

FINANCIAL REPORT

FISCAL YEAR 2019 HIGHLIGHTS

- Total net result for the year 2019 was a deficit of 3.618 million euros compared to a deficit of 4.008 million euros in 2018.
- Total revenue was 38.279 million euros compared to 43.264 million euros in 2018.
- Total expenditure was 41.897 million euros compared to 47.272 million euros in 2018.
- Revenue from grants, gifts and operating grants amounted to 32 million euros compared to 33.1 million euros in 2018.

“The Union in 2019 continued to receive strong support from its members, donors and donor agencies for its work on TB and tobacco control as it focused its efforts in the core areas of its mission.”

RICHARD SHEPRO
TREASURER

TREASURER'S REPORT

I am pleased to submit the annual report of the Treasurer of the International Union Against Tuberculosis and Lung Disease (The Union) for the fiscal year ended 31 December 2019.

In 2019, The Union continued its good work on tuberculosis, tobacco control, and other lung-health issues across the globe, with substantial funding from its donors. Unfortunately, the changing global funding environment continued to pose financial problems in the functioning of the organisation. Although significant and generous donor support continued to make technical activities possible, contributions towards operational support continued to be limited compared to historical levels. Therefore, in 2019, The Union started to put in place mechanisms to pursue obtaining additional support from its core activities and from fund raising activity.

The 50th Union World Conference on Lung Health, held in Hyderabad, India, in October 2019 brought together more than 3500 registrants, including medical doctors, technical experts, people from affected communities, and others. Three Union regional conferences were also organised: the North America regional conference in Vancouver, the Asia Pacific regional conference in the Philippines and a Latin America regional conference in collaboration with ALAT in Panama. The staff and consultants of The Union worked in 72 countries to deliver services related to key priority areas of TB, multi-drug resistant TB, child TB, TB-HIV-Diabetes, lung health and NCDs, and tobacco control.

During 2019 The Union's finances were severely affected by the scheduled completion of important projects. These projects were to some extent replaced by new projects but there were reduced levels of indirect cost recoveries (overhead) on these projects. Fundraising was insufficient to overcome these

reductions and the year ended with an operating deficit of approximately 3.6 million euros. The organisation has worked to put in place measures to focus on raising revenues and reducing costs to ensure financial stability. These measures seek to ensure that The Union functions more efficiently, satisfies the requirements of donors and banks and improves financial health and resilience.

For 2021, The Union has so far raised approximately 22 million euros in dedicated project funding from donors, which is 80% of its total 2021 budget. The remaining 20% is crucial to The Union's work, and a new campaign reflects this need. The Union expects to be able to fulfill its commitments to donor-funded projects, but core operations have been affected. The world has been thrown into unprecedented times with the arrival of COVID-19 and while this had no impact on 2019 results it will affect 2020, as the Financial Statements note.

We expect that the key to The Union's future ability to maintain its leadership position in global health will be to focus on areas of strength. With the breadth of resources entrusted to The Union by donors, government agencies, members and other supporters, the need for prudent fiscal oversight is great. Working closely with our Board of Directors and our auditors, we continue to review and improve our financial policies, procedures and practices.

FISCAL 2019 HIGHLIGHTS

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- Total revenue was 38.279 million euros compared to 43.264 million euros in 2018.
- Total expenditure was 41.897 million euros compared to 47.272 million euros in 2018.
- Revenue from grants, gifts and operating grants amounted to 32 million euros compared to 33 million euros in 2018.

Net equity as shown on the financial statements at the end of 2019 stood at -8.922 million euros compared to -5.304 million euros at the end of 2018. As of 31 December 2019, The Union's debt to the dedicated fund totals 8 923K€.

FINANCIAL STATEMENTS

This report describes the financial position of The Union. The document on the following pages consists of the financial statements for Fiscal Year 2019, after audit by KPMG.

