

NON-GOVERNMENT ORGANISATION
“Agency for Legislative Initiatives”

Financial statements
in accordance with the National Regulations (Standards) of Accounting in Ukraine
31 December 2022

Together with Independent Auditor’s Report

This version of the financial statements is a translation from the original, which was prepared in Ukrainian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views of opinions, the original language version of the financial statements takes precedence over this translation.

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Independent Auditor's Report

To the Management of Non-Governmental Organisation "Agency for Legislative Initiatives"

Our opinion

In our opinion, the financial statements of Non-Governmental Organisation "Agency for Legislative Initiatives" (the "Organisation") are prepared, in all material respects, in accordance with National Regulations (Standards) of Accounting in Ukraine (NR(S)AU) and comply, in all material respects, with financial reporting requirements of the Law on Accounting and Financial Reporting in Ukraine.

What we have audited

The Organisation's financial statements comprise:

- the balance sheet as at 31 December 2022;
- the statement of financial results for the year then ended;
- the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Organisation in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit of Financial Statements and Auditing that are relevant to our audit of the financial statements in Ukraine. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Material uncertainty relating to going concern

We draw attention to Note 3 in the financial statements, which indicates that the Organisation is exposed to significant risks relating to developments of the ongoing full scale military invasion of Ukraine by the Russian Federation. The magnitude or timing of further developments or duration of those actions are uncertain. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Organisation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with NR(S)AU and financial reporting requirements of the Law on Accounting and Financial Reporting in Ukraine, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The key audit partner on the audit resulting in this independent auditor's report is Lyudmyla Pakhucha.

LLC AF PricewaterhouseCoopers (Audit)

LLC AF "PricewaterhouseCoopers (Audit)"

Lyudmyla Pakhucha

Identification number 21603903

Registration number in the Register of Auditors and Auditing Entities 0152

Registration number in the Register of Auditors and Auditing Entities 101808

Kyiv, Ukraine

16 June 2023

Entity: AGENCY FOR LEGISLATIVE INITIATIVES

Date (year, month, day)

Codes		
2022	12	31
25880404		
8038500000		
815		
94.99		

Territory: Kyiv, Ukraine

EDRPOU
KOATUU

Organisational and legal form of economic activity: non-governmental organisation

KOPFG

Type of economic activity: Activities of other public organisation

KVED

Average number of employees: 14

Address, phone: 04070, Kyiv, H. Skovorody str., 2

Unit of measurement: UAH thousand, with one decimal place

Prepared (to make "v" in respective box):

in accordance with National Regulations (Standards) of Accounting.

in accordance with International Financial Reporting Standards

v

Balance Sheet (Statement of Financial Position)

as at 31 December 2022

Form N 1-мс

DKUD code & **1801006**

ASSETS	Line code	At the beginning of the reporting period	At the end of the reporting period
1	2	3	4
I. Non-current assets			
Property, plant and equipment	1010	2 537,9	2 534,9
Historical cost	1011	3 674,5	4 041,9
Accumulated depreciation	1012	(1 136,6)	(1 507,0)
Other non-current assets	1090	-	-
Total Section I	1095	2 537,9	2 534,9
II. Current assets			
Inventories	1100	-	-
Other current accounts receivables	1155	1 270,7	3 923,2
Cash and cash equivalents	1165	6 322,6	49 343,6
Other current assets	1190	3 127,8	292,1
Total Section II	1195	10 721,1	53 558,9
Balance	1300	13 259,0	56 093,8
LIABILITIES	Code line	To the beginning reporting period	To the ending reporting period
1	3	4	5
I. Equity			
Registered capital	1400	-	-
Retained earnings (uncovered loss)	1420	-	-
Unpaid capital	1425	-	-
Total Section I	1495	-	-
II. Long-term obligations, targeted financing and software			
	1595	6 955,6	49 190,2
III. Current liabilities and provisions			
Short-term bank loans	1600	-	-
Current accounts payable on:			
long-term liabilities	1610	-	-
goods, works, services	1615	370,9	452,2
settlements with the budget	1620	-	-
settlements on insurance	1625	-	-
settlements on payroll	1630	-	-
Other current liabilities	1690	5 932,5	6 451,4
Total Section III	1695	6 303,4	6 903,6
Balance	1900	13 259,0	56 093,8

