



Ukrainian Red Cross Society Non-Governmental Organization

Financial Statement
for the Year ended 31 December 2021

UKRAINIAN RED CROSS SOCIETY

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENT	3
STATEMENT OF CONTRIBUTIONS AND EXPENDITURES OF UKRAINIAN RED CROSS SOCIETY	4
NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2021:	
1. General information	5
2. Operating environment	7
3. Significant accounting policies for recognition and measurement of contributions and expenditures	11
4. Going concern	12
5. Contributions	13
6. Expenditures	15
7. Cash	19
8. Contingencies	19
9. Risk of concentration	21
10. Events after the reporting period	22

INDEPENDENT AUDITOR'S REPORT

To Management of Non-Governmental Organization "Ukrainian Red Cross Society":

Opinion

We have audited the statement of contributions and expenditures of Non-Governmental Organization "Ukrainian Red Cross Society" (the "Organization") for the year ended 31 December 2021, and notes to the statement of contributions and expenditures, including a summary of significant accounting policies (collectively – "the financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, contributions and expenditures and outstanding cash balance as at and for the year ended 31 December 2021 in accordance with the International Public Sector Accounting Standards "Financial Reporting Under the Cash Basis of Accounting" ("IPSAS – Cash Basis").

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 Statement* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statement in Ukraine, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our Opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to the Note 3 to the financial statement, which describes the basis of accounting. The financial statement is prepared by the Organization to comply with IPSAS – Cash Basis. As a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Operating Environment

We draw your attention to Note 2, Note 4 and Note 10 to the financial statement, which indicate that since 24 February 2022 the impact of the ongoing military actions in Ukraine, the magnitude of further developments, the timing of cessation of those actions and final resolution are unpredictable and may adversely affect the Ukrainian economy and the operations of the Organization. Management's plans concerning this impact are also discussed in Note 4 to the financial statement. Our opinion is not modified in respect of this matter.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with IPSAS – Cash Basis and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is 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 this financial statement.

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

- Identify and assess the risks of material misstatement of the financial statement, 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 Organization'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 Organization'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 statement 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

LLC "Debitte & Touche USPC"



UKRAINIAN RED CROSS SOCIETY

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

Management of Non-Governmental Organization "Ukrainian Red Cross Society" (the "Organization", "URCS") is responsible for the preparation of the financial statement which comprises the Statement of Contributions and Expenditures of the Organization for the year ended 31 December 2021, and notes to the Statement of Contributions and Expenditures, including a summary of significant accounting policies and other explanatory information as at 31 December 2021, in accordance with International Public Sector Accounting Standards "Financial Reporting Under the Cash Basis of Accounting" ("IPSAS – Cash Basis").

In preparing the financial statement, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information;
- Providing additional disclosures and supplementary schedules when compliance with the requirements of IPSAS – Cash Basis is insufficient to enable users to understand the impact of particular transactions, other events, and conditions on the financial statement; and
- Making an assessment of the Organization's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Organization;
- Maintaining adequate accounting records that are sufficient to show and explain the Organization's transactions and disclose with reasonable accuracy at any time the Organization's balance of funds, and which enable them to ensure that the financial statement complies with IPSAS – Cash Basis;
- Maintaining accounting records in compliance with the Ukrainian legislation and National Accounting Provisions (Standards), as well as with IPSAS – Cash Basis;
- Taking such steps as are reasonably available to them to safeguard the assets of the Organization; and
- Preventing and detecting fraud and other irregularities.

The financial statement for the year ended 31 December 2021 was authorized for issue by the Organization's management on 7 June 2024.

On behalf of the Organization's management:



Maksym Dotsenko,
Executive Director





Viktoriia Zubova,
Chief Accountant



UKRAINIAN RED CROSS SOCIETY

STATEMENT OF CONTRIBUTIONS AND EXPENDITURES OF UKRAINIAN RED CROSS SOCIETY FOR THE YEAR ENDED 31 DECEMBER 2021 (in Ukrainian Hryvnias and in thousands)

	Notes	2021	2020
Outstanding cash balance as at 1 January	7	17,929	14,847
Contributions			
International donor programs			
Local donor programs	5.1	165,079	159,778
Government programs	5.2	1,099	2,026
Charity, donations, and membership fees	5.3	1,246	1,042
Other contributions	5.4	1,585	1,441
	5.5	947	1,783
Total contributions		169,956	166,070
Expenditures			
Financial aid to the affected people	6.1	(7,119)	(6,740)
Humanitarian aid to the affected people	6.2	(17,213)	(44,204)
Taxes on financial aid to the affected people	6.3	(1,052)	(824)
Materials and equipment for project implementation	6.4	(26,665)	(28,943)
Funding regional units to implement the projects aimed at the support of people	6.5	(36,373)	(30,489)
Payroll and remuneration for the services rendered by contractors within the project implementation	6.6	(46,582)	(37,098)
Membership fee to International Federation of Red Cross	6.7	(314)	(287)
Consulting services for project implementation	6.8	(2,151)	(1,844)
Educational activities to people	6.9	(9,945)	(4,543)
Audit services	6.10	(3,582)	(464)
Trainings/seminars/partner meetings and their monitoring	6.11	(8,464)	(3,445)
Administrative expenses to support URCS activities	6.12	(7,888)	(5,185)
Investments	6.13	(2,730)	-
Total expenditures		(170,078)	(164,066)
Effect of exchange rate changes		(533)	1,078
Outstanding cash balance as at 31 December		17,274	17,929

The financial statement for the year ended 31 December 2021 was authorized for issue by the Organization's management on 7 June 2024.

