

Charitable Organization
“Charitable Foundation “Klitschko Foundation”

IFRS Financial statements

As at 31 December 2020
with independent auditor's report

Contents

Independent auditor’s report(i)

Statement of comprehensive activities..... 1

Statement of financial position..... 2

Statement of cash-flows..... 3

Statement of changes in funds 4

Notes to the financial statements

1. General information..... 5

2. Basis of preparation..... 6

3. Summary of significant accounting policies and estimates 7

4. Application of new and revised international financial reporting standards..... 7

5. Expenditure 8

6. Cash and cash equivalent..... 8

7. Operating environment and economic conditions 8

8. Tax and other regulatory compliance matters 9

9. Commitments and contingencies..... 9

Independent auditor's report

To the Management and Founders of
Charitable Organization "Charitable Foundation "Kliitschko Foundation"

Opinion

We have audited the financial statements of Charitable Organization "Charitable Foundation "Kliitschko Foundation" (the Foundation), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive activities, statement of changes in funds and statement of cash-flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 are independent of the Foundation in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements 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.

Responsibilities of management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Supervisory Board is responsible for overseeing the Foundation's financial reporting process.

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 skepticism 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 Foundation'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 Foundation'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 Foundation 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 Supervisory Board 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.

Ernst & Young Audit Services LLC

Kyiv, Ukraine

10 March 2021

(in thousand hryvnas)

Statement of comprehensive activities

For the year ended 31 December 2020

	<i>Note</i>	<i>2020</i>	<i>2019</i>
Income			
Donations and grants	1	8 217	15 791
Interest earned		2 460	3 608
Expenditure	5	(12 108)	(18 608)
Foreign currency exchange gain / (loss), net		1 431	(791)
Net result		<u>-</u>	<u>-</u>

Signed and authorized for release on behalf of the Foundation on 10 March 2021:

Alina Nosenko
Director of Charitable Organization
“Charitable Foundation “Klitschko Foundation”



(in thousand hryvnas)

Statement of financial position

As at 31 December 2020

	<i>Note</i>	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
Assets			
Non-current assets			
Property, fixtures and equipment		332	463
Total non-current asset		332	463
Current assets			
Inventories		13	165
Accounts receivable		9	9
Prepayments made		926	109
Cash and cash equivalent	6	28 809	28 068
Total current assets		29 760	28 351
Total assets		30 092	28 814
Funds and liabilities			
Funds		30 012	28 753
Total funds		30 012	28 753
Current liabilities			
Accounts payable		80	61
Total current liabilities		80	61
Total funds and liabilities		30 092	28 814

The accompanying notes form an integral part of these financial statements.

(in thousand hryvnas)

Statement of cash flows

For the year ended 31 December 2020

	<u>2020</u>	<u>2019</u>
Cash balance as at 1 January	28 068	26 743
Contributions and charitable donations from legal entities and individual	9 476	16 408
Social purpose activities disbursements made	(9 871)	(14 804)
Payroll and social payments	(1 508)	(1 703)
Other cash outflow	(1 247)	(1 413)
Interest received on bank accounts	2 460	3 628
	<u>27 378</u>	<u>28 859</u>
Foreign currency exchange gain / (loss), net	1 431	(791)
Cash balance as at 31 December	<u>28 809</u>	<u>28 068</u>

The accompanying notes form an integral part of these financial statements.

(in thousand hryvnas)

Statement of changes in funds

As at 31 December 2020

	<i>Restricted funds</i>	<i>Unrestricted funds</i>	<i>Total funds</i>
As at 31 December 2019	4 268	24 485	28 753
Donations and grant received	4 879	4 597	9 476
Donations and grant used	(6 470)	(1 747)	(8 217)
As at 31 December 2020	2 677	27 335	30 012
	<i>Restricted funds</i>	<i>Unrestricted funds</i>	<i>Total funds</i>
As at 31 December 2018	1 394	26 744	28 138
Donations and grant received	10 688	5 720	16 408
Donations and grant used	(9 881)	(5 912)	(15 793)
Transfer of funds between programs	2 067	(2 067)	–
As at 31 December 2019	4 268	24 485	28 753

The accompanying notes form an integral part of these financial statements.

(in thousand hryvnas)

1. General information

The Charitable Organization “Charitable Foundation “Klitschko Foundation” (hereinafter – the “Foundation”) is the All-Ukrainian charitable organization that was founded on 13 August 2003 by private persons – Vitali and Wladimir Klitschko. It is focused on the implementation of projects in the sphere of sport, education and active citizenship.

