

**Keystone Human Services International  
Moldova Association**

Financial Information Prepared for  
Consolidation Purposes as at and for the year  
ended 30 June 2017

prepared in accordance with Group Accounting  
Policies

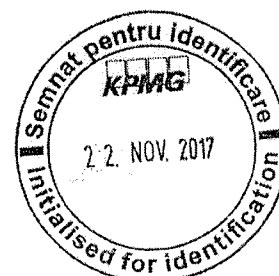
**Keystone Human Services International – Moldova Association**

Financial Information Prepared for Consolidation Purposes as at and for the year ended 30 June 2017  
Prepared in accordance with Group Accounting Policies

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### **Interoffice Audit Report on Financial Information Prepared for Consolidation Purposes**

To: KPMG Harrisburg, PA

We have audited the financial information prepared for consolidation purposes of Keystone Human Services International – Moldova Association (“the Organization”), on pages 1 to 12 of the accompanying financial reporting package. Except as explained in the following paragraph, we conducted our audit in accordance with the KPMG Audit Manual – International.

In accordance with your instructions, we applied such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances based on materiality provided in those instructions.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we performed our audit procedures applying materiality applicable to the Organization, the financial information prepared for consolidation purposes as at and for the year ended 30 June 2017 has been prepared in conformity with the instructions issued by group management of Keystone Human Services International Group to components.

This report is intended solely for use by KPMG Harrisburg, PA in connection with its audit of Keystone Human Services International Group’s consolidated financial statements as at and for the year ended 30 June 2017 and should not be used for any other purpose.

KPMG Moldova SRL

KPMG Moldova SRL  
Chisinau, Republic of Moldova  
22 November 2017

Ref.: 17031

Keystone Human Services International – Moldova Association

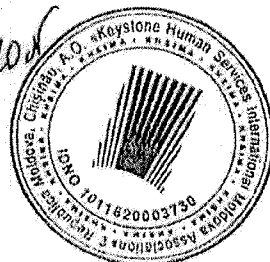
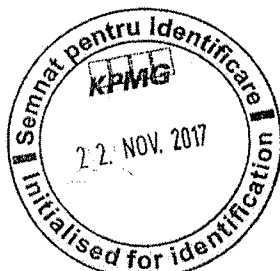
Statement of Financial Position as at 30 June 2017

(All amounts are in USD, unless stated otherwise)

	30 June 2017	30 June 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	210,669	169,210
Accounts receivable	106,624	23,352
Inventories	12,608	8,389
Prepaid expenses	8,180	68
<b>Total current assets</b>	<b>338,081</b>	<b>201,019</b>
<b>Property, equipment and intangible assets</b>		
Buildings and improvements	1,152,767	1,053,246
Construction in progress	1,994	1,822
Motor vehicles	43,352	39,610
Furniture, fixtures, and equipment	108,503	95,232
Intangible assets	2,602	29,036
Less: accumulated depreciation and impairment	(286,863)	(206,169)
Less: accumulated amortization	(2,109)	(28,329)
<b>Property, equipment and intangible assets, net</b>	<b>1,020,246</b>	<b>984,448</b>
<b>Total assets</b>	<b>1,358,327</b>	<b>1,185,467</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	132,413	13,994
Accrued salaries and benefits	53,305	52,684
Deferred revenue	206,006	179,961
Loans and borrowings	42,741	28,241
<b>Total current liabilities</b>	<b>434,465</b>	<b>274,880</b>
<b>Non-current liabilities</b>		
Loans and borrowings	121,459	147,959
<b>Total non-current liabilities</b>	<b>121,459</b>	<b>147,959</b>
<b>Net assets</b>		
Unrestricted	851,032	829,841
Accumulated losses	(68,605)	(91,662)
Foreign currency translation differences	19,976	24,449
<b>Total net assets</b>	<b>802,403</b>	<b>762,628</b>
<b>Total liabilities and net assets</b>	<b>1,358,327</b>	<b>1,185,467</b>

The accompanying notes on pages 5 to 12 form an integral part of the Financial Information.