On behalf of the Organization's management:

Maksym Dotsenko,
Executive Director



Viktoriiia Zubova,
Chief Accountant

The accompanying notes on pages from 5 to 22 form an integral part of this Statement of Contributions and Expenditures of the Organization.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

1. GENERAL INFORMATION

Non-Governmental Organization “Ukrainian Red Cross Society” (hereinafter, the “Organization”, “Society”, “Ukrainian Red Cross Society” or the “URCS”) is a charitable foundation established back in 1918 and operating in accordance with the provisions of the Law of Ukraine “On Charity and Charitable Organizations”. The registered office of the Organization is located at: 30 Ye. Chykalenka (former Pushkinska) Street, Kyiv, 01004, Ukraine.

The average number of the Organization’s employees was 63 persons for the year ended 31 December 2021 (2020: 70 persons).

The principal objective of the Organization’s activities is to prevent and alleviate human suffering during armed conflicts, natural disasters, catastrophes, epidemics, and other emergency situations by assisting government authorities in providing medical and humanitarian aid during armed conflicts, in peacetime, participating in the provision of international aid in the event of disasters and emergency situations, providing medical and social assistance to the most socially vulnerable people.

To achieve this objective in the manner prescribed by applicable law, the Organization:

1. Provides assistance to the wounded, sick, and other persons who suffered during armed conflicts in accordance with the Geneva Conventions dated 12 August 1949 and Additional Protocols thereto dated 8 June 1977 and 8 December 2005.
2. Assists people in the period of natural disasters, catastrophes, epidemics, and other emergency situations.
3. Arranges for the search of the wounded and dead as a result of armed conflicts, natural disasters, catastrophes, and other emergency situations. Searches for missing persons, establishes burial sites, provides assistance in this to the state institutions, searches for graves of defenders of the Motherland who died and were buried outside of Ukraine.
4. Assists in establishing ties between family members separated due to armed conflicts or emergency situations, promotes family reunification.
5. Provides social services to people, including poorly protected ones, and persons in difficult life circumstances.
6. Assists the government authorities, the medical service of the Armed Forces of Ukraine, other legitimate military formations of Ukraine, and the health authorities of Ukraine in the medical care of wounded and sick servicemen and civilians during armed conflicts in accordance with the Geneva Conventions dated 12 August 1949 ratified by Ukraine on 8 July 1954, and three Additional Protocols thereto dated 8 June 1977 (I, II) and 8 December 2005 (III) ratified by Ukraine on 18 August 1989 (I, II) and 22 October 2009 (III).
7. Creates and arranges for the activities of Rapid Response Units as a component of the Organization’s system for providing assistance to people during armed conflicts, natural disasters, emergency situations, etc.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

8. Organizes the activities of rehabilitation centers, hospices, shelters of the Organization, including the care of people (persons) with disabilities and single (conditionally single) elderly people (persons), etc. Organizes the work of the Patronage Service.
9. Organizes the activities of Training Centers for first aid, and also teaches people first aid skills.
10. Develops, popularizes, spreads knowledge in the area of environmental protection, humanitarian education, and other socially important educational areas among people.

The activities of the Organization are financed by the funds of donors allocated for project activities and donations of individuals and legal entities. As discussed above in the Statement of Contributions and Expenditures, the total amount of contributions for 2021 was UAH 169,956 thousand. The main donors are International Federation of Red Cross – 32.3%, Danish Red Cross – 28.0%, and International Committee of Red Cross – 27.2%, which, in aggregate, made up 87.5% of the total amount of the funds received. The remaining donors made up 12.5%.

Programs in which the Organization participates and which are implemented by the Organization are performed in Ukraine.

During the year ended 31 December 2021, the Organization operated the following main charity programs:

Donor	Program's name	Period of the Program's implementation
Australian Embassy	Support for medical institutions during the pandemic	May-September 2021
Austrian Red Cross	Support in integration of climate changes (CLIMATE)	December 2020–July 2022 (frozen)
Austrian Red Cross	Rebuilding livelihoods and health needs in Donetsk and Luhanska regions through sustainable and gender-responsive support	December 2019–June 2021
Austrian Red Cross	COVID-19 pandemic grant agreement for emergency response needs	September–December 2020
Danish Red Cross	Reducing disaster risk vulnerability in Eastern Ukraine	January–December 2021
Danish Red Cross	Enhancing the capacity of URCS in emergency management	June–December 2021
Danish Red Cross	Reducing vulnerability to emergency risks (OFDA)	August 2019–July 2021
Danish Red Cross	Increasing the coping capacities and resilience of the most vulnerable conflict-affected household in Eastern Ukraine	August 2021–July 2023
Danish Red Cross	Youth Leaders of Ukraine	January–December 2021
Danish Red Cross	Increasing resilience to disaster risk in Eastern Ukraine	August 2019–December 2020
Danish Red Cross	Enhancing the capacity of URCS in emergency management	January–December 2021
Danish Red Cross	Preparing for the winter in the East of Ukraine	October 2021–January 2022
Danish Red Cross	Reducing Disaster Risk Vulnerability in Eastern Ukraine	June 2021–frozen (activities implemented in Donetsk region)
Danish Red Cross	Supporting sustainability of response and community resilience in Volnovaskyi district, Eastern Ukraine	March 2021–February 2022
Danish Red Cross	Protection, well-being, and social cohesion for vulnerable groups in Ukraine	January–December 2021



