



Stichting *AFEW International*

Report on the Financial Statements for 2017

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 *AFEW International* (*AFEW*) and in accordance with the organisation's accounting policies.



AFEW is 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.

A handwritten signature in blue ink, appearing to be a stylized 'R' or similar character.

Contacts

AFEW International (Amsterdam)

Executive Director
Anke van Dam
anke_van_dam@afew.nl

Director of Finance
Yuliya van Polanen
Yuliya_van_Polanen@afew.nl

Contents

Report of the Board	3
Financial Statements:	15
- Balance sheet	20
- Statement of income and expenditures	21
- Cash flow statement	22
- Notes to 2017 Financial Statements	23
Other information:	
- Independent auditor's report	42



Report of the Board

The members of the *AFEW* Board are pleased to present the organisation's 2017 financial statement.

Who We Are

Mission

AFEW is dedicated to improving the health of key populations in society. With a focus on Eastern Europe and Central Asia, *AFEW* strives to promote health and increase access to prevention, treatment and care for major public health concerns such as HIV, TB, viral hepatitis, and sexual and reproductive health.

We seek to do this by:

- Advocating for human rights for key populations and upholding their rights to health;
- Engaging communities in developing participatory approaches;
- Decreasing the stigma of HIV, AIDS, hepatitis and TB by providing information to community leaders and creating a supportive environment;
- Developing and supporting health services for key populations;
- Utilising innovative strategies to promote healthy behaviors

AFEW works in six countries in Eastern Europe and Central Asia – the only region in the world where HIV, TB and viral hepatitis epidemics are still growing - and where the rate of injecting drug use is the highest in the world. Equipped with an average of 75 devoted professionals, in 2017 *AFEW* Network ran a total of 22 projects in Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Ukraine.

Our Approaches

All the programmes in *AFEW*'s 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, TB, and viral hepatitis 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 EECA region, *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 epidemics, ***AFEW empowers key populations at higher risk*** with tailored, 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 and the Public Health Concerns we address

People who use Drugs. At the core of *AFEW's* effort to reduce the exceptionally high level of HIV transmission among people who inject drugs in EECA is the support for harm reduction and the set-up of national harm reduction and people who use drugs networks. These networks comprise training centres for professionals, needle exchange points, introduction of opiate substitution therapy and provision of less harmful alternatives to injecting drugs.

Prisoners. *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 Organization (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. Power and economic imbalances related to gender can increase the vulnerability of women. This vulnerability combined with stigma against women who use drugs 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 female ***sex workers*** aim to create non-discriminatory, non-judgmental and user-friendly medical and psycho-social services, including HIV prevention, counselling and testing services.

People living with HIV. Stigma and discrimination remain 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.

Adolescents at higher risk. *AFEW* develops informational materials, outreach programmes and peer training initiatives especially for young people living in high-risk circumstances. Activities for ***young girls that are involved in sex work*** focus on empowerment and making informed choices about their lives. Vocational training is offered for girls who want to find

alternatives in life. Activities for *young drugs users and young offenders* focus on information and education on healthy lifestyles, including information on HIV and drugs. Access to health services for young people who use drugs is hampered due to laws and regulations. With the help of the ombudsman in e.g. Ukraine *AFEW* addresses this access to services with policy makers and politicians.

Men who have sex with men (MSM). MSM are 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. *AFEW* is collaborating with local LesbianGayBisexualTransgender organizations in training of police officers, capacity building, reaching out and offering information and VCT to MSM.

Governmental and non-governmental organizations (national and international). 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 and TB prevention, treatment, care and support that is up-to-date and of good quality. For instance, *AFEW* trains police 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. *AFEW* is improving knowledge of Tuberculosis among staff of NGO's in Kazakhstan by developing training and information materials. *AFEW* joins a consortium of Dutch organizations that enhances integration of HIV and TB and strengthens collaboration between the public and non-public services.

Viral Hepatitis and hepatitis C specifically. *AFEW* recognizes the high prevalence of hepatitis C in the EECA region. The majority of people infected with hepatitis C are people who inject drugs. *AFEW* advocates for the development of national policy plans and for access to the most effective hepatitis C treatment.

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

Our achievements

Projects 2017

AFEW strengthens the capacity of professionals in the region through the adoption of effective methods of HIV prevention, treatment, care and support given the specific circumstances in their countries. *AFEW* sees its role as providing assistance in such a way that appropriate action is taken, with the objective of strengthening local capacity and ensuring that the final responsibility remains with those in the society itself.

AFEW is with the second phase of the multi-year multi-country project Bridging the Gaps: Health and Rights of Key Populations that has its activities in Georgia, Ukraine, Kyrgyzstan and Tajikistan. The project, which lasts from 2016 - 2020, is funded by the Netherlands Ministry of Foreign Affairs. In this second year *AFEW* presented the results of its regional part of this project during an 'Autumn School' for *AFEW Network* members and local partners. Results of 3 assessments were presented. We conducted an assessment on labor migration to get a better picture on the needs of labor migrants in general and people who use drugs that migrate for



work in specific. A second assessment was on harm reduction friendly rehabilitation. A mapping showed the current offer and quality of rehabilitation services, *AFEW* will introduce friendlier and more effective rehabilitation services. The third assessment is about the shrinking space of civil society in the EECA region. The environment for NGOs and CBOs to work and offer their services become more and more hostile and legally limited. *AFEW* will develop strategies to cope with the legal restrictions.

AFEW, as part of a consortium of HIVOS, PharmAccess and KNCV Tuberculosis Foundation (the latter in the lead), continued the project on the integration of HIV and TB in creating working synergies between public and non-public (NGO – and private service delivery) health services. This project is being implemented in Kazakhstan and will last for 5 years. Results so far are that the first NGO (Sanat Alemi) supporting TB patients was established in Kazakhstan, and a legal framework for private clinics to deliver TB services was established as well.

Since January 2017 *AFEW* has started the by Global Fund financed project, together with the Alliance for Public Health (Ukraine) in the lead, and licit (Switzerland), to establish a City Platform enhancing interventions for key populations at risk for HIV, TB and hepatitis C at municipal level. The project started in January 2017.