Ludmila Malcoci  
Executive Director



Dumitru Pogor  
Financial Director

Keystone Human Services International – Moldova Association

Statement of Activities for the year ended 30 June 2017

(All amounts are in USD, unless stated otherwise)

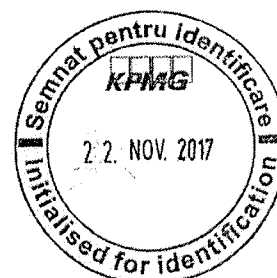
	12 months ended 30 June 2017	12 months ended 30 June 2016
<b>Revenues and support</b>		
Grant revenue	374,587	550,143
In-kind revenue	-	76
<b>Total revenues and support</b>	<b>374,587</b>	<b>550,219</b>
<b>Expenses</b>		
Program services	(363,328)	(421,420)
Net finance gain/(loss)	(22,542)	792
Administration	(261,899)	(272,835)
In-kind expenses	-	(76)
<b>Total expenses</b>	<b>(647,769)</b>	<b>(693,539)</b>
<b>Excess / (deficit) of revenues and support over expenses</b>	<b>(273,182)</b>	<b>(143,320)</b>
<b>Other revenues / (expense) – not program related</b>		
Income from economic activity	39,230	90,339
Expenses related to economic activity	(28,960)	(68,111)
Net finance gain/(loss)	12,787	(11,444)
<b>Total other revenues / (expenses)</b>	<b>23,056</b>	<b>10,784</b>
<b>Other changes</b>		
Net asset transfer from Affiliates	220,274	195,434
<b>Total other changes</b>	<b>220,274</b>	<b>195,434</b>
<b>Change in net assets</b>	<b>(29,851)</b>	<b>62,898</b>
Net assets, beginning of year	762,628	743,929
Translation differences	69,626	(44,199)
<b>Net assets, end of year</b>	<b>802,403</b>	<b>762,628</b>

The accompanying notes on pages 5 to 12 form an integral part of the Financial Information.

Ludmila Malcoci  
Executive Director



Dumitru Pogor  
Financial Director



**Note 1 - Reporting entity**

Keystone Human Services International - Moldova Association (“The Organization” or “KHSI-MA”) was founded as a non-profit, non-governmental public institution in 2004 by Keystone Human Services International (“KHSI”). KHSI is located in the United States of America and is the Organization’s parent. The Organization is domiciled in Moldova, its legal address is: V.Crasescu, 61, Chisinau, Moldova and postal address: Sfintul Gheorghe street, no. 20, Chisinau, Moldova. The Organization’s activity is social, charity, cultural and educational oriented and its beneficiaries are social vulnerable people who need support due to physical incapacity, poverty, abandonment or other social conditions on the entire territory of the Republic of Moldova.

**Note 2 - Basis of preparation**

**Statement of compliance**

The Financial Information Prepared for Consolidation Purposes for the year ended 30 June 2017 has been prepared in accordance with the Group’s Accounting Policies as disclosed in Note 3 (hereinafter referred to as the “Financial Information”). The Financial Information was authorized for issue by the Organization’s management on 22 November 2017.

**Basis of measurement**

The Financial Information has been prepared on the historical cost basis.

**Functional and presentation currency**

The Organization’s management considers the functional currency to be the Moldovan Leu (“MDL” or “LEU”).

The Financial Information is presented in US Dollars (“USD”) by translating the MDL Financial Information to USD in accordance with Group Accounting Policies, as detailed below. The Organization decided to present the Financial Information in other currency than its functional one in order to facilitate consolidation reporting with Keystone Human Services International (“KHSI”).

