



Charitable Organization “Foundation of Olena Franchuk “ANTI AIDS”

Statement of Cash Receipts and Disbursements

*For the year ended 31 December 2009 and
cumulative as at that date
with Independent Auditors’ Report*

Ernst & Young

CONTENTS

Independent Auditors' Report	1
Statement of Cash Receipts and Disbursements	2
Notes to the Statement of Cash Receipts and Disbursements	3

INDEPENDENT AUDITORS' REPORT

To Founders and Management of Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS"

We have audited the accompanying statement of cash receipts and disbursements ("the Statement") of Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS" ("the Foundation") for the year ended 31 December 2009 and cumulative as at that date. The Statement is the responsibility of the Foundations' management. Our responsibility is to express an opinion on the accompanying Statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement. An audit also includes assessing the accounting principles used and evaluating the overall Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying statement of cash receipts and disbursements has been prepared, in all material respects, in accordance with the cash receipts and disbursements basis of accounting applied as described in Note 2.

Without qualifying our opinion, we draw attention to Note 2 to the accompanying Statement, explaining that it is the Foundation policy to prepare the accompanying Statement on the cash receipts and disbursements basis of accounting. The adopted basis of accounting is not intended to comply with International Financial Reporting Standards or any other accounting standards, which use the accrual basis.



27 August 2010

Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS"

Statement of Cash Receipts and Disbursements

For the year ended 31 December 2009 (in US dollars)

	Notes	2009	2008	Cumulative from commencement to 31 December 2009
Cash balance as at 01 January		15,389	464,436	-
CASH RECEIPTS COLLECTED:	3	1,529,596	2,142,985	7,460,180
EXPENSES PAID:				
Informational and educational campaigns on HIV/AIDS		(173,905)	(1,089,708)	(2,685,813)
Material aid paid to people with HIV/AIDS, medical establishments and orphanages		(646,957)	(795,240)	(2,428,274)
International co-operation		(500,243)	(516,238)	(1,640,970)
ADMINISTRATIVE EXPENSES	4	(213,977)	(125,938)	(623,322)
Foreign exchange and translation differences		(2,224)	(64,908)	(74,122)
TOTAL EXPENSES		(1,537,306)	(2,592,032)	(7,452,501)
Cash balance as at 31 December		7,679	15,389	7,679

Signed and authorized for release on behalf of the Foundation on 27 August 2010:

Director



Olga Rudneva

Chief Accountant

Lilia Dzyadyk

The accompanying notes are an integral part of this statement

Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS"

Notes to the Statement of Cash Receipts and Disbursements

For the year ended 31 December 2009 (in US dollars)

1. General Information

The Charitable Organisation "Foundation of Olena Franchuk "ANTI AIDS" ("the Foundation") was founded by Mrs. Olena Franchuk, a Ukrainian citizen, jointly with two other Ukrainian individuals in September 2003. The registered office of the Foundation is located at 42-44, Shovkovychna Street, Kyiv, Ukraine.

The goals of the Foundation as stated in its founding documents are to combat the HIV/AIDS epidemic in Ukraine, to reduce its escalation, to support people living with HIV/AIDS by improving their quality of life, and to bring to Ukraine the best international experience in combating HIV/AIDS.

The Foundation's projects implemented during 2003-2009 were mainly focused on the following main areas:

- Informational and educational campaigns;
- Support to people with HIV/AIDS, medical establishments and orphanages;
- International co-operation (*).

(* International co-operation mainly include support in the joint project with the Clinton Foundation which aim is to increase access to HIV/AIDS treatment in Ukraine, reduce the risk of HIV transmission among non-injecting drug users, and finally, cut down the number of AIDS related deaths. Main directions of the project are: rapid HIV/AIDS testing – identifying new cases of HIV infection; training, mentoring, consulting and support for health care providers of various qualification levels; comprehensive drug treatment and substitution therapy for injecting drug users; improvement of existing drug procurement system. The project is designed for 5 years. The first stage started in 2007 in Dnepropetrovsk region – the region with one of the highest HIV/AIDS rates in Ukraine.

2. Summary of Significant Accounting Policies

Basis of accounting

The Foundation's financial statements are prepared on the cash receipts and disbursements basis, which represents another comprehensive basis of accounting, and is not intended to be a presentation in conformity with International Financial Reporting Standards or any other generally accepted accounting principles in other countries, including the country, where the Foundation is registered. On this basis donations and other cash collections are recognized when received, and expenses are recognized when paid rather than when incurred.