The audited financial statements present a snapshot of The Union's entire resources and obligations at the close of the fiscal year. A complete Audit Report, including detailed comments and notes to supplement the Balance Sheet and the Income and Expenditure Accounts, is available upon request. We have presented the accounts in euros and US dollars in order to facilitate comparison of accounts.

The financial statements of The Union and the accompanying notes cover all funds and accounts

for which the Board of Directors has responsibility. These statements illustrate The Union's formal financial position presented in accordance with generally accepted accounting principles.

The auditor, KPMG, provides an independent opinion regarding the fair presentation in the financial statements of The Union's financial position. Their opinion is attached to this report. Their examination was made in accordance with generally accepted auditing standards and included a review of the system of internal accounting controls to the extent they considered necessary to determine the audit procedures required to support their opinion.

I would like to thank you, the members of The Union, and to thank our donors and donor agencies for your confidence and continued support of The Union.

Thank you.



RICHARD W SHEPRO
TREASURER

AUDITOR'S REPORT 2019

International Union Against Tuberculosis and Lung Disease Charitable Organisation

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STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

To the General Assembly of the International Union
Against Tuberculosis and Lung Disease,

Opinion

In compliance with the engagement entrusted to us by your General Assembly, we have audited the accompanying financial statements of the International Union Against Tuberculosis and Lung Disease for the year ended on 31 December 2019.

These financial statements were approved by the Board of Directors on 10 December 2020 on the basis of the information available on that date in the evolving context of the health crisis linked to COVID-19.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the organisation of the past financial year and of the results of its operations for the year then ended in accordance with French accounting principles.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independent rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of Ethics for Statutory Auditors.

Material Uncertainty Related to Ongoing Concern

We draw your attention to page six of the notes to the financial statements which describes the material uncertainty resulting from events or conditions that may cast significant doubt on the company's ability to continue as an ongoing concern. Our opinion is not modified in respect of this matter.

Observation

We draw your attention to the matter set out in the "Table of Union indebtedness to dedicated funds at 31 December 2019" on page 20 of the notes to the financial statements concerning the indebtedness of the International Union Against Tuberculosis and Lung Disease to its donors, recorded in the dedicated funds. Our opinion is not modified in respect of this matter.

Justification of Assessments

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, except for the matter described in the paragraph 'Material uncertainty related to ongoing concern', we inform you of the following matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Accounting estimations

In accordance with paragraph nine of NEP 702, the statutory auditor justifies its assessment of the significant accounting estimates made by the

The below is a free translation into English of the Auditor's Report on the financial statements. The original document was issued in French.

Management of the audited entity, in particular those lacking objective data and thereby involving the exercise of professional judgment in their appreciation.

Dedicated funds

Your organisation treats external funding received and allocated to a specific project according to criteria laid down by the French accounting rules and principles as dedicated funds, such as presented on pages 19 and 20 of the annex to the financial statements.

Our audit includes reviewing, on a test basis, the calculations performed and assessing the consistency of the changes in the dedicated funds in the balance sheet with those in the income statement.

Contingencies and loss provisions

Your organisation sets up provisions against exchange losses and provisions for disputes, such as mentioned in page 13 of the annex to the financial statements.

Our audit includes evaluating the appropriateness of the data and the hypotheses on which these estimations are based, to review, on a test basis, the calculations made by the organisation, to compare the accounting estimations of the previous periods with the corresponding realisations.

These assessments were made in the context of our audit of the financial statements taken as a whole, prepared in accordance with the conditions described above, and in the context of the formation of our opinion expressed above. We do not express an opinion on individual items in these financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law.

The below is a free translation into English of the Auditor's Report on the financial statements. The original document was issued in French.

AUDITOR'S REPORT 2019 (CONTINUED)

We have no observations to make on the fairness and consistency of the financial statements with the information given in the Treasurer's Report and in the other documents on the financial position and the accounts that were closed on 10 December 2020 and sent to the members of the General Assembly.