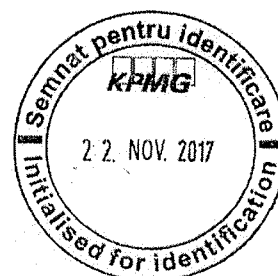
In order to translate the Moldovan statutory accounts into USD, the following procedures were followed:

- assets and liabilities, both monetary and non-monetary have been translated using the period end exchange rates;
- incomes and expenses items have been translated using the average exchange rate for the period;

The above-described method of translation of the statutory accounts stated in historical MDL into USD should not be considered as a representation that the MDL amounts could have been or could be converted into USD at the closing MDL/USD rate, or any other rate.

The official exchange rates at 30 June 2017 and 30 June 2016 were as follows:

	30 June 2017	30 June 2016
<i>(in US Dollars per unit of foreign currency)</i>		
EUR	1.1405	1.1088
MDL	0.0551	0.0503



## **Note 2 - Basis of preparation (continued)**

### **Use of estimates and judgments**

The preparation of Financial Information in conformity with disclosed accounting policies requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## **Note 3 - Significant accounting policies**

### *a. Basis of Accounting*

The Organization uses the accrual basis of accounting, recognizing income when earned and expenses when incurred. It reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Financial Information of activities as net assets released from restrictions.

### *b. Revenues*

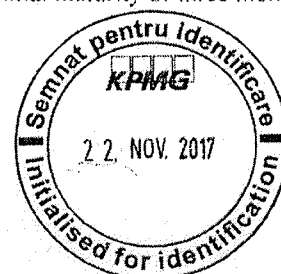
The Organization receives funding from various grants on a program-funded basis, donor-restricted contributions. Revenues for program-funded operations are recorded as qualified expenses are incurred or program assets are purchased and are reduced to program funding limitations.

### *c. Expenses*

Part of the expenses reported in the Statement of Activities represent expenses associated with those services being distributed to beneficiaries that fulfill the purposes or mission for which the Organization exists. Expenses are charged directly to programs where identifiable with a specific program, or are allocated to programs if not directly identifiable based on management's cost allocation plan. The other part of the expenses in the Statement of Activities represents expenses for centralized administration expenses related to functions such as executive leadership, finance, technology, human resources, compliance, quality management, community outreach, and property management and are reported in the Financial Information as expenses incurred by the Organization, which are not identifiable to specific programs but which provide support to the Organization's continuing operations.

### *d. Cash and Cash Equivalents*

The Organization considers all highly liquid investments with initial maturity of three months or less to be cash equivalents.



### Note 3 - Significant accounting policies (continued)

e. *Accounts Receivable and Allowances*

Accounts receivable represent grant funds due from private foundations for program expenses incurred and revenue earned. An allowance for doubtful accounts is established for all accounts considered doubtful as to collection based on the review of management. All accounts receivable are deemed collectable; therefore, no allowance for doubtful accounts was accrued as at 30 June 2017 and 30 June 2016.

f. *Property and Equipment*

Property and equipment are recorded at cost. Depreciation is computed using the straight - line method over the estimated useful lives of the assets. Depreciable lives are as follows:

Buildings and improvements	15-25 years
Furniture, fixtures, and equipment	3 -- 7 years
Motor vehicles	7 years

Maintenance and repairs are charged to expense as incurred. The Organization recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Organization and the cost of the item can be measured reliably. All other costs are recognized in the Statement of Activities as expense as incurred.

g. *Inventories*

Inventories are stated at the lower of cost or net realizable value. Cost is determined based on weighted average principles and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition.

h. *Impairment of Non-Current Assets*

Non-current assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset with estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

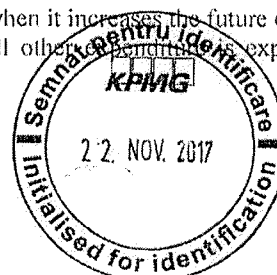
i. *Deferred Revenue*

The Organization records installment payments received from grant funders as deferred revenue. As grant project expenses are incurred and revenue is earned, deferred revenue is reduced by the amount of revenue recognized.

j. *Intangible Assets*

Intangible assets which are acquired by the Organization are stated at cost less accumulated amortization and impairment losses. Amortization is computed using the straight - line method over the estimated useful lives of those intangible assets, which ranges from 3 to 7 years.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.