Approved for release on 16 June 2023

Executive Director

Svitlana Matvienko

Svitlana Matvienko

Chief Accountant

[Signature]

Iryna Podliesna



Entity: AGENCY FOR LEGISLATIVE INITIATIVES

Date (year, month, day)

EDRPOU

Codes		
2022	12	31
25880404		

Statement of Financial Results (Statement of profit and loss)

for the year ended 31 December 2022

Form № 2-мс

DKUD code

1801007

Item	Line code	For reporting period	For the similar period of the prior year
1	2	3	4
Net revenue from the sales of goods, works, services	2000	-	-
Other income	2160	28 202,1	21 578,1
Total Income (2000 + 2160)	2280	28 202,1	21 578,1
Cost of sales of goods, works and services)	2050	-	-
Other expenses	2165	28 202,1	21 578,1
Total Expenses (2050 + 2165)	2285	28 202,1	21 578,1
Financial result before taxation (2280 - 2285)	2290	-	-
Income tax (expense) credit	2300	-	-
Expenses (income) that reduce (increase) the financial result after tax	2310	-	-
Net financial result (2290 - 2300 - (+) 2310)	2350	-	-

Executive Director

Svitlana Matvienko

Svitlana Matvienko

Chief Accountant

Iryna Podliesna

Iryna Podliesna



Notes to the Financial Statements

1. Background

Agency for Legislative Initiatives (Agency) is one of the leading Ukrainian analytical centers, founded in 2000. Its mission is to promote democratic transformations and an effective policy-making process in Ukraine, to develop the legal and political culture of citizens and authorities, as well as to support Ukraine in its integration into the European community. The Agency has more than 20 years of experience in the implementation of projects aimed at implementing the practice of democratic dialogue on various policy issues before the law-making process, spreading the practices of public participation in decision-making, monitoring the activities of the parliament and studying the problems of Ukrainian parliamentarism, research in the areas of election legislation, political parties, fight against corruption, decentralization and local self-government.

The mandate of the Agency covers the improvement of the decision-making system in Ukraine. In particular, the Agency works on strengthening the institutional capacity of the Parliament of Ukraine. Among the key tasks: implementation of parliamentary reform, support of the control function of the parliament, strengthening of its expert potential, increasing the level of citizen participation in decision-making, promotion of parliamentary ethics.

One of the main directions of the Agency's work is civic and political education. The most successful political education project in Ukraine is the Ukrainian School of Political Studies. This is a joint project of the Agency and the Council of Europe, launched in 2005. The Ukrainian school is part of a network of 23 schools across Europe and North Africa. The USPS' mission is the formation, training, intellectual and information support, value orientation of the Ukrainian network of leaders. It is an intellectual environment for communication, exchange of ideas and projects for more than 500 alumni who are leaders in business, politics, public service, media, art, academia, and civil society. Other projects of the Agency in the field of civic education include the School of Community Leaders (building the potential of local communities with the participation of civil society, active youth and volunteers in local politics) and the Party Innovation Hub (digitalization and innovation in political parties). The Parliamentary Program of the Ukrainian School of Political Studies for newly elected MPs is also active. The activity of this program has been extended for the new convocation of the parliament.

In 2022 Agency, in its activity, referred to time challenges. It actively contributed to Euro-integration and post-war recovery issues. Agency provided analytical assistance to Government Office for Coordination on European and Euro-Atlantic Integration. To assist the state with post-war issues, Agency elaborates policy proposals on such topics as: refugees' motivation to return, restoration of the state system on liberated territories and judicial intervention (how to plan and implement reforms so they were resistant to judicial intervention).

Some other Agency directions adapted to war challenges. In healthcare sphere its efforts were directed on war crimes documentation (attacks on hospitals).

But despite the war challenges, Agency consistently strengthens its institutional capacity.

