

Ukrainian Charity Fund

“Social Partnership”

Statement of Sources and Uses of Funds

for the year ended 31 December 2015

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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 2015, 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 the auditors' 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, the auditor considers internal control relevant to the entity's preparation 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.



Ukrainian Charity Fund "Social Partnership"
Independent Auditors' Report

Opinion

In our opinion, the Statement of Sources and Uses of Funds of the Organization for the year ended 31 December 2015 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 in Ukraine that started in November 2013 and escalated in 2014 and afterwards. 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

24 June 2016

Ukrainian Charity Fund "Social Partnership"
Statement of Sources and Uses of Funds for the year ended 31 December 2015

<i>(in thousands of Ukrainian hryvnias)</i>	<i>Note</i>	Year ended 31 December 2015
Opening balance of cash and cash equivalents		435
Cash receipts		
Direct contributions by individuals	4	5,744
Contributions by legal entities	5	3,919
Interest received from banks	6	55
Other		16
Total cash receipts	7	9,734
Cash disbursements		
Day Center "Stephania" (including "Social patrol")	8	5,217
Special purpose programs	9	2,747
Administrative expenses	10	1,772
Total cash disbursements		9,736
Closing balance of cash and cash equivalents		433

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 2015, the number of Organization’s employees is 83, all employees were assigned on permanent basis. As at 1 January 2015, the number of employees was 78, including 55 permanent employees and 23 temporary employees. During 2015, 19 employees were discharged and 24 employees were hired.

During 2015, 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 32 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 2014. Following political and social unrest, which started in November 2013, in March 2014 various events in Crimea led to the accession of the Republic of Crimea to the Russian Federation, which was not recognised by Ukraine and many other countries. 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 those regions escalated into military clashes and armed conflict between supporters of the self-declared republics of the Donetsk and Lugansk regions and the Ukrainian forces, which continued throughout the date of this Statement of Sources and Uses of Funds. As a result of this conflict, part of the Donetsk and Lugansk regions remains under control of the self-proclaimed republics, and Ukrainian authorities are not currently able to fully enforce Ukrainian laws on this territory.

Political and social unrest combined with the military conflict in the Donetsk and Lugansk regions has deepened the ongoing economic crisis, caused a fall in the country's gross domestic product and foreign trade, deterioration in state finances, depletion of the National Bank of Ukraine's foreign currency reserves, significant devaluation of the national currency and a further downgrading of the Ukrainian sovereign debt credit ratings. Following the devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions, which among others included restrictions on purchases of foreign currency by individuals and companies, the requirement to convert 75% of foreign currency proceeds to local currency, a ban on payment of dividends abroad, a ban on early repayment of foreign loans and restrictions on cash withdrawals from banks. As at the date of this Statement of Sources and Uses of Funds, mentioned administrative restrictions, however, are gradually relaxed by the National Bank of Ukraine as a response to the improving economic conditions.

The above events had a negative effect on Ukrainian companies and banks, significantly limiting their ability to obtain financing on domestic and international markets. 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 Fund was able to collect financial resources necessary to support its charity programs. 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 2015 are presented by granted charitable aid. During 2015, contributions by a single individual amounted to UAH 5,127 thousand, or 89% of total direct contributions by individuals.

5 Contributions by legal entities

Contributions by legal entities for the year 2015 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2015
LLC "Rent Discont"	3,059
LLC "Arhangel"	450
Ukrainian Philanthropic Marketplace (UBB)	339
LLC "DHL International"	30
Other	41
Total	3,919

6 Interest received from banks

During 2015, interest rates on placements with banks in UAH varied from 0% to 9% per annum. Total interest income received on cash placed with banks amounted to UAH 55 thousand for the year 2015.

7 Cash receipts on special purpose programs

Cash receipts on special purpose programs during 2015 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2015
Charity contributions with no specific purpose	8,688
Day Center "Stephania" (including "Social patrol")	185
Aid in the ATO zone:	
- Medicines and accoutrements for military servicemen	177
- Aid to refugees	132
Aid to large families	75
Other special purpose programs	406
Total receipts on programs	9,663
Interest received from banks	55
Realized foreign exchange gain	16
Total cash receipts	9,734

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

Cash disbursements on Day Center "Stephania", including "Social patrol", for the year 2015 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2015
Food products	1,671
Salaries	880
Fuel	591
Energy	554
Disposable cutlery	450
Repair services	395
Materials	243
Car repair services	172
Water supply and water disposal	68
Car insurance	41
Medicines	36
Other	116
Total	5,217

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 2015 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2015
Aid to large families	1,337
Charity assistance for funeral of people killed in political confrontations	637
Aid to defendants in the ATO zone	215
Charity assistance on medicines	135
Aid to refugees	79
Charity assistance for first-aid kits for lonely pensioners	63
Charity assistance “Let’s return childhood to children”	62
Charity assistance for children without parents’ attention	50
Other special purpose programs	169
Total	2,747

10 Administrative expenses

Administrative expenses for the year 2015 are presented as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	2015
Salaries	896
Audit services	380
Taxes on land and buildings	136
Energy	65
Fuel	58
Materials	50
Advertising	29
Car repair services	28
Legal services	19
Other	111
Total	1,772

During 2015, the amount of paid administrative expenses did not exceed 20% of total cash receipts 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 management and founders, their close family members, and companies that are controlled or significantly influenced by one of the founders, who executes control over the Fund. Prices of transactions with related parties are established on an ongoing basis.

During 2015, the Fund received UAH 5,127 thousand of charity contributions from the founder and UAH 3,059 thousand of charity contributions from company that is controlled by the Fund's founder and his close family members.

President

Chief Accountant

24 June 2016



A handwritten signature in blue ink, appearing to be "Hoy".

A handwritten signature in blue ink, appearing to be "Oksana".

Olena Mykolayivna Polishchuk

Oksana Vasylivna Petrenko