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

Donor	Program's name	Period of the Program's implementation
Danish Red Cross	Enhancing the capacity of URCS in emergency management, 2021	January–December 2021
European Union	Primary Health Service Support	January–December 2021
Italian Red Cross	Community-based health and first aid (CBHFA) in Ukraine	September 2021–September 2022
Luxembourg Red Cross	Health for all in Donetska region	January–December 2021
Luxembourg Red Cross	National and Regional support to the Ukrainian Red Cross to respond to COVID-19	February–December 2021
International Federation of Red Cross	Response to COVID-19 outbreak, procurement of personal protective equipment	December 2020–January 2021
International Federation of Red Cross	Resource mobilization through the National Society Investment Alliance (NSIA) Accelerator Funded	January 2021–May 2023
International Federation of Red Cross	Provision of food and hygiene assistance related to COVID-19 to vulnerable populations	January–March 2021
International Federation of Red Cross	URCS Development Organization	July 2017–January 2022
International Federation of Red Cross	Increasing the level of preparedness, financial resilience, and digitalization of URCS in response to COVID-19 in Ukraine	July 2020–January 2021
International Federation of Red Cross	Preparing Cash in Case of Emergencies	November 2019–March 2021
International Federation of Red Cross	Supporting Household Income Development, COVID-19 Response	January 2020–December 2021
International Federation of Red Cross	Deployment of COVID-19 vaccination actions	June–December 2021
International Federation of Red Cross	Coronavirus outbreak 2019	February 2020–December 2021
International Federation of Red Cross	Solidarity Fund for Volunteers	January–December 2021
International Committee of Red Cross	Supporting URCS's COVID-19 vaccination efforts	June–December 2021
International Committee of Red Cross	Partnership Framework Agreement between the Ukrainian Red Cross Society (URCS) and the International Committee of Red Cross	January–December 2021
German Red Cross	COVID-19 Response	May 2020–December 2021
Turkish Red Crescent	Improving the capacity of URCS	February–July 2021
Empress Shōken Fund in Geneva	Technological Innovation	February 2020–December 2022
Swiss Red Cross	Development of the nursing service	July 2017–December 2022

2. OPERATING ENVIRONMENT

In 2021, the Ukrainian economy demonstrated growth by about 3.2% of real GDP, which did not compensate the shrinking of the economy in 2020 by 4.4% of real GDP resulting from the outbreak of coronavirus disease (COVID-19) and respective national lockdown initiatives aimed at curbing the spread of COVID-19 pandemic. The inflation rate was at the level of 10.0% (2020: 5.0%), which was the highest indicator since 2017, alongside with a slight devaluation of the national currency (by around 1.2% to USD and 4.9% to EUR comparing to the previous year averages).



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

In 2021, the National Bank of Ukraine (the “NBU”) revised the discount rate amount several times. During 2021, the NBU took a decision to increase the discount rate from 6.5% in March to 8.5% in September 2021. In 2022, the NBU revised the discount rate amount twice, in January 2022, it was increased to 10%, and in June – to 25%.

During 2021, Ukraine continued to limit its political and economic ties with the Russian Federation, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict in certain parts of Luhanska and Donetska regions. The situation became worse in late 2021 due to the concentration of the Russian Federation’s armed forces close to the borders of Ukraine and the threat of further military aggression of the Russian Federation against Ukraine.

In February 2022, the Russian Federation recognized the temporarily occupied territories in Luhanska and Donetska regions as independent republics and started its military invasion of Ukraine resulting in a full-scale war across the Ukrainian state. On 4 October 2022, the President of the Russian Federation signed laws on annexation of parts of Luhanska, Donetska, Zaporizka, and Khersonska regions that had been previously ratified by the country’s Parliament.

The ongoing military attack has led to significant damage to infrastructure, dislocation of the population, and disruption to economic activities in Ukraine. By August 2022, all ports in the Black Sea area stopped working, which resulted in complete suspension of exports and imports made via seaports. Airports, many roads, and bridges were closed, damaged, or destroyed, further crippling transportation and logistics. Transportation of goods inbound and outbound was performed by railway and trucks, as well with involvement of European carriers, which made it possible for most companies in Ukraine, effective from May-June 2022, to restore and arrange transportation and logistics of their products.

On 22 July 2022, in Istanbul, representatives of Ukraine signed an agreement with Turkey and the United Nations on unblocking of ports and resumption of grain exports effective from 1 August 2022, which had been blocked in the Black Sea ports due to the war. The Russian Federation also signed a “mirror agreement” with Turkey and the United Nations. During 2022, the parties agreed on the extension of the “grain agreement”, which made it possible to export more than 33 million tons of agricultural produce from the ports of Ukraine from the beginning of the agreement until 17 July 2023. Effective from 17 July 2023, Russia has officially withdrawn from the “grain agreement”, which creates difficulties for the exports of agricultural produce. In August 2023, a temporary sea corridor was established, through which 12.8 million tons of goods were exported during 2023. In 2023, a total of 56.3 million tons of cargos were exported through Ukrainian ports (2022: 47.8 million tons).

In late April 2022, Ukraine also encountered a significant lack of fuel due to the need to create new logistics supply routes from Europe; the problem was resolved during May-June 2022. In October–December 2022, Ukraine witnessed massive power outages for the population and businesses due to a significant damage to power grids caused by missile attacks and shelling from the Russian Federation, which also caused problems with water and heat supply. The Government introduced a range of emergency measures to resolve those challenges and stabilize the economy. Effective from February 2023, the situation in the energy system of Ukraine improved and stabilized.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

In June 2023, the Russian troops blew up the dam of the Kakhovka Hydropower Station, which led to draining of the water reservoir. This caused negative environmental, humanitarian, and economic consequences for Khersonska and neighboring regions, in particular, for agriculture in the region.

