended 31 December 2014

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**JSC KPMG Audit**  
32/2 Moskovska str., 17th floor,  
01010 Kyiv  
Ukraine

Telephone +380 (44) 490 5507  
Telefax +380 (44) 490 5508  
Internet [www.kpmg.ua](http://www.kpmg.ua)

## Independent Auditors' Report

To Management of  
Ukrainian Charity Fund "Social Partnership"

We have audited the accompanying Statement of Sources and Uses of Funds of Ukrainian Charity Fund "Social Partnership" (the "Organization") for the year ended 31 December 2014, and notes, comprising a summary of significant accounting policies and other explanatory information (together "the Statement of Sources and Uses of Funds"). The Statement of Sources and Uses of Funds has been prepared by management using the cash receipts and disbursements basis of accounting described in Note 3 to the Statement of Sources and Uses of Funds.

### *Management's Responsibility for the Statement of Sources and Uses of Funds*

Management is responsible for the preparation of this Statement of Sources and Uses of Funds in accordance with the cash receipts and disbursements basis of accounting described in Note 3 to the Statement of Sources and Uses of Funds, for determining the acceptability of this basis of accounting, and for such internal control as management determines is necessary to enable the preparation of the Statement of Sources and Uses of Funds that is free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the Statement of Sources and Uses of Funds of the Organization for the year ended 31 December 2014 is prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting described in Note 3.

*Emphasis of Matter*

We draw attention to Note 2 to the Statement of Sources and Uses of Funds, which describes the political and social unrest and regional tensions that started in November 2013 and escalated in 2014 in Ukraine. The events referred to in Note 2 could adversely affect the Organization's activities in a manner not currently determinable. Our opinion is not qualified in respect of this matter.

*Basis of Accounting and Restriction on Use*

Without modifying our opinion, we draw attention to Note 3 to the Statement of Sources and Uses of Funds, which describes the basis of accounting. This Statement of Sources and Uses of Funds is prepared to provide information on cash receipts and disbursements of the Organization to the current and potential donors of the Organization. As a result, the Statement of Sources and Uses of Funds may not be suitable for another purpose.

*JSC KPMG Audit*

JSC KPMG Audit  
19 June 2015

*Ukrainian Charity Fund "Social Partnership"*  
*Statement of Sources and Uses of Funds for the year ended 31 December 2014*

*(in thousands of Ukrainian hryvnias)*

	<i>Note</i>	<b>Year ended 31 December 2014</b>
<b>Opening balance of cash and cash equivalents</b>		<b>392</b>
<b>Cash receipts</b>		
Direct contributions by individuals	4	13,612
Contributions by legal entities	5	758
Interest received from banks	6	111
Other		249
<b>Total cash receipts</b>	7	<b>14,730</b>
<b>Cash disbursements</b>		
Day Center "Stephania" (including "Social patrol")	8	3,236
Special purpose programs	9	9,707
Administrative expenses	10	1,744
<b>Total cash disbursements</b>		<b>14,687</b>
<b>Closing balance of cash and cash equivalents</b>		<b>435</b>

See accompanying Notes to the Statement of Sources and Uses of Funds

## **1 Background**

Ukrainian Charity Fund “Social Partnership” (“the Fund” or “the Organization”) is an all-Ukrainian independent non-governmental organization providing help to socially vulnerable groups of people including homeless, pensioners, disabled persons, multiple children families, lone mothers, refugees, military servicemen in the ATO zone, veterans, orphans, etc. The Organization was founded on 1 October 1998.

Mission of the Fund is to provide effective partnership of society, business, state and non-government organizations focused on the solution of poverty and homelessness problems in Ukraine.

The Organization raises funds through contributions by donors, voluntary contributions by individuals and legal entities, as well as through non-repayable financial aid.

As at 31 December 2014, the number of Organization’s employees is 78, including 55 full-time employees and 23 part-time employees. As at 1 January 2014, the number of employees was 69, including 46 full-time employees and 23 part-time employees. During 2014, 18 employees were discharged and 27 employees were hired.

During 2014, the Organization’s activities included the following lines/programs:

- Day Center “Stephania” where on a daily basis socially vulnerable groups of people can obtain more than 20 types of free-of-charge services, including meals in Fund’s stationary canteen, medical care, clothes, legal support, documents re-issue, etc.
- “Social patrol” program provides help to homeless and financially socially vulnerable groups of people out in the open on a daily basis. At present, there are 29 mobile points in Kyiv, where the Social Watch team helps people by providing them with cooked meals, proper clothes, and advice. Social patrol works 365 days per year.
- “Homeless Rescue Service” is a unique mobile service in Ukraine rescuing homeless, it receives requests from people for provision of assistance to homeless and transfers homeless to the Fund location, where he/she can obtain free services.
- Long-term assistance to large disadvantaged families, including welfare assistance to families with 7 or more children and improvement of their living conditions.
- “Care” program that includes the following projects:
  - Support to families that suffered during Maidan events;
  - Welfare assistance to refugees from Donbas and Crimea, including cooked meals, clothes, food products, and personal care products;
  - Health improvement for children from large families that suffered from actions in the ATO zone;
  - Medicine supply to military servicemen wounded in the ATO zone;
  - Supply of warm clothes and cold weather footwear to military servicemen.

## **2 Ukrainian political and economic environment**

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest combined with rising regional tensions has deepened the ongoing economic crisis and has resulted in a widening of the state budget deficit and a depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings.

