

Caucasus Institute Foundation

Financial Statements
for the year ended 31 December 2020

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WE ARE AN INDEPENDENT MEMBER OF
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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 2020, 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 2020, 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 zero as at 31 December 2020 (2019: AMD 9 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 (2019: 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 2020 and 2019.

As described in Note 10(c), during the year ended 31 December 2020 the Organization has not conducted an operational efficiency review of its property, plant and equipment stated at AMD 10,346 thousand (2019: AMD 10,492 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 2020 and 2019 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
18 June 2021



'000 AMD	31 December 2020	31 December 2019
ASSETS		
Non-current assets		
Property, plant and equipment	79	62
Right-of-use assets	13,610	18,559
Intangible assets	3	23
Total non-current assets	13,692	18,644
Current assets		
Trade and other receivables	441	-
Short-term deposits	-	21,194
Prepayments given	9,933	2,138
Prepayment for profit tax	-	298
Cash and cash equivalents	38,067	35,020
Total current assets	48,441	58,650
Total assets	62,133	77,294
EQUITY AND LIABILITIES		
Equity		
Retained earnings	4,093	2,311
Total equity	4,093	2,311
Non-current liabilities		
Grants related to assets	79	85
Lease liabilities	10,437	15,003
Total non-current liabilities	10,516	15,088
Current liabilities		
Grants related to income	42,769	45,445
Trade and other payables	189	10,398
Lease liabilities	4,566	4,052
Total current liabilities	47,524	59,895
Total liabilities	58,040	74,983
Total equity and liabilities	62,133	77,294

Caucasus Institute Foundation
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

'000 AMD	2020	2019
Revenue	<u>23,788</u>	<u>-</u>
Other income	64,521	161,948
Salaries and social security contributions	(66,094)	(74,788)
Depreciation and amortisation	(4,989)	(5,454)
Other expenses	(17,477)	(79,490)
Finance income	5,542	1,686
Finance expenses	(1,948)	(921)
Profit before income tax	<u>3,343</u>	<u>2,981</u>
Income tax expense	(602)	(326)
Profit and total comprehensive profit for the year	<u>2,741</u>	<u>2,655</u>

These financial statements were approved by management on 18 June 2021 and were signed on its behalf by:

Alexander Iskandaryan
Director

Ofelya Nersesyan
Chief Accountant

'000 AMD	Retained earnings	Total
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)	<u>3,841</u>	<u>3,841</u>
Total comprehensive result for the year		
Profit and total comprehensive income for the year	<u>2,655</u>	<u>2,655</u>
Total comprehensive result for the year	<u>2,655</u>	<u>2,655</u>
Transfer to Grants related to assets to use for statutory purposes	(4,185)	(4,185)
Balance at 31 December 2019	<u><u>2,311</u></u>	<u><u>2,311</u></u>
Balance at 1 January 2020	2,311	2,311
Total comprehensive result for the year		
Profit and total comprehensive income for the year	<u>2,741</u>	<u>2,741</u>
Total comprehensive result for the year	<u>2,741</u>	<u>2,741</u>
Transfer to Grants related to assets to use for statutory purposes	(959)	(959)
Balance at 31 December 2020	<u><u>4,093</u></u>	<u><u>4,093</u></u>

'000 AMD	2020	2019
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Cash flows from operating activities		
Receipts from customers	23,788	-
Receipts from grants	60,880	162,515
Payments to grant recipients	(22,649)	(46,251)
Purchase of inventories	(7,486)	(3,279)
Payments to suppliers of services	(3,434)	(16,718)
Payments for scholarships	-	-
Payments to employees and on their behalf	(49,661)	(53,944)
Payments to the State budget, except for profit tax	(17,379)	(19,641)
Profit tax paid	(208)	(1,665)
Other cash outflows from operating activities	(1,166)	(3,187)
Net cash from operating activities	(17,315)	17,830
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Investing activities		
Increase in short-term bank deposit	20,000	(20,000)
Interest received	2,266	437
Acquisition of property, plant and equipment	(97)	-
Net cash flows (used in)/from financing activities	22,169	(19,563)
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Financing activities		
Interest paid	(1,948)	(889)
Payment of principal portion of lease liabilities	(4,330)	(5,981)
Net cash flows used in financing activities	(6,278)	(6,870)
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Net (decrease)/increase in cash and cash equivalents	(1,424)	(8,603)
Cash and cash equivalents at 1 January	35,020	43,728
Effect of exchange rate fluctuations on cash and cash equivalents	4,471	(105)
Cash and cash equivalents at 31 December	38,067	35,020
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