With regard to the events that occurred and elements known subsequent to the date of the Treasurer's Report regarding the effects of the COVID-19 crisis, the Management has informed us that they will be communicated to the General Assembly that has been called to approve the financial statements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organisation's ability to continue as an ongoing concern, disclosing, as applicable, matters related to ongoing concern and using the ongoing concern basis of accounting, unless it is expected to liquidate the organisation or to cease operations.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the organisation or the quality of management of the affairs of the organisation.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.

- Obtains 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 internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the ongoing concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation's ability to continue as an ongoing concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the organisation to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to formulate a certification with a reservation of a refusal to certify.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in such a way as to give a true and fair view of them.

Paris La Défense, on 14 December 2020

KPMG S.A.

BERNARD BAZILLON
PARTNER



ASSETS

| | 31.12.2019 | | 31.12.2018 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | € | US \$ | € | US \$ |
| FIXED ASSETS | | | | |
| Software | 18,015 | 20,238 | 18,015 | 20,627 |
| Land | 1,864,533 | 2,094,616 | 1,864,533 | 2,134,890 |
| Buildings | 1,078,583 | 1,211,680 | 1,208,171 | 1,383,356 |
| Fixtures and equipment | 189,037 | 212,364 | 224,212 | 256,723 |
| Other tangible fixed assets | 44,462 | 49,949 | 49,680 | 56,884 |
| Financial fixed assets | 39,744 | 44,648 | 39,744 | 45,507 |
| TOTAL FIXED ASSETS | 3,234,374 | 3,633,496 | 3,404,355 | 3,897,986 |
| CURRENT ASSETS | | | | |
| Managed funds receivable | 1,313,809 | 1,475,933 | 1,770,289 | 2,026,981 |
| Constituent members | -9,455 | -10,622 | -474 | -543 |
| Suppliers advance | 710,882 | 798,605 | 937,918 | 1,073,916 |
| Other receivables | 170,385 | 191,411 | 317,032 | 363,002 |
| Inter-Offices Accounts | 315,506 | 354,439 | -966 | -1,106 |
| Sundry debtors | 400 | 449 | 22,480 | 25,740 |
| TOTAL CURRENT ASSETS | 2,501,527 | 2,810,215 | 3,046,279 | 3,487,989 |
| BANK & CASH | | | | |
| TOTAL BANK & CASH | 7,372,728 | 8,282,522 | 4,463,151 | 5,110,308 |
| PREPAID EXPENSES | | | | |
| TOTAL PREPAID EXPENSES | 2,072,923 | 2,328,722 | 0 | 0 |
| FOREIGN EXCHANGE UNREALISED LOSSES | | | | |
| TOTAL EXCHANGE LOSSES | 1,584,509 | 1,780,037 | 1,540,210 | 1,763,540 |
| GRAND TOTAL | 16,766,060 | 18,834,992 | 12,453,995 | 14,259,824 |