2. Economic environment

Ukrainian economy. The Ukrainian economy has features inherent in emerging markets, and its development is heavily influenced by the fiscal and monetary policies adopted by the Ukrainian government, together with developments in the legal, regulatory, and political environment which changes rapidly.

Impact of the war. On 24 February 2022, the Russian Federation commenced a full-scale invasion across Ukraine, which had an impact on all areas of Ukrainian life and economy. Whilst the territories of Kyiv, Chernihiv, Sumy, Kharkiv and part of Kherson regions were occupied at the beginning of the full-scale war, they were subsequently liberated. As of 31 December 2022, Crimea and the major parts of Donetsk, Luhansk, Kherson and Zaporizhzhia regions continued to be under occupation and active military actions are ongoing there.

Ukrainian businesses located outside the main war zones started to show signs of recovery from April 2022. Since October 2022, Russia has targeted Ukraine's national energy infrastructure with missiles and combat drone strikes, causing widespread destruction, leading to a significant degradation in Ukraine's energy supply. The continued pressure on Ukraine's energy infrastructure resulted in scheduled and unscheduled power outages for both households and businesses. The result of these actions is a decrease of Ukraine's GDP in 2022 of approximately 29.2% (2021: increase 3%) according to a report published by the Ministry of Economy of Ukraine. The situation remains tense, with its impact being felt on both the Ukrainian and global economies, and its further impact and duration is difficult to predict and quantify.

The National Bank of Ukraine ("NBU") follows an interest rate policy consistent with inflation targets. The inflation rate in Ukraine for 2022 stood at 26.6% (2021: 10.0%) according to the statistics published by the State Statistics Service of Ukraine. An increase in inflation in 2022 led the NBU to begin monetary tightening and to increase its key policy rate from 10%

effective from 21 January 2022 to 25% effective from 3 June 2022 until now.

As of 24 February 2022, the hryvnia exchange rate was effectively fixed at UAH 29.25 per USD 1 (as compared to UAH 27.28 per USD 1 as at 31 December 2021) on the foreign exchange market to ensure the sound and stable operation of the country's financial system. From 21 July 2022, the hryvnia exchange rate was adjusted to UAH 36.57 per USD 1, and it has remained fixed at that level until now.

To constrain price increases in Ukraine, as well as keep inflation under control, the NBU not only fixed the USD exchange rate, but also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividend payments being made to accounts abroad in foreign currencies. Due to all these restrictions, the UAH lacks exchangeability and is not freely convertible to hard currencies.

The yield to maturity ("YtM") on the Ukrainian Government's Eurobonds increased to 63.4% (for 5-year maturity instruments as of 31 December 2022) from 8.9% as at 31 December 2021. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with yields of 22% as at 31 December 2022. In August 2022, Ukraine's creditors agreed to a two-year standstill on all its Eurobonds that allowed deferring nearly USD 6 billion of scheduled repayments. From January 2022, foreign currency reserves, that as of 31 December 2021 were at the highest level since 2011, started to be gradually utilized. However, due to the inflow of international aid, foreign currency reserves exceeded the pre-war level as of 31 December 2022. From the start of the full-scale war the Ukrainian budget experienced a significant deficit, which was financed by national and international borrowings and grants. Since the beginning of the full-scale invasion by Russia up until 31 December 2022, the total amount of funds received by Ukraine from international partners amounted to USD 31.2 billion (UAH 1,046 billion), out of which 45% were in the form of a grant. International support is crucially important for Ukraine's ability to continue fighting against the aggression and funding the budget deficit and on-going debt repayments.

3. Basis of preparation

The Organization maintains accounting records and prepares financial statements in accordance with the requirements of Ukrainian legislation in Ukrainian hryvnias, in accordance with the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" dated 16 July 1999 No. 996-XIV with subsequent additions and in accordance with National Regulations (standards) of accounting in Ukraine (NR(S)AU). The attached financial statements are based on accounting data, which is conducted in accordance with the requirements of Ukrainian legislation, which requires the application of the historical (actual) cost principle. The financial statements are prepared in accordance with NR(S)AU 25 "Simplified Financial Statements", which was in effect on 31 December 2022.

