

NON-GOVERNMENT ORGANISATION
“Agency for Legislative Initiatives”

Financial statements
in accordance with the National Regulations (Standards) of
Accounting in Ukraine
31 December 2021

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 2021;
- 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 indicate that since 24 February 2022 the Organization's operations are significantly affected by the invasion of Ukraine and the ongoing military offensive of the Russian Federation and the magnitude of the further developments is uncertain, including the intensity or the duration of those actions. 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 Organization'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)"
Identification number 21603903

Registration number in the Register of Auditors and
Auditing Entities 0152

Lyudmyla Pakhucha

Registration number in the Register of Auditors and
Auditing Entities 101808

Entity: AGENCY FOR LEGISLATIVE INITIATIVES

Date (year, month, day)

Codes		
2021	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: 13

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 2021

Form N 1-mc

DKUD code **1801006**

ASSETS	Line code	At the beginning of the reporting period	At the end of the reporting period
I	2	3	4
I. Non-current assets			
Property, plant and equipment	1010	1 330,7	2 537,9
Historical cost	1011	2 206,1	3 674,5
Accumulated depreciation	1012	(875,4)	(1 136,6)
Other non-current assets	1090	-	-
Total Section I	1095	1 330,7	2 537,9
II. Current assets			
Inventories	1100	-	-
Other current accounts receivables	1155	1 438,6	1 270,7
Cash and cash equivalents	1165	3 106,9	6 322,6
Other current assets	1190	2 950,3	3 127,8
Total Section II	1195	7 495,8	10 721,1
Balance	1300	8 826,5	13 259,0
LIABILITIES	Code line	To the beginning reporting period	To the ending reporting period
I	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	3 047,7	6 955,6
III. Current liabilities and provisions			
Short-term bank loans	1600	-	-
Current accounts payable on:			
long-term liabilities	1610	-	-
goods, works, services	1615	603,7	370,9
settlements with the budget	1620	-	-
settlements on insurance	1625	-	-
settlements on payroll	1630	-	-
Other current liabilities	1690	5 175,1	5 932,5
Total Section III	1695	5 778,8	6 500,9
Balance	1900	8 826,5	13 259,0

Approved for release on 25 August 2022

Executive Director

Mambicuo

Svitlana Matviienko

Chief Accountant

[Signature]

Iryna Podliesna



Entity: AGENCY FOR LEGISLATIVE INITIATIVES

Date (year, month, day)

EDRPOU

Codes

2021	12	31
25880404		

Statement of Financial Results (Statement of profit and loss)

for the year ended 31 December 2021

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	21 578,1	9 119,2
Total Income (2000 + 2160)	2280	21 578,1	9 119,2
Cost of sales of goods, works and services)	2050	-	-
Other expenses	2165	21 578,1	9 119,2
Total Expenses (2050 + 2165)	2285	21 578,1	9 119,2
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

Chief Accountant

Shambienko
[Signature]

Svitlana Matviienko

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 2021, the Agency, in addition to the above, performed analytical research in the field of health care and energy security; thanks to institutional support, laid the basis for the development of the editorial and publishing direction; continued work on strengthening its own institutional capacity.

2. Economic environment

During 2021, the pandemic declared by the World Health Organization in March 2020 continued to determine the situation in the global commodity and financial markets, directly and indirectly affecting the activities of the Organization.

The macroeconomic situation during the first months of 2021 contributed to the stabilization of the financial system of Ukraine. Losses from the strengthening of quarantine in winter and spring were significantly smaller for the country (about 0.6% of GDP) than last year. Business in Ukraine adapted to work in new realities – organized distance work, supply and sales. The National Bank of Ukraine (NBU) followed the policy of inflation targeting and maintained the current exchange rate of the hryvnia. Due to the increase in global energy prices, which affected all sectors of the economy, the inflation rate in Ukraine reached 10% (compared to 5% in 2020), which prompted the regulator to increase the discount rate (after a long period of decline) – from 6% in June 2020 to 6.5% in March 2021, 7.5% from April 2021, 8% from July 2021, 8.5% from September 2021, 9% from December 2021 and up to 10% in January 2022. As of 31 December 2021, the official exchange rate of the hryvnia against the euro set by the NBU was 30,92 hryvnias for 1 euro compared to 34,73 hryvnias for 1 euro as of 31 December 2020; the official exchange rate of the hryvnia against the US dollar was 27,28 hryvnias per 1 dollar as of 31 December 2021, compared to 28,27 hryvnias per 1 US dollar as of 31 December 2020. The official average exchange rate of the hryvnia against the euro was 32,3 hryvnias for 1 euro in 2021 compared to 30,8 hryvnias for 1 euro in 2020; the official average exchange rate of the hryvnia against the US dollar was 27,28 hryvnias per 1 US dollar in 2021 compared to 26,96 hryvnias per 1 US dollar in 2020.