As a result of the military invasion of the Russian Federation and the start of the full-scale war, the economy of Ukraine suffered serious consequences. In 2022, the drop in Ukraine's GDP reached 30.3% (in 2021, real GDP grew by 3.2%). However, in 2023, Ukraine's GDP began to recover and grew by 5%. Starting from February 2022, the inflation rate increased in annual terms and reached 26.6% by the end of the year (2021: 10.0%) because of the disruption of supply chains and production processes, uneven demand, increased business costs, increased global prices, limited supply of certain commodities, as well as physical destruction of assets of a range of companies caused by the Russian attack on Ukraine. In 2023, the inflation rate sharply slowed down to 5.1% in annual terms. The national currency devalued by 34% against USD and 26% against EUR comparing to the official exchange rates at the end of 2021. During 2023, the national currency devalued by 4% against USD and by 8% against EUR comparing to the official exchange rates at the end of 2022.

From the onset of the full-scale war, the NBU has introduced a range of temporary protective measures, such as restriction of cross-border payments in foreign currency, fixing the official exchange rate for major currencies (on 21 July 2022, the NBU adjusted the official UAH/USD exchange rate by 25% to UAH 36.5686 per USD 1). In October 2023, the NBU introduced a regime of managed flexibility of the exchange rate, which provides for daily exchange rate fluctuations within narrow limits in both directions depending on market conditions. From the beginning of the war, the NBU fixed the discount rate at the level of 10% due to the forced administrative restrictions, however, later, in June, it increased it to the level of 25%. In July 2023, the NBU decreased the rate to 22%, in September 2023, to 20%, effective from 15 December 2023 – to 15%, and from 26 April 2024 – to 13.5%. In 2023, the NBU additionally tightened the requirements to obligatory reserves of banks.

At the same time, thanks to the assistance from partners, the NBU's international reserves as at the end of 2022 exceeded the pre-war level and reached USD 28.5 billion and, as at 31 December 2023, reached USD 40.5 billion. In August 2022, the Ministry of Finance of Ukraine postponed payments on sovereign Eurobonds for two years and amended the terms and conditions for issuing government derivatives by reducing financing needs. In general, the Ukrainian Government continues to service external debt obligations, and the banking system remains operational and maintains stability.

In May 2024, the NBU significantly eased currency restrictions. All currency restrictions have been cancelled on imports of works and services; entities are allowed to repatriate dividends abroad that have been calculated based on their performance for the period starting from 1 January 2024; it is allowed to transfer funds abroad for settlements under lease/rental agreements without any additional restrictions; terms and conditions on interest payment and repayment of some types of foreign loans have been simplified; milder restrictions have been introduced on the transfer of foreign currency from representative offices to their parents, etc.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

The approved state budget of Ukraine for 2024 presupposes that the budget deficit amounts to about 20% of GDP (or USD 42 billion) (2023: 30% of GDP). It is expected that the budget deficit will be financed through financial assistance from foreign partners in the form of grants and preferential long-term interest-free loans.

The Ukrainian Government received a significant international support, financing, and donations from international organizations, along with individual countries, and charities to support financial stability, social related payments, and military needs. For the period from late January 2022 to the end of 2023, the volumes of declared international financial aid amounted to more than EUR 141 billion, the volumes of military assistance exceeded EUR 98 billion, and humanitarian – EUR 15 billion.

On 15 March 2022, the Verkhovna Rada of Ukraine introduced some changes to the tax legislation and adopted the Law of Ukraine No. 2120-IX “On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period”. On 30 June 2023, the Verkhovna Rada of Ukraine adopted the Draft Bill No. 8401 which amended the Tax Code of Ukraine (Note 8).

In March 2022, the system operator of the Ukrainian electricity network, together with European operators, completed integration of the Ukrainian and European energy systems.

On 23 June 2022, the European Council summit in Brussels decided to provide Ukraine with the candidate status to the European Union. Ukraine is going to become a participant of the EU programs and initiatives opened for candidates.

On 27 September 2022, the Cabinet of Ministers approved resolutions that would allow Ukraine to join the Common Transit Convention and Convention on the Simplification of Formalities in Trade in Goods (the so-called “customs free regime”) from 1 October 2022. The resolutions open access to an unlimited range of Ukrainian businesses to authorizations and simplifications of joint transit procedures similar to those available to economic operators in the 35 member states of the Convention.

During 2022, the Government introduced zero quotas on exports of gold and silver (except for bank metals), buckwheat, table salt, fuel oil, and fuel wood. Exports of chicken meat, cattle, cattle meat, eggs, mineral fertilizers, rye, oats, millet, and sugar are subject to licensing. Exports of gas are prohibited.

The war between Ukraine and the Russian Federation is ongoing, resulting in a significant destruction of property and assets in Ukraine and other serious consequences. The consequences of the war are changing day to day, and the long-term implications are unclear. Further impact on the Ukrainian economy depends upon the way the Russian military invasion in Ukraine is resolved and upon the success of the Ukrainian Government in realization of new reforms, recovery strategy after the invasion is stopped, and the transformation of the state to acquire the European Union membership, as well as cooperation with the international funds.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

3. SIGNIFICANT ACCOUNTING POLICIES FOR RECOGNITION AND MEASUREMENT OF CONTRIBUTIONS AND EXPENDITURES

Basis of preparation

The Statement of Contributions and Expenditures of the Organization has been prepared in accordance with the International Public Sector Accounting Standards “Financial Reporting Under the Cash Basis of Accounting” (“IPSAS – Cash Basis”), which is a comprehensive basis of accounting, other than National Accounting Provisions (Standards) of Ukraine and International Financial Reporting Standards (“IFRS”). On this basis, revenue is recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred.

