

**Caucasus Institute Foundation**

**Financial Statements**  
**for the year ended 31 December 2018**

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WE ARE AN INDEPENDENT MEMBER OF  
**THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK**

**AMH Audit cjsc**  
Office 315,  
2 Arshakunyats Avenue,  
Yerevan 0023, Armenia

Telephone: + 374 (60) 623 251  
Mobile: + 374 (91) 472 751  
E-mail: [amhaudit@amhaudit.am](mailto:amhaudit@amhaudit.am)  
Website: [www.amhaudit.am](http://www.amhaudit.am)

## **Independent Auditor's Report**

To the Board of Trustees of Caucasus Institute Foundation

### **Report on the Financial Statements**

#### *Qualified Opinion*

We have audited the accompanying financial statements of Caucasus Institute Foundation (the "Organization"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the first paragraph of the *Basis for Qualified Opinion*, and except for any effects of the matters described in the second paragraph of the *Basis for Qualified Opinion*, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Basis for Qualified Opinion*

As described in Note 9(b), the physical counts of library books stated at AMD 50 thousand as at 31 December 2018 (2017: AMD 260 thousand) and included in the property, plant and equipment and of library books in the off balance sheet account stated at AMD 5,118 thousand (2017: AMD 5,118 thousand) was impracticable to perform as the Organization has not maintained adequate accounting records regarding those items. In addition, the granted books, which had been received during several years were accounted for in the off balance sheet account and had not been recognized as items of property, plant and equipment and measured at fair value as it is required by IAS 16 *Property, plant and equipment* and IAS 18 *Revenue*. It was impracticable to satisfy ourselves as to those library books' quantities by other audit procedures and to determine the effects of this departure from IFRSs, if any, on the carrying amount of property, plant and equipment, grants related to assets, retained earnings and net profit as at and for the years ended 31 December 2018 and 2017.

As described in Note 9(c), during the year ended 31 December 2018 the Organization has not conducted an operational efficiency review of its property, plant and equipment stated at AMD 8,547 thousand (2017: AMD 7,003 thousand), as it is required by IAS 16 *Property, plant and equipment*. The effects of this departure from IFRSs, if any, on the carrying amounts of property, plant and equipment, grants related to assets, retained earnings, depreciation expenses and net profit as at and for the year ended 31 December 2018 and 2017 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Aram Hovhannisyan  
*General Director*

AMH Audit cjsc  
16 April 2019




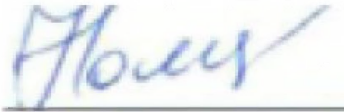
<b>'000 AMD</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	237	964
Intangible assets	43	63
<b>Total non-current assets</b>	<b>280</b>	<b>1,027</b>
<b>Current assets</b>		
Trade and other receivables	964	4,524
Prepayments given	1,299	3,444
Cash and cash equivalents	43,728	26,716
<b>Total current assets</b>	<b>45,991</b>	<b>34,684</b>
<b>Total assets</b>	<b>46,271</b>	<b>35,711</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Retained earnings	4,187	24
<b>Total equity</b>	<b>4,187</b>	<b>24</b>
<b>Non-current liabilities</b>		
Grants related to assets	280	1,027
<b>Total non-current liabilities</b>	<b>280</b>	<b>1,027</b>
<b>Current liabilities</b>		
Grants related to income	39,098	32,864
Trade and other payables	266	396
Profit tax payable	1,040	-
Provisions	1,400	1,400
<b>Total current liabilities</b>	<b>41,804</b>	<b>34,660</b>
<b>Total liabilities</b>	<b>42,084</b>	<b>35,687</b>
<b>Total equity and liabilities</b>	<b>46,271</b>	<b>35,711</b>

*Caucasus Institute Foundation*  
*Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018*

<b>'000 AMD</b>	<b>2018</b>	<b>2017</b>
Revenue	<b>8,197</b>	-
Other income	104,266	82,252
Salaries and social security contributions	(65,931)	(46,249)
Rental expenses	(9,833)	(6,150)
Depreciation and amortisation	(752)	(1,049)
Other expenses	(31,823)	(29,403)
Finance income	1,079	599
<b>Profit before income tax</b>	<b>5,203</b>	-
Income tax expense	(1,040)	-
<b>Profit and total comprehensive profit for the year</b>	<b>4,163</b>	-

These financial statements were approved by management on 16 April 2019 and were signed on its behalf by:

  
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 Alexander Iskandaryan  
 Director

  
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 Ofelya Nersesyan  
 Chief Accountant

*Caucasus Institute Foundation*  
*Statement of Changes in Equity for the year ended 31 December 2018*

<b>'000 AMD</b>	<b>Retained earnings</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>
Balance at 1 January 2017	24	<b>24</b>
<b>Total comprehensive result for the year</b>		
Profit and total comprehensive income for the year	-	-
<b>Total comprehensive result for the year</b>	-	-
<b>Balance at 31 December 2017</b>	<b>24</b>	<b>24</b>
	<u>                    </u>	<u>                    </u>
Balance at 1 January 2018	24	24
<b>Total comprehensive result for the year</b>		
Profit and total comprehensive income for the year	4,163	4,163
<b>Total comprehensive result for the year</b>	<b>4,163</b>	<b>4,163</b>
<b>Balance at 31 December 2018</b>	<b>4,187</b>	<b>4,187</b>
	<u>                    </u>	<u>                    </u>

*Caucasus Institute Foundation*  
*Statement of Cash Flows for the year ended 31 December 2018*

<b>'000 AMD</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	8,197	-
Receipts from grants	109,753	98,741
Purchase of inventories	-	(370)
Payments to suppliers of services	(32,078)	(36,761)
Payments to pension funds	(3,689)	-
Payments to employees and on their behalf	(50,085)	(33,766)
Payments to the State budget	(15,737)	(17,236)
Other cash outflows from operating activities	(427)	(514)
<b>Net cash from operating activities</b>	<b>15,934</b>	<b>10,094</b>
<b>Investing activities</b>		
Increase in short-term bank deposit	-	4,300
Interest received	227	21
<b>Net cash from investing activities</b>	<b>227</b>	<b>4,321</b>
<b>Net decrease in cash and cash equivalents</b>	<b>16,161</b>	<b>14,415</b>
Cash and cash equivalents at 1 January	26,716	11,723
Effect of exchange rate fluctuations on cash and cash equivalents	851	578
<b>Cash and cash equivalents at 31 December</b>	<b>43,728</b>	<b>26,716</b>