The Dutch Ministry of Foreign Affairs has asked *AFEW* to coordinate increased engagement of Eastern Europe and Central Asia in the lead up to the International AIDS Conference 2018 to be held in Amsterdam. The proposal was granted and activities started in summer 2016. ViiV granted 50.000 British Pound for the small grants fund for Community Based Research, an activity to ensure an increase of high quality abstracts to AIDS2018. In 2017 25 NGOs in 11 countries of the EECA region received a grant to implement research. A mentoring programme helps the NGOs with carrying out the research. *AFEW* also started the ‘Culture Initiative’, a cultural programme to start the dialogue about HIV and AIDS in the EECA region via ART. Several (private) donors support a scholarship fund to bring over community representatives to the conference in Amsterdam in 2018.

AFEW started collaboration with the Andrey Rylkov Foundation, an NGO in Russia to advocate for the rights of people who use drugs. During almost 2 years *AFEW* strengthens the capacity of outreach workers and offers financial means to do the outreach work in the Moscow region.

AFEW secretariat continues receiving small annual donations from AIDS-Fondet Denmark for the Drop-in Centre for Street Children project in Kyiv, Ukraine. The donor provides irregular contributions to the project, depending on its own fundraising.



Governance and Finance

Governance

AFEW International 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 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

New board members came on board. Mr Viken Darakjian came in January 2017, and replaced Ms Hankins.

As of 31 December 2017, the *AFEW* Board consisted of 6 members. There is one vacancy.

Jeffrey Lazarus (Chairman)
Udi Davidovich (Vice Chairman)
Dolf Kamermans (Treasurer)
Vladimir Mendeleovich (Board member)
Hernan Fuenzalida-Puelma (Board member)
Viken Darajian (Board member)

[Read their biographies: http://www.afew.org/about us](http://www.afew.org/about us)

Board Meetings in 2017

To set up ongoing communication, the chair Prof Lazarus and the Executive Director have bi-weekly contact. The board and *AFEW*'s management team have 3 teleconferences (once per quarter) and 1 face-to-face meeting, in addition to ad hoc meetings as needed and the creation of committees, as deemed relevant by the Board.

The bi-weekly calls focus on ongoing issues of management of the organisation and to discussing strategic decisions regarding proposals and projects.

In a teleconference in March 2017 the board approved the change of name and logo. AIDS Foundation East-West officially changed into *AFEW International*. We announced the new name and logo to our contacts and informed donors and other agencies/institutes with which we have contracts about the changes. After some adjustments (the board wanted to have a better insight in the input for activities) the annual work plan 2017 was accepted.

In the face-to-face meeting on 2 June 2017 the Annual Narrative and Financial Report 2016 were approved. A start was made to change the governance structure of *AFEW International*. It was

suggested to changing the current structure towards a two-tier system. The board is now officially responsible for everything, also the day-to-day activities. Instead, the board/governance structure should reflect what the board is actually doing. The two-tier system would meet all the legal requirements. There will be a supervisory board and a managing board/director who will be end responsible for daily management. This process will be finalized per 1 June 2018.

AFEW International developed a new Strategic Plan (2017 – 2019) which is approved during a teleconference meeting in September 2017.

The Board met via a teleconference in December 2017 to officially approve the work plan and the budget for 2018. In this meeting preparations for AIDS2018 and board's involvement were discussed

Steering Committee of *AFEW* Network

The Steering Committee, consisting of all directors of the members of *AFEW* Network with the executive director of *AFEW* International as chair, had 6 skype meetings and 2 face-to-face meeting in 2017. During the skype calls ongoing issues regarding projects, proposals and conferences were discussed. During the face-to-face meeting in March 2017 the Steering Committee discussed the objectives and approaches for building a stronger network. 3 fields of work were identified to strengthen the collaboration between the members of *AFEW* Network (advocacy, fund raising and linking&learning). An advocacy strategy and a fundraising strategy was developed. Plans for linking and learning were made and it was decided to develop and prepare for an 'Autumn School'.

The Autumn school took place in Kazakhstan in the third week of October 2017. All members of *AFEW* network and other local partners were invited to discuss the results of the three assessments (see above, Bridging the Gaps project). The Steering Committee met during that week and discussed and approved the advocacy and fundraising strategy. Furthermore, we started preparing joint activities for AIDS 2018.

Accountability

The Board is satisfied with the financial statements prepared by the Management Team for the year ending 31 December 2017 fairly reflecting the financial position and operations of *AFEW* International. The Annual Report 2017 provides a fair reflection of the programmes, activities and results achieved in 2017. All members of the Board accept responsibility for the Board's annual report and the financial statements prepared by the Management Team. The auditors, BDO, have approved these financial statements for publication.

Performance and Strategy

***AFEW* International strategic objectives:**

AFEW's strengths lie in its focus on key populations at higher risk of HIV, TB and viral hepatitis, particularly people who inject drugs, people in prisons and detention centres, sex workers, MSM and street children whether they are living with HIV or not. Within this area we stand out in our prison work. Therefore, particular attention will always be paid to the role of prisons in public health with respect to the concerns listed above.

Our focus on Eastern Europe and Central Asia and our experience in the region are unique because of the scope of countries and services in which we are involved. We will continue to commit to the region and expand within it where opportunities exist. *AFEW* is open to starting activities in countries beyond the region, it may occur in the framework of technical support in



programmes run by others and it may also be necessary to become less dependent on the dwindling funding opportunities for EECA.

Our mission contains four strategic elements (advocacy, stop stigma and discrimination, innovative strategies for promoting healthy behaviors, 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)

1. Advocacy for protection of the right to health

Advocacy is becoming an important tool to draw attention to key populations, HIV, AIDS, harm reduction, and other health-related concerns. To ensure funding, domestic resources, political attention and prioritisation, the need for advocacy has become stronger. The Executive Director is chair of AAE which allows her to advocate for engagement of civil society in EECA into Europe. Her term finished at the end of 2017.

2. Increase access to services and reduce stigma and discrimination

AFEW has introduced the Client Management model into Eastern Europe and Central Asia. This model focuses on the individual and simultaneously strengthens the healthcare system by building a network of services. Client Management has proven to increase the adherence to therapy, and to reduce recidivism of prisoners. We continue to develop and promote this approach in the region. *AFEW* ensures that good quality service delivery is linked with the advocacy agendas of stakeholders in the region. While advocating for increasing access and for quality of services; conditions, standards and availability of those services should be put in place.

