

Stichting *AIDS Foundation East-West (AFEW)*

Report on the Financial Statements for 2013

This report has been drawn up in accordance with the 2008 **Directive for Fundraising Institutions (RJ650)**, as published by the Dutch Council for Annual Reporting. This directive provides the public with clear criteria for assessing fundraising cost ratios, the expenditure of funds and how far these funds have been spent on the goals for which they were intended.

The following financial statements have been prepared from the accounting records of *AIDS Foundation East-West (AFEW)* and in accordance with the organisation's accounting policies.



AFEW registered with Algemeen Nut Beogende Instelling (ANBI) in the Netherlands. ANBI status confirms that AFEW is a charitable organization that serves the public interests. AFEW is recognized as a charity, therefore all donations are tax deductible and they are fully exempt from gift tax and inheritance tax.



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Report of the Board

The members of the *AFEW* Board are pleased to present the organisation's 2013 financial statements.

Who We Are

AIDS Foundation East-West (AFEW) has become a network of independent local organisations working in the countries of Eastern Europe and Central Asia. The new status of *AFEW* is effective as of November 2013. At the moment, the *AFEW* Network consists of six members operating in Kazakhstan, Kyrgyzstan, the Netherlands, Russia, Tajikistan and Ukraine; with *AFEW* in the Netherlands serving as the international secretariat of the Network. The local organizations are a follow up of *AFEW*'s representative branches that existed until the structural change, and therefore they ensure the continuation of the same high quality project implementation and staff expertise.

With the new organisational structure, *AFEW* Network has expanded its mission and field of engagement. The Steering Committee met in November in Amsterdam and agreed to prioritise the issues of access to quality health care and the fight against stigma and discrimination for key populations.

AFEW Network will continue to promote health and increased access to prevention, treatment and care for public health concerns such as HIV, TB, viral hepatitis and sexual reproductive health and rights. The focus and objectives of the members of *AFEW* Network also have been updated to reflect the local conditions and the needs of the local societies:

- Capacity strengthening of local not-for-profit organisations (NGOs) and governmental organizations;
- Development of mass media campaigns;
- Development of informational and educational materials and events to inform the target population;
- Advocacy;
- Serving as an effective liaison and partnership with community and governmental structure;
- Piloting and expanding innovative approaches to HIV prevention, treatment, care and support.

We work in eight countries of the former Soviet Union – the only region in the world where the HIV epidemic is still growing and where the rate of injecting drug use is the highest than elsewhere. Equipped with an average of 46 devoted professionals, in 2013 *AFEW* ran a total of 26 projects in Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Ukraine, Malaysia, and Indonesia.

Our Approaches

AFEW's mission is anchored on Millennium Development Goal 6, which calls upon the global community to step up efforts to halt the spread of HIV and AIDS and achieve



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universal access to treatment for these conditions. All the programmes in our extensive portfolio are founded on the principle of **universal access** and exemplify an approach based on **human rights and social justice**. Put simply, the starting point is that everyone should have equal access to HIV/AIDS treatment, prevention and care, including services that reduce harm from drug use or other risky behaviours.

AFEW positions itself as a **partner organisation**. As such, the organisation participates actively in several of the foremost international consortia dealing with HIV and AIDS, as well as building grassroots networks of service providers and local NGOs. *AFEW's* unique value as a partner lies in its extensive experience of working in local healthcare infrastructures combined with its international-level expertise, especially on harm reduction and prison health.

Methods

Through constructive engagement with governments and civil society in the countries where it works, *AFEW advocates* for the basic human right to health and demonstrates why it must be extended to reach the most marginalised, stigmatized groups in society.

Recognising that civil society can be effective in filling voids in the health and social systems of the Eastern Europe and Central Asia region (EECA), *AFEW assists local organisations* with technical support (hands-on training, and customised consultations) so that they can reach more people and serve them more effectively.

Working directly with those who live at the sharp end of the epidemic, *AFEW empowers key populations at higher risk* with targeted, accurate information and assistance in building their own support networks.

Where basic treatment and care (for instance, antiretroviral drugs, care for pregnant women, prevention tools, etc) are absent or inadequate, *AFEW supports the development of direct services to key populations*. In particular, different departments of the healthcare systems in EECA (i.e. tuberculosis clinics, AIDS centres, drug rehabilitation centres) often work in isolation from one another, leading to gaps in care for people with complex issues. *AFEW's* client management models and HIV/TB collaborative activities bridge these gaps and help service providers to better structure their responses.

Finally, *long-term sustainability* lies at the heart of *AFEW's* programming, meaning that each project activity comes with a clear strategy for its eventual handover to local authorities, governments or civil society groups.

The People We Reach

People who use Drugs. *AFEW* expenditure on programmes for people using drugs: **€1,378,265 in 2013 (€1,720,031 in 2012)**. At the core of *AFEW's* effort to reduce the exceptionally high level of HIV transmission among injecting drug users in EECA is the support for harm reduction and the set-up of national networks supporting harm reduction and people who use drugs. These networks comprise training centres for professionals, needle exchange points, introduction of opiate substitution therapy and provision of less harmful alternatives to injecting drugs.

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Prisoners. *AFEW* expenditure on programmes for prisoners: **€ 354,370 in 2013 (€778,887 in 2012).** *AFEW* works together with ministries of justice, prison health experts, inmates and local NGOs to strengthen local capacity and ensure that prisoners have the same access to information and services as those living outside prison walls. This policy is in line with the internationally accepted principles of the World Health Organisation (WHO). Given the high rate of injecting drug use in the prisons in the region, this implies that *AFEW* also advocates for provision of needle exchange and opioid substitution therapy in prisons. Another major component of *AFEW*'s prison work is the introduction and upscaling of ***transitional client management***. To ensure continuity of care for released prisoners, a system has been developed that prepares prisoners for release and guides them to medical and social assistance outside of prison.

Vulnerable Women. *AFEW* expenditure on programmes for vulnerable women: **€339,805 in 2013 (€411,660 in 2012).** Power and economic imbalances related to gender can increase the vulnerability of women. This vulnerability combined with stigma against female drug users and sex workers leave women with reduced access to harm reduction and drug treatment services. Women living with HIV also require separate attention, if only because of the issue of prevention of mother-to-child transmission (see below) and child care. Activities for ***sex workers*** aim to create non-discriminatory, non-judgmental and user-friendly medical and psycho-social services, including HIV prevention, counseling and testing services.

People living with HIV. *AFEW* expenditure on programmes for people living with HIV: **€35,517 in 2013 (€283,058 in 2012).** Discrimination remains prevalent in the countries of EECA, even within the very services that they rely on for treatment and care. Breaking through the wall of prejudice directed at this group is vital to addressing the HIV epidemic and is therefore a priority area for *AFEW*. Education, training and advocacy within state services are combined with mobilization and support of communities of people living with HIV.

Most-at-risk adolescents . *AFEW* expenditure on programmes for most-at-risk adolescents: **€ 207,259 in 2013 (€260,315 in 2012).** Through mass media campaigns and cultural events, *AFEW* mobilizes young adults, encouraging them to take responsibility for their own health, play an active role in the global response to HIV, and forge future societies based on tolerance and respect for human rights. *AFEW* develops informational materials, outreach programmes and peer training initiatives especially for young people living in high-risk circumstances. Activities for ***street children*** focus on developing support systems for children who are deprived of family care and protection. Drop-in centres provide safe havens where children can receive basic services, such as a shelter, food, warmth, clothing, recreation, family mediation and health services. Activities for ***young girls that are involved in sex work*** focus on empowerment and making informed choices about their lives. Vocational training is offered to girls who want to find alternatives in life. Activities for ***young offenders*** focus on information and education on healthy lifestyles, including information on HIV and drugs.

Men who have sex with Men (MSM). *AFEW* expenditure on programmes for men who have sex with men: **€36,435 in 2013 (€73,484 in 2012).** MSM is one of the key populations at risk. Due to stigma and discrimination, MSM encounter barriers in accessing information and health services and having a healthy and satisfying sexual life. In the framework of Global Found Round 10, *AFEW* is supporting local lesbian, gay, bisexual, and transgender

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(LGBT) organizations in Kyrgyzstan in capacity building, reaching out and offering information and voluntary counseling and testing to MSM.

Governmental and non-governmental organizations (national and international). *AFEW* expenditure on programmes for international and national governmental and non-governmental organisations: **€301,881 in 2013 (€199,126 in 2012)**. As part of *AFEW*'s sustainability strategy, *AFEW* strengthens the capacity of local governmental and non-governmental partners. *AFEW* provides technical support in order to equip staff with the right knowledge to provide HIV prevention, treatment, care and support that is up-to-date and of good quality. For instance, *AFEW* trains prison staff in HIV prevention and creates a resource centre and a pool of trainers to make such a training programme sustainable. Organisational development comprises training in management skills, administrative and financial skills, monitoring and evaluation and fundraising. These skills promote the sustainability of our partners and hence the sustainability of the approaches that we introduce.

Tuberculosis related activities and TB Patients. As a follow up to *AFEW*'s HIV/TB projects in Central Asia, *AFEW* started activities for people infected by Tuberculosis; total expenditure **€117,719 in 2013 (320,334 in 2012)**. *AFEW* is improving knowledge of Tuberculosis among staff of NGO's in Ukraine. An assessment by KNCV, *AFEW*'s partner in this project, demonstrated a lack of knowledge on the symptoms of this disease, the treatment and the co-morbidity with HIV.

We invite you to read more about *AFEW*'s projects, past and present, on our website at www.afew.org

Our achievements

With the aim to demonstrate the results of our projects and to show the scope of our reach in the region of Eastern Europe and Central Asia *AFEW* decided to release results of six key indicators. The indicators below are cumulative for all eight countries:

1. The number of key populations at risk - people who use drugs, people living with HIV, prisoners, sex workers, youth, MSM, migrants – covered by **informational sessions or mini trainings** on HIV, TB, STIs, Viral Hepatitis and other infectious diseases;
2. A. The number of key populations at risk enrolled in the Client Management programme and receiving medical and/or social services;
B. the key populations enrolled in the Client Management programme, split over People who use drugs (PUD), Sex Workers (SW), Men who have sex with Men (MSM).
3. A. The number of representatives of government and nongovernment organisations participated in our trainings;
4. B. The number of governmental and non-governmental organizations reached with training.
5. The number of people participated in our raising awareness events (excluding TV audience during mass media campaigns or HIV-related talk shows).

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Indicator type	2012	2013
Number of key populations at risk participated in informational sessions and/or mini trainings	37,956	50,244
Number of key populations at risk enrolled in client management programme	6,934	15,920
Number of PUD, SW, MSM who receive client management (not all offices were able to register per key population; presented figures are the least who have received client management)	-	PUD 6,782 SW 5,360 MSM 190 Prisoners 1,804 Street children 302
Number of representatives of government and/or nongovernment organisations participated in trainings	2,006	1,365
Number of governmental and non-governmental organizations reached with training	-	238
Number of people reached by raising awareness events	33,232	22,194

AFEW has reached out to more than **50,000** people with information, training on self-protection and empowerment, and means to prevent HIV. The majority were people who use drugs and sex workers. Almost **16,000** people followed our client management programme, a programme of at least 6 monthly sessions in which the client is supported to seek advice and care for his or her (medical) needs. There is an increase of 30% from last year of people whom AFEW has reached with information, via information sessions or mini-trainings. The number of people in the client management programme has more than doubled between 2012 and 2013. Of these clients, the largest groups are among people who use drugs and sex workers. These figures are a clear outcome of our efforts to increase access to information and services.

1,365 people received training to improve their knowledge and skills to contribute to the prevention and care of HIV. Topics of training include: harm reduction, client management, project management, advocacy, and resource mobilization. AFEW trained 31% less service providers, staff of GOs, NGOs and prisons than the year before. Training has become more focused on improving the quality of standards of services and strengthening the organizational capacity of our partners. Representatives of **238** governmental and non-governmental organizations were trained by us. This number demonstrates the width of AFEW's network.

More than 22,000 people attended events to raise awareness for HIV and its related issues, a third less than the year before. Events are: round table meetings, (street) activities on World Aids Day and the Day for Tuberculosis.