This financial statement is a separate financial statement of the Organization. The Organization does not prepare a consolidated financial statement.

Functional and presentation currency

The functional and presentation currency of the Organization is Ukrainian Hryvnia (“UAH”).

Foreign currencies transactions

Transactions in currencies other than functional currency are initially recorded in UAH at the official rates of exchange set on the dates of the transactions by the National Bank of Ukraine. Cash balances denominated in foreign currencies are translated into UAH at the exchange rates established by the NBU at the end of the reporting period. All foreign exchange gains/(losses) are recognized in the Statement of Contributions and Expenditures.

The relevant exchange rates set by the NBU in respect of the major currencies used in preparing the financial report were as follows:

	<u>31 December 2021</u>	<u>Average exchange rate for 2021</u>	<u>31 December 2020</u>	<u>Average exchange rate for 2020</u>
UAH/USD	27.2782	27.2862	28.2746	26.9639
UAH/EUR	30.9226	32.3090	34.7396	30.8013

Cash

Cash includes cash with banks held at current accounts. Cash is divided into the cash with temporarily restricted and unrestricted use. Donors’ contributions made without stipulations are reported as unrestricted cash. Contributions received with a donor’s stipulation which restricts their use are reported as temporarily restricted cash.

Unrestricted cash is the cash with unlimited use, as well as the funds intended for general and administrative purposes.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

Income taxes

Red Cross is not a payer of income tax. Income (profits) of the Organization are used exclusively to finance the costs of the Organization, the implementation of the purpose (goals, objectives) and activities defined by its constituent documents.

4. GOING CONCERN

This financial statement has been prepared on the assumption that the Organization will be able to continue as a going concern and that it will continue in operation for the foreseeable future.

However, as noted in Note 2, on 24 February 2022, the Russian Forces began a military invasion of Ukraine, which led to a full-scale war throughout Ukraine. The operating environment remains risky and with a high level of uncertainty. Therefore, the going concern assumption is to be carefully assessed by management to ensure the Organization has sufficient funding for its activities.

Management believes that preparation of this financial statement on a going concern basis is appropriate due to the following factors and actions taken in response to those matters:

- The Organization's assets have not been damaged as a result of the war, and there are no assets in the occupied territories.
- During the year ended 31 December 2021 and during the period from 31 December 2021 to the date of issuance of this financial statement, a wide range of new projects with donors of the Organization were launched. Due to the fact that one of the Organization's principal objectives of the activities is to protect human life, prevent human suffering during armed conflicts, the amount of contributions from donors increased significantly during 2022 after the beginning of the war in Ukraine and during 2023, which indicates that the Organization will be able to perform its operations in the foreseeable future.
- A significant increase in contributions from donors mostly relates to the programs aimed at overcoming the consequences of the war, providing assistance to the population affected by the war, and improving medical and social infrastructure in Ukraine.
- The Organization had cash and cash equivalents balance as at 31 December 2021 and subsequently at the sufficient level to perform its operations.
- During the period subsequent to the reporting date and before the authorization of this financial statement, the Organization continues its operations and manages to meet main goals of the Organization's activities in 2021–2024.

Considering the reasons above, management believes that preparation of this financial statement on a going concern basis is appropriate, and the Organization has adequate resources to realize its assets, discharge its liabilities, and continue in operational existence for the foreseeable future.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

5. CONTRIBUTIONS

Contributions comprise cash obtained from donors, population, legal entities, and individuals and returns of unused cash under the programs to donors. For the years ended 31 December 2021 and 2020, the Organization obtained grants from the following donors, population, legal entities, and individuals:

5.1. International donor programs	2021	2020
International Federation of Red Cross	54,590	41,362
Danish Red Cross	47,548	49,155
International Committee of Red Cross	46,243	13,089
Luxembourg Red Cross	7,025	12,042
Austrian Red Cross	4,152	12,017
Swiss Red Cross	1,320	1,789
Embassy of Australia	1,116	714
European Union	1,026	-
Italian Red Cross	943	-
German Red Cross	630	18,002
Center for Civilians in Conflict (CIVIC), USA	486	-
Coca-Cola Foundation	-	8,116
French Red Cross	-	2,597
Turkish Red Crescent	-	895
Total	165,079	159,778

5.2. Local donor programs	2021	2020
LLC "Procter and Gamble Ukraine"	840	135
NGO "Automobile Federation of Ukraine"	150	-
NGO "Initiative Center for Promotion of Activity and Development of Public Initiative UNITY"	109	-
LLC "SPOZHVTSENTR"	-	1,000
LLC "UKRAFLORA"	-	300
International Renaissance Foundation	-	180
LLC "Henkel Ukraine"	-	180
LLC "FIRST LEASING COMPANY"	-	108
LLC "GOOD PRODUCT"	-	100
Non-Government Organization "Center for Development of Public Initiatives "UNITY"	-	23
Total	1,099	2,026



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES FOR THE YEAR ENDED 31 DECEMBER 2021 (in Ukrainian Hryvnias and in thousands)