Exchange Rate

2019 1€ = 1.1234 USD

2018 1€ = 1.1450 USD

LIABILITIES

| | 31.12.2019 | | 31.12.2018 | |
|---|-------------------|--------------------|-------------------|-------------------|
| | € | US \$ | € | US \$ |
| EQUITY | | | | |
| Reserves | 1,287,820 | 1,446,737 | 1,287,820 | 1,474,554 |
| Result carried forward | -8,479,679 | -9,526,071 | -4,471,576 | -5,119,955 |
| Result from the fiscal year | -3,618,074 | -4,064,544 | -4,008,104 | -4,589,279 |
| Restatement reserve on premises | 1,887,396 | 2,120,301 | 1,887,396 | 2,161,068 |
| TOTAL EQUITY | -8,922,537 | -10,023,578 | -5,304,464 | -6,073,611 |
| CONTINGENCY RESERVES (CONTINGENCY LIABILITY) | | | | |
| TOTAL CONTINGENCY RESERVES | 1,520,368 | 1,707,981 | 1,203,929 | 1,378,499 |
| DEDICATED FUNDS | | | | |
| TOTAL DEDICATED FUNDS | 6,241,050 | 7,011,196 | 2,055,937 | 2,354,048 |
| DEBTS | | | | |
| Grants to be paid | 4,528,280 | 5,087,070 | 5,125,060 | 5,868,194 |
| Committed Grants related to future budget years | 0 | 0 | 0 | - |
| Inter-Offices Accounts | 5,218,648 | 5,862,629 | 2,544,962 | 2,913,981 |
| Borrowing from credit institutions | 541,607 | 608,441 | 685,059 | 784,393 |
| Current bank advances | 3,337,177 | 3,748,985 | 2,493,656 | 2,855,236 |
| Suppliers and similar accounts | 333,629 | 374,799 | 497,183 | 569,275 |
| Tax and social security | 463,820 | 521,055 | 428,036 | 490,101 |
| Charges to be paid (Accrued Expenses) | 617,489 | 693,687 | 187,609 | 214,812 |
| Other Creditors | 1,537,966 | 1,727,751 | 1,623,247 | 1,858,617 |
| TOTAL DEBTS | 16,578,616 | 18,624,417 | 13,584,812 | 15,554,609 |
| DEFERRED INCOME | | | | |
| TOTAL DEFERRED INCOME | 230,256 | 258,670 | 108,237 | 123,931 |
| FOREIGN EXCHANGE UNREALISED GAINS | | | | |
| TOTAL EXCHANGE GAINS | 1,118,307 | 1,256,306 | 805,544 | 922,348 |
| GRAND TOTAL | 16,766,060 | 18,834,992 | 12,453,995 | 14,259,824 |

INCOME STATEMENT (€)

| | 31.12.2019 | | | 31.12.2018 |
|--|--------------------|--------------------|--------------------|--------------------|
| | GENERAL FUNDS € | MANAGED FUNDS € | TOTAL € | TOTAL € |
| OPERATING INCOME | | | | |
| Contributions | 444,344 | 0 | 444,344 | 534,182 |
| Operating grant | 3,872,619 | -3,506,181 | 366,438 | -1,921 |
| Grants and gifts | 1,311,376 | 30,371,701 | 31,683,077 | 33,093,165 |
| Write back of provisions and transferred charges | 1,099,730 | 21,199 | 1,120,928 | 201,490 |
| Other income | 2,655,553 | 44,023 | 2,699,576 | 2,574,451 |
| TOTAL INCOME | 9,383,622 | 26,930,742 | 36,314,363 | 36,401,368 |
| OPERATING EXPENSES | | | | |
| Purchases | 11,728 | -1,281,681 | -1,269,952 | -1,387,475 |
| External charges | -4,809,780 | -8,397,993 | -13,207,773 | -16,095,724 |
| Taxes | -35,125 | -5,517 | -40,642 | -29,124 |
| Wages and salaries | -2,124,516 | -4,282,223 | -6,406,738 | -7,166,370 |
| Social contributions | -940,869 | -677,733 | -1,618,602 | -1,724,528 |
| Depreciation charges and addition to provisions | -1,600,066 | 0 | -1,600,066 | -2,402,880 |
| Other expenses | -2,842,767 | -8,456,468 | -11,299,237 | -16,683,224 |
| TOTAL OPERATING EXPENSES | -12,341,395 | -23,101,615 | -35,443,010 | -45,489,325 |
| Positive foreign exchange difference | 400,595 | 1,218 | 401,813 | 768,774 |
| Interest and financial income | 10,892 | 125,120 | 136,012 | 79,754 |
| Write back of financial provisions | 187,123 | 0 | 187,123 | 43,238 |
| TOTAL FINANCIAL INCOME | 598,610 | 126,338 | 724,948 | 891,766 |
| FINANCIAL RESULT | | | | |
| Negative foreign exchange difference | -461,332 | -7,419 | -468,751 | -345,908 |
| Interest and financial charges | -54,499 | -2,438 | -56,937 | -77,133 |
| Provision of risk for foreign exchange losses | -474,958 | 0 | -474,958 | -408,862 |
| TOTAL FINANCIAL RESULT (GAIN/LOSS) | -392,179 | 116,481 | -275,698 | 59,863 |
| EXCEPTIONAL RESULT | -250,230 | 34,970 | -215,261 | 14,822 |
| INCOME TAX | -17,892 | 0 | -17,892 | -1,490 |
| NET RESULT FOR FISCAL YEAR | -3,618,074 | 1 | -3,618,074 | -4,008,104 |
| Aid in kind | | | 0 | 1,106,260 |
| Free use of goods and services | | | 0 | -1,106,260 |
| Volunteer staff | -2 | | 0 | 0 |