There is a clear shift of AFEW's activities towards increasing access to information and services. Capacity strengthening is an important component of AFEW's work. AFEW strengthens the capacity of organizations with which we have a long relationship and improves the quality of services of those partners with a history of working with client management. HIV and AIDS have become topics that professionals and the general population are aware of, there is less need for general training or mass media campaigns on the basic information of this public health concern.

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Projects finished in 2013

- *'USAID Dialogue on HIV and TB Project'* funded by the United States Agency for International Development (USAID) with Population Service International (PSI) as principal recipient.
- *Strengthen supportive environment and scale up prevention treatment, and care to contain HIV epidemic in the Republic of Tajikistan*, funded by United Nations Development Programme (UNDP)
- *'Scaling-up HIV and TB services for most at risk populations in Kazakhstan'*, funded by European Commission
- *Pilot funding for development of an effective model of preventive education and promotion of healthy life style among young inmates in the Republic of Kazakhstan*, the project was funded by ViiV Healthcare
- *Bridge: Social support of prisoners before and after release, project in Kyrgyzstan*, funded by European Commission
- *"Institutionalization of activities on training police officers on HIV/AIDS issues and harm reduction"* project, funded by Soros Foundation Kyrgyzstan.
- *Promoting accessibility and quality of prevention, treatment, detection and care services for HIV among the most vulnerable populations in the Kyrgyz Republic*, funded by United Nations Development Programme (UNDP)
- *Young Female Sex Workers in Ukraine*, funded by Eureko Achmea
- *Improving the access for street children to friendly services using peer leaders from the community in Ukraine*", funded by the Royal Dutch Embassy in Kiev
- *Improvement of education of law enforcement bodies personnel on social prevention and compliance of civil rights of populations, vulnerable to HIV*, funded by OSF Soros (Renessainse) Foundation Ukraine
- *HIV Prevention among Vulnerable Groups: front Quality Enhancing to Better Advocacy and Integration*, run in Russia, funded by Esvero (with financial support from European Commission)

Projects started and finished in 2013

Despite the difficult funding situation, *AFEW* continued receiving new grants for its work in 2013. Last year's trend of donors issuing short-term grants continued. With short-term funding it is difficult to achieve substantial results and ensure project stability and continuation.

Overall, in 2013, *AFEW* launched and finished the following new projects:

- *Transitional Funding Mechanism (TFM)*, funded by the Global Fund/Open Health Institute, the project is a follow up of the Global Found round 3 Globus project in Russia, continuation of project activities of 2004-2012;
- *"Increasing access to electronic education as a response to HIV/AIDS epidemics in Russian Federation"* project, funded by Estee Lauder Companies;
- *"Strengthening Networking of Non-Governmental Organizations Representing HIV-Positive Women in Belarus, Russian Federation and Ukraine"*, funded by Focus Media for organizing a study tour, the project was supported by UNDEF;

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- “*Raising Awareness and Knowledge on Treatment and Prophylaxis HIV, HCV and TB Among IDUs in Moscow and Moscow Region*”, funded by European AIDS Treatment Group.
- “*Positive Environment*” project in Kazakhstan, funded by UNAIDS;
- *Increasing access to preventive treatment, provision of help and support to people living with HIV, especially to vulnerable populations in the civil and penitentiary sectors, through increasing and enhancing state, nongovernmental and private partnerships*, funded by the Republican AIDS Center in Kazakhstan;
- *Development of Manuals for local NGOs on capacity building*, funded by Soros Foundation Kazakhstan;
- *Distribution and monitoring of food parcels under the program “Short-term course of anti-tuberculosis therapy under the direct control (DOTS) in Kyrgyzstan by assuring Access to tuberculosis diagnostics and treatment resistant to medicines”*, funded by “Project HOPE in Kyrgyzstan”;
- *Community Action for Harm Reduction programme in Indonesia and Malaysia*, funded by International HIV/AIDS Alliance;

With the implemented restructuring, next two active projects were handed-over from AFEW international secretariat to local independent NGOs AFEW Ukraine and AFEW Russia:

- *Incorporating the issues of HIV prevention and human rights of the vulnerable groups in the system of training for law enforcement officers*, funded by OSF Soros (Renaissance) Foundation Ukraine
- *Civic journalists on guard of human rights in Russian penal system* project, funded by the Embassy of the Kingdom of the Netherlands in Moscow.

Projects 2014

After completing the restructuring 2013, AFEW international secretariat continues leading the multi-year, multi-country project *Bridging the Gaps: Health and Rights of Key Populations* with activities in Georgia, Ukraine, Kyrgyzstan and Tajikistan. The project is funded by the Netherlands Ministry of Foreign Affairs.

Several other small projects are expected to be signed by the AFEW international secretariat during 2014, among which are City Health Conference 2014 and technical assistance to AFEW local NGOs. AFEW international secretariat continues receiving small annual donations from AIDS-Fondet Denmark for Drop-in Centre for Street Children project in Kyiv, Ukraine. The donor provides irregular contributions to the project, depending on its own fundraising.



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Governance and Finance

Governance

AIDS Foundation East-West fully complies with the code of good practice for charity organisations in the Netherlands, the Code Wijffels. The *AFEW* Board is the **highest level of decision-making in the organisation**. It delegates day-to-day management responsibilities to the Executive Director who then delegates specific responsibilities to other members of *AFEW*'s Management Team (MT) and senior management in regional offices.

Board members bring to the organisation their professional experience in various fields of work, from specialised knowledge of medical treatment and the HIV/AIDS epidemic to expertise in management and budgeting. The Board is charged with overseeing the overall operation of the organisation in order to ensure **good standards of transparency and accountability**. The Board approves the organisation's strategy and the budget, as well as advising the Management Team and senior managers on strategic issues. The Board also evaluates and appraises the work of the Executive Director. Board members receive no financial compensation for their work.

Board Members

As of 31 December 2013, the *AFEW* Board consisted of six members.

Frank de Wolf (Chairman)

James Nolan (Treasurer)

Elena Vovc (Board Member)

Leah Utyasheva (Board Member)

Guido van den Berk (Board Member)

Cate Hankins (Board member)

Read their biographies: <http://www.afew.org/about-afew/who-we-are/>

Board Meetings in 2013

The Board met six times in 2013: two times in-person and four times via teleconference. The Director of Finance and Administration and the Treasurer also met separately during the year in order to discuss finance and budgeting in detail.

The first teleconference meeting was to approve the proposal for the restructuring of the organisation. Discussions on a re-structuring started in 2012. Three different scenarios for a new structure were presented during the last board meeting in 2012. One of the scenarios was elaborated on and presented during this teleconference.

During the first face to face meeting in April, the board discussed the different steps in the restructuring and the juridical aspects of the new structure. A first draft of the collaboration agreement and the roles and responsibilities of the members and the international secretariat

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were provided. The Board approved the financial statements from 2012 and the revised budget for 2013.

A teleconference in May and September were organised to approve the adapted version of the collaboration agreement and agree with the juridical basis of the new organisation. Those decisions led to the accomplishment of the restructuring by having the collaboration agreement signed by all members of AFEW network in October 2013.

During the second face-to-face meeting in November the board discussed the priority changes in development cooperation, the political context and further implications of the cuts in donor funding for the organisation. During this board meeting the Management Team presented the new Strategic Plan 2014 – 2015, to which the board gave input. The board also looked into opportunities for closer collaboration with another Dutch organisation and agreed to follow-up explorations in 2014.

During the teleconference in December 2013 the board approved AFEW's strategic plan 2014 – 2016: Focus on Key Populations and Public Health Concerns. The budget 2014-2015 has been approved.

Frank de Wolf and James Nolan agreed on another 1 year term. Dr Catherine (Cate) Hankins joined the board in March 2013. She replaced Catherine Hodgkin, who left the board in December 2012. Ms Hankins is Deputy Director, Science of the Amsterdam Institute of Global Health and Development. Catherine Hankins BA (Hons) MD MSc FRCPC is a community medicine specialist who joins AIGHD from UNAIDS in Geneva, where she has been Chief Scientific Advisor since 2002.

Accountability

The Board is satisfied that the financial statements prepared by the Management Team for the year ending 31 December 2013 fairly reflect the financial position and operations of *AIDS Foundation East-West (AFEW)*. The Annual Report 2013 provides a fair reflection of the programmes, activities and results achieved in 2013. All members of the Board accept responsibility for the Board's annual report and the financial statements prepared by the Management Team. The auditors, KPMG, have approved these financial statements for publication.

Performance and Strategy

AIDS Foundation East-West strategic objectives:

I. Increase access to services

Client management strengthens existing services provided to cope with the special needs of people living with HIV (PLHIV) and key populations. It is focused on the individual and at the same time, by building a network of services, strengthens the health system. Therefore, we will continue to develop and promote this approach in the region, including transitional client management in prison settings.

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Problems are not always related to infection with HIV only. Many diseases frequently co-exist with HIV and have an impact on HIV itself. It is therefore important for *AFEW* to introduce, develop and support interventions that take into account a wider spectrum of issues, for example tuberculosis, hepatitis C, sexually transmitted infections (STIs), and sexual and reproductive health. Furthermore, *AFEW* will enhance efforts to inclusive and gender sensitive approaches in HIV services.

II. Increase capacities of local non-governmental organisations and care providers

Civil society is a key stakeholder in the response to the HIV epidemic. However, the health system and other governmental organisations need to have the necessary capacity to act. In bringing civil society and governmental actors together, we contribute to building a diverse, open society. Capacity building and strengthening, including technical assistance, will continue to be our key activity for the region.

III. Focused advocacy efforts

Focused advocacy efforts will support the first two strategic elements. Advocacy will be focused on issues where *AFEW* thinks it has an added value. In the international public health arena, *AFEW* will strengthen and focus its role in national and international advocacy regarding issues of prison health, particularly as they are relevant for HIV treatment, prevention, care and support. The second international advocacy priority will be to inform decision makers and the general public about the human and public health impact of the devastating epidemic at the eastern borders of the EU and lobby and advocate for universal access for key populations in EECA.

The strategic objectives described above, are translated into 4 programme objectives.

1. **Capacity Strengthening** (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management). In order to empower civil society and to sustain activities, *AFEW* is strengthening the capacity of local NGO's in aspects such as organisational and programme management, finance and administration, resource mobilisation, advocacy and setting up services like client management. *AFEW* is offering its technical assistance by providing training, monitoring site visits, conferences, round table meetings, working groups, and other opportunities to share knowledge and best practices. *AFEW* is not only doing so in the traditional way of physical encounters, but also by exploring new media and e-learning. *AFEW* has supported and is supporting over a 100 NGO's in this way.
2. **Mass Media Campaigns:** *AFEW* recognises mass media campaigns as an important force for social change, particularly on issues related to HIV. Campaigns raise awareness and provide the public with information to help dissuade common myths and misconceptions about HIV and to reduce HIV-related stigma and discrimination. Similarly, media campaigns play a fundamental role in motivating people to reflect upon their personal habits and encourage steps towards safer and healthier lifestyles. Rooted in international experience and best practices, *AFEW*'s mass media campaign messages address issues such as safer sex, solidarity with PLHIV and access to antiretroviral treatment. Nationwide television and radio public service advertisements are combined with the large-scale distribution of information

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materials, outdoor advertisements and public events. *AFEW* works closely with local partners and authorities when developing and communicating specific messages

3. **Advocacy:** The scale of the response to HIV requires efforts from *AFEW* regarding advocacy. Particularly now, campaigning and advocacy is important as HIV is in danger of receding into the background of other urgent issues (e.g., climate change, energy and food crises, conflict resolution) and the economic crisis, further threatening the important progress made so far in responding to the pandemic. *AFEW*'s advocacy activities are to align efforts within civil society in order to improve the overall quality of prevention, treatment and care; to foster collaboration, and increase the effectiveness of the response to HIV; and to keep AIDS on the social and political agenda and guarantee that adequate funding is available, so that the scale up of the response continues, in particular for key populations and PLHIV.
4. **Other** (research, supply of product sets, milk formula, condoms and other materials). In order to justify *AFEW*'s new directions of work it conducts (operational) research. Most research is conducted to study knowledge, attitudes and practices regarding HIV, the results help design interventions for the projects. To support *AFEW*'s prevention activities, *AFEW* procures commodities like condoms, syringes and needles, bleach and milk formula. In frame of Project HOPE in Kyrgyzstan, *AFEW* supplied products sets for TB patients.