Prison Health

AFEW is recognized for its expertise on prison health and working with prison authorities. We are continuing and expanding our leadership role in HIV, TB and viral hepatitis prevention and care in prisons where we promote essential elements like harm reduction, including needle exchange and substitution therapy. Transitional client management that prepares prisoners for release and ensures linkage to follow-up after release is a valuable variant of client management that meets many of the (ex) prisoners' needs, and will therefore be scaled up.

3. Build the capacity of local communities, NGOs and GOs

Civil society is a key stakeholder in the response to the HIV epidemic, tuberculosis and viral hepatitis. The health system and other governmental organisations need to have the necessary capacity to act as well. In bringing civil society and governmental actors together, *AFEW* contributes to building diverse and open partnerships. Capacity strengthening in a sustainable way continues to be our key activity for the region.

In some areas where our expertise transcends the regional experience, such as HIV in prison systems, technical assistance is given outside the geographical region of EECA.



Programme Development

In 2017, 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. The vulnerable populations such as people who use drugs, sex workers, men who have sex with men and prisoners are most at risk. *AFEW* will continue its focus on these groups.

In 2017 the *AFEW* Network continued implementing a substantial part of its budget for **prisoners**. Prison health can be considered as *AFEW's* core competence. The HIV-REACT project, funded by USAID, is implemented in Kazakhstan, Kyrgyzstan and Tajikistan and addresses the health of people who use drugs in- and outside of prison.

AFEW will continue its advocacy to include **TB** activities in HIV projects. In 2017 *AFEW* continued participating the consortium of KNCV, HIVOS and PharmAccess to enhance the integration of private service providers into Global Fund funded activities.

In 2017 *AFEW's* activities in the framework of '**Bridging the Gaps: health and rights of key populations**' continued with the second phase of the project. Part of this project is a regionally focused project, that allows to bring in organizations and people from other countries than the 4 included in the project. In 2019 we conducted assessments on the 3 themes for the regional project: Harm Reduction Friendly Rehabilitation Services, Labour Migrants and their access to health services, and the shrinking space for civil society. The second phase is from 2016 till 2020.

AFEW continued collaboration with the Andrey Rylkov Foundation, a Russian NGO advocating for the rights of people who use drugs. Through a grant *AFEW* offers capacity strengthening to outreach workers and offers financial means to do the outreach work.

Geographical Coverage

AFEW network has members in Kazakhstan, Kyrgyzstan, Tajikistan and Ukraine. *AFEW* international secretariat is based in Amsterdam, the Netherlands. *AFEW* Ukraine is implementing activities in Georgia. *AFEW International* started a collaboration with an NGO from Russia.

Communications with Stakeholders

AFEW International has developed a communication strategy to increase the visibility of the organisation. The AIDS2018 project is a good opportunity to increase attention and awareness for the EECA region, for the public health concerns and the key populations affected, and last but not least for *AFEW*. 'Contributing to a healthy future for Eastern Europe and Central-Asia' will be the core message. As a Dutch organisation that has benefited from core funding from the Dutch and EU tax-payers over the years, *AFEW* has **a responsibility to inform the 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, twitter, LinkedIn, 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, priority 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.

There were no changes in staff members or number of staff. The current overview of staff:

Executive Director 0.95 fte
Director of Finance 0.6 fte
Director of Programmes 0.95 fte
Project manager 0.92 fte
Communication officer 0.8 fte
Office manager and project officer 0.8 fte

Fundraising

As reflected in the sustainable development goals, HIV has a lower priority on international and national political agendas than previously. Less funding is available for activities related to HIV. The Global Fund to fight against AIDS, TB and Malaria is withdrawing from middle-income countries, of which some are in Eastern Europe and Central-Asia. Domestic funding for HIV and harm reduction is very, very limited.

Fewer external donors are interested in financing activities for Russia and the other countries of the former Soviet Union. Civil society is experiencing the biggest impact of the withdrawal of international funders.

In 2013 Russia passed a law on NGOs being registered as a 'foreign agent' when receiving money from external donors for human rights activities. This law is now affecting the work of *AFEW* Russia. *AFEW* Russia wants to become detached from the *AFEW* Network and sent a request to that effect in December 2015. *AFEW* continued discussing possible solutions with *AFEW* Russia and agreed that *AFEW* Russia may implement its current project, funded by the Mac AIDS Foundation. When this project finishes, in 2017, *AFEW* Russia will start with the procedures to stop working.

For 2017, current budget revenues are based on the Bridging the Gaps multicounty project financed by the Ministry of Foreign affairs of the Netherlands, the project led by KNCV for Kazakhstan, AIDS2018, and the 'beyond resistance' project in Russia.

Due to our activities for AIDS2018 we managed to receive funds from private and corporate funds.



Accordingly, annual income around €2,2 million is budgeted for 2018. More details on the 2018 budget are presented in the Forecast 2018 paragraph below.

In 2017, *AFEW* Network continued its relations with donors and signed new contracts with Global Fund, Gilead, UNODC, ViiV, Project Hope and USAID. New proposals to EU, and UNIFEM were rejected.

Fundraising Strategy for 2018 and Beyond

AFEW is joining other Dutch HIV and sexual and reproductive health organisations in advocacy efforts to have sexual and reproductive health and rights and HIV on the political agenda.

AFEW is joining the EECA NGOs and networks (*AFEW* joined the EU Civil Society Forum on drugs, and *AFEW* is a member of the Civil Society Forum on HIV/AIDS) to lobby for more financial support from the Global Fund.

The executive director was in her last year of chair of AIDS Action Europe, a European network of HIV/AIDS organisations that is advocating for an effective response to the HIV epidemic in Europe and Central Asia. This position as chair allows the executive director to strengthen the East-West relationship in Europe and to ensure a focus on Eastern Europe and Central-Asia.

We are diversifying our funding sources by addressing 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 women and adolescents.

AIDS2018, the International AIDS Conference to be held in Amsterdam will have a focus on Europe and specifically Eastern Europe and Central-Asia. *AFEW* is asked to coordinate the engagement of the region with the conference. This will give *AFEW* an opportunity to raise awareness on the concerns of the region and to highlight successes and challenges. It also gives *AFEW* the opportunity to demonstrate its work and achievements.

