

Caucasus Institute Foundation
Financial Statements
for the year ended 31 December 2019

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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 2019, 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 2019, 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 10(b), the physical counts of library books stated at AMD 9 thousand as at 31 December 2019 (2018: AMD 50 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 (2018: 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 IFRS 15 *Revenue from Contracts with Customers*. 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 2019 and 2018.

As described in Note 10(c), during the year ended 31 December 2019 the Organization has not conducted an operational efficiency review of its property, plant and equipment stated at AMD 10,492 thousand (2018: AMD 8,547 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 2019 and 2018 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.

Caucasus Institute Foundation
Statement of Financial Position as at 31 December 2019

'000 AMD	<u>31 December 2019</u>	<u>31 December 2018</u>
ASSETS		
Non-current assets		
Property, plant and equipment	62	237
Right-of-use assets	18,559	
Intangible assets	23	43
Total non-current assets	<u>18,644</u>	<u>280</u>
Current assets		
Trade and other receivables	-	964
Short-term deposits	21,194	-
Prepayments given	2,138	1,299
Prepayment for profit tax	298	-
Cash and cash equivalents	35,020	43,728
Total current assets	<u>58,650</u>	<u>45,991</u>
Total assets	<u>77,294</u>	<u>46,271</u>
EQUITY AND LIABILITIES		
Equity		
Retained earnings	2,311	4,187
Total equity	<u>2,311</u>	<u>4,187</u>
Non-current liabilities		
Grants related to assets	85	280
Lease liabilities	15,003	
Total non-current liabilities	<u>15,088</u>	<u>280</u>
Current liabilities		
Grants related to income	45,445	39,098
Trade and other payables	10,398	266
Profit tax payable	-	1,040
Lease liabilities	4,052	-
Provisions	-	1,400
Total current liabilities	<u>59,895</u>	<u>41,804</u>
Total liabilities	<u>74,983</u>	<u>42,084</u>
Total equity and liabilities	<u>77,294</u>	<u>46,271</u>

* The Organization applied IFRS 16 for the first time in the accounting period beginning on 1 January 2019 by applying the cumulative catch-up approach. Under this approach the Organization recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

Caucasus Institute Foundation
Statement of Changes in Equity for the year ended 31 December 2019

'000 AMD	Retained earnings	Total
Balance at 1 January 2018	24	24
Total comprehensive result for the year		
Profit and total comprehensive income for the year	4,163	4,163
Total comprehensive result for the year	4,163	4,163
Balance at 31 December 2018	4,187	4,187
Balance at 1 January 2019 (as previously reported)	4,187	4,187
Effect of change in accounting policy for initial application of IFRS 16 <i>Leases</i>	(346)	(346)
Balance at 1 January 2019 (as restated)	3,841	3,841
Total comprehensive result for the year		
Profit and total comprehensive income for the year	2,655	2,655
Total comprehensive result for the year	2,655	2,655
Transfer to Grants related to assets to use for statutory purposes	(4,185)	(4,185)
Balance at 31 December 2019	2,311	2,311

* The Organization applied IFRS 16 for the first time in the accounting period beginning on 1 January 2019 by applying the cumulative catch-up approach. Under this approach the Organization recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

Caucasus Institute Foundation
Statement of Cash Flows for the year ended 31 December 2019

'000 AMD	2019	2018
Cash flows from operating activities		
Receipts from customers	-	8,197
Receipts from grants	162,515	109,753
Payments to grant recipients	(46,251)	-
Purchase of inventories	(1,005)	-
Payments to suppliers of services	(16,718)	(32,078)
Payments for scholarships	(2,274)	(3,689)
Payments to employees and on their behalf	(53,944)	(50,085)
Payments to the State budget, except for profit tax	(19,641)	(15,737)
Profit tax paid	(1,665)	-
Other cash outflows from operating activities	(3,187)	(427)
Net cash from operating activities	17,830	15,934
Investing activities		
Increase in short-term bank deposit	(20,000)	-
Interest received	437	227
Net cash flows (used in)/from financing activities	(19,563)	227
Financing activities		
Interest paid	(759)	-
Payment of principal portion of lease liabilities	(6,111)	-
Net cash flows used in financing activities	(6,870)	-
Net (decrease)/increase in cash and cash equivalents	(8,603)	16,161
Cash and cash equivalents at 1 January	43,728	26,716
Effect of exchange rate fluctuations on cash and cash equivalents	(105)	851
Cash and cash equivalents at 31 December	35,020	43,728

* The Organization applied IFRS 16 for the first time in the accounting period beginning on 1 January 2019 by applying the cumulative catch-up approach. Under this approach the Organization recognized the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.