Programme Development

In 2013, we continued to adapt our programmes to take into account **emerging trends in the epidemic in EECA**. Injecting drug use has always been the major vehicle for HIV transmission in the region, but in recent years heterosexual transmission has begun to play a far greater role, especially in the older epidemics in Russia and Ukraine. For this reason, we are increasing our focus on sexual health services for **vulnerable youth** and empowerment of **women's** groups. Eastern Europe and Central Asia region is the only region in the world where the HIV epidemic is still growing (UNAIDS global report 2013 says that the number of people living with HIV has almost tripled since 2000 and reached an estimated total of 1.7 million in 2012). The vulnerable groups like people who use drugs, sex workers, men who have sex with men and prisoners are most at risk. *AFEW* will continue its focus on those groups.

In 2013, *AFEW* continued implementing a high volume of budget for **prisoners**. Prison health can be considered as *AFEW*'s core competence.

AFEW will continue its advocacy to include TB activities in HIV projects. In 2013, *AFEW* continued its collaboration with KNCV and assessed the need for training of integration of TB and HIV care in Ukraine.

In 2013, *AFEW*'s activities in the framework of 'Bridging the Gaps: health and rights of key populations' were expanded with internet-based capacity building and e-learning activities. In Kyrgyzstan and Tajikistan, *AFEW* introduced blended learning for social workers. Additionally, *AFEW* will increase the accessibility for up-to-date information on internet via focal points and web-based platforms with experts. *AFEW* collaborates with GIZ in Kyrgyzstan and with Health-Efoundation in the Netherlands on this matter.

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Geographical Coverage

AFEW has finished its activities in Belarus. *AFEW* Ukraine stays in close contact with the Belarussian partners to look for new opportunities.

AFEW is closing its office in Moldova. No new projects were granted in 2013. *AFEW* has supported the foundation of a local NGO, as follow up of *AFEW*'s representative branch. As soon as new activities will be executed, 'AFEW Moldova' will become a member of *AFEW* network.

AFEW network has members in Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Ukraine. *AFEW* international secretariat is based in Amsterdam, the Netherlands. *AFEW* Ukraine is implementing activities in Georgia.

Communications with Stakeholders

AFEW's Strategic Plan sets a series of objectives for communications with a variety of stakeholders. As a Dutch organisation, which has benefited from core funding from the Dutch and EU tax-payers over the years, *AFEW* has a **responsibility to inform public in Western Europe about HIV in EECA**.

AFEW continued to attract attention to its work at **key moments such as World AIDS Day, World TB Day and during the launch of new projects**, through events and press liaison at the regional level, together with online reporting. Furthermore, *AFEW* communicates with its stakeholders through the general website, Facebook and Twitter, the annual report and newsletters.

Human Resources Management and Efficiency

Ethical work practices are one of the guiding principles of *AFEW*. ***AFEW* Code of Conduct** clarifies certain issues related to privacy, conflicts of interest, the use of *AFEW*'s property and behaviour that could damage *AFEW*'s reputation or expose *AFEW* to legal liability. The Code illustrates ethical standards that apply to all *AFEW* employees worldwide.

AFEW staff adheres to a high and uniform set of conduct standards. Every employee has a personal obligation to uphold these standards, and act in an ethical manner with each other, our partners, target groups and the general public. Employees of *AFEW* are motivated to contribute to a common cause and feel close to the core values of the organisation. Consequently, employees should always represent the organisation in a professional way.

Due to less overall budget the Management Team at the international secretariat was reduced from 3 to 2 Directors. The tasks of Executive Director were combined with tasks of the Director of Programme Development. All offices had to reduce their staff due to the financial constraints, and reorganize in order to meet with the reduced financial means.

The organisation had to reduce staffing levels in order to make **efficiency savings**. In general, total indirect costs (or overhead costs), which consist of management, administration and costs of raising income, have seen a decline from 419,482 in 2012 to 298,478 in 2013 (a decrease of almost 30%).

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At the end of 2013 the Management Team and AFEW's board transformed *AFEW* to a new organizational structure. The new structure will lead to more responsiveness to local contexts and increased flexibility to react on local trends and events. The new structure is also a response to donor requirements limiting overhead costs.

Fundraising

The global financial crisis continues and leads to further cuts in aid budgets. The Global Fund to fight against AIDS, TB and Malaria has made money available via its Transitional Funding Mechanism, but it is in the process of decision making on whether to continue its funding in the coming years.

Less external donors are interested in financing activities for Russia and the other countries of the former Soviet Union. Civil Society feels the biggest pain of the withdrawal of international funders.

Russia has accepted its law on being registered as 'foreign agent' when receiving money from external donors for human rights activities. A similar law has been proposed in Kyrgyzstan and will be proposed in Ukraine. Kyrgyzstan parliament has rejected this law. These laws have implications for fundraising, however thus far it has not affected AFEW.

Overall, *AFEW* could not achieve the budget set in the Strategic Plan for 2013 (€2,6 million actual income versus €3,5 million income planned). For 2014-2015, the income part of the budget at this moment is based on Bridging the Gaps, the multicounty project financed by the Ministry of Foreign Affairs of the Netherlands. Accordingly, annual income around €2 million is budgeted for 2014-2015. However, during 2014-2015 AFEW plans to receive additional funding, and in the end to achieve financial goal of 3,5 million. More details on budget 2014 are presented in the Forecast 2014 paragraph below.

During 2013, AFEW signed new contracts in the total amount of €845,972, which is substantially less than in 2012. The new contracts were signed mostly for project activities in 2013. Still, there was no sufficient funding available for the organizational development, which negatively affected the achievement of all organizational objectives set in the Strategic plan.

Funding Setbacks

In 2013, AFEW continued its relations and signed new contracts with donors such as Global Fund, Open Society Foundation, Project Hope and USAID. The amounts of money of those contracts were significantly reduced when compared to earlier contracts. New proposals to EU, UNDEF, UNIFEM and Dutch Postcode Lottery were rejected, as competition is very high.

AFEW is implementing activities in the framework of The Global Fund to fight AIDS, TB and Malaria in Kyrgyzstan, Tajikistan, and Russia. AFEW office in Kyrgyzstan was the principal Sub-Recipient for the HIV grant and is collaborating with UNDP to execute the activities. Donor and Principal Recipient requirements for reporting are very high, which increased the workload of the Financial Department. In Russia it took quite some effort to get involved in the implementation of the Transitional Funding Mechanism for continuing

Globus. The budget, however, was very much reduced, administrative costs are hardly covered. This led to a deficit for 2013. For AFEW, it is getting more difficult to find funds for activities in Kazakhstan. With almost no international or local financial support for civil society, there were no opportunities to apply for funding. AFEW Kazakhstan will put all its efforts in finding new resources for projects. In Moldova, AFEW finished its projects in 2012. No funds were found in 2013. The representative branch in Chisinau is in the process of closing. An AFEW Moldova NGO is registered, but not yet functioning.

Fundraising Strategy for 2014 and Beyond

AFEW is joining other Dutch HIV/AIDS and sexual and reproductive health organisations in advocacy efforts to have sexual and reproductive health and rights and HIV/AIDS on the political agenda. Joint letters were sent to Minister of Foreign Affairs and Minister of Trade and Development Cooperation. The Dutch Ministry of Foreign Affairs takes harm reduction and the increasing HIV and TB burden in EECA seriously. The harm reduction platform to which Dutch drugs and drugs-policy organisations are participating is revived. This harm reduction and drugs policy platform discusses strategies for lobby and advocacy at upcoming events. Lobby for extra funds will continue in 2014.

AFEW as member of the Bridging the Gaps Alliance will advocate for continuation of this project after 2015. A letter of the Minister of Trade and Development Cooperation opened perspectives for a continuation of the Key Populations Fund – the fund that is financing the Bridging the Gaps project.

AFEW is also joining EECA NGO's and networks in the lobby for more financial support with UNAIDS and Global Fund.

We are diversifying our funding sources by engaging with new trends in the HIV epidemic in EECA. We continue with applications for funds allocated specifically for women's and youth projects. Gender-based and youth-specific projects are urgently required, as we see a rise in the proportion of cases affecting females and adolescents.

In 2013 AFEW continued looking for funding opportunities to expand its e-learning and to develop apps and sms-services to reach target groups.

Our organisation has started to offer consultancy and training to companies. AFEW will continue approaching companies and organisations and offer its expertise.

Risk Categories

Strategy

AFEW is working along its strategy plan 2011 – 2013. In 2013, a new strategic plan was developed. 'Focus on Key Populations and Public Health Concerns' is the title of the Strategic Plan 2014 – 2016. With AFEW's new structure we have adapted our mission:



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Mission of AFEW

AIDS Foundation East-West is an international network of civil society organisations that is dedicated to improving the health of key populations¹.

With a focus on Eastern Europe and Central Asia, AIDS Foundation East-West strives to promote health and increase access to prevention, treatment and care for public health concerns such as HIV, TB, viral hepatitis, and sexual and reproductive health and rights.

We seek to do this by:

- Advocating for human rights for key populations and protecting their rights to health.
- Decreasing the stigma of HIV/AIDS by providing information to community leaders and creating a supportive environment.
- Utilising innovative strategies to promote healthy behaviours.
- Engaging communities in developing participatory approaches.

Vision

The vision of AFEW is a world where all people, regardless of their role in society, habits or their HIV status, have access to healthcare and other services that give them the opportunity to achieve their full potential.

Our mission contains four strategic elements (advocacy, decreasing stigma and discrimination, innovative strategies for promoting healthy behaviours, and engaging communities and government) that can be translated into three strategic objectives:

- ☐ Advocate for protection of the right to health;
- ☐ Increase access to services and reduce stigma and discrimination;
- ☐ Build the capacity of communities, NGOs and government organisations (GOs)

AFEW, as one of the few international NGOs working in Eastern Europe and Central Asia, has built up extensive expertise and knowledge about the region, its healthcare structure and

¹ Key populations are disproportionately affected by public health concerns as HIV, tuberculosis and viral hepatitis when compared with the general population and they are key to the response. AIDS Foundation East-West works for and with people who are using drugs, prisoners, sex workers, men who have sex with men, youth and women.

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its needs. AFEW has better reflected its work for different groups of key populations and in different areas (not just HIV and/or harm reduction) in its mission and strategic objectives.

AFEW will use the coming 2 years for consolidating the network.

Operational risks

AFEW restructured its organisation and has become a network with 6 members, locally registered NGOs, and an international secretariat in the Netherlands. This restructuring is in line with the policy of the Dutch Ministry of Foreign Affairs, one of *AFEW*'s big donors; the capacity of the local staff is strengthened allowing them to work independently. The new structure will make local organisations eligible to compete for national HIV programme funds."

The new organisational structure will retain *AFEW*'s highest standards of transparency and accountability by carrying out regular internal and external audits and each network member having a local board of trustees. Lastly, *AFEW* Network will continue providing good governance to secure success in project implementation.

The number of directors at the international secretariat office in Amsterdam remained 2. The executive director is combining her tasks as general manager with the tasks of programme development. The finance department reduced its percent fte as well. The staff is dealing with a high volume of work. With its current number of staff *AFEW* is just able to administer, implement and develop new programmes. *AFEW* kept its reduced capacity for communication activities (0,5 fte), and has still no resources for development of staff. On the long run this will hamper *AFEW*'s visibility and capacity.

AFEW could not make budget free for a monitoring and evaluation (M&E) specialist based in the International Office this year. *AFEW* has M&E officers in the regional offices to secure evaluation of the local projects. Bridging the gaps: health and rights for Key Populations in Ukraine, Georgia, Tajikistan and Kyrgyzstan project budget gives room for overall M&E for the activities in the 4 countries.

By integrating budgets for communication into projects *AFEW* tries to overcome lack of communication capacity. By including visits to conferences into projects budgets *AFEW* gives staff in this way an opportunity to gain knowledge.