In February 2014, following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions and also announced a transition to a floating foreign exchange rate regime. In March 2014, various events in Crimea led to the annexation of the Republic of Crimea by the Russian Federation that was not recognized by Ukraine and international community. This event resulted in a significant deterioration of the relationship between Ukraine and the Russian Federation. Following the instability in Crimea, regional tensions have spread to the Eastern regions of Ukraine, primarily Donetsk and Lugansk regions. In May 2014, protests in Donetsk and Lugansk regions escalated into military clashes and armed conflict between armed supporters of the self-declared republics of Donetsk and Lugansk regions and the Ukrainian forces. As at the date the Statement of Sources and Uses of Funds was authorized for issue, the instability and unrest continue, and part of Donetsk and Lugansk regions remains under control of the self-proclaimed republics. As a result, Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Despite the unstable situation in the country, the amount of cash receipts and quantity of Fund's programs increased during 2014. Management of the Fund believes that the charitable donations from the main donor, an individual, will further ensure stable operations and continuing development of the Fund. At the same time, a continuation of the current unstable business environment could negatively affect the Fund's activities in a manner not currently determinable. This Statement of Sources and Uses of Funds reflects management's current assessment of the impact of the Ukrainian business environment on the operations of the Fund. The future business environment may differ from management's assessment.

## **3 Basis of preparation of the Statement of Sources and Uses of Funds**

The Fund is operating in Ukraine and is therefore obliged to maintain statutory accounting records for the purpose of preparation of financial statements in accordance with National Accounting Standards of Ukraine. Such accounting is performed according to the adopted Fund's accounting policy.

This Statement of Sources and Uses of Funds is prepared on the accounting basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in Ukraine. On this basis, revenue is recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred. Accounting information used in preparing the Statement of Sources and Uses of Funds was derived from Organization's accounting records maintained for statutory financial reporting purposes.

All financial information is presented in Ukrainian hryvnias, unless otherwise is stated, and is rounded to thousands.

#### **4 Direct contributions by individuals**

Direct contributions by individuals for the year 2014 are presented by charitable aid granted with no specific purpose. During 2014, contributions by a single individual amounted to UAH 13,075 thousand, or 96% of total direct contributions by individuals.

#### **5 Contributions by legal entities**

Contributions by legal entities for the year 2014 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2014</b>
Ukrainian Philanthropic Marketplace (UBB)	402
LLC "Rent Discont"	241
Lviv Education Foundation	70
Other	45
<b>Total</b>	<b>758</b>

#### **6 Interest received from banks**

During 2014, interest rates on placements with banks in UAH varied from 0% to 8% per annum. Total interest income on cash placed with banks amounted to UAH 111 thousand for the year 2014.

## **7 Cash receipts on special purpose programs**

Cash receipts on special purpose programs during 2014 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2014</b>
Charity contributions with no specific purpose	13,612
Aid in the ATO zone:	416
- Medicines and accoutrements for military servicemen	386
- Aid to refugees	30
Day Center "Stephania" (including "Social patrol")	339
Aid to large families	17
Other special purpose programs	235
<b>Total receipts on programs</b>	<b>14,619</b>
Interest received from banks	111
<b>Total cash receipts</b>	<b>14,730</b>

## **8 Cash disbursements on Day Center "Stephania" (including "Social patrol")**

Cash disbursements on Day Center "Stephania", including "Social patrol", for the year 2014 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2014</b>
Food products	807
Salaries	803
Energy	500
Fuel	323
Disposable cutlery	274
Security services	162
Materials	125
Water supply and water disposal	51
Maintenance	49
Medicines	43
Other	99
<b>Total</b>	<b>3,236</b>

## 9 Cash disbursements by program (excluding Day Center "Stephania" and "Social patrol")

Cash disbursements by program (excluding Day Center "Stephania" and "Social patrol") for the year 2014 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2014</b>
Charity assistance for funeral of people killed during Maidan events	8,600
Aid in the ATO zone:	852
- Aid to large families from the ATO zone	357
- Medicines and accoutrements for military servicemen	341
- Aid to refugees	154
Aid to large families	144
Other special purpose programs	111
<b>Total</b>	<b>9,707</b>

During 2014 the amount paid for administrative costs did not exceed 20% of the total cash receipt .

## 10 Administrative expenses

Administrative expenses for the year 2014 are presented as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<b>2014</b>
Salaries	922
Security services	216
Cutting and sanitation pruning of trees	200
Materials	61
Fuel	56
Energy	50
Advertising	45
Leaflets	33
Legal services	24
Other	137
<b>Total</b>	<b>1,744</b>

During 2014, the amount of paid administrative expenses did not exceed 20% of total paid expenses of the Fund.

## **11 Transactions with related parties**

The Fund performs transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions. Related parties comprise the shareholders, their close family members, and companies that are controlled or significantly influenced by shareholder. Prices of transactions with related parties are established on an ongoing basis.

During 2014, the Fund received UAH 13,612 thousand of charity contributions from the shareholder and his close family members, and UAH 243 thousand of charity contributions - from companies that are controlled by the Fund's shareholder and his close family members. During 2014, the Fund paid UAH 378 thousand to the companies that are controlled by the Fund's shareholder and his close family members.

President

Chief Accountant

17 June 2015



Olena Mykolayivna Polishchuk

Oksana Vasylivna Petrenko