Risk Categories

Strategy

AFEW has developed a new strategic plan (2017 – 2019) that started in 2017, 'Focus on Key Populations and Public Health Concerns'.

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.

¹ Key populations are disproportionately affected by public health concerns such 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.

We seek to do this by:

- Advocating for human rights for key populations and protecting their rights to health.
- Decreasing the stigma of HIV 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.

As one of the few international NGOs working in Eastern Europe and Central Asia *AFEW* has built up extensive expertise and knowledge about the region, its health care structure and its needs. *AFEW* reflects 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.

Operational risks

In 2013 *AFEW* restructured its organisation and has become a network of 6 members, locally registered NGOs, and an international secretariat in the Netherlands.

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

The executive director is combining her tasks as general manager with the tasks for lobby and advocacy. The director of Programmes together with the project manager for AIDS2018. oversees developments and trends in the EECA region. *AFEW* keeps its capacity for communication activities (0,8 fte) The finance department , HR department and operational processes within *AFEW* is headed by director of Finance, for 0.6 fte.

AFEW network has M&E capacity with members securing evaluation of local projects. Bridging the gapsII: health and rights for Key Populations in Ukraine, Georgia, Tajikistan and Kyrgyzstan project budget covers overall M&E for the activities in the 4 countries.

By integrating budgets for communication into projects *AFEW* covers the activities in communication. By including visits to conferences into project budgets *AFEW* gives staff an opportunity to gain knowledge.



Due to a relatively small team in Amsterdam, *AFEW* Board backs up and supports in case of incidents.

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 2017 and may play a role in future work are described below.

- 1) Rejection by donors of some expenses as not justifiable. *AFEW* staff are always striving to follow donor procedures and to avoid situations in which inapplicable expenses are claimed. 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 the final tranche of funding until verification of the final report. As a rule, the 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 in a timely manner.
- 3) Exchange rate differences between the *AFEW* internal financial system and some donors fixed exchange rates may lead to some *AFEW* gain/losses that are difficult to predict. Amount of the gain or loss is not material.
- 4) *AFEW* leads its activities with EECA countries and has partners in 6 countries with emerging markets. Due to unstable situation within economic condition within these countries, it can bring some financial risks for *AFEW*, such as bank bankruptcy or poor bank liquidity. To minimize such risks, *AFEW* makes investigation of potential banks, preferably on following criteria: - using government bank; - commercial banks with connection to European Bank Group; - reputation of bank etc.

Legislation

In each country of its operation, *AFEW* members work according to the local legislation. Legislation in the countries where *AFEW* works might change. New laws regarding the status of (inter)national NGOs or the content of work (*AFEW* has projects on controversial themes such as harm reduction and prison health) might occur. *AFEW* Network members are aware of changes in the law and know how to respond.

Regulations

AFEW Network has a set of internal policies and procedures that are followed by all members. Internal audits, executed once a year in each office, check the understanding and interpretation of *AFEW*'s regulations, and reveal any concerns. *AFEW* is reviewing its internal regulations constantly and is revising them when needed.

Financial Results for 2017

AFEW closed the financial year 2017 with a positive result. Based on the Board's decision, the amount of 11,651 EUR from 2017 has been added to *AFEW* reserves. More detailed analysis of income and expenditures is provided below.

Exchange Rates

Since 2009, *AFEW* has used the Euro as its internal management currency within the internal financial system (Exact online). *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 16th operational year was €2,287,228, which represents 49% increase compared to 2016 (€1,539,028).

Description of income of *AFEW* network is presented in the Annual Report 2017.

Expenditure

Expenditures in 2017 were lower than income, totalling €2,275,577. This was 49% lower than the expenditure in 2016 (€1,530,774).

Fundraising

All contracts were granted for a long period of time (more than one year) and short period of time (one year or less). The total amount of contract subsidies signed to date is around €82 million.

During 2017 *AFEW* was leading the "Bridging the Gaps II" project (the 2nd year of project), the AIDS2018 (the 2nd year of project), participating in the KNCV-led project 'Create Synergy between public and non-public service providers', continued with activities in Russia and started with the Cities HIV/TB regional project.

Information about subsidies received and contract reversals in 2017 are presented in the following table, together with information about all open contracts.

AFEW signs grants with donors in different currencies, mostly in Euro or US dollars. During 2017 all grants were signed and money received in EUR and USD. 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	Contact duration (till)	Amount in contract currency	Year 2017	Total spent	Balance as per 31.12.2017
BTG II	Subsidies from Governments: The Netherlands Ministry of Foreign Affairs (Key Population Fund)	2016	EUR	2020	6,769,295	1,345,421	1,345,421	4,293,779
AIDS Conference 2018	The Netherlands Ministry of Foreign Affairs	2016	EUR	Oct-18	1,384,500	460,000	451,162	611,021
	Joined Activities							
KNCV DGIS	KNCV	2016	EUR	2019	716,781	222,794	222,794	-
City Platform	Alliance	2016	USD	2019	176,248	74,000	52,000	22,000
Donor	Anonymous Donor	2017	USD	May-18	250,000	167,000	155,485	11,515
ViiV AIDS2018	ViiV	2017	GBP	2017	50,000	50,000	50,000	-

Fundraising Expenditure

In 2017, *AFEW* updated its definition of revenue 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 2016. More details about our reclassification of costs related to our own fundraising is given under 'Costs of Raising Income'.

Over the last operational year, 3% 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 10% of the organisation's total expenditures. Total indirect costs in 2017 amounted to €182,046, which represented 8% 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 2017, year-end result is positive since management and administration costs were covered by donors in full. For more information, see 'Management and Administration Costs'.

Starting from 2017 a balanced budget was planned. With implementation of the new structure in 2013 when branches of *AFEW* became independent local NGOs and finalisation of restructuring in the *AFEW* international secretariat office, no deficit is expected in 2018.

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.

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'.