The situation with the annexation of Crimea and the occupation of certain areas of Donetsk and Luhansk regions, which developed during 2014-2021, remained unresolved. In December 2021 – February 2022, news about the increased concentration of Russian troops along the Russian-Ukrainian border raised concerns about their possible invasion of Ukraine. On 21 February 2022, the Russian Federation announced the recognition of the independence of certain regions of the Donetsk and Luhansk regions not under the control of the Ukrainian government, which, among other things, became the basis for the legalization of the Russian armed forces in these territories.

On 24 February 2022, the Russian Federation launched a full-scale military offensive on the territory of Ukraine. Therefore, there is considerable uncertainty regarding the future state of Ukraine's economy. Given the unpredictability and rapid course of events, a comprehensive assessment of their impact will require considerable time. Currently, the government has identified defense and social spending as priorities. Enterprises, to the extent possible, continue to operate in wartime conditions, paying taxes and maintaining the circulation of funds within the framework of the national financial system.

During March-August 2022, active hostilities continued in the directions of Chernihiv, Sumy, Kyiv, Kharkiv, Zaporizhzhia, Mykolaiv, Kryvyi Rih, Kherson, Berdyansk, Mariupol, and Severodonetsk. These and many other cities, including those in the west of the country, were hit by rockets. Tens of thousands of civilians and soldiers were killed or injured. A large number of civil infrastructure facilities were destroyed or significantly damaged. Cargo transshipment has been stopped in all seaports of Ukraine. Civil aviation has reduced operations even before the start of a full-scale invasion, and from 24 February 2022, there will be no air traffic with Ukraine. Transport routes in the northern, southern, and eastern directions have suffered significant damage, the main internal mode of transport remains the railway. At the beginning of April, the Ukrainian armed forces managed to liberate part of the occupied territories – Kyiv, Chernihiv, and Sumy regions – from the occupation forces of Russia. The fiercest battles are taking place in the east, southeast and south of the country.

According to the UN, the number of refugees who left Ukraine during the war exceeded 6.5 million people, and the number of internally displaced persons exceeded 8 million.

Since the beginning of hostilities, the government of Ukraine has received funding and support in various formats from countries and international organizations to ensure financial stability and cover social and defense expenditures. At the beginning of March, the EBRD announced an initial package of measures worth 2 billion euros aimed at supporting citizens and businesses in Ukraine affected by the war and supporting countries that have accepted refugees from Ukraine.

The National Bank of Ukraine kept the discount rate at 10% until June, and from 3 June 2022, the NBU increased the discount rate to 25%. In addition, the regulator introduced restrictions on cash withdrawals and fixed the exchange rate at UAH 29,25 for 1 US dollar until 21 July 2022, and UAH 36,57 for one US dollar – after 21 July 2022. A ban was also introduced on operations with residents of Russia and Belarus and on operations with legal entities whose ultimate beneficiaries are residents of these countries. Despite the current uncertainty and the state of war in Ukraine, the banking system remains stable with sufficient liquidity, and banking services are available to legal entities and individuals.

On 15 March 2022, the Verkhovna Rada of Ukraine adopted Law No. 2120-IX "On Amendments to the Tax Code of Ukraine and other legislative acts of Ukraine regarding the effect of norms during the state of war", which introduced:

- the right to apply a 2% single tax rate for individual entrepreneurs registered as single taxpayers of the III group with an annual income of up to UAH 10 billion;
- norms regarding the exemption from VAT of goods supplied to the Armed Forces, the National Guard and other protection and defense forces of Ukraine, including medical institutions, except for cases where such operations are taxed at a zero VAT rate;
- exemption from payment of land tax and rent (of state and communal property) of landlords located in territories where hostilities are ongoing, in temporarily occupied territories determined by the Cabinet of Ministers of Ukraine, in territories contaminated by explosive objects and (or) occupied by fortifications buildings
- the right for individual entrepreneurs not to pay a single contribution to social insurance until the end of state of war, as well as within twelve months after such end;
- suspension of tax audits (except in cases of applying for budget compensation);
- other numerous changes that have less impact on the Organization's activities.

Under such conditions, the Organisation continues to implement statutory activities. The final outcome of the war and its consequences are difficult to predict, but they will have a systemic impact on both the economy of Ukraine and the activities of the Organisation.

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 2021.

These financial statements have been prepared on a going concern basis. When formulating such a judgment, management takes into account the Organization's financial condition and access to financial resources, as well as based on the analyzed impact on the Organization's activities of macroeconomic changes and events after the reporting period. After the date of these financial statements, on 24 February 2022, the Russian Federation launched an unprovoked full-scale invasion of Ukraine, which resulted in the declaration of state of war by the country's government and the implementation of temporary restrictions affecting the economic environment. Disclosure of information about events after the reporting date is provided in clause 7 of these Notes to the financial statements.

Since the military invasion of Ukraine is taking place from several directions, some regions of Ukraine remain either a battlefield or temporarily occupied. As of the date of issue of these financial statements, the Organization had no assets located in active hostilities or temporarily occupied territories. The Organization also has no business or other relationships with sanctioned legal entities or individuals. In its activities, the Organization ensures compliance with the requirements of the current legislation of Ukraine. Taxes, fees, other mandatory payments to the state and local budgets for March-July 2022 were paid on time and in full. The Organization continues to settle all obligations to its employees on time and in full.