AFEW shares staff with Mainline, a Dutch Harm Reduction organisation. A joint programme officer is contracted for the implementation of Bridging the Gaps: health and rights of key populations.

Financial Reporting and Financial risks

AFEW is staying in close contact with donors regarding financial items, including reporting and budget changes. Financial risks which took place in 2013 and may have place in future work are described below.

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- 1) Rejection by the donor to accept some expenses as justifiable. AFEW staff is always striving to follow to the donor procedures and avoid situation when inapplicable expenses take place. In case some expenses are not accepted by donor, AFEW can cover costs from its contingency reserve.
- 2) Many donors have a rule to put on hold final tranche until verification of the final report. As a rule, final tranche amount is not bigger than 7% of the grant. However, approval of the final report can take some time. As a result, AFEW has to prepay some expenses from its own money. AFEW communicates this issue to donors and tries to receive payments from donors on-time.
- 3) Exchange rates differences between *AFEW* internal financial system Axapta and some donors fixed exchange rates may lead to some *AFEW* gain/losses, which is difficult to predict. Amount of the gain or loss is not material.

Legislation

In each country of its operation, *AFEW* works according to the local legislation. Legislations in the countries where *AFEW* works might change; new laws regarding the status of (inter)national NGO's or the content of work (*AFEW* has projects for controversial themes like harm reduction and prison health) might occur. *AFEW*'s local offices are aware of changes in law and know how to respond.

Regulations

AFEW has a set of internal policies and procedures which are followed by all offices. Internal audits, executed once a year in one office, check the understanding and interpretation of *AFEW*'s regulations, and reveal hick-ups. *AFEW* is reviewing its internal regulations constantly and is revising them when needed.

With limited staff capacity, only financial, human resource administration and legal issues were evaluated during last years' internal audits.



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Financial Results for 2013

AFEW closed the financial year 2013 with an expected and budgeted negative result. Based on the Board's decision, the negative result of 2013 has been covered and split between different AFEW reserves and a Special purpose fund. A more detailed analysis of income and expenditures are provided below.

Exchange Rates

Since 2009, AFEW has used the Euro as its internal management currency within the Axapta financial system. Thus, the 2013 financial statements are shown in Euros.

AFEW has reported to donors using an average exchange rate for the year, except in cases where donors have requested a special exchange rate.

Income

The total income available for core objectives in AFEW's twelfth operational year was €2,647,675, which represents 30% decline compared to 2012 (€1,126,757). The decline was foreseen with the overall funding decrease in the last few years on HIV/AIDS prevention, treatment, care and support activities. This is an expected result in a period where, due to the financial crisis and shifting donor priorities, funding opportunities for organisations like AFEW are diminishing.

Expenditure

Expenditures in 2013 were bigger than income, totalling €2,771,251. It was 32% lower (€1,275,644) than the expenditure in 2012.

Fundraising

In 2013, AFEW maintained relationships with major international governmental and non-governmental donors and signed new contracts in the total amount of €845,972. All new contracts were granted for a short period of time (one year or less) which makes difficult to implement programs and ensure continuation in the future. The total amount of contract subsidies signed to date is around €74 million.

During 2013, there were several contracts reversals, due to different reasons, in the total amount of €441,711. The biggest contract reversals were for project *Promoting accessibility and quality of prevention, treatment, detection and care services for HIV among the most vulnerable populations in the Kyrgyz Republic*, funded by United Nations Development Programme (UNDP) and for project 'USAID Dialogue on HIV and TB Project' funded by Population Services International (PSI). Among the reduced amount there were two contracts reversal in the total amount of €63,826 due to projects handover from AFEW international secretariat to local independent AFEW NGOs in Russia and Ukraine.

Information about subsidies received and contract reversals in 2013 are presented in the following table, together with information about all open contracts.

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AFEW signs grants with donors in different currencies, mostly in Euro or US dollars. During 2013 more grants were signed and money received in local currencies. In the table below the grant amounts are presented in the currencies of the contract, to reflect the actual contract information.

Open contracts subsidies signed (Contract currency)

Donor	Signed in operational year	Contract currency	Reference #	Amount	Mutations 2013	Year 2010	Year 2011	Year 2012	Year 2013	TOTAL SPENT
Grants from International Foundations / Non-governmental Organizations (NGOs):										
International HIV/AIDS Alliance	2013	EUR	SGA BUZA/AFEW/1	23.406					23.406	23.406
Soros Foundation Kyrgyzstan	2012	USD	FSK Grant Number 11102	49.632	(3.264)			1.226	45.142	46.368
OSF Soros (Renaissance) Foundation Ukraine	2012	UAH	Contract 46865 dd 19-7-2012	320.002				89.278	230.724	320.002
Project HOPE Kyrgyzstan	2012	KGS	PH/TB/2012/006/P	16.053.240	(875.220)			15.054.609	123.410.56	15.178.020
Non-Profit Partnership "ESVERO"	2012	EUR	Grant Contract 2011/282-807	60.230	(3.186)			25.792	31.252	57.044
Soros Foundation Kazakhstan	2012	TEN	agreement # 21777	2.238.000					2.238.000	2.238.000
Focus Media	5 2013	USD	1FM-2013 dd 1-8-2013	11.639					11.639	11.639
OSF Soros (Renaissance) Foundation Ukraine	2013	UAH	Contract 48360 dd 22-11-2013	320.000	(304.186)				15.814	15.814
Project HOPE Kyrgyzstan	2013	KGS	PH/TB/2013/001/S dd 2-1-2013	6.678.245	(1.128.364)				5.549.881	5.549.881
European AIDS Treatment Group	2013	RUR	2013-RU-002	80.000					80.000	80.000
Grants from Businesses:										
Eureko Achmea Foundation	2012	EUR	2011.150	100.000				20.562	79.438	100.000
Viv Healthcare	2012	EUR	Letter from 20-12-2-11	71.684	(6.227)			56.812	8.845	65.457
MAC Estee Lauder	2013	RUR	contract 1 dd 20-1-2013	1.550.000					1.550.000	1.550.000
Grants from Joint Activities:										
Open Health Institute (OHI)	1 2012	USD	BFM	57.548	(6.566)			50.983		50.983
Population Services International (PSI)	2 2010	USD	3472-Afew-01 Feb 2010	1.534.823	(183.396)	357.065	433.252	536.399	24.711	1.351.427
KITEU	2012	EUR	contr # C-005/2012 KIT proj # 2100447.01	80.138	(18.968)			61.049	121	61.170
Open Health Institute (OHI)	1 2013	USD	TFM	135.777					135.777	135.777
Subsidies from Governments:										
The Netherlands Ministry of Foreign Affairs (MATRA)	2009	EUR	DZO 0110896	682.260	(26.593)	126.160	196.984	332.523		655.667
IP UCIMP RSS	2010	USD	H/SR/004_F2	398.403	(29.067)	112.091	200.548	57.475	(779)	369.335
European Commission	2011	EUR	Contract 242-779	270.000	(12.090)		89.421	117.199	51.290	257.910
European Commission MATRA	2012	EUR	DCI-ASIE/2011/278-433	200.000				98.314	101.686	200.000
The Netherlands Ministry of Foreign Affairs (Key Population Fund)	2011	UAH	UA/11/44	265.420			5.827	164.577	95.016	265.420
Republic AIDS Center, Kazakhstan	3 2011	EUR	23176 from 15 August 2011	6.112.271			3.024	867.300	1.242.150	2.112.474
The Netherlands Embassy in Moscow, Russia	1 2013	TEN	69-2013 dd 12-3-2013	1.295.000	(449.950)				845.050	845.050
	2013	RUR	MRF 01/13 dd 24-5-2013	2.036.310	(1.651.792)				374.518	374.518
Subsidies from International Organizations:										
United Nations Development Programme (UNDP)	1 2012	EUR	Agreement dd 6-8-2010	238.874	(1.870)			106.781	130.224	237.005
United Nations Development Programme (UNDP)	1 2012	USD	00079839; GFATM	1.541.938	472.407			1.239.121	775.223	2.014.344
UNAIDS	2013	USD	2013/305500	10.627					10.627	10.627

Notes to the Table:

- 1) The program is implemented under the financial support of the Global Fund to Fight AIDS, Tuberculosis and Malaria
- 2) The program is implemented under the financial support of the United States Agency for International Development (USAID)
- 3) The program is implemented in a partnership with Key Populations Alliance
- 4) Contract reversal due to restructuring and the project handover to the local independent NGO of AFEW Network
- 5) The program is implemented under the financial support of the UNDEF

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Fundraising Expenditure

In 2013, *AFEW* updated its definition of income and costs related to its own fundraising in line with the RJ650 guidelines for annual reporting by fundraising institutions and changes in *AFEW* policy in 2013. More details about our reclassification of costs related to our own fundraising are given under 'Costs of Raising Income'.

Over the last three operational years, 6% of *AFEW*'s income that was generated by its own fundraising was spent on further fundraising activities.

Management and Administration Costs

AFEW's indirect (or overhead) costs cover the costs involved in raising income and management and administration (M&A). *AFEW*'s own guidelines stipulate that total indirect costs should not exceed 15% of the organisation's total expenditures. Total indirect costs in 2013 amounted to €298,478, which represented 11% of the organisation's total expenditure for the year.

AFEW has no core funding to cover its indirect costs. Therefore, *AFEW* depends on its donors allowing a proportion of their project grants to be devoted to these indirect expenses, which maintain the organisation's infrastructure. In 2013, less money was allocated for these indirect costs. Minimum management and administration has to be kept in the organization to ensure proper program implementation, control and reporting on a sufficient level. Even with 30% reduction in Management and administration costs in 2013, year-end result is negative since management and administration costs were not covered by donors in full. For more information, see 'Management and Administration Costs'

Starting from 2014, a balanced budget is planned. With the finalization of the new structure in 2013, when branches of *AFEW* became independent local NGOs, no deficit is expected in 2014.

Although *AFEW* sets an internal standard that M&A costs can be as much as 10% of total expenditure, it strives to keep these costs well below this standard. Actual management and administration costs in 2013 amounted to €224,347, which represented 8% of the organisation's total expenditure in 2013.

AFEW has brought its approach to and definitions of M&A costs into line with RJ650 guidelines. As a result, a separate heading for M&A was added to the profit and loss statement. RJ650 guidelines allow fundraising institutions the freedom to determine which costs will be allocated to M&A, as long as a consistent method is used. Each fundraising institution is obliged to create its own guidelines for determining these expenses. For this purpose, *AFEW* uses the VFI Recommended Application of Guideline RJ650 for Cost Management and Administration.

Detailed explanations and breakdowns of administration costs are provided under 'Management and Administration Costs'.

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Budget Deviation Analysis

Income

The total income available for *AFEW* activities in 2013 was €2,647,675, which is 13% less than the latest budgeted of €3,042,000. Realized income is less than expected due to several contracts modification and some activities of the project Bridging the Gaps: Health and Rights of Key Populations being rescheduled for 2014.

Expenditure

Accordingly, lower amount of expenditures took place during 2013. A total amount of €2,771,251 was spent in the 2013 operational year, which is 12% less than the budgeted amount of €3,178,000. Expenditure refers to money spent on core programme objectives, the costs of raising income and management and administration costs.

Reserves and Funds

Freely Disposable Capital

Freely disposable capital is what is referred to as a continuity reserve. In this area, *AFEW* complies with the guidelines for equity policy and equity reporting of the Dutch Association of Fundraising Organisations (VFI), which were adopted by the Central Bureau of Fundraising (CBF) in 2008.

Annex 13 ('Reserves and Investment Policy') to the CBF's 'Objectives and Tasks' document explains how organisations should deal with their financial reserves. The holding or building of reserves is allowed in certain cases:

- As an assigned fund or reserve and where a third-party donation is made for a specified goal in the future;
- As a continuity reserve for managing short-term risks. In this case, it should not exceed 1.5 times the yearly cost of the organisation;
- In order to finance assets for projects implemented by the organisation, or to implement a specific objective;
- As a reserve that will provide a source of income. Such a reserve is allowed when the income is necessary for the realisation of longer-term goals, under the condition that the destination is pre-determined and the principal is known.

