

**Caucasus Institute Foundation**

**Financial Statements**  
**for the year ended 31 December 2022**

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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 2022, 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 and third paragraphs 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 2022, 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 2022 (2021: AMD zero) 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, accumulated deficit and loss for the year as at and for the years ended 31 December 2022 and 2021.

As described in Note 10(c), during the year ended 31 December 2022 the Organization has not conducted an operational efficiency review of its property, plant and equipment stated at AMD 9,863 thousand (2021: AMD 9,863 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, accumulated deficit, depreciation expenses and loss for the year as at and for the year ended 31 December 2022 and 2021 have not been determined.

As described in Note 15(a), as at 31 December 2022 the Organization has not discounted the interest-free and long-term borrowing received from a related party at AMD 11,806 thousand at an interest rate prevailing in the market for the instruments with similar terms and conditions, as it is required by IFRS 9 *Financial Instruments*. The effects of this departure from IFRSs on the carrying amounts of borrowings, additional capital, deferred tax liabilities, interest expenses, loss for the year and accumulated deficit for the year ended 31 December 2022 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.

The engagement partner on the audit resulting in this independent auditor's report is:

  
Aram Hovhannisyán  
General Director  
AMH Audit cjsc  
3 July 2023




'000 AMD	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	40	57
Right-of-use assets	3,712	8,662
<b>Total non-current assets</b>	<b>3,752</b>	<b>8,719</b>
<b>Current assets</b>		
Trade and other receivables	1,123	1,353
Prepayments given	7,206	3,083
Cash and cash equivalents	26,648	11,280
<b>Total current assets</b>	<b>34,977</b>	<b>15,716</b>
<b>Total assets</b>	<b>38,729</b>	<b>24,435</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(Accumulated deficit)/Retained earnings	(13,164)	1,671
<b>Total equity</b>	<b>(13,164)</b>	<b>1,671</b>
<b>Non-current liabilities</b>		
Grants related to assets	38	57
Borrowings received	11,806	4,801
Lease liabilities	-	5,240
<b>Total non-current liabilities</b>	<b>11,844</b>	<b>10,098</b>
<b>Current liabilities</b>		
Grants related to income	29,007	7,072
Trade and other payables	5,802	397
Lease liabilities	5,240	5,197
<b>Total current liabilities</b>	<b>40,049</b>	<b>12,666</b>
<b>Total liabilities</b>	<b>51,893</b>	<b>22,764</b>
<b>Total equity and liabilities</b>	<b>38,729</b>	<b>24,435</b>

'000 AMD	2022	2021
Revenue	72	13,000
Other income	93,886	65,381
Salaries and social security contributions	(64,568)	(43,981)
Depreciation and amortisation	(4,969)	(4,970)
Other expenses	(39,438)	(25,610)
Finance income	985	261
Finance expenses	(803)	(3,672)
<b>Loss/(profit) before income tax</b>	<b>(14,835)</b>	<b>409</b>
Income tax expense	-	(88)
<b>Loss and total comprehensive income for the year</b>	<b>(14,835)</b>	<b>321</b>

These financial statements were approved by management on 3 July 2023 and were signed on its behalf by:

  
 \_\_\_\_\_  
 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 2022*

'000 AMD	<u>Retained earnings/ (Accumulated deficit)</u>	<u>Total</u>
Balance at 1 January 2021	4,093	4,093
<b>Total comprehensive result for the year</b>		
Profit and total comprehensive income for the year	321	321
<b>Total comprehensive result for the year</b>	<u>321</u>	<u>321</u>
Transfer to Grants related to assets to use for statutory purposes	(2,743)	(2,743)
<b>Balance at 31 December 2021</b>	<u>1,671</u>	<u>1,671</u>
<b>Balance at 1 January 2022</b>	1,671	1,671
<b>Total comprehensive result for the year</b>		
Loss and total comprehensive income for the year	(14,835)	(14,835)
<b>Total comprehensive result for the year</b>	<u>(14,835)</u>	<u>(14,835)</u>
<b>Balance at 31 December 2022</b>	<u>(13,164)</u>	<u>(13,164)</u>

*Caucasus Institute Foundation*  
*Statement of Cash Flows for the year ended 31 December 2022*

'000 AMD	2022	2021
<b>Cash flows from operating activities</b>		
Receipts from customers	2,126	13,000
Receipts from grants	114,403	26,919
Payments to grant recipients	(33,259)	(5,250)
Purchase of inventories	(931)	(5,333)
Payments to suppliers of services	(8,059)	(9,505)
Payments to employees and on their behalf	(43,920)	(32,631)
Payments to the State budget, except for profit tax	(15,876)	(11,336)
Profit tax paid	-	(535)
Other cash outflows from operating activities	(178)	(440)
<b>Net cash used in operating activities</b>	<b>14,306</b>	<b>(25,111)</b>
<b>Investing activities</b>		
Borrowings received	9,393	4,801
Interest received	445	261
<b>Net cash flows from financing activities</b>	<b>9,838</b>	<b>5,062</b>
<b>Financing activities</b>		
Interest paid	(803)	(1,434)
Payment of principal portion of lease liabilities	(5,947)	(3,066)
<b>Net cash flows used in financing activities</b>	<b>(6,750)</b>	<b>(4,500)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>17,394</b>	<b>(24,549)</b>
Cash and cash equivalents at 1 January	<b>11,280</b>	<b>38,067</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(2,026)	(2,238)
<b>Cash and cash equivalents at 31 December</b>	<b>26,648</b>	<b>11,280</b>