Budget Deviation Analysis

Income

The total income available for *AFEW* activities in 2017 was €2,287,228,, which is 3% higher than the latest budgeted amount of €2,223,000. Realized income is higher than expected due to several contract modifications and rescheduling of the activities of the projects: 'Bridging the Gaps II: Health and Rights of Key Populations' and AIDS2018 and implementation of training due to Cities HIV/TB regional Project.

Expenditure

Accordingly, higher amount of expenditures took place during 2017. A total amount of €2,275,577 was spent in the 2017 operational year, which is 5% higher than the budgeted amount of €1,173,000. 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 ANBI 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 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 as it has now. 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.

As a result of movements among reserves, at the end of 2017 the continuity reserve of *AFEW* was increased to €141,945. 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.

Investment Policy

To avoid financial risks that may harm the financial stability of the organisation, *AFEW International* does not invest freely disposable capital. According to *AFEW* policy, liquidity cannot be invested in equities or bonds. Major donors' contracts require us to keep granted subsidies in cash.

Forecasts for 2018

For 2018, the income part of the budget at the moment of preparing the financial statements is expected to be €2.4 million. Income in 2018 is mainly based on the project Bridging the Gaps II: Health and Rights of Key Populations, funded by the Netherlands Ministry of Foreign Affairs, the TB project and the Cities project.



Budget for the financial year 2018

(x1€)

	Actual 2017 EUR	Budget 2017 EUR	Budget 2018 EUR
INCOME			
Income from own fundraising			
Income from joint activities	233,868	222,794	248,978
Income from third parties activities			
Subsidies from governments	1,988,151	1,804,921	2,116,600
Other income	65,209	195,285	69,422
TOTAL INCOME	2,287,228	2,223,000	2,435,000
Spent on objectives:			
Capacity Strengthening	1,567,403	1,502,170	1,660,681
Mass Media Campaigns			
Advocacy	391,851	375,542	415,170
Research/ Assessments	52,153		55,257
Costs of raising income:			
Cost of own fundraising	15,246	14,716	16,154
Cost of Joint activities			
Cost of third party activities			
Costs of obtaining governmental grants	53,021	51,129	56,176
Management and administration:			
Costs Management and administration	182,046	227,674	192,880
Human Resource Development	13,857		14,682
TOTAL EXPENDITURES	2,275,577	2,173,000	2,411,000
Balance of income and expenditure	11,651	50,000	24,000

AFEW objectives, described in the Strategic plan, are translated into 3 programme objectives. In 2010, *AFEW* decided on a new classification for its core programme objectives for a better reflection of what the organisation does.

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

FOR IDENTIFICATION PURPOSES ONLY
BDO Audit & Assurance B.V.
Date: 14 May 2018

Initials:

Balance Sheet

(As of 31st December 2017, after appropriation of the year-end surplus)

		2017		2016	
		EUR	EUR	EUR	EUR
Tangible fixed assets	1	5,039		2,576	
			5,039		2,576
Inventory					
For immediate and full use in the context of the objective			0		0
Accounts receivable and deferred assets					
Donors	2	4,508,951		6,164,227	
Other	3	317,192		130,578	
			4,826,143		6,294,805
Cash and cash equivalents	4		847,164		1,211,001
<hr/>					
TOTAL ASSETS			5,678,345		7,508,382
<hr/>					
Reserves and Funds:					
Reserves	5				
Continuity reserve		141,945		49,968	
Restructuring reserve		0		80,327	
Restructuring reserve Central Asia		0		0	
			141,945		130,295
Funds					
Special purpose funds	6		6,227		20,276
Long-term debts					
Subsidy commitments	7	1,100,635		2,207,454	
Short-term debts					
Subsidy commitments	7	4,336,246		5,069,406	
Other liabilities	8	93,293		80,951	
			5,530,174		7,357,811
<hr/>					
TOTAL LIABILITIES			5,678,345		7,508,382
<hr/>					

Statement of Income and Expenditure for 2017

(x1€)

		Actual 2017		Budget 2017		Actual 2016	
		EUR	EUR	EUR	EUR	EUR	EUR
INCOME	10						
Income from own fundraising:	A						
- Grants from international Foundations / NGOs		58,616				63,353	
- Grants from Businesses		0				0	
- Other: Donations / Collections		14,468		0		4,359	
			73,084				67,712
Income from joint activities	B		233,868		222,794		172,667
Subsidies from governments	D		1,988,151		2,000,206		1,295,093
Other income/ loss	E		(7,875)		0		3,556
TOTAL INCOME			2,287,228		2,223,000		1,539,028
EXPENDITURES	11						
Spent on objectives:	A						
Capacity Strengthening		1,567,403		1,502,170		1,069,676	
Advocacy		391,851		375,542		267,419	
Research /Assessments		52,153		0		-	
			2,011,406		1,877,712		1,337,095
Costs of raising income:	B						
Cost of own fundraising		15,246		14,716		10,200	
Costs of obtaining governmental grants		53,021		52,898		35,720	
			68,267		67,614		45,920
Management and administration:	C						
Costs Management and administration		182,046		227,674		147,759	
Human Resource Development		13,857					
			195,903		227,674		147,759
TOTAL EXPENDITURES			2,275,577		2,173,000		1,530,774
Balance of income and expenditure			11,651		50,000		8,254
Allocation of Year-end result:							
Continuity reserve			11,651		50,000		8,254
Continuation reserve Russia 2012							
Restructuring reserve, additions			-				-
Restructuring reserve, expenditures							
Restructuring reserve Central Asia							
Special purpose funds, additions							
Special purpose funds, expenditures							
Total allocation of Year-end result			11,651		50,000		8,254



Cash Flow Statement

(x1€)

	2017 EUR	2016 EUR
Year-end Result	11,651	8,254
Depreciation on tangible fixed assets		
Changes in Inventory	-	-
Changes in working capital	(14,049)	(6)
- Donor receivables	1,655,276	2,382,745
- Other current assets	(17,184)	220,923
- Subsidy commitments	(2,061,161)	(81,386)
- Other current liabilities	61,168	44,085
Net operating cash flow	(364,299)	2,574,616
Net cash flow from investment activities	-	-
Cash provided by financing activities	-	-
Effect of exchange rate changes	-	
Change to cash and cash equivalents	(364,299)	2,574,616
Opening Cash balance	1,211,463	147,924
Closing Cash balance	847,164	2,722,539



Notes to the 2017 Financial Statements

General

The 2017 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 2017 Financial Statements provide a financial overview of *Stichting AFEW International*. The organisation was founded on 4th January 2001 in the Netherlands, registration city Amsterdam, and during 2017 conducted operations in the Russian Federation, Ukraine, Kazakhstan, Kyrgyzstan and Tajikistan via registered representative offices. *AFEW* does not have country offices in Georgia, but in 2017 implemented a project in this country in collaboration with local partners. These projects are managed from *AFEW*'s Ukrainian office (Georgia).