5.3. Government programs (under programs)	2021	2020
Organization and regulation of the activities of institutions and individual measures in the health care system with the support of the Ministry of Health of Ukraine	1,246	1,042
Total	1,246	1,042
5.4. Charity, donations, and membership fees	2021	2020
Population	782	646
Population (Development of first aid)	359	237
Donetska regional organization of Red Cross Society of Ukraine	90	59
Mykolaivska regional organization of Red Cross Society of Ukraine	67	53
Volynska regional organization of Red Cross Society of Ukraine	51	111
Ivano-Frankivska regional organization of Red Cross Society of Ukraine	48	-
Vinnitska regional organization of Red Cross Society of Ukraine	40	31
Odeska regional organization of Red Cross Society of Ukraine	29	30
Rivnenska regional organization of Red Cross Society of Ukraine	21	24
Luhanska regional organization of Red Cross Society of Ukraine	20	-
Kharkivska regional organization of Red Cross Society of Ukraine	12	-
Poltavska regional organization of Red Cross Society of Ukraine	10	-
Baden Red Cross	-	75
LLC "Nestle Ukraine"	-	60
Ternopilka regional organization of Red Cross Society of Ukraine	-	30
ICO "SLOVIANSKYI INTERNATIONAL FUND"	-	29
CHARITY ORGANIZATION "ZAGORII FOUNDATION"	-	25
German Red Cross	-	12
Others	56	19
Total	1,585	1,441
5.5. Other contributions (by substance)	2021	2020
Interest received	327	1,012
Pregnancy and childbirth allowance (FSS)	198	-
Targeted financing	172	11
Insurance reimbursement	79	-
Rental of premises	45	60
First aid development	41	152
Return of prior period funds	41	-
Dividends	28	309
Sick leave payment	14	-
Insurance	-	34
Settlements with subordinate organizations	-	21
Other	2	184
Total	947	1,783



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

6. EXPENDITURES

During the year ended 31 December 2021, the Organization incurred the following expenditures. Expenditures are presented by donors, unless otherwise specified.

	<u>2021</u>	<u>2020</u>
6.1. Financial aid to the affected people		
International Federation of Red Cross	(4,753)	(2,720)
Austrian Red Cross	(2,322)	(3,987)
Swiss Red Cross	(34)	-
Contributions from various donors and population on statutory activities	(10)	(33)
Total	<u>(7,119)</u>	<u>(6,740)</u>
6.2. Humanitarian aid to the affected people		
International Federation of Red Cross	(12,707)	(6,154)
German Red Cross	(3,120)	(13,288)
Danish Red Cross	(1,379)	(14,488)
Coca-Cola Foundation	-	(8,137)
Embassy of Australia	-	(715)
French Red Cross	-	(707)
Austrian Red Cross	-	(328)
Turkish Red Crescent	-	(239)
LLC "FIRST LEASING COMPANY", LLC "GOOD PRODUCT"	-	(119)
Other	(7)	(29)
Total	<u>(17,213)</u>	<u>(44,204)</u>
6.3. Taxes on financial aid to the affected people		
International Federation of Red Cross	(938)	(417)
Austrian Red Cross	(114)	(407)
Total	<u>(1,052)</u>	<u>(824)</u>
6.4. Materials and equipment for project implementation		
Danish Red Cross	(13,670)	(7,913)
International Committee of Red Cross	(7,363)	(2,377)
International Federation of Red Cross	(2,193)	(14,599)
Embassy of Australia	(1,118)	-
LLC "Procter and Gamble Ukraine"	(784)	-
Luxembourg Red Cross	(389)	(908)
Turkish Red Crescent	(338)	-
Swiss Red Cross	(259)	(322)
Austrian Red Cross	(234)	(407)
International Renaissance Foundation	(165)	-
NGO "Garage Gang", LLC "Henkel Ukraine"	(111)	(53)
State program supported by the Ministry of Health of Ukraine	(39)	(39)
European Union	(2)	-



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

6.4. Materials and equipment for project implementation	2021	2020
Contributions from various donors and population on statutory activities	-	(1,537)
German Red Cross	-	(662)
French Red Cross	-	(92)
Finnish Red Cross	-	(17)
CHARITY ORGANIZATION "ZAGORII FOUNDATION"	-	(14)
LLC "UKRAFLORA"	-	(3)
Total	(26,665)	(28,943)
6.5. Funding regional units to implement the projects aimed at the support of people	2021	2020
International Committee of Red Cross	(9,470)	(2,258)
Danish Red Cross	(9,242)	(8,824)
International Federation of Red Cross	(7,791)	(1,028)
Luxembourg Red Cross	(5,983)	(12,993)
Austrian Red Cross	(2,293)	(3,215)
European Union	(862)	-
Swiss Red Cross	(422)	-
German Red Cross	(217)	(698)
French Red Cross	-	(1,130)
Other	(93)	(343)
Total	(36,373)	(30,489)
6.6. Payroll and remuneration for the services rendered by contractors within the project implementation	2021	2020
International Committee of Red Cross	(16,404)	(7,820)
Danish Red Cross	(12,970)	(11,805)
International Federation of Red Cross	(12,488)	(9,773)
Austrian Red Cross	(1,574)	(1,754)
Organization and regulation of the activities of institutions and individual measures in the health care system (with the support of the Ministry of Health of Ukraine)	(893)	(714)
Luxembourg Red Cross	(690)	(1,275)
Contributions from various donors and population on statutory activities	(638)	(1,606)
Swiss Red Cross	(403)	(163)
Social insurance fund for temporary disability	(211)	-
European Union	(149)	-
NGO "Automobile Federation of Ukraine"	(134)	-
International Renaissance Foundation	(15)	-
NGO "Garage Gang", LLC "Henkel Ukraine"	(13)	-
German Red Cross	-	(334)
LLC "UKRAFLORA", LLC "Procter and Gamble Ukraine"	-	(315)
French Red Cross	-	(1,284)
Finnish Red Cross	-	(181)
Empress Shōken Fund in Geneva (Swiss Confederation)	-	(63)
CHARITY ORGANIZATION "ZAGORII FOUNDATION"	-	(11)
Total	(46,582)	(37,098)



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

Expenditures from this category consist of payroll expenses to employees and remuneration for the services rendered by contractors participating in the activities under the Organization's programs.