The Foundation prepares and files its statements for the tax and other statutory reporting purpose on the basis of the accounting records maintained by the Foundation.

Foreign Currencies

The presentation currency for the purpose of this statement of cash receipts and disbursements is the United States dollar ("US dollar"). The functional currency of the Foundation is the national currency of Ukraine, the Hryvnia ("UAH"). Accordingly, transactions included in the statement of cash receipts and disbursements that were not already measured in US dollars (primarily UAH) have been re-measured into US dollars using the official exchange rate established by the National Bank of Ukraine as at the transactions' occurrence dates. The remaining cash balance as at the reporting dates is translated into the presentation currency using the closing exchange rate at the reporting date (7.985 UAH for one US dollar for 2009 and 7.700 UAH for one US dollar for 2008).

Notes to the Statement of Cash Receipts and Disbursements

For the year ended 31 December 2009 (in US dollars)

3. Cash Receipts Collected

Cash receipts collected by the Foundation include the following:

	2009	2008	Cumulative from commencement to 31 December 2009
Contributions received from legal entities, including the founders' affiliates	1,351,778	1,945,114	6,273,067
Contributions received from founders and other individuals	177,432	189,936	1,161,565
Founders' contributions to the Charter Fund	-	-	10,010
Bank interest	386	7,935	15,538
	1,529,596	2,142,985	7,460,180

4. Administrative Expenses

Administrative expenses represent cash disbursements related to general management of the projects and arrangement of the Foundation's activities. They primarily comprise of the Foundation's employees salaries and related taxes and office rental expenses.

5. Operating Environment and Economic Conditions

The Ukrainian economy while deemed to be of market status continues to display certain characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Ukraine. The stability of the Ukrainian economy will be significantly impacted by the Government's policies and actions with regard to administrative, legal, and economic reforms. As a result, operations in Ukraine involve risks that are not typical for developed markets.

The Ukrainian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in a decline in the gross domestic product, capital markets instability, and significant deterioration in the liquidity in the banking sector, tighter credit conditions within Ukraine, and significant devaluation of the Ukrainian hryvnia against major currencies. Furthermore, the downgrade of the country's credit ratings, which began in late 2008, continued in 2009. Whilst the Ukrainian Government continues to introduce various stabilisation measures aimed at supporting the exchange rate and the banking sector, there continues to be uncertainty regarding exchange rates, access to capital and its cost for the Foundation and its counterparties. At the same time, the global economic recession has also had a significant impact on Ukraine's balance of payments resulting from a drop in exports. These factors could affect the Foundation's activities and business prospects.

Whilst management believes it is taking appropriate measures to support the sustainability of the Foundation's activities in the current circumstances, continued and unexpected further deterioration in the areas described above could negatively affect the Foundation's business prospects.

6. Tax and Other Regulatory Compliance Risks

The Foundation has the status of non-for-profit organization and it is generally exempt from the income tax and other taxes, which would otherwise be applicable to its activity, including passive income earned, subject to its continued compliance with this status.

Management believes that its interpretation of the relevant applicable legislation is appropriate and that the Foundation has complied with all regulations and continues to maintain its non-for-profit status. All due statutory withholdings, including employment related taxes have been paid timely and properly. At the same time it is possible that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future, although this risk significantly diminishes with passage of time. It is not practical to determine the amount of unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome.

Notes to the Statement of Cash Receipts and Disbursements

For the year ended 31 December 2009 (in US dollars)

7. Commitments and Contingencies

Legal

In the ordinary course of activities, the Foundation may become subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the future operations of the Foundation.

Appropriation of donations

Prior to entering into the projects, management evaluates the compliance of the proposed projects with the statutory goals of the Foundation as well as with the statutory requirements for the charitable and non-for-profit activities. Further, in course of the projects' implementation, management monitors, to the extent practical and possible, their alignment with the declared goals based on the reports and other documentation provided by the participants of the projects and donation recipients as well as selective inspections.

However, because of the inherently limited ability of the Foundation's management to assess and monitor eligibility and actual appropriation of the funding by the other project participants and the donation recipients, misappropriation of the funds extended to the projects by the Foundation may take place and not be detected. As with other contingencies, management believes that the ultimate liability of the Foundation arising from such cases, if any, will not have a material adverse effect on the financial condition or the future operations of the Foundation.