Reporting Directive for Fundraising Institutions

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

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:

- 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.

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 priority populations, 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 (WNT)

For the implementation of the law on 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 will equal to the nominal value.

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 better reflect what the organisation does.

Following reclassification, there are now three main objectives:

- Capacity strengthening (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management),
- Advocacy
- Other (research, provision of sets for safe injection, 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'.

Notes to the Financial Statements

Notes to the Balance Sheet

1. Tangible Fixed Assets

Changes to tangible fixed assets are shown below:

(x 1€)

	Computer equipment EUR	Office equipment EUR	Furniture EUR	Total 2017 EUR
Investments				
Historical Costs as at 1 January 2017	2,576	-		2,576
Investments	1,947	1,016	878	3,841
Disinvestments				
Historical Costs as at 31 December 2017	4,523	1,016	878	6,417
Depreciation				
Depreciation as at 1 January 2017				
Depreciation	(1,298)	(56)	(24)	(1,378)
Disinvestments				
Depreciation as at 31 December 2017	(1,298)	(56)	(24)	(1,378)
Net book value as at 31 December 2017	3,225	960	854	5,039

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



2. Main Accounts Receivable

(x 1€)

	2017	2016
	EUR	EUR
Balance as at 01 January	6,164,227	76,817
Granted during the Year	496,949	8,805,620
Contract reversals during the Year	(21,420)	(101,995)
Received during the Year (incl. refunds to donors)	(2,105,699)	(2,609,571)
Exchange rate difference and revaluation	(25,107)	(6,644)
Balance as at 31 December	4,508,951	6,164,227

As of 31st December 2017, short-term donor receivables totalled €3,408,316 and long-term donor receivables totalled €1,100,635.

By the end of 2017, donor receivables were 17% less compared to donor receivables at the end of 2016. This is a reflection of implementation of projects starting in 2016 for coming 5 years and that most of the contracts are short-term. Given that multiple-year contracts with donors are signed at irregular intervals, donor receivables may vary significantly from year to year.

There were differences in exchange rates during 2017 in donor receivables, because two grants in 2017 were received in USD.

3. Other Accounts Receivable

(x 1€)

	2017	2016
	EUR	EUR
Debtors	5,435	-
Settlements with Employees	-	-
Other receivables	1,157	140
Advances paid to AFEW independent local foundations	310,600	129,976
	<hr/>	<hr/>
	317,192	130,116



Other receivables consist of advances paid to suppliers and some other receivables. With implementation of restructuring in 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 the 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.

4. Liquid Assets

(x 1€)

	2017	2016
	EUR	EUR
Current accounts	216,849	194,032
Deposit account	630,005	1,000,000
Petty cash	310	467
Total	847,164	1,194,499

By the end of the year, most liquid assets were kept in Euros (€649,130 or 77% of the total liquid assets). 13% or equivalent of €197,886 was kept in US dollars.

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

1. Reserves

AFEW builds its own reserve in accordance with ANBI 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.

As a result of movements among reserves, at the end of 2017 the continuity reserve of *AFEW* was increased to €141,945.

Appropriation of result

AFEW closed the financial year 2016 with a positive result of €1,651. Based on the Board's decision, positive result of 2017 has increased *AFEW* continuity reserve.

Reserves

(x 1€)

	Continuity reserve	Restructuring reserve	Restructuring reserve Central Asia	Total
As at 31 December 2016	122,040	0	0	122,040
Result appropriation 2017	8,254	11,651	19,905	
As at 31 December 2017	130,294	11,651	0	141,945

2. Funds

(x 1€)

	Special purpose Fund AIDS-Fondet, Denmark EUR
Balance on 1 January 2017	20,276
Mutations:	
Additions, funding received during 2016	
Expenditures made during 2016	(14,049)
Balance on 31 December 2016	6,227

The special purpose fund is based on a grant made in earlier years and during 2017 by AIDS-Fondet Denmark. These funds are allocated to supporting the Drop-in Centre for Street Children in Kyiv, Ukraine. €14,049 from funding received before 2017 was spent for activities in 2017.

3. Main Liabilities

Subsidy Commitments

(x 1€)

	2017	2016
	EUR	EUR
Balance as at 01 January	7,276,861	38,072
Granted subsidies during the Year	496,949	8,805,620
Reversed during the Year	(21,420)	(101,995)
Spent during the Year	(2,280,635)	(1,467,760)
Exchange rate difference and revaluation	(34,874)	2,924.51
Grantee	-	-
Balance as at 31 December	5,436,881	7,276,861

As of 31st December 2017 there was a balance of €5,436,881 in subsidy commitments, among which short-term commitments amounted to €4,336,246 and long-term commitments amounted to €1,100,635.

4. Other Liabilities

(x 1€)

	2017	2016
	EUR	EUR
Accounts payable, incl. salaries and accrued payroll taxes	42,172	52,653
Audit costs	19,270	28,298
Other accrued costs	31,851	
	<hr/>	
	93,293	80,951

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



Off-balance-sheet Obligations

Multiple Year Financial Obligations

Long-term, unconditional obligations have been entered for the lease of the Amsterdam international secretariat office. The new lease agreement has been signed from 18th of April till 17th of April 2021. The lease agreement includes office rental, office maintenance costs (utility, cleaning costs, insurance, security, municipal taxes), some office supplies.

The final amount depends on the number of people working in the office and number of square meters occupied. Currently, 6 *AFEW* staff work in the office. Annual costs foreseen under the lease agreement and beyond amount to €9,206 - 4 instalments and additional 5th instalment depends on extra costs occurred during the year.