Management prepared these financial statements on a going concern basis. In making this judgment management considered the Organization's financial position and access to financial resources committed from donors and analyzed the impact of the macro-economic developments on the activities of the Organization.

On 24 February 2022, the Russian Federation started an unprovoked full-scale military offensive in Ukraine. This was followed up by the immediate enactment of martial law by the government of Ukraine and corresponding introduction of the related temporary restrictions that impact the economic environment.

As the Russian military invasion of Ukraine originates from many directions, some regions of Ukraine remain the scene of intense hostilities or are temporarily occupied. As at the date of the issue of this Financial Statements, no assets preventing the Organization from continuing operations have been damaged. The Organization does not have any assets located in areas of active hostilities or in the temporarily occupied territories.

The Organization has no operations with the sanctioned companies and individuals.

Based on the following facts and circumstances, management of the Organization does not expect any issues related to programmatic activity and liquidity:

- 1) The Organization is operating in not-for-profit sector and has ongoing grant agreements with donors financing at least till November 2025.
- 2) The management continues discussions with current and potential donors for the further financing of the Organization's programmatic and administrative activity.
- 3) There are no any indicators of potential termination of the current grant agreements with donors. Moreover, the donors are also interested now in providing emergency funding for the activities due to the war time in Ukraine.
- 4) Significant part of donors financing comes to the Organization in EUR and the programmatic activity of the Organization is not affected by the exchange rate fluctuations.

In the event of a worst-case scenario in which intense hostilities take place throughout Ukraine, it can be assumed that the Organization's activity could be affected for an unpredictable period of time. This represents a material uncertainty that is

beyond the control of the Organization.

Management has taken appropriate actions to ensure the continuity of the Organization's activity and has made the following assumptions in its forecast for the twelve months from the date of these financial statements:

- the degree of intensity of hostilities and the scope of the territories of Ukraine invaded by Russian troops will not increase significantly.
- the Organization will be able to secure continuity of its critical IT infrastructure and availability of the Organization's personnel in accordance with the measures taken by management.
- the available liquidity and further grant funds and donations will allow the Organization to cover programmatic and administrative expenses.

Management has reviewed the Organization's ability to continue as a going concern at the date of issue of these financial statements and has concluded that there is the only material uncertainty about further significant escalation in hostilities that can disrupt the Organization's activity that may cast significant doubt on the Organization's ability to continue as a going concern and, therefore, that the Organization may be unable to perform its general programmatic activity in the normal course. Based on this factor, management has a reasonable expectation that the current liquidity position and donors' commitments under the current grant agreements will allow Organization to manage the activity for the next twelve months from the date of these financial statements. Management will continue monitoring the potential impact and will take all steps possible to mitigate any effects.

Based on these and other steps, the management of the Organization has concluded that it is appropriate to prepare the financial statements on a going concern basis.

4. Income and expense recognition

The Organization recognizes the income in accordance with clauses 16-17 of NR(S)AU 15 "Income". Based on this standard, the targeted financing is not recognized as income until there is evidence that it will be received, and the Organization meets the conditions of such funding. Therefore, the received targeted financing is recognized as income during the periods in which the costs related to the conditions of the targeted financing were incurred. As a result, the total expenses are equal to the total income during the reporting period.

5. Reporting currency

These financial statements are presented in the national currency of Ukraine – hryvnia (UAH).

6. Foreign currency transactions

The Organization's transactions in foreign currency are accounted for at the exchange rate of the National Bank of Ukraine (NBU) prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of financial results. Such balances are translated at the NBU exchange rates, effective as at the end of the reporting period.

The principal rates of exchange used for translating foreign currency balances were as follows (in UAH):

	31 December 2022	31 December 2021
1 USD	36,57 UAH	27,28 UAH
1 EURO	38,95 UAH	30,92 UAH

7. Events after the balance sheet date

There were no events after the end of the reporting period required to be disclosed in the notes to these financial statements.