**Note 3 - Significant accounting policies (continued)**

*k. Short term service benefits*

The Organization's short term employment benefits include wages, holiday pay and social security contributions and are recognized as expense as incurred.

*l. Defined contribution plans*

Obligations for contributions to defined contribution pension plans are recognized as an expense in the Statement of Activities as incurred. The Organization, in the normal course of business, makes payments to the National House of Social Insurance and to the National House of Medical Insurance on behalf of its Moldovan employees for pension, health care and unemployment benefits. All employees of the Organization are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Moldovan State pension plan (a State defined contribution plan). All relevant contributions to the Moldovan State pension plan are recognized as an expense in the Statement of Activities as incurred. The Organization does not have any further obligations. The Organization does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Organization does not operate any other defined benefit plan or postretirement benefit plan. The Organization has no obligation to provide further services to current or former employees.

*m. Income Taxes*

According to local legislation non-commercial organizations are not subject to income tax. The Organization submits each fiscal year a request to Tax Authorities for exemption from payment of income taxes.

*n. Commitments and Contingencies*

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

*o. Loans and borrowings*

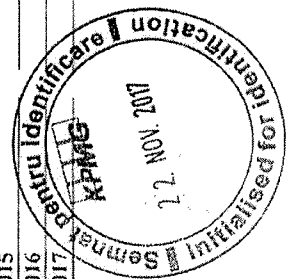
Loans and borrowings incorporate loans from affiliates and are initially measured at fair value plus incremental direct transaction costs.



**Keystone Human Services International – Moldova Association**  
Notes to the Financial Information prepared for Consolidation Purposes  
as at and for the year ended 30 June 2017  
*(All amounts are in USD, unless stated otherwise)*

**Note 4 - Property, equipment and intangible assets**

<i>Cost</i>	Construction in progress	Buildings and improvements	Furniture, fixtures, and equipment	Motor vehicles	Total property and equipment	Intangibles assets	Total
<b>Balance as at 30 June 2015</b>	<b>213,498</b>	<b>834,401</b>	<b>49,115</b>	<b>42,088</b>	<b>1,139,102</b>	<b>30,852</b>	<b>1,169,954</b>
Additions	61,667	7,641	49,321	-	118,629	-	118,629
Transfers	(262,044)	262,044	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Effect of movements in exchange rates	(11,299)	(50,840)	(3,205)	(2,478)	(67,822)	(1,816)	(69,638)
<b>Balance as at 30 June 2016</b>	<b>1,822</b>	<b>1,053,246</b>	<b>95,232</b>	<b>39,610</b>	<b>1,189,909</b>	<b>29,036</b>	<b>1,218,945</b>
Additions	-	-	3,951	-	3,951	-	3,951
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(26,978)	(26,978)
Effect of movements in exchange rates	172	99,521	9,320	3,743	112,756	544	113,300
<b>Balance as at 30 June 2017</b>	<b>1,994</b>	<b>1,152,767</b>	<b>108,503</b>	<b>43,352</b>	<b>1,306,616</b>	<b>2,602</b>	<b>1,309,218</b>
<i>Accumulated Depreciation and Impairment</i>							
<b>Balance as at 30 June 2015</b>	<b>1,936</b>	<b>96,238</b>	<b>20,289</b>	<b>30,976</b>	<b>149,439</b>	<b>29,502</b>	<b>178,941</b>
Charge for the period	-	43,191	17,447	5,309	65,947	567	66,514
Disposals	-	-	-	-	-	-	-
Effect of movements in exchange rates	(114)	(5,940)	(1,306)	(1,857)	(9,217)	(1,740)	(10,957)
<b>Balance as at 30 June 2016</b>	<b>1,822</b>	<b>133,489</b>	<b>36,430</b>	<b>34,428</b>	<b>206,169</b>	<b>28,329</b>	<b>234,498</b>
Charge for the period	-	35,972	17,368	3,259	56,599	259	56,858
Disposals	-	-	-	-	-	(26,978)	(26,978)
Effect of movements in exchange rates	172	15,347	4,857	3,519	24,095	499	24,594
<b>Balance as at 30 June 2017</b>	<b>1,994</b>	<b>185,008</b>	<b>58,655</b>	<b>41,206</b>	<b>286,863</b>	<b>2,109</b>	<b>288,972</b>
<i>Carrying amounts</i>							
<b>Balance as at 30 June 2015</b>	<b>211,562</b>	<b>738,163</b>	<b>28,826</b>	<b>11,112</b>	<b>989,663</b>	<b>1,350</b>	<b>991,013</b>
<b>Balance as at 30 June 2016</b>	<b>-</b>	<b>919,757</b>	<b>58,802</b>	<b>5,182</b>	<b>983,740</b>	<b>707</b>	<b>984,447</b>
<b>Balance as at 30 June 2017</b>	<b>-</b>	<b>967,759</b>	<b>49,848</b>	<b>2,146</b>	<b>1,019,753</b>	<b>493</b>	<b>1,020,246</b>