Notes to the Income Statement

10. Income

A. Income from AFEW's own Fundraising Activities

(x 1€)

	Actual 2017		Budget 2017		Actual 2016	
	EUR	EUR	EUR	EUR	EUR	EUR
INCOME						
Income from own fundraising:						
- Grants from international Foundations / NGOs	58,616				63,353	
- Grants from Businesses	0				0	
- Other: Donations / Collections	14,468		0		4,359	
		73,084				67,712

AFEW makes grant applications directly to international foundations, NGOs and businesses. These are classified as income from own fundraising. In 2017 this fundraising generated: €8,616 (equivalent USD 70,000) as a contribution to the Community Based Participatory Research project of AIDS 2018.

The volume of funds from businesses declined compared to 2016 till €0. It is not easy to get businesses interested in the priority populations that AFEW reach with its activities (people using drugs, prison inmates, sex workers).

Opportunities for corporate fundraising are on the executive director's agenda. Substantial efforts were put in place in the last few years to increase involvement of business in funding HIV 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 €14,468 represent the amounts received for AFEW activities from companies and individuals.



B. Income from Joint Activities

(x 1€)

	Actual 2017		Budget 2017		Actual 2016	
	EUR	EUR	EUR	EUR	EUR	EUR
INCOME						
Income from joint activities		233,868		222,794		172,667

In 2017, income from joint activities was generated from €233,868 from KNCV Tuberculosis Foundation for implementation DGIS Agreement in the Republic of Kazakhstan.

C. Income from Third-Party Fundraising

In 2017, there was no income received from third-party fundraising activities.

D. Governmental Subsidies

Government income was mainly drawn from the Netherlands Ministry of Foreign Affairs, which in 2017 contributed €1,988,151.

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 at bank accounts and other minor corrections are included in Other income / loss line of the Statement of Income and Expenditures and in 2017 it was loss €(7,875). These items are usually not budgeted due to difficulty to predict and immateriality of the amounts.

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, so that they better reflect what the organisation does.

Following reclassification, there are now three main objectives:

- Capacity strengthening (by far, *AFEW*'s largest area of activity, which includes training, sub-grants, technical support and client management),
- Advocacy
- Other (research, provision of sets for safe injection, condoms and other materials).

Expenditure on Programme Objectives

(x 1€)

	Actual 2017		Budget 2017		Actual 2016	
	EUR	EUR	EUR	EUR	EUR	EUR
EXPENDITURES						
Spent on objectives:						
Capacity Strengthening	1,567,403		1,502,170		1,069,676	
Advocacy	391,851		375,542		267,419	
Research /Assessments	52,153		0		-	
		2,011,406		1,877,712		1,337,095

Capacity Strengthening

For AFEW work, in 2017 total direct costs (spent on objectives) increased compared to 2016 at 47%. Direct costs were 4% higher than the budgeted amount due to implementing of 2nd year of the Bridging the Gaps project.

Advocacy

With implementation of 2 projects as AIDS2018 and 'Bridging the Gaps II: Health and Rights of Key Populations' project funded by the Dutch Ministry of Foreign Affairs that is implemented in 4 countries, substantially more money was spent on advocacy activities.

Research / Assessments There are 2 research activities carried out - CBPR research funded by project AIDS2018 and the three assessments by project Bridging the Gaps II: Health and Rights of Key Populations.

B. Costs of Raising Income

The costs of raising income in 2017 related to AFEW's own fundraising and the costs of raising governmental grants.

Costs of AFEW's Own Fundraising

(x 1€)

	Actual 2017		Budget 2017		Actual 2016	
	EUR	EUR	EUR	EUR	EUR	EUR
EXPENDITURES						
Costs of raising income:						
Cost of own fundraising	15,246		14,716		10,200	

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 Activities. Due to the nature of the work and time spent on specific fundraising activities, 20% of the Executive Director's salary and wages and 55% of the total costs of Communications officer were charged to fundraising in 2017.

In the last three operational years, on average 5% of *AFEW*'s income raised from its own fundraising was spent on fundraising expenses.

Costs of Raising Governmental Subsidies

(x 1€)

	Actual 2017		Budget 2017		Actual 2016	
	EUR	EUR	EUR	EUR	EUR	EUR
EXPENDITURES						
Costs of raising income:						
Costs of obtaining governmental grants	53,021		52,898		35,720	

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

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 2017 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, Director, Human Resources, Facilities and ICT support and 35% of the Communications and Advocacy Department's budget were allocated to M&A.

	Actual 2017		Budget 2017		Actual 2016	
	EUR	EUR	EUR	EUR	EUR	EUR
EXPENDITURES						
Management and administration:						
Costs Management and administration	182,046		227,674		147,759	
Human Resource Development	13,857					

Specification and Division of Costs

(x 1€)

Destination	MODEL C 2017 (EUR):		ADMIN					Total 2017	Budget 2017
	CB	ADV	Income obtaining expenses (Costs of raising income)						
Expenditures	Capacity Strengthening	Advocacy	Research /Assessments	Own fundraising	Grants from government	Management & administration	Human Resource Development		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Subsidies and contributions (subgrants to third parties)	1,374,185	343,547		-	-	-	-	1,717,732	1,877,712
Outlays								-	
Purchase and acquisitions:								-	
- Travel and accomodation	14,208	3,552	8,504		-	8,689	2,275	37,228	
- Audit & Consultancy	25,982	6,495				2,542		35,019	
- Events	3,855	964			-	-	-	4,819	
- Conferences participation							4,755	4,755	
- Communication and Publicity	5,086	1,272						6,358	
CBPR Research / BTG II Assessments			43,649					43,649	
Public relations and Communication (incl. Media activities)								-	
Staff costs:								-	
- Salaries and taxes	144,086	36,021		15,246	53,021	113,679		362,053	295,288
- Staff training							6,827	6,827	
Office rent						31,206		31,206	-
Office maintenance and supplies, incl. Depreciation						25,930		25,930	
								-	
Total	1,567,403	391,851	52,153	15,246	53,021	182,046	13,857	2,275,577	2,173,000
	0	(0)	-	0	(0)	0	-		

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

% of the Total Program costs	80.00%	20.00%							
% of the Total costs	68.88%	17.22%		0.67%	2.33%	8.00%	0.61%	100.00%	

FOR IDENTIFICATION PURPOSES ONLY
BDO Audit & Assurance B.V.
Date: 14 May 2018

Initials:



Costs directly attributable to *AFEW*'s three core objectives (programme activities) amounted to €1,717,732 (or 75% of the total expenditure for 2017). Directly attributable costs increased 80% compared to 2016 (), due to reasons explained earlier.