The mission of the Foundation is to develop civil society in Ukraine. By means of non-formal education, teenagers and young people are able to master their XXI century skills, adopt a healthy lifestyle, become eco-conscious, learn to use a project approach in their life, studying, and future profession. The alumni organize further educational activities for peers and colleagues, becoming the ambassadors of change in their communities.

The Foundation is engaged in fundraising in three main directions:

- the contributions of founders and private donors;
- partnership with Corporate Social Responsibility programs of profitable organizations;
- grants.

Major charitable and social projects of the Foundations in 2020 and 2019 and their beneficiaries were as follows:

Educational projects:

- ▶ *Project “School of Success”* is an educational project for 14-15 y.o. teenagers, that want to become socially active. The participants learn the skills of the XXI century through lectures, trainings, seminars and workshops from the leading specialists of different professions and areas of expertise. During the project adolescents make preparations to realize their project called “The Local School of Success” in their communities. The aim of the project is to develop professional and life skills of teenagers that will help them to reach success in their lives.
- ▶ *Project “Zero Waste School”* is a project aimed to non-formally teach students, teachers and principals to implement a waste-sorting culture and an eco-friendly lifestyle at their schools and community. After the project, graduates must implement a local project and become environmental ambassadors in their city.
- ▶ *Project “Internship”* is a project for university students is designed to provide young people with the opportunity to experience all stages of employment: from interviewing to receiving recommendations for their next job. The internship at the Foundation gives the participants the chance to make a conscious choice of the future profession. In addition, the program promotes the practice of internships for students in Ukraine.
- ▶ *Project “ProCharity”* is a project for representatives of charitable and non-profit organizations seeking to increase the level of professional training. The purpose of the project is to provide knowledge and skills to employees of the charitable and non-profit spheres for the introduction of the principles of good governance in their organizations, to create a network of acquaintances for the exchange of experience and cooperation.
- ▶ *Project “Teenovation”* is a project for teenagers who study in 8-11 grades and seek to gain knowledge of entrepreneurship, design thinking, business modeling, teamwork, fundraising and presentation of their own ideas. During the project, participants, with the support of mentors and experts, in teams created and improved their own business ideas and presented them at the final pitching.
- ▶ *Project “Skills Elevator”* is a project for teenagers who study in 10-11 grades and seek to improve their communication skills, design, critical and creative thinking, storytelling and copywriting. Through lectures, workshops, group classes, teenagers learned about the peculiarities of the field of communication, and participants who showed motivation had the opportunity to gain practical skills while volunteering in the communications department of the foundation.

(in thousand hryvnas)

1. General information (continued)

Sports projects:

- ▶ *Project “Success Packages”* is a project is designed to develop and support sport in Ukraine. The project’s goal is to teach physical education teachers modern effective methods of teaching sports and to engage students in active lifestyles, sports, both at and beyond school.
- ▶ *Project “Start to Success”* is a project with the purpose to create necessary conditions for physical education, harmonious development and personality formation of Ukrainian youth, through the restoration of facilities and equipment of Children and youth’s sports schools of Ukraine.
- ▶ *Project “#FootballPeople Online Anti-Discrimination Sessions”* is a project for sports coaches designed to provide knowledge and skills to combat discrimination in sports. In the project, participants will learn how to combat the various forms of discrimination that girls face when playing sports, in particular, football. The project helps participants learn skills and tools that will help girls overcome the psychological difficulties associated with discrimination, and strengthens the potential of trainers.

Active citizenship projects:

- ▶ *Project “Realms of the Future”* is a philosophical seminar for teenagers aged 14-15 studying in the 10th grade. The seminar helps to learn to think critically, to express one's own opinion and respect the position of the interlocutors, to form goals for the future and to determine one's life path.
- ▶ *Project “KF – Hub”* is an online project created for the foundation's community, which provides an opportunity to hold one's own events, attend educational lectures, get together to talk about successes and challenges, develop professionally and personally: meet with experts for consultations, improve soft and hard skills during internships and mentoring.
- ▶ *Project “Challenge Academy”* is an international educational project for 14-16 year old teenagers from Ukraine and Germany seeking to learn how to tackle challenges effectively, become eco-conscious and develop leadership skills. The project was conducted in 2019 but in 2020 the project was suspended due to Covid-19.