The main priority in building and managing reserves and funds should be to maintain the value of the organisation's mission and goals, as well as the transparent management of funds. The organisation is responsible for ensuring clarity and transparency in complying with these regulations.

The purpose of the continuity reserve is to ensure that the organisation can continue operating should it experience a sudden drop in its funding, to ensure the sustainability of long-term programmes, to provide pre-financing for some activities, and to conduct exploratory

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missions in new countries. The *AFEW* Board set a long-term target of achieving a continuity reserve that is sufficient to cover a six-month period of operational costs.

It is becoming increasingly difficult to find funding that will allow *AFEW* to continue to operate with the capacity of previous years. With further funding challenges expected in future, in 2010 the *AFEW* Board decided to set aside Restructuring Reserve from the continuity reserve, to cover the costs of possible organisational restructuring. During 2013, the amount of €10,000 was spent from the Restructuring Reserve and €19,189 was added to the Restructuring reserve. At the end of 2013, the Restructuring reserve totalled €150,100 to cover further possible costs of downsizing of the international secretariat (Dutch *AFEW*).

With the end of several regional projects in Central Asia in 2013 and overall planned restructuring of *AFEW*, Kazakhstan office ceased having its regional office hub function by the middle of 2013. With no big project funding available in Kazakhstan during second half of 2013, downsizing of the Kazakh office and reduction of staff took place during 2013.

To ensure proper downsize and restructuring of the Central Asia offices, in 2012 the Board decided to set aside €45,000 to cover required by legislation severance payments costs. During 2013, Kazakh office managed to sign several small contracts what helped to cover some costs of the office in second half of 2013. As a result, only €31,681 was spent from the €45,000 CAR restructuring reserve in 2013.

With the support from *AFEW* international secretariat, independent NGO *AFEW* Kazakhstan is actively seeking for a new funding. There is a big chance that the organization will receive USAID funding from April 2014, which is why it is important to keep minimum office staff in *AFEW* Kazakhstan until April 2013. With this, the *AFEW* Board decided to extend the period of using CAR restructuring reserve for the beginning of 2014.

As a result of movements among reserves, at the end of 2013 the continuity reserve of *AFEW* was reduced to €12,258. The size of the reserve is quite low and well below the standards laid down by the Central Bureau for Fundraising. Normally, it is *AFEW*'s policy to increase the continuity reserve to the desired level by means of positive balances on the income and expenditure statement.

Financial year 2013 was challenging for *AFEW*, but appropriate measures were implemented as planned by the Management Team. To respond to the changes in environment, the Board approved a new structure which became effective in autumn 2013. The new structure entailed local registration of *AFEW*'s country offices and closure the regional branches. *AFEW*'s offices became independent NGO's, with responsibilities to report to donors and look for funding by themselves.

With the reorganized structure, from 2014 *AFEW* plans to stop using continuity reserve. Forming bigger continuity reserve becomes a priority for 2014 and beyond, required for stable organization management and proper new programs development and implementation.

Investment Policy

To avoid financial risks that may harm the financial stability of the organisation, Stichting *AIDS Foundation East-West* does not invest freely disposable capital. According to *AFEW*

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policy, liquidity cannot be invested in equities or bonds. Major donors' contracts require us to keep granted subsidies in cash.

Forecasts for 2014

For 2014, the income part of the budget at the moment of preparing the financial statements is expected to be 25% lower of the actual result 2013, or €2 million. Income 2014 is mainly based on the project Bridging the Gaps: Health and Rights of Key Populations, funded by the Netherlands Ministry of Foreign Affairs. Still, the Management Team sees the possibility to achieve better results during 2014, by signing new contracts during the year. However, it is very hard to predict new funding. The budget 2014 of 3,5 million set in the Strategic plan could be achieved by the end of the year.

With finalization of the reorganization of AFEW, the year-end result 2014 is expected to be balanced.

Budget for the Financial Year 2014

(x 1€)

	Actual 2013 EUR	Budget 2013 * EUR	Budget 2014 EUR
INCOME			
Income from own fundraising	373.234	368.900	16.000
Income from joint activities	121.827	130.000	
Income from third parties activities	5.361	900	
Subsidies from governments	2.155.237	2.542.200	1.952.000
Other income	(7.984)		
TOTAL INCOME	2.647.675	3.042.000	1.968.000
Spent on objectives:			
Capacity Strengthening	1.721.290	1.912.894	871.017
Mass Media Campaigns	7.876	0	
Advocacy	649.440	885.272	869.237
Other (research, provision of product sets, milk formula, condoms and other materials)	94.167	105.440	15.923
Costs of raising income:			
Cost of own fundraising	11.406	11.720	9.924
Cost of Joint activities	17.939	17.939	16.549
Cost of third party activities	0	0	
Costs of obtaining governmental grants	44.787	40.123	28.725
Management and administration:			
Costs Management and administration	224.347	204.613	156.625
TOTAL EXPENDITURES	2.771.251	3.178.000	1.968.000
Balance of income and expenditure	(123.576)	(136.000)	(0)

* Latest revision April 2013

AFEW objectives, described in the Strategic plan, are translated into 4 programme objectives. In 2010, AFEW decided on a new classification for its core programme objectives for a better reflection of what the organisation does.



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Following reclassification, there are now four main programme objectives:

- Capacity Strengthening (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management),
- Mass Media Campaigns,
- Advocacy
- Other (research, provision of product sets, condoms, milk formula and other materials).

During 2013, *AFEW* spent 89% of its total expenditure on direct programme objectives, which is almost the same as in 2012 (90%).



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Balance Sheet

(As of 31st December 2013, after appropriation of the year-end surplus)

(x 1€)

		2013	2012
		EUR	EUR
Tangible fixed assets	1	0	0
Inventory		0	0
For immediate and full use in the context of the objective		0	175
Accounts receivable and deferred assets			
Donors	2	3.206.270	5.682.231
Other	3	207.302	14.044
		3.413.572	5.696.275
Cash and cash equivalents	4	840.290	1.067.142
TOTAL ASSETS		4.253.862	6.763.592
Reserves and Funds:			
Reserves	5		
Continuity reserve		12.258	90.650
Restructuring reserve		150.100	140.911
Restructuring reserve Central Asia		13.320	45.000
		175.678	276.561
Funds			
Special purpose funds	6	16.424	39.116
Long-term debts			
Subsidy commitments	7	1.999.896	3.500.415
Short-term debts			
Subsidy commitments	7	2.042.152	2.764.630
Other liabilities	8	19.711	182.869
		4.061.760	6.447.914
TOTAL LIABILITIES		4.253.862	6.763.592



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Statement of Income and Expenditure for 2013

(x 1€)

		Actual 2013		Budget 2013		Actual 2012	
		EUR	EUR	EUR	EUR	EUR	EUR
INCOME	10						
Income from own fundraising:	A						
- Grants from international Foundations / NGOs		221.871		238.400		434.541	
- Grants from Businesses		124.547		126.000		77.374	
- Other: Donations / Collections		26.816		4.500		6.567	
			373.234		368.900		518.482
Income from joint activities	B		121.827		130.000		441.810
Income from third parties activities	C		5.361		900		6.726
Subsidies from governments	D		2.155.237		2.542.200		2.792.522
Other income/ loss	E		(7.984)				14.891
TOTAL INCOME			2.647.675		3.042.000		3.774.432
EXPENDITURES	11						
Spent on objectives:	A						
Capacity Strengthening		1.721.290		1.912.894		2.836.631	
Mass Media Campaign		7.876				103.744	
Advocacy		649.440		885.272		432.198	
Other (research, provision of product sets, milk formula, condoms and other materials)		94.167		105.440		254.839	
			2.472.774		2.903.606		3.627.412
Costs of raising income:	B						
Cost of own fundraising		11.406		11.720		30.164	
Cost of Joint activities		17.939		17.939		22.258	
Cost of third party activities						0	
Costs of obtaining governmental grants		44.787		40.123		65.804	
			74.131		69.781		118.225
Management and administration:	C						
Costs Management and administration		224.347		204.613		301.257	
			224.347		204.613		301.257
TOTAL EXPENDITURES			2.771.251		3.178.000		4.046.895
Balance of income and expenditure			(123.576)		(136.000)		(272.463)
Allocation of Year-end result:							
Continuity reserve			(78.392)		(52.000)		(230.556)
Continuation reserve Russia 2012							(105.000)
Restructuring reserve, additions			19.189				32.661
Restructuring reserve, expenditures			(10.000)				
Restructuring reserve Central Asia			(31.681)		(45.000)		45.000
Special purpose funds, additions			5.361				6.727
Special purpose funds, expenditures			(28.053)		(39.000)		(21.294)
Total allocation of Year-end result			(123.576)		(136.000)		(272.463)

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Spending ratio

Costs directly spent on Objectives in 2013 were 15% less than the budgeted amount due to several contracts modifications (reversals) during 2013 and rescheduling several programme activities to 2014.

Total actual costs of raising income and Management and administration costs in 2013 were 9% above the budgeted amount (€298,478 actual versus €274,395 budgeted). €10,000 from actually spent was severance payment paid to International office staff. Percentage of deviation stays in line with generally accepted 10-15% deviation.

As a result, actual spending ratios slightly deviate from the budgeted percentages:

Spending ratio	Actual 2013 %	Budget 2013 %	Actual 2012 %
Spent on objectives	89%	91%	90%
Costs of raising income	3%	2%	3%
Management and administration	8%	6%	7%
Total Expenditures	100%	100%	100%

Cash Flow Statement

(x 1€)

	2013 EUR	2012 EUR
Year-end Result	(123.576)	(272.463)
Depreciation on tangible fixed assets		
Changes in Inventory	175	(95)
Changes in working capital		
- Donor receivables	2.475.961	970.276
- Other current assets	(193.258)	(10.118)
- Subsidy commitments	(2.222.996)	(849.514)
- Other current liabilities	(163.158)	(22.986)
Net operating cash flow	(226.852)	(184.900)
Net cash flow from investment activities	-	-
Cash provided by financing activities	-	-
Change to cash and cash equivalents	(226.852)	(184.900)
Opening Cash balance	1.067.142	1.252.042
Closing Cash balance	840.290	1.067.142



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Notes to the 2013 Financial Statements

General

The 2013 Financial Statements have been prepared in accordance with Guideline RJ650 for Fundraising Organisations (revised in 2008).

Reporting Period

The statements are based on a reporting period of one year. The fiscal year coincides with the calendar year.

About the Organisation

The 2013 Financial Statements provide a financial overview of *Stichting AIDS Foundation East-West (AFEW)*. The organisation was founded on 4th January 2001 in the Netherlands, registration city Amsterdam, and during 2013 conducted operations in the Russian Federation, Ukraine, Kazakhstan, Kyrgyzstan and Tajikistan via registered representative offices. *AFEW* does not have country offices in Georgia, Malaysia and Indonesia but, in 2013, implemented a project in each country in collaboration with local partners. These projects are managed from *AFEW*'s Ukrainian office (Georgia) and International office (Malaysia and Indonesia).

In Ukraine, *AFEW* is registered as an International Charitable Foundation in accordance with Ukrainian legislation, and implements its activities in the country through a separate legal entity. The founder organisation is *Stichting AIDS Foundation East-West* (the Netherlands). During 2013 according to the restructuring plan, the management body of the Ukraine Charitable Foundation was changed from the Board members and Management Team of the *Stichting AIDS Foundation East-West* (the Netherlands), aiming to become legally independent organization and step out of the *Stichting AIDS Foundation East-West* control. Since *AFEW*'s management body oversaw the operations of the Ukrainian foundation during most of 2013, its financial position, income and expenditures were included in the 2013 annual reports of *Stichting AIDS Foundation East-West* (the Netherlands). From 2014, the foundation is considered to be fully independent body; accounting has changed accordingly.