6.7. Membership fee to International Federation of Red Cross (by programs)	2021	2020
Organization and regulation of the activities of institutions and individual measures in the health care system (with the support of the Ministry of Health of Ukraine)	(314)	(287)
Total	(314)	(287)
6.8. Consulting services for project implementation	2021	2020
Danish Red Cross	(933)	(627)
International Federation of Red Cross	(629)	(443)
International Committee of Red Cross	(305)	(37)
Luxembourg Red Cross	(174)	-
NGO "Initiative Center for Promotion of Activity and Development of Public Initiative "UNITY"	(109)	-
Austrian Red Cross	(1)	(564)
French Red Cross	-	(122)
Finnish Red Cross	-	(27)
Non-Government Organization "Center for Development of Public Initiatives "UNITY"	-	(23)
Contributions from various donors and population on statutory activities	-	(1)
Total	(2,151)	(1,844)
6.9. Educational activities to people	2021	2020
International Committee of Red Cross	(4,578)	(59)
International Federation of Red Cross	(3,675)	(1,286)
Danish Red Cross	(1,123)	(2,117)
Austrian Red Cross	(288)	(50)
Turkish Red Crescent	(147)	-
Contributions from various donors and population on statutory activities	(74)	(135)
Luxembourg Red Cross	(60)	(141)
Swiss Red Cross	-	(685)
Finnish Red Cross	-	(70)
Total	(9,945)	(4,543)
6.10. Audit services	2021	2020
International Committee of Red Cross	(2,110)	-
International Federation of Red Cross	(941)	(127)
Danish Red Cross	(383)	(259)
Austrian Red Cross	(148)	(78)
Total	(3,582)	(464)



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

6.11. Trainings/seminars/partner meetings and their monitoring	2021	2020
Danish Red Cross	(4,471)	(2,069)
International Committee of Red Cross	(2,085)	(279)
International Federation of Red Cross	(1,644)	(732)
Swiss Red Cross	(121)	-
Austrian Red Cross	(89)	(142)
Finnish Red Cross	-	(159)
Other	(54)	(64)
Total	(8,464)	(3,445)
6.12. Administrative expenses to support URCS (by economic substance)	2021	2020
Rental of premises	(2,180)	(153)
Repairs of premises	(2,138)	(981)
Maintenance of motor vehicles	(554)	(379)
Business trips	(271)	-
Insurance	(264)	(155)
Security of premises	(263)	-
Heating	(256)	(95)
Legal services	(246)	-
Internet access (including Internet services)	(235)	(268)
Delivery services	(207)	-
Monitoring	(176)	(110)
Bank services	(168)	(329)
Electricity	(146)	(71)
Communication services	(125)	-
Ritual services	(108)	-
Translation services	(97)	(148)
Information services	(90)	(64)
Maintenance of office equipment	(79)	(104)
Mail services	(53)	(85)
Customs services	(24)	(34)
Vouchers for mobile communication	(15)	(42)
Quarantine costs/COVID-19	-	(694)
Assignment	-	(223)
Software settings	-	(161)
Cost of buying and selling currency	-	(127)
Cash expense to reporters	-	(119)
Residence	-	(105)
Connection services	-	(97)
Other	(193)	(641)
Total	(7,888)	(5,185)
6.13. Investments	2021	2020
International Federation of Red Cross	(2,730)	-
Total:	(2,730)	-

Investments are represented by transactions to purchase shares of a corporate investment fund.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

7. CASH

Cash with banks as at 31 December 2021 and 2020 was represented as follows:

	31 December 2021	31 December 2020
Cash in UAH	12,983	16,078
Cash in USD	2,276	1,313
Cash in EUR	1,229	503
Cash in GBP	783	-
Cash in CHF	3	35
Total	17,274	17,929

As at 31 December 2021, cash balances under programs were as follows:

	31 December 2021	31 December 2020
Temporarily restricted cash	12,492	17,405
International donors	12,476	17,192
National donors	16	213
Unrestricted own cash	4,782	524
Total cash	17,274	17,929

Cash is placed by the Organization with several state and commercial Ukrainian banks with a minimum risk rating. As at 31 December 2021, the Organization did not hold any deposit accounts.

8. CONTINGENCIES

Taxation

The Organization is a non-profit organization, and specific taxation requirements are applied to it. Ukraine's tax environment is characterized by complexity in tax administration, arbitrary interpretation by the tax authorities of tax laws and regulations that, inter alia, could increase fiscal pressure on taxpayers. Inconsistent application, interpretation, and enforcement of tax laws can lead to litigations which, as a consequence, may result in the imposition of additional taxes, penalties, and interest, and these amounts can be material. Facing current economic and political issues, the Government considers implementing certain reforms in the tax system of Ukraine.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

On 15 March 2022, the Verkhovna Rada of Ukraine adopted the draft Law No. 7137-д “On Amending the Tax Code of Ukraine and Other Legislative Acts of Ukraine Concerning the Effect of Norms for the Martial Law Period”. The regulations have become effective from the announcement and are expected to remain in effect while the martial law is in force in Ukraine.