International cooperation projects:

- ▶ *Project “Okhmatdyt – Lviv”* is a project aimed to provide the hospital with high-quality equipment that will reduce the number of new diseases and the spread of bacteria inside the hospital.
- ▶ *Project “The Study Visit for Grassroot Trainers”* is an international project for physical education teachers, representatives of sports organizations and coaches, which motivates participants to develop their professional skills, gives them the opportunity to share experiences with colleagues, create a network of acquaintances to spread ideas and knowledge.

2. Basis of preparation

These financial statements have been prepared on a historical cost basis. The financial statements are presented in Ukrainian hryvnia (“UAH”) and all values are rounded to the nearest thousand unless otherwise indicated. These financial statements were authorized for issue on 10 March 2021.

Statement of Compliance

The financial statements of the Foundation have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB and Standing Interpretations Committee (“SIC”) interpretations approved by the International Accounting Standards Committee (“IASC”) that remain in effect.

(in thousand hryvnas)

3. Summary of significant accounting policies and estimates

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of six months or less. Their carrying values equate to fair value by reason of their short-term nature. In case prolongations of the original deposit agreement exist, that is treated as a new agreement for original maturity estimation.

Inventories

Inventories represent goods and sport equipment that will be subsequently used in charitable and social projects implementation.

Revenue and expenses recognition

Revenue is recognized when expenses directly related to the specific projects are incurred.

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Funds

Restricted project funds are advances by donors to fund specific projects or a collection of projects. The balance represents the unspent portion at the year-end. The advanced funds will be spent over the remaining lives of the projects. A restricted project is undertaken only when the planned funding requirement has been received.

Unrestricted project funds have been allocated in line with the budget of the Foundation.

4. Application of new and revised international financial reporting standards

The Foundation applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Foundation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Foundation.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Foundation.

*(in thousand hryvnas)***5. Expenditure**

	<u>2020</u>	<u>2019</u>
Social purpose activities	9 226	15 555
Payroll and related expenses	1 526	1 707
Other expenses	1 356	1 346
	<u>12 108</u>	<u>18 608</u>

Social purpose activities are expenses on third parties with purposes that aim to advance social benefit and include also expenses on increasing the awareness of potential beneficiaries about the Foundation’s projects. The social purpose is advanced through the provision of goods and services to beneficiaries and the public. The list of major charitable and social projects of the Foundation is presented in Note 1.

Payroll and related expenses refer to employees engaged in charitable and social projects activities and management, and employees engaged in general management and maintenance of the Foundation.

Other expenses mainly comprise depreciation expenses, rent of office and its maintenance, preparation of the yearly report, audit, and other professional services.

6. Cash and cash equivalent

	<u>2020</u>	<u>2019</u>
Short term deposits	24 000	25 000
Cash in bank and in hands	4 809	3 068
	<u>28 809</u>	<u>28 068</u>
Denominated in the following currencies:		
	<u>2020</u>	<u>2019</u>
Ukrainian hryvnas	24 293	25 107
EUR	4 516	2 961
	<u>28 809</u>	<u>28 068</u>

7. Operating environment and economic conditions

The Foundation conducts its operations in Ukraine. The Ukrainian economy while deemed to be of market status continues to display characteristics consistent with that of an economy in transition. These characteristics include, but are not limited to, certain structural imbalances, low capital market liquidity, relatively high inflation and a significant level of domestic and foreign state debt.

Following the significant decline in 2014-2016, the Ukrainian economy started to demonstrate certain signs of recovery and growth. Main risks affecting the sustainability of the emerging economic trends are represented by the continuing tensions in geopolitical relations with the Russian Federation; lack of the clear consensus as to the directions of the institutional reforms, including public administration, judiciary system and reforms in core sectors of the economy; acceleration of labor emigration and low level of capital inflow.

On 11 March 2020, the World Health Organization declared a pandemic in connection with the worldwide spread of Covid-19 coronavirus. In response to a rapidly developing Covid-19 pandemic many countries, including Ukraine, have implemented quarantine measures, which had a significant effect on the overall business scale. As a result, since March 2020, significant volatility has been observed in the stock, currency and commodity markets, including decrease in UAH exchange rate against USD and EUR.

In 2020 Ukrainian GDP decreased by 5.6% (current forecast of EIU). The rate of recovery in 2021 depends entirely on the subsequent incidence of Covid-19 and quarantine restrictions.

(in thousand hryvnas)

8. Tax and other regulatory compliance matters

The Foundation has the status of charitable non-for-profit organisation that is generally exempt from the income tax and other taxes, which would otherwise be applicable to their activities, including passive income earned, subject to their continued compliance with this status.

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

9. Commitments and contingencies

Legal

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

Appropriation of donations

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

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