At the end of December 2008, a separate Russian not-for-profit entity, the AIDS Foundation East-West Fund, was registered in Russia in order to allow us to obtain funding from Russian and international donors. The founder organisation is *Stichting AIDS Foundation East-West* (the Netherlands). During 2013, following the restructuring plan, the statutory documents of the Russian entity have been changed, so the foundation became independent body. Since *AFEW*'s management body oversaw the operations of the Russian foundation for most of 2013, its financial position, income and expenditures were included in the 2013 annual reports of *Stichting AIDS Foundation East-West* (the Netherlands). From 2014 the foundation is considered to be fully independent body; accounting has changed accordingly.

Reporting Directive for Fundraising Institutions

AFEW maintains its accounting records in accordance with the legislative requirements of the countries in which it operates.


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This report has been drawn up in accordance with the 2008 guidelines for fundraising institutions (RJ650) as published by the Dutch Council for Annual Reporting. These guidelines provide the public with clear criteria for assessing fundraising cost ratios, expenditure of funds and whether these funds have been spent on the goals for which they were intended. The following financial statements have been prepared from the accounting records of *AFEW* and in accordance with the organisation's accounting policies.

Principles for the Valuation of Assets, Liabilities and Financial Results

General

The principles applied in evaluating assets and liabilities and determining financial results are based on the historical cost. Unless otherwise stated, monetary assets and liabilities are shown at nominal value. Revenues and expenses are matched to the period in which they occurred (according to the matching principle).

Principles for the Translation of Foreign Currencies

The currency used throughout this report is the Euro (€).

Transactions denoted in foreign currencies are converted using the prevailing exchange rate on the date of the transaction. Monetary assets and liabilities denoted in foreign currencies are translated into the functional currency based on the prevailing exchange rate at the time of compiling the balance sheet date.

Non-monetary assets and liabilities denoted in foreign currencies and recorded at historical cost are translated into Euros against the exchange rates prevailing on the date of the transaction. The gains and losses that occurred as a result of currency exchanges are shown in the income statement.

AFEW reports to donors using an average exchange rate for the year, except in cases where donors have requested reports using special exchange rates.

Principles for the Valuation of Assets and Liabilities

Tangible Fixed Assets

Tangible fixed assets are valued at actual cost (acquisition cost or cost of manufacture). Depreciation is calculated according to the straight-line method, on the basis of useful life.

The rates of depreciation are:

- Motor vehicles: 25%
- Computer equipment, office equipment, furniture, fixtures and fittings: 33%

Fixed assets that are deployed immediately for core objectives are fully depreciated, as long as the assets have an expected life that is less than or equal to project duration.

Fixed assets with a life exceeding project duration are depreciated according to the principles for tangible fixed assets.

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Inventory

Items on the inventory are valued at purchase price. If applicable, a provision for unmarketable stocks will be deducted from the value of the stocks.

The inventory lists the materials that *AFEW* owns temporarily (prevention tools for target groups, office supplies, synergies, published materials and brochures).

Accounts Receivable

Accounts receivable are stated at nominal value less a bad debt provision.

Cash in Banks and Cash In Hand

Cash kept in banks and cash in hand are stated at nominal value.

Reserves

In accordance with a decision by the *AFEW* Board, a continuity reserve has been created. The continuity reserve is intended to ensure continuity of operations should the organisation experience a temporary drop in income.

Special Purpose Reserve

The special purpose reserve is an operational asset made up of capital invested in tangible fixed assets which are employed for general operations.

Funds

Special purpose funds are resources provided for fixed purposes as specified by a third party.

Long-Term Debts and Current Liabilities

The long-term debts and current liabilities are stated at nominal value.

Direct Donations

Direct donations are recognised on a cash basis.

Compliance with WNT - Wet normering bezoldiging topfunctionarissen (semi)publieke sector

For the implementation of the law remuneration of executives in the (semi) public sector ('Wet normering bezoldiging topfunctionarissen in de (semi) publieke sector; WNT'), *AFEW* has complied with the application policy WNT.

Financial Instruments

Financial instruments include receivables, cash, long-term debt and short-term debt. Financial instruments are recognized initially at fair value plus directly attributable transaction costs. After initial recognition, financial instruments are measured at amortized cost. If there are no premiums or discounts and directly attributable transaction costs are amortized cost equal to the nominal value. On receivables, a provision deemed necessary was made for doubtful debts.



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Subsidies

AFEW receives special purpose (contracted) subsidies for both institutional and project activities. The amounts received from institutional donors are granted for the purpose of organisational development. The amounts received from project donors are granted for specific projects and must be spent within the scope of these projects.

The full receivable amount over the full lifetime of the contract and the resultant commitment is recorded in the *AFEW* accounts on the contract date. These subsidies are recognised in the statement of income and expenditure in proportion to the progress of the project, based on actual expenditures.

Costs

Costs listed in this report include expenditure related to fulfilling the organisation's core objectives, raising income and management and administration. In 2010, *AFEW* decided on new classifications for its core programme objectives, so that they reflect better what the organisation does.

Following reclassification, there are now four main objectives:

- Capacity Strengthening (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management),
- Mass Media Campaigns,
- Advocacy
- Other (research, provision of product sets, infant milk formula, condoms and other materials).

Costs are allocated on the basis of the following criteria:

- **Directly attributable costs** are those directly allocated to programme activities;
- **Indirectly attributable costs** are costs associated with raising income and management and administration. Further specification of direct and indirect costs is presented below, under **Notes to the Income Statement**, 'Costs of Raising Income' and 'Management and Administration Costs'.



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Notes to the Financial Statements

Notes to the Balance Sheet

1. Tangible Fixed Assets

Changes to tangible fixed assets are shown below:

(x 1€)

	Motor vehicles EUR	Computer equipment EUR	Office equipment EUR	Furniture EUR	Total 2013 EUR	Total 2012
Investments						
Historical Costs as at 1 January 2013	15.517	-	-	-	15.517	15.517
Investments					-	
Disinvestments	(15.517)				(15.517)	-
Historical Costs as at 31 December 2013	-	-	-	-	-	15.517
Depreciation						
Depreciation as at 1 January 2013	(15.517)	-	-	-	(15.517)	(15.517)
Depreciation					-	
Disinvestments	15.517	-	-	-	15.517	-
Depreciation as at 31 December 2013	-	-	-	-	-	(15.517)
Net book value as at 31 December 2013	-	-	-	-	-	-

In 2013, assets used directly on fulfilling programme objectives were fully depreciated as long as they had an expected life less than or equal to the project duration.

Assets that have a life exceeding the project duration are depreciated according to the principles for tangible fixed assets.



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2. Main Accounts Receivable (x 1€)

	2013 EUR	2012 EUR
Balance as at 01 January	5.682.231	6.652.507
Granted during the Year	845.972	3.304.891
Contract reversals during the Year	(441.712)	(459.914)
Received during the Year (incl. refunds to donors)	(2.869.002)	(3.845.353)
Exchange rate difference and revaluation	(11.219)	30.101
Balance as at 31 December	3.206.270	5.682.231

As of 31st December 2013, short-term donor receivables amounted to €1,581,192 and long-term receivables totalled €1,625,078.

By the end of 2012, donor receivables were 45% less compared to donor receivables at the end of 2012. This is a reflection of the decrease in funding for AFEW's programs. Given that multiple-year contracts with donors are signed at irregular intervals, donor receivables may vary significantly from year to year.

Differences in exchange rates are due to the use of different exchange rates to convert donor receivables balance sheet accounts from the contract currency to Euros. During 2013, the Euro fluctuated in value against the US Dollar and other currencies, which led to differences in the exchange rates and revaluation.

3. Other Accounts Receivable (x 1€)

	2013 EUR	2012 EUR
Advances to suppliers	-	5.747
Settlements with Employees	-	646
Other receivables	39.844	7.651
Advances paid to AFEW independent local foundations	167.458	
	<hr/>	<hr/>
	207.302	14.044

Other receivables consist of advances paid to suppliers and some other receivables. With implementation of restructuring 2013, closure of AFEW branches and moving of project activities to AFEW local foundations, AFEW international secretariat changed accounting accordingly. AFEW local foundations are successors of AFEW branches and assumed activities of AFEW projects. AFEW international secretariat prepays advances to AFEW local foundations. AFEW local foundations report on expenses to AFEW international secretariat on a quarterly basis.

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4. Liquid Assets

(x 1€)

	EUR	EUR
Current accounts	30.938	723.707
Deposit account	809.012	328.984
Petty cash	340	14.451
Total	<u>840.290</u>	<u>1.067.142</u>

By the end of the year, most liquid assets were kept in Euros (€813,674 or 96,8% of the total liquid assets). 2,9% or equivalent of €24,338 was kept in US dollars.

Liquid assets are not restricted for use by any obligations and are freely accessible.

5. Reserves

AFEW builds its own reserve in accordance with CBF guidelines. The Board set a long-term target of a continuity reserve that would cover a six-month period of operational costs. Operational costs include: salaries of administrative (non-project) staff and costs related to office rental and maintenance of international and regional offices.

The purpose of the continuity reserve is to ensure that the organisation can continue operating should it experience a sudden drop in its funding, to ensure the sustainability of long-term programmes, to provide pre-financing for some activities, and to conduct exploratory missions in new countries. Any changes in the continuity reserve are stated in the annual report and financial statements.

It is becoming increasingly difficult to find funding that will allow *AFEW* to continue to operate with the capacity of previous years. With further funding challenges expected in future, in 2010 the *AFEW* Board decided to set aside Restructuring Reserve from the continuity reserve, to cover the costs of possible organisational restructuring. During 2013, the amount of €10,000 was spent from the Restructuring Reserve and €19,189 was added to the Restructuring reserve. At the end of 2013, the Restructuring reserve totalled €150,100 to cover further possible costs of downsizing of the international office (*AFEW* Netherlands).

With the end of several regional projects in Central Asia in 2013 and overall planned restructuring of *AFEW*, Kazakhstan office ceased having its regional office hub function by the middle of 2013. With no big project funding available in Kazakhstan during second half of 2013, downsizing of the Kazakh office and reduction of staff took place during 2013.

To ensure proper downsize and restructuring of the Central Asia offices, in 2012 the Board decided to set aside €45,000 to cover required by legislation severance payments costs. During 2013, Kazakh office managed to sign several small contracts what helped to cover some costs of the office in second half of 2013. As a result, only €31,681 was spent from €45,000 CAR restructuring reserve in 2013.



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With the support from AFEW international secretariat, independent NGO AFEW Kazakhstan is actively seeking for a new funding. There is a big chance that the organization will receive USAID funding from April 2014, this is why it is important to keep minimum office staff in AFEW Kazakhstan until April 2013. With this in mind, the AFEW Board decided to extend period of using Central Asia restructuring reserve for the beginning of 2014.

As a result of movements among reserves, at the end of 2013 the continuity reserve of AFEW was reduced to €12,258. The size of the reserve is quite low and well below the standards laid down by the Central Bureau for Fundraising. Normally, it is AFEW's policy to increase the continuity reserve to the desired level by means of positive balances on the income and expenditure statement.

Financial year 2013 was challenging for AFEW, but appropriate measures were implemented as planned by the Management Team. To respond to the changes in environment, the Board approved a new structure which became effective in autumn 2013. The new structure entailed local registration of AFEW's country offices and closure the regional branches. AFEW's offices became independent NGO's, with responsibilities to report to donors and look for funding by themselves.

With the reorganized structure, from 2014, AFEW plans to stop using continuity reserve. Forming bigger continuity reserve becomes a priority for 2014 and beyond, required for stable organization management and proper development and implementation for new programs.

Reserves (x 1€)

	Continuity reserve	Restructuring reserve	Restructuring reserve Central Asia	Total
As at 31 December 2012	90.650	140.911	45.000	276.561
Result appropriation 2013	(78.392)	9.189	(31.681)	(100.884)
As at 31 December 2013	12.258	150.100	13.320	175.678

6. Funds (x 1€)

	Special purpose Fund AIDS-Fondet, Denmark EUR
Balance on 1 January 2013	39.116
Mutations:	
Additions, funding received during 2013	5.361
Expenditures made during 2013	(28.053)
Balance on 31 December 2013	16.424



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The special purpose fund is based on a grant made in earlier years and during 2013 by AIDS-Fondet Denmark. These funds are allocated to supporting the Drop-in Centre for Street Children in Kyiv, Ukraine. During 2013, €28,053 was spent from the special purpose fund for street children activities in Ukraine. €5,361 new funding received from AIDS-Fondet Denmark fundraising activities 2013.