Based on the current circumstances, management has prepared an adjusted budget and forecast for the next 12 months. Based on the following facts, the Organization's management does not expect any problems related to statutory activities and liquidity:

- The Organization works in the non-profit sector and has current agreements with donors on funding, at least until April 2024;
- Management does not stop negotiations with current and potential donors regarding further funding of the Organization's statutory activities;
- There are no signs of potential termination of current grant agreements with donors. Moreover, donors are now expressing interest in emergency financing of the Organization's activities due to the circumstances resulting from the Russian invasion;
- Currency restrictions introduced by the National Bank of Ukraine on the basis of the list of critical imported goods (CMU Resolution No. 153 dated 24.02.2022, as amended) did not have a negative impact on the activities of the Organization, since the Organization does not carry out operations on the import of goods, works, and services - all settlements are carried out with suppliers on the territory of Ukraine in hryvnias;
- A significant part of funding from donors comes to the Organization in euros, and exchange rate fluctuations do not have a direct impact on the statutory activities of the Organization.

In the case of the worst scenario – in the event of intense hostilities throughout the territory of Ukraine, it can be assumed that the activities of the Organization may suffer for an unpredictable period. This means significant uncertainty that is beyond the Organization's control. Management has taken appropriate measures to ensure the continuity of the Organization's activities and has made the following assumptions for the 12 months from the date of these financial statements:

- The intensity and area of coverage of the territories of Ukraine by hostilities, which were invaded by Russian troops, will not increase significantly;
- The Organization can ensure the continuity of its critical IT infrastructure and the availability of employees in accordance with the measures taken by management;
- Available liquidity and prospective donor support will allow the Organization to cover project and administrative costs.

Management has reviewed the Organization's ability to continue as a going concern as of the date of these financial statements and has concluded the follows. There is only one material uncertainty regarding a further significant escalation of hostilities that could disrupt the Organization's operations and cast doubt on the Organization's ability to continue as a going concern to the extent that the Organization may not be able to carry out its statutory activities in a normal manner. Based on this, the management reasonably expects that the current situation with liquidity and the obligations of donors under current grant agreements will allow the Organization to carry out its activities for at least the next 12 months from the date of these financial statements. Management will continue to monitor the potential impact and take all possible measures to mitigate any consequences.

On the basis of these and other steps, the management of the Organization has concluded that it is appropriate to prepare financial statements on the 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 2021	31 December 2020
1 USD	27,28 UAH	28,27 UAH
1 EURO	30,92 UAH	34,74 UAH

7. Events after the balance sheet date

After the reporting date, 24 February 2022, the Russian Federation launched an unprovoked attack on Ukraine. This hostile act was condemned around the world and led to numerous actions against Russia and support for Ukraine. The war in Ukraine has a fundamental impact on the country's citizens and economy. As of the date of these financial statements, hostilities are ongoing, and the situation can be described by the following facts:

- on 24 February 2022, the state of war was introduced in Ukraine. Among other things, restrictions were set for the banking system for certain types of operations, including but not limited to a moratorium on international payments in foreign currencies, except for the purchase of critical goods, the list of which is determined by the Government. These restrictions do not apply to the Organization since the Organization's charter does not provide for the activity of importing goods. However, the Organization freely receives and can use foreign currency revenues.
- national supervisory authorities decided not to apply fines during state of war for violation of reporting deadlines.
- the Organization has not terminated employment relations with any of the employees since 24 February 2022. Despite the fact that some employees were forced to temporarily leave Kyiv in the first month of the invasion, all employees had the equipment and opportunities to perform their duties remotely. Most of them have already returned to Kyiv and are working according to the standard schedule in the Organization's office. As of the date of this report, the functions of all employees are performed in full.

- the state of war did not affect the Organization's IT infrastructure, i.e. there was neither destruction nor loss of control over IT infrastructure assets.
- during the period from the beginning of the invasion, the Organization does not have primary documents that would be kept in the territories where hostilities continued or are continuing, as well as temporarily occupied territories.

The war led to a significant movement of Ukrainian citizens, mainly to EU countries. According to UN data, the number of refugees from Ukraine amounted to 6.5 million citizens, and the number of forcibly displaced persons in the middle of the country is approximately 8 million citizens. Such significant and unexpected migration has placed a significant strain on infrastructure, government services at national and local levels, and the Organization's ability to manage people and processes. The war with Russia and the daily damage inflicted on Ukraine is a significant uncertainty. As of the date of approval of these financial statements, the management of the Organization cannot estimate the final impact of the war on its statutory activities, personnel, financial condition, and the results of the Organization's activities. The management also cannot predict how long the war will last, the possibility of increasing the intensity of hostilities and other possible effects related to the war on the activities of the Organization.