Among other changes, the new Law has introduced:

- No penalties should apply for failure to pay taxes and duties or file tax returns and reports, where circumstances mean taxpayers are prevented from compliance (except for declaring a single tax at 2%), registration of tax or excise invoices in the relevant registers in the absence of the ability to file them. Taxpayers should bring their affairs up to date, e.g., pay the taxes and file the returns, within three months after the martial law is lifted.
- Until the martial law is terminated or cancelled, no new tax audits should be initiated and ongoing tax audits will be suspended. However, exceptions apply to desktop (i.e., virtual) audits to confirm VAT refunds and audits aimed at verification of cash handling procedures and compliance with the labor legislation, which will continue during the martial law.
- VAT rate for fuel imports has been decreased from 20% to 7%.
- Landowners are exempt from paying land tax and land rent in the areas where active hostilities are taking place or temporarily occupied territories, or littered with explosive objects for the period from March 2022 to 31 December of the year following the year in which the martial law is cancelled.
- Environmental tax on the facilities located in temporarily occupied territories or areas where active hostilities are taking place has been cancelled for 2022.

At the same time, on 12 May 2022, the Verkhovna Rada of Ukraine adopted the Draft Law No. 7360 “On Amending the Tax Code of Ukraine and Other Legislative Acts on the Peculiarities of Tax Administration of Taxes, Duties, and Unified Tax Contributions during the Martial Law Period”, which includes significant amendments to the previously adopted legislation on tax administration during the martial law period. On 25 May 2022, the Law was signed by the President of Ukraine and came into force. According to the Law, the obligation to pay taxes, register tax invoices, and submit reports for the taxpayers which are able to fulfill this obligation in a timely manner is restored, the tax authorities’ right to conduct the unscheduled documentary audits has been restored, and penalties as a result of tax audits may now be applied. The moratorium on the penalties imposed as a part of COVID-19 restrictions is cancelled.

On 29 July 2022, the Law No. 2480-IX “On Amending Chapter XX “Transitional Provisions” of the Tax Code of Ukraine on Ensuring the Stable Functioning of the Natural Gas Market During the Martial Law and Subsequent Recovery” entered into force. According to the Law, in the period from 1 January 2022 to 1 January 2024, if the producers of electricity under the “green” tariff do not receive payments for the electricity sold, the income received from such transactions can be recognized as non-taxable and expenses incurred for such electricity as non-deductible. After receiving such payments, the taxpayer should increase the financial result before taxation by the amount of received income and deduct the corresponding expenses.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

On 30 August 2022, the Verkhovna Rada of Ukraine approved in the first reading the draft Law No. 7668-д relating to the return of excise taxes on fuel. In accordance with this draft Law, the excise taxes on fuel shall be returned in the amount of EUR 52 per 1,000 liters and on alternative kinds of fuel, gasoline, and diesel in the amount of EUR 100 per 1,000 liters.

Resolution No. 1428 of the Cabinet of Ministers of Ukraine dated 23 December 2022 made significant changes to the Procedure for Suspension of the Registration of Tax Invoices in the Unified Register of Tax Invoices. The key changes provide for the systematization of the taxpayer's risk criteria, as well as their application considering the peculiarities of the martial law.

Also, effective from 1 August 2023, the current moratorium on tax audits (with clarifications) will be partially canceled. In the future, audits of taxpayers or the items registered or located in the front-line zone or the area of possible hostilities are prohibited.

In addition, temporarily, during 2023-2024, taxpayers who meet the following conditions may be included in the plan-schedule for conducting scheduled documentary audits:

- A taxpayer performs business activities related to the production or sale of excise goods/is a business entity in the area of gaming business or a financial institution; or
- A taxpayer who meets one of the specific tax risk indicators.

A provision is added according to which it is not required that goods supplied by legal entities for the needs of the Armed Forces correspond to the list approved by the Cabinet of Ministers of Ukraine.

Management believes that the Organization has been in compliance with all requirements of the effective tax legislation.

Legal issues

The Organization is subject to legal actions and complaints in its ordinary course of business. Management believes that it is unlikely that a significant settlement or loss of assets will arise out of actions and complaints.

9. RISK OF CONCENTRATION

As disclosed in Note 5, the major donors of the Organization are International Federation of Red Cross, International Committee of Red Cross, and Danish Red Cross, which jointly contributed 87.5% of the total funds in 2021 (2020: 55%). To manage the risk of high concentration of donors, the Organization is actively seeking new sources of funds.



UKRAINIAN RED CROSS SOCIETY

NOTES TO THE STATEMENT OF CONTRIBUTIONS AND EXPENDITURES

FOR THE YEAR ENDED 31 DECEMBER 2021

(in Ukrainian Hryvnias and in thousands)

10. EVENTS AFTER THE REPORTING PERIOD

On 24 February 2022, Russia started its military invasion to the territory of Ukraine. Many Ukrainian cities suffered a substantial damage as a consequence of the continuous missile and shell attacks, resulting in thousands of deaths and injuries, including among civilians.

As at the date this financial statement was authorized for issue, the Organization continued operating without any restrictions. The Organization's management controls all its operations. Other events after the reporting period are also disclosed in Note 2. The currently known impacts of the war on the Organization and actions taken by management in response are presented in Note 4.