Exchange Rate

2019 1€ = 1.1234 USD

2018 1€ = 1.1450 USD

INCOME STATEMENT (US \$)

| | 31.12.2019 | | | 31.12.2018 |
|--|--------------------|--------------------|--------------------|--------------------|
| | GENERAL FUNDS \$ | MANAGED FUNDS \$ | TOTAL \$ | TOTAL \$ |
| OPERATING INCOME | | | | |
| Contributions | 499,176 | 0 | 499,176 | 611,639 |
| Operating grant | 4,350,500 | -3,938,844 | 411,657 | -2,200 |
| Grants and gifts | 1,473,200 | 34,119,569 | 35,592,768 | 37,891,674 |
| Write back of provisions and transferred charges | 1,235,437 | 23,815 | 1,259,251 | 230,706 |
| Other income | 2,983,248 | 49,455 | 3,032,704 | 2,947,747 |
| TOTAL INCOME | 10,541,561 | 30,253,996 | 40,795,557 | 41,679,566 |
| OPERATING EXPENSES | | | | |
| Purchases | 13,175 | -1,439,840 | -1,426,665 | -1,588,659 |
| External charges | -5,403,307 | -9,434,305 | -14,837,612 | -18,429,604 |
| Taxes | -39,459 | -6,198 | -45,657 | -33,347 |
| Wages and salaries | -2,386,681 | -4,810,649 | -7,197,330 | -8,205,494 |
| Social contributions | -1,056,972 | -761,365 | -1,818,337 | -1,974,585 |
| Depreciation charges and addition to provisions | -1,797,514 | 0 | -1,797,514 | -2,751,298 |
| Other expenses | -3,193,564 | -9,499,996 | -12,693,563 | -19,102,291 |
| TOTAL OPERATING EXPENSES | -13,864,323 | -25,952,354 | -39,816,678 | -52,085,277 |
| Positive foreign exchange difference | 450,028 | 1,368 | 451,397 | 880,246 |
| Interest and financial income | 12,236 | 140,560 | 152,797 | 91,318 |
| Write back of financial provisions | 210,214 | 0 | 210,214 | 49,507 |
| TOTAL OPERATING RESULT | 672,478 | 141,928 | 814,408 | 1,021,072 |
| FINANCIAL RESULT | | | | |
| Negative foreign exchange difference | -518,260 | -8,335 | -526,595 | -396,064 |
| Interest and financial charges | -61,224 | -2,739 | -63,963 | -88,317 |
| Provision of risk for foreign exchange losses | -533,568 | 0 | -533,567 | -468,147 |
| TOTAL FINANCIAL RESULT (GAIN/LOSS) | -1,113,052 | -11,073 | -1,124,125 | -952,529 |
| EXCEPTIONAL RESULT | -281,108 | 39,285 | -241,824 | 16,971 |
| INCOME TAX | -20,095 | 0 | -20,098 | -1,706 |
| NET RESULT FOR FISCAL YEAR | -4,064,539 | 0 | -4,064,539 | -4,589,279 |
| Aid in kind | | | 0 | 1,242,771 |
| Free use of goods and services | | | 0 | -1,242,771 |
| Volunteer staff | -2 | | 0 | 0 |