## Keystone Human Services International – Moldova Association

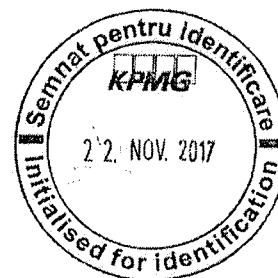
Notes to the Financial Information prepared for Consolidation Purposes  
as at and for the year ended 30 June 2017

*(All amounts are in USD, unless stated otherwise)*

### Note 5 - Funds balance

	Deferred revenues	Net assets	Total
<b>Balance as at 1 July 2015</b>	<b>115,485</b>	<b>743,929</b>	<b>859,414</b>
<b>I. Funds received, including:</b>	<b>802,445</b>	<b>-</b>	<b>802,445</b>
Soros Foundation Moldova	335,801	-	335,801
Keystone International	176,813	-	176,813
European Union	118,567	-	118,567
SOIR Moldova	75,088	-	75,088
Pas cu Pas	51,071	-	51,071
Family Health International	16,612	-	16,612
East Europe Foundation	9,479	-	9,479
<b>II. Goods received</b>	<b>76</b>	<b>-</b>	<b>76</b>
<b>III. Return of sub-grants from Beneficiaries</b>	<b>317</b>	<b>-</b>	<b>317</b>
<b>IV. Netting of long term borrowings from funds received</b>	<b>18,621</b>	<b>-</b>	<b>18,621</b>
<b>V. Funds consumed, including:</b>	<b>(730,716)</b>	<b>52,115</b>	<b>(678,601)</b>
Total charged to Statement of Activities, less sub-grants	(610,055)	(66,514)*	(676,569)
Transfer to deferred income (acquisition of assets)	(118,629)	118,629	-
Expense related to sub-granted amounts	(17,761)	-	(17,761)
Transfers (to) / from short term deferred income	21,164	-	21,164
Return of grants received from Donors	(6,079)	-	(6,079)
Other	(147)	-	(147)
<b>VI. FX losses from loans and borrowings</b>	<b>-</b>	<b>(11,445)</b>	<b>(11,445)</b>
<b>VII. Profit from economic activity</b>	<b>-</b>	<b>22,228</b>	<b>22,228</b>
<b>Translation difference</b>	<b>(6,462)</b>	<b>(49,199)</b>	<b>(50,661)</b>
<b>Balance as at 30 June 2016</b>	<b>179,961</b>	<b>762,628</b>	<b>942,589</b>

\*) the amounts charged to the Statement of Activities represent the depreciation expenses, the amortization expenses, the impairment charges/ reversals and net book value of disposed property, equipment and intangible assets (see Note 4).