Main Liabilities

7. Subsidy Commitments (x 1€)

	2013 EUR	2012 EUR
Balance as at 01 January	6.265.045	7.114.559
Granted subsidies during the Year	845.967	3.304.891
Reversed during the Year	(441.712)	(459.914)
Spent during the Year	(2.623.481)	(3.746.247)
Exchange rate difference and revaluation	(3.770)	51.756
Balance as at 31 December	4.042.049	6.265.045

As of 31st December 2013 there was a balance of €4,042,049 in subsidy commitments, among which short-term commitments amounted to €2,042,153 and long-term commitments amounted to €1,999,896.

8. Other Liabilities (x 1€)

	2013 EUR	2012 EUR
Accounts payable, incl. salaries and accrued payroll taxes	8.829	135.688
Audit costs	10.882	47.182
	19.711	182.869

Other liabilities include salaries, payroll taxes, accrued audit costs and other accounts payable.



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Off-balance-sheet Obligations

Multiple Year Financial Obligations

Long-term, unconditional obligations have been entered into for the lease of the Amsterdam international secretariat office. The new lease agreement has been signed from 1st of January 2011 and has an expiration date of 31st December 2015. The lease agreement includes office rental, office maintenance costs (utility, cleaning costs, insurance, security, municipal taxes), some office supplies and ICT support.

The final amount depends on the number of people working in the office and number of square meters occupied. Currently, 3 *AFEW* staff work in the office and occupies 14 sq. meter office space and a lobby (excluding shared areas). Annual costs foreseen under the lease agreement for 2014 and beyond amount to €21,624 per year.

The lease agreement may be terminated by *AFEW* with no penalties any time before the expiration date, by giving landlord 6 months written notice.



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Notes to the Income Statement

10. Income

A. Income from AFEW's own Fundraising Activities

(x 1€)

	Realized 2013 EUR	Budgeted 2013 EUR	Realized 2012 EUR
Income from own fundraising:			
- Grants from international Foundations / NGOs	221.871	238.400	434.541
- Grants from Businesses	124.547	126.000	77.374
- Other: Donations / Collections	26.816	4.500	6.567
Total	373.234	368.900	518.482

AFEW makes grant applications directly to international foundations, NGOs and businesses. These are classified as income from own fundraising. In 2013, this fundraising generated:

€88,691 from "Project HOPE in Kyrgyzstan" for Distribution and monitoring of food parcels under the program "Short-term course of anti-tuberculosis therapy under the direct control (DOTS) in Kyrgyzstan by assuring Access to tuberculosis diagnostics and treatment resistant to medicines";

€33,912 from Soros Foundation Kyrgyzstan for "Institutionalization of activities on training police officers on HIV/AIDS issues and harm reduction" project;

€31,252 from Esvero (with financial support from European Commission) for Prevention among Vulnerable Groups: front Quality Enhancing to Better Advocacy and Integration project, run in Russia

€23,406 from International HIV/AIDS Alliance for Community Action for Harm Reduction programme in Indonesia and Malaysia;

€23,124 from OSF Soros (Renessainse) Foundation Ukraine for finalization of the project 'Improvement of education of law enforcement bodies personnel on social prevention and compliance of civil rights of populations, vulnerable to HIV project' and start of the project "Incorporating the issues of HIV prevention and human rights of the vulnerable groups in the system of training for law enforcement officers";

€11,133 from Soros Foundation Kazakhstan for Development of Manuals for local NGOs on capacity building;

€8,508 from Focus Media for organizing a study tour in framework of "Strengthening Networking of Non-Governmental Organizations Representing HIV-Positive Women in Belarus, Russian Federation and Ukraine" project supported by UNDEF;

€1,845 from European AIDS Treatment Group for the project "Raising Awareness and Knowledge on Treatment and Prophylaxis HIV, HCV and TB Among IDUs in Moscow and Moscow Region".

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The income received from international foundations and NGOs significantly decreased compared to 2012 with the overall funding reduction (almost 30% less), and was in line with the budgeted amount.

Volume of funds from businesses increased significantly compared to 2012, but stays low in AFEW's portfolio. It is not easy to get businesses interested in the target groups that AFEW reaches with its activities (people using drugs, prison inmates, sex workers). During 2013, AFEW recognized income from next three business companies:

€79,438 from Eureka Achmea for Young Female Sex Workers in Ukraine project;

€36,464 from Estee Lauder Companies for "Increasing access to electronic education as a response to HIV/AIDS epidemics in Russian Federation" project;

€8,645 from ViiV Healthcare U.K. for pilot funding for development of an effective model of preventive education and promotion of healthy life style among young inmates in the Republic of Kazakhstan.

Opportunities for corporate fundraising are on the Executive Director and Regional Directors' agendas. Substantial efforts were put in place in the last years to increase involvement of business in funding HIV/AIDS prevention, treatment, care and support programs.

AFEW does not attempt to raise funds from the general public, partly because of the reasons outlined above and partly because of the substantial financial resources needed to establish a brand in a very saturated market.

Other Donations / Collections of €26,816 represent the amounts received for AFEW activities from companies and individuals. The amount includes income from the office car sale in Kazakhstan (€18,307)

B. Income from Joint Activities

(x 1€)

	Realized 2013 EUR	Budgeted 2013 EUR	Realized 2012 EUR
Income from joint activities:	121.827	130.000	441.810

In 2013, income from joint activities included projects that AFEW applies for in partnership with other organisations. This income was generated by two projects:

€102,424 was received from the Open Health Institute for implementation of Transitional Funding Mechanism (TFM), funded by the Global Fund to Fight AIDS, Tuberculosis and Malaria, as a continuation of project 'Stimulating an Effective National Response to HIV/AIDS in the Russian Federation' activities of the Global Found "GLOBUS project on HIV/AIDS prevention programs among vulnerable groups of population" project run in 2004-2012. TFM project was implemented by AFEW in partnership with other GLOBUS consortium members.

€19,282 was received from Population Services International (PSI) for the 'USAID Dialogue on HIV and TB Project' that was launched in Central Asia in the beginning of 2010 and finished in January 2013. The project was funded by the United States Agency for International Development (USAID) with PSI as principal recipient.

Funding received for joint activities in 2013 was much smaller than compared to the previous year mostly due to an end of the 'USAID Dialogue on HIV and TB Project' funded by Population Services International (PSI).

C. Income from Third-Party Fundraising

(x 1€)

	Realized 2013 EUR	Budgeted 2013 EUR	Realized 2012 EUR
Income from third party efforts	5.361	900	6.726

In 2013, there was €5,361 income received from fundraising activities carried out by AIDS-Fondet Denmark, which was earmarked for the Drop-in Centre for Street Children in Kyiv, Ukraine. The donor provides irregular contributions to the project, which are dependent on its own fundraising. Income received in previous years and allocated to Special purpose Fund will continue being spent in 2014 and probably beyond.

There were no costs involved in securing income from third-party efforts in 2013, since this donor initiated contacts with AFEW.

D. Governmental Subsidies

(x 1€)

	Realized 2013 EUR	Budgeted 2013 EUR	Realized 2012 EUR
Income from Governments	2.155.237	2.542.200	2.792.522

Governmental subsidies came from the European Union and EECA countries, as well as from international organisations which are funded by national governments. AFEW continues to strengthen its relationships with governments and international organizations. Following to the overall funding decrease, income from governments was 23% lower than in 2012.

Government income was mainly drawn from the Netherlands Ministry of Foreign Affairs, which in 2013 contributed €1,259,686 (or almost half of total income received) and enabled the implementation of three programmes across the EECA region. Among these programmes is the biggest project in the AFEW portfolio, Bridging the Gaps: Health and Rights of Key Populations (€1,242,150 or 47% of total income received). Two other projects were funded by the Royal Dutch Embassy in Kiev, Ukraine (project "Improving the access for street children to friendly services using peer leaders from the community in Ukraine", €9,232) and

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by the Embassy of the Kingdom of the Netherlands in Moscow (project “Civic journalists on guard of human rights in Russian penal system”, €8,304).

Income received in subsidies from the European Commission for two programmes in the Central Asian republics amounted to €152,976: ‘Scaling-up HIV and TB services for most at risk populations in Kazakhstan’ and ‘Bridge: Social support of prisoners before and after release’, project in Kyrgyzstan.

€4,268 was given by Republican AIDS Center in Kazakhstan for the project “Increasing access to preventive treatment, provision of help and support to people living with HIV, especially to vulnerable populations in the civil and penitentiary sectors, through increasing and enhancing state, nongovernmental and private partnerships”.

In 2013, *AFEW* received €738,873 in income from international organization United Nations Development Programme (UNDP) and UNAIDS, among which €600,524 from UNDP for the project “Promoting accessibility and quality of prevention, treatment, detection and care services for HIV among the most vulnerable populations in the Kyrgyz Republic”, €130,224 from UNDP for project ‘Strengthening the Supportive Environment and Scaling-up Prevention, Treatment and Care to Contain the HIV Epidemic in the Republic of Tajikistan’ and €8,126 from UNAIDS for the project ‘Positive Environment’ in Kazakhstan.

E. Other income and loss

Exchange rate differences, income or loss from balance sheet accounts revaluation (for accounts kept in currencies other than euro), interest earned from bank accounts and other minor corrections are included in Other income / loss line of the Statement of Income and Expenditures. These items are usually not budgeted due to difficulty to predict and immateriality of the amounts.

	Realized 2013 EUR	Budgeted 2013 EUR	Realized 2012 EUR
Gain from exchange rate differences	12.195		14.719
Loss from other currencies revaluation	(28.454)		(7.681)
Interest earned at bank accounts	8.046		7.974
Other	229		(120)
Total	(7.984)	0	14.891



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11. Expenditures

Costs relate to fulfilment of programme organisational objectives (direct costs), cost of raising income and management and administration costs (indirect costs).

A. Expenditures on Programme Objectives

In 2010, *AFEW* decided on new classifications for its core programme objectives, to better reflect what the organisation does.

Following reclassification, there are now four main objectives:

- Capacity Strengthening (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management),
- Mass Media Campaigns,
- Advocacy,
- Other (research, provision of product sets, milk formula, condoms and other materials).

Expenditure on Programme Objectives

(x 1€)

	Realized 2013	Budgeted 2013	Realized 2012
Spent on objectives:			
Capacity Strengthening	1.721.290	1.912.894	2.836.631
Mass Media Campaigns	7.876	0	103.744
Advocacy	649.440	885.272	432.198
Other (research, provision of product sets, milk formula, condoms and other materials)	94.167	105.440	254.839
Total Direct costs	2.472.774	2.903.606	3.627.412

Capacity Strengthening

With overall donors' funding decrease for *AFEW* work, in 2013 total direct costs (spent on objectives) decreased compared to 2012 at more than 30%. Direct costs were 15% less than the budgeted amount due to modifications (reversals) in several contracts and rescheduling of several programme activities to 2014.

Mass Media Campaigns

Not many resources were spent on mass media campaigns in 2013; much less compared to 2012 with the end of MMC project funding in Moldova.

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Advocacy

With implementation of 'Bridging the Gaps: Health and Rights of Key Populations' project funded by the Dutch Ministry of Foreign Affairs which is implemented in 4 countries, substantially more money was spent on advocacy activities. Still, the actual expenses 2013 are lower than the budgeted due to some activities being rescheduled for 2014.

Other

Activity for supply of product sets funded by Project HOPE - DOTS (Directly Observed Treatment Short Course) through the Provision of Access to Diagnosing and Treatment of Drug-resistant Tuberculosis in Kyrgyzstan contributed to spending under 'Other' objective. Total actual expenses 2013 for this activity were slightly less than the budgeted amount due to modifications in contracts.

Usage Percentage

In the table below, the correlation between total expenditure on direct objectives and total income is shown as percentages.