Management and administration costs represented 8% of the total expenditure 2017, or €82,046. These costs increased compared to 2016, in terms of amount (from €147,759 in 2016) and decreased as a percentage of total costs (from 9% in 2016 to 8% in 2017).

Breakdown of Staff Costs

(x 1€)

	Actual 2017 EUR	Budget 2017 EUR	Actual 2016 EUR
Salaries	357,958		251,550
Social securites / taxes	0		-
Pension Plan	4,095		6,139
Others	0		-
Total Staff costs	362,053	295,288	257,689

The total amount spent on staff in 2017 is on 141% higher than 2016.. *AFEW* has 6 employees by the end of 2017.

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 Executive Director

Directors' salary 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 rise are subject to an annual review. In general, in previous years the annual pay rise was set in *AFEW* at 2-5% for staff of the international secretariat. *AFEW International* has pension contribution for its staff.

AFEW complies with the WNT in 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, 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:

Position	Executive Director
Terms and Conditions	
Type of contract	indefinite
hours	36
part-time percentage	92%
period	1/1-31/12
Remuneration (EUR)	
Annual income, gross:	
salary	81,069
holiday pay	6,305
severance payment	-
bonuses	150
Total	87,524
Other costs:	
Pension contribution	2,897
Social security costs	-
Secondary employment condition	-
Total remuneration 2016	85,765
Total remuneration 2017	90,421

bedragen x € 1	Jeffrey Lazarus	Ehud Davidovich	Rudolf Kamermans
Functiegegevens	VOORZITTER	VICE-VOORZITTER	PENNINGMEESTER
Aanvang en einde functievervulling in 2017	1/1 - 31/12	1/1 - 31/12	19/5 - 31/12
Individueel WNT-maximum²	[N/A]	[N/A]	[N/A]
Beloning	-	-	-
Belastbare onkostenvergoedingen	-	-	-
Beloningen betaalbaar op termijn	-	-	-
<i>Subtotaal</i>	[N/A]	[N/A]	[N/A]
-/- Onverschuldigd betaald bedrag	-	-	-
Totaal bezoldiging	[N/A]	[N/A]	[N/A]
Verplichte motivering indien overschrijding	PM	PM	PM
Gegevens 2016			
Aanvang en einde functievervulling in 2016	[N/A]	[N/A]	[N/A]
Beloning	-	-	-
Belastbare onkostenvergoedingen	-	-	-
Beloningen betaalbaar op termijn	-	-	-
Totaal bezoldiging 2016	[N/A]	[N/A]	[N/A]

² $y = 15\% \text{ of } 10\% \text{ van } \frac{x-b}{365}$ waarbij: x = voor instelling geldend WNT-maximum en b = functieduur in kalenderdagen

bedragen x € 1	Hernan Luis Fuenzalida	Viken Darkijan	Vladimir Mendeleovich
Functiegegevens	LID	LID	LID
Aanvang en einde functievervulling in 2017	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12
Individueel WNT-maximum³	[N/A]	[N/A]	[N/A]
Beloning	-	-	-
Belastbare onkostenvergoedingen	-	-	-
Beloningen betaalbaar op termijn	-	-	-
<i>Subtotaal</i>	[N/A]	[N/A]	[N/A]
-/- Onverschuldigd betaald bedrag	-	-	-
Totaal bezoldiging	[N/A]	[N/A]	[N/A]
Verplichte motivering indien overschrijding	PM	PM	PM
Gegevens 2016			
Aanvang en einde functievervulling in 2016	[N/A]	[N/A]	[N/A]
Beloning	-	-	-
Belastbare onkostenvergoedingen	-	-	-
Beloningen betaalbaar op termijn	-	-	-
Totaal bezoldiging 2016	[N/A]	[N/A]	[N/A]

³ $y = 15\% \text{ of } 10\% \text{ van } \frac{x \cdot b}{365}$ waarbij: x = voor instelling geldend WNT-maximum en b = functieduur in kalenderdagen

Signed by *AFEW* Board members and the Management Team on 31st of May 2018 in Amsterdam.

Board Members:

Jeffrey Lazarus (Chairman)

Udi Davidovich (Vice Chairman)

Dolf Kamermans (Treasurer)

Vladimir Mendelevich (Board member)

Hernan Fuenzalida (Board member)

Viken Darkijan (Board member)

Maria Jokovleva (Board member)

Management Team:

Anke van Dam (Executive Director)

Janine Wildschut (Director of Programmes)

Yuliya van Polanen (Director of Finance)



Independent auditor's report

To: the Management of Stichting AFEW International

A. Report on the audit of the financial statements 2017

Our opinion

We have audited the financial statements 2017 of Stichting AFEW International, based in Amsterdam.

In our opinion, the enclosed financial statements give a true and fair view of the financial position of Stichting AFEW International as at 31 December 2017 and of its result for 2017 in accordance with Guideline for annual reporting 650 "fundraising institutions" of the Dutch Accounting Standards Board and the guideline for Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT).

The financial statements comprise:

1. the balance sheet as at 31 December 2017;
2. the profit and loss account for 2017; and
3. the notes comprising a summary of the applicable accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and audit protocol WNT. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting AFEW International in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report consists of other information, including:

- the management board report;
- other information.

Based on the procedures as mentioned below, we are of the opinion that the other information is consistent with the financial statements and contains no material deficiencies.



We have read the other information and based on our knowledge and understanding obtained from the audit of the financial statements or otherwise, we have considered if the other information contains material deficiencies.

With these procedures, we have complied with the requirements of the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of the other information.

C. Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with RJ 650 and the guideline for WNT. Furthermore management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing Stichting AFEW International ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the entity's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Stichting AFEW International ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Stichting AFEW International ceasing to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Utrecht, 14 May 2018

For and on behalf of BDO Audit & Assurance B.V. ,

For identification purposes only:



Drs. J.S. Terlingen RA