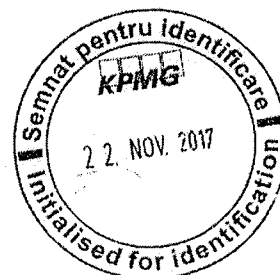
**Keystone Human Services International – Moldova Association**

Notes to the Financial Information prepared for Consolidation Purposes  
as at and for the year ended 30 June 2017  
*(All amounts are in USD, unless stated otherwise)*

**Note 5 - Funds balance (continued)**

	Deferred revenues	Net assets	Total
<b>Balance as at 1 July 2016</b>	<b>179,961</b>	<b>762,628</b>	<b>942,589</b>
<b>I. Funds received, including:</b>	<b>701,617</b>	<b>-</b>	<b>701,617</b>
Soros Foundation Moldova	99,891	-	99,891
Keystone International	208,317	-	208,317
European Union	246,120	-	246,120
SOIR Moldova	79,379	-	79,379
Pas cu Pas	40,385	-	40,385
Family Health International	11,572	-	11,572
East Europe Foundation	3,996	-	3,996
<b>II. Netting of long term borrowings from funds received</b>	<b>11,957</b>	<b>-</b>	<b>11,957</b>
<b>III. Funds consumed, including:</b>	<b>(693,258)</b>	<b>(52,908)</b>	<b>(746,166)</b>
Total charged to Statement of Activities, less sub-grants	(564,365)	(56,859)*	(621,224)
Transfer to deferred income (acquisition of assets)	(3,951)	3,951	-
Charged to income statement (FX revaluation)	(22,541)	-	(22,541)
Expense related to sub-granted amounts	(4,003)	-	(4,003)
Transfers (to) / from short term deferred income	(13,082)	-	(13,082)
Transferred to grant payables to beneficiaries	(85,315)	-	(85,315)
<b>IV. FX losses from loans and borrowings</b>	<b>-</b>	<b>14,533</b>	<b>14,533</b>
<b>V. Profit from economic activity</b>	<b>-</b>	<b>8,524</b>	<b>8,524</b>
<b>Translation difference</b>	<b>17,686</b>	<b>69,626</b>	<b>87,312</b>
<b>Balance as at 30 June 2017</b>	<b>206,006</b>	<b>802,403</b>	<b>1,008,409</b>

\*) the amounts charged to the Statement of Activities represent the depreciation expenses, the amortization expenses, the impairment charges/ reversals and net book value of disposed property, equipment and intangible assets (see Note 4).



## Keystone Human Services International – Moldova Association

Notes to the Financial Information prepared for Consolidation Purposes  
as at and for the year ended 30 June 2017  
*(All amounts are in USD, unless stated otherwise)*

### Note 6 - Related parties

Outstanding balances as at 30 June 2017 and 30 June 2016 and the volume of transactions for the 12 month periods then ending with related parties are as follows:

<u>Related party</u>	<u>30-Jun-2017</u>	<u>30-Jun-2016</u>
<b>Funds received</b>		
Keystone Human Services International	208,317	176,813
<b>Additional support instead of repayment of the loan</b>		
Keystone Human Services International	12,000	18,600
<b>Outstanding balance of funds received</b>		
Keystone Human Services International	(1,886)	1,517
<b>Loans and Borrowings</b>		
Keystone Human Services	164,200	176,200

The amount of USD 12,000 (30-Jun-2016: USD 18,600) represents the additional support granted by Keystone Human Services International (KHSI), which was not directly transferred to the Keystone Human Services International – Moldova Association (KHSI-MA) bank accounts, but was considered as a repayment of the loan.