Correlation between Expenditures and Income

(x 1€)

	Realized 2013	Budgeted 2013	Realized 2012
Total expenditures	2.771.251	3.178.000	4.046.895
Total income	2.647.675	3.042.000	3.774.432
Usage percentage	104,7%	104,5%	107,2%

AFEW's spending ratio in 2013 was 104.7%, which entailed a loss in the year-end results. In general, *AFEW* aims to match its income with expenses for each of its programmes.

B. Costs of Raising Income

The costs of raising income in 2013 related to *AFEW's* own fundraising, cost of joint activities and the costs of raising governmental grants.

Costs of *AFEW's* Own Fundraising

(x 1€)

	Realized 2013	Budgeted 2013	Realized 2012
Costs of own fundraising	11.406	11.720	30.164

These costs include payment to fundraising consultants (if any), part of the costs of the Executive Director's salary and wage taxes, and part of the expenses of the Communications Department. Due to the nature of the work and time spent on specific fundraising activities,

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10% of the Executive Director's salary and wages and 55% of the total costs of Communications Department were charged to fundraising in 2013.

The cost associated with *AFEW*'s own fundraising is in line with budget but smaller than actual result 2012, due to overall downsizing of international office and change nature of work of the Executive Director. Due to the restructuring 2013, delegating tasks to the independent NGO's regarding fund raising and due to reduced human capacity at the management level, less time was spent by the Executive Director on raising income.

Fundraising Costs by Percentage

The correlation between fundraising costs and total income is given as percentages for the previous years:

Correlation between Fundraising Costs and Income (x 1€)

	Realized 2013	Budgeted 2013	Realized 2012
Income own fundraising	373.234	368.900	518.482
Expenditures own fundraising	11.406	11.720	30.164
Cost percentage own fundraising	3%	3%	6%

In the last three operational years, on average 6% of *AFEW*'s income raised from its own fundraising was spent on fundraising expenses.

Costs of Joint Activities (x 1€)

	Realized 2013	Budgeted 2013	Realized 2012
Cost of joint activities	17.939	17.939	22.258

Costs involved in obtaining income from joint activities totaled €17,939, which includes part of the Executive Director's salary and wage taxes. Due to the nature of the work and time spent on exploring new partnerships, including participation in consortiums and coalitions, 20% of the Executive Director's salary and wage taxes were charged to the costs of joint activities.

Costs 2013 stays in line with the budget but decreased compared to actual result 2012.



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Costs of Raising Governmental Subsidies (x 1€)

	Realized 2013	Budgeted 2013	Realized 2012
Cost raising governmental subsidies	44.787	40.123	65.804

The cost of raising governmental grants includes 10% of the salary and wage taxes of the Executive Director, 20% of the costs of the International Office Finance Department, Human Resources, Facilities and Computer Technologies Units, and 10% of the expenses of the Communications.

Actual costs are slightly bigger than the budgeted amount and more than 30% less than actual result 2012.

C. Management and Administration Costs

Administration expenses are those expenses incurred in the management and administration of the organisation. They primarily relate to executive management, finance and human resource management, internal and external communications and the Board's travel expenses.

AFEW has brought its approach to and definitions of M&A costs into line with the new RJ650 guidelines. As a result, a separate heading for M&A was added to the profit and loss statement. The RJ650 guidelines allow fundraising institutions the freedom to determine which costs will be allocated to M&A, as long as a consistent method is used. Each fundraising institution is obliged to create its own guidelines for determining these expenses. For this purpose, *AFEW* uses the VFI Recommended Application of Guideline RJ650 for Cost Management and Administration.

For assessment of the 2013 results, the principle of management and administration costs allocation was slightly revised based on reality new organisational structure. Accordingly, the cost of *AFEW* Board meetings, executive management, 80% of the International Office Finance Department, Human Resources, Facilities and ICT units and 35% of the Communications and Advocacy Department's budget were allocated to M&A.

	Realized 2013	Budgeted 2013	Realized 2012
Costs Management and administration	224.347	204.613	301.257

Actual M&A costs 2013 were higher than the budget and 25% lower compared to the actual result 2012. The diminished M&A costs reflect overall downsizing of international office due to lack of funding.



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Expenditure Divisions

Specification and Division of Costs

(x 1€)

Destination	Objectives				Income obtaining expenses (Costs of raising income)					Management & administration	Total 2013	Budget 2013	Total 2012
Expenditures	Capacity Strengthening	Mass Media Campaigns	Advocacy	Other	Own fundraising	Joint activities	Third party activities	Grants from government	Investments		EUR	EUR	EUR
Subsidies and contributions (subgrants to third parties)	823.145	-	282.975	228	-	-	-	-	-	-	1.106.348	1.066.577	1.452.031
Outlays	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase and acquisitions:	356.432	672	134.346	56.278	578	-	-	664	-	6.931	555.902	941.491	999.933
Outsourced activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Public relations and Communication (incl. Media activities)	19.687	-	16.847	-	1.348	-	-	245	-	1.118	39.244	47.510	29.011
Staff costs:	422.128	5.152	171.783	29.336	9.154	17.939	-	35.206	-	178.353	869.050	864.380	1.274.897
Office rent	42.222	1.924	9.270	4.217	-	-	-	5.380	-	21.520	84.633	95.758	120.954
Office maintenance and supplies, incl. Depreciation	57.677	128	34.219	4.107	326	-	-	3.292	-	16.425	116.174	162.285	170.070
Total	1.721.290	7.876	649.440	94.167	11.406	17.939	-	44.787	-	224.347	2.771.251	3.178.000	4.046.895

* Purchase and acquisition includes travel, accommodation, consultancy, information material development, monitoring and evaluation, conference participation, training and support activities

Costs directly attributable to AFEW's four core objectives (programme activities) amounted to €2,472,774 (or 89% of the total expenditure for 2013). Directly attributable costs decreased by more than 30% compared to 2012 (from €3,627,412), due to reasons explained earlier.

Management and administration costs represented 8% of the total expenditure 2013, or €224,347. These costs decreased compared to 2012, in terms of amount (from €301,257 in 2012), but slightly increased as a percentage of total costs (from 7,4% in 2012 to 8% in 2013).

Total indirect costs, which include money spent on management and administration and fundraising, totalled €298,478 or 11% of total expenditure in 2013 (for comparison, in 2012 the figure was €419,482 or 10% of the total expenditure).

Breakdown of Staff Costs

(x 1€)

	Actual 2013	Budget 2013	Actual 2012
	EUR	EUR	EUR
Salaries	683.668		969.904
Social securities / taxes	168.557		233.018
Pension Plan	0		0
Others	16.145		71.912
Total Staff costs	868.371	864.380	1.274.834

The total amount spent on staff in 2013 decreased by more than 30% compared to 2012, due to restructuring 2013 and less people working with reduced % of time in the international secretariat, reduced staff in offices in Kazakhstan (no big projects during second half of

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2013), Kyrgyzstan (end of the biggest AFEW project funded by UNDP GF), and closure of the office in Moldova.

During the 2013 fiscal year, the average number of employees was 46 (in 2012 was 55).

Employees are located in the following offices (average over 2013):

- Russian Regional Office (in Moscow) - 6 employees (the same as in 2012), among which 2 staff members were on long-term parental leave. The most of staff worked part-time in the Russian office during 2013.
- Central Asia (Regional Office in Almaty, Kazakhstan and 2 country offices in Bishkek, Kyrgyzstan and Dushanbe, Tajikistan) - 28 employees (33 in 2012). In 2013, number of staff decreased in Almaty regional office by the middle of 2013, with the end of regional status of the office and absence of big projects. By the end of 2013 staff from all three representative offices moved to work to local independent NGOs AFEW. Accordingly, number of staff in AFEW branches was 0 in December 2013.
- Ukraine Regional Office in Kyiv and Moldova Country Office – 7 employees (10 in 2012). With closure of Moldova office and less projects in total, staff was reduced accordingly;
- International secretariat (headquarters in Amsterdam) – 5 employees (6 employees in 2012). The most of staff worked part-time in the international office.

Remuneration of the Supervisory Board

Board members do not receive remuneration for their activities in accordance with AFEW policy.

Remuneration of Directors

The Board delegates day-to-day supervision and management of the organisation to the Management Team, which in 2013 consisted of the Executive Director and the Director of Finance and Administration.

Directors' salaries are in line with the amount recommended by the VFI in their 'Adviesregeling Beloning Directeuren van Goede Doelen' ('Advice on Remuneration of Directors of Charities'). Directors' salaries are subject to the approval of the Board. Directors' salaries and the annual pay raise are subject to an annual review. In general, in previous years the annual pay raise was set in AFEW at 2-5% for staff of the International Office.

In 2013, the same as in 2010-2012, no pay raises were awarded to international office staff due to the limited availability of funds. Only staff who took on additional responsibilities during 2013 and whose job profiles were updated received approval for a salary raise. None of the directors received an end-of-year bonus ('Endejaarsuitkering'). AFEW does not provide pension fund payments for its directors and other staff.

AFEW complies with the WNT and that the remuneration of directors is the same as under application of WNT as no pension charge is included.

AFEW has applied the application policy WNT in the preparation of the financial statements. The WNT Adjustment Act, which is part of this framework, has not yet passed the Senate.



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which may lead to adjustments of the information provided under the application policy WNT.

In the context of implementation of the Adjustment Act WNT, the following data are made public for the following executives:

Name	J.J. van Dam	E. Agapova	1)
Position	Executive Director	Director of Finance and Administration	
Terms and Conditions			
Type of contract	indefinite	indefinite	
hours	39	39	
part-time percentage	91%	75%	
period	1/1-31/12	1/1-31/12	
Remuneration (EUR)			
Annual income, gross:			
salary	74.646	42.840	
holiday pay	6.561	3.580	
bonuses	-	-	
Total	81.207	46.420	
Other costs:			
Pension contribution	-	-	
Social security costs	-	-	
Secondary employment condition		5.000	
Total remuneration 2013	81.207	51.420	
Total remuneration 2012	93.382	54.931	2)

1) E. Agapova: 30% tax exemption ruling applies. 30% tax exemption ruling is granted by the Netherlands government to some foreign workers who meet special conditions. During 2013, E. Agapova received wage tax exemption in the total amount of €19,894.

2) Total remuneration 2012 included compensation for health insurance.

From 1 January 2013 compensation for health insurance was cancelled due to financial constraints.

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Other information

Appropriation of result

AFEW closed the financial year 2013 with an expected negative result of €123,576. Based on the Board's decision, negative result of 2013 has been covered and split between different AFEW reserves and Special purpose fund, as provided below.

During 2013, €78,392 was spent from the Continuity reserve. The amount of €10,000 was spent from the Restructuring Reserve and €19,189 was added to the Restructuring reserve. €31,681 was spent from Central Asia restructuring reserve in 2013. €28,053 was spent from the Special Purpose fund for street children activities in Ukraine. €5,361 were added to the Special purpose fund for street children activities in Ukraine as new funding received from AIDS-Fondet Denmark fundraising activities 2013.

Signed by AFEW Board members and the Management Team on 14th of April 2014 in Amsterdam.

Board Members:

Frank de Wolf (Chairman)

James Nolan (Treasurer)

Leah Utyasheva (Board Member)

Elena Vovc (Board Member)

Guido van den Berk (Board Member)

Cate Hankins (Board member)

Management Team:

Anke van Dam (Executive Director)

Elena Agapova (Director of Finance & Administration)



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Review report

To: the Board of Stichting Aids Foundation East-West

Introduction

We have reviewed the financial statements of Stichting Aids Foundation East-West, Amsterdam, as at 31 December 2013. Management is responsible for the preparation of the financial statements in accordance with the Guideline for annual reporting 650 'Fundraising Institutes' of the Dutch Accounting Standards Board. Our responsibility is to issue a review report on these financial statements.

Scope

We conducted our review in accordance with Dutch law, including the Dutch Standard 2400 'Engagements to review financial statements'. This requires that we plan and perform the review to obtain moderate assurance about whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view of the financial position of Stichting Aids Foundation East-West as at 31 December 2013, and of its results for the year then ended in accordance with the Guideline for annual reporting 650 'Fundraising Institutes' of the Dutch Accounting Standards Board.

Amstelveen, 23 April 2014

KPMG Accountants N.V.

E. Breijer RA