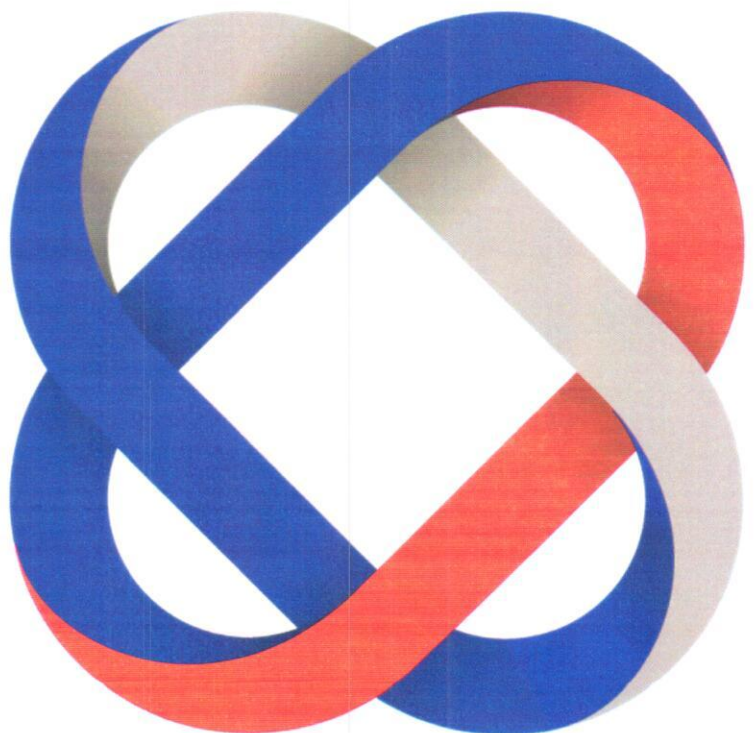


# **Grant Project Financial Statements and Independent Auditor's Report**

**“National University of Architecture and  
Construction of Armenia” Foundation**

**“Modernization of curricula for Architectural and  
Construction specialties, Establishment of the new  
research and experimental laboratory”**

As of 28 February 2018 and for the period from 24 December  
2015 until 28 February 2018



# Contents

Independent auditor's report	3
Statement of financial position	6
Statement of uses of funds by project main categories of expenditures	8
Grant operating account statement	9
Co-financing operating account statement	10
Notes to the Grant project financial statements	11

# Independent auditor's report

Գրանթ Թորնթոն ՓԲԸ  
ՀՀ, ք.Երևան 0012  
Վաղարշյան 8/1

Հ. + 374 10 260 964  
Ֆ. + 374 10 260 961

**Grant Thornton CJSC**  
8/1 Vagharshyan Str.  
0012 Yerevan, Armenia

T + 374 10 260 964  
F + 374 10 260 961

To the management of the State Agency "Center for Education Projects" Project Implementation Unit"

## *Opinion*

We have audited the Grant project financial statements of the "Modernization of curricula for Architectural and Construction specialties, Establishment of the new research and experimental laboratory" Grant project (the "Project") financed within the scope of Competitive Innovation Fund (the "CIF"), which comprise the statement of financial position as of 28 February 2018, the statement of project sources and uses of funds, the statement of uses of funds by project main categories of expenditures, the grant operating account statement and the co-financing operating account statement for the period from 24 December 2015 until 28 February 2018, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying Grant project financial statements give a true and fair view of the financial position of the "Modernization of curricula for Architectural and Construction specialties, Establishment of the new research and experimental laboratory" Grant project as of 28 February 2018, and of the funds received and expenses incurred for the period from 24 December 2015 until 28 February 2018, in accordance with the accounting policies described in note 2, the relevant points of the Grant Agreement 5/15-CIF and the Operational Manual for Competitive Innovation Fund.

## *Basis for Opinion*

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 Grant Project Financial Statements* section of our report. We are independent of "National University of Architecture and Construction of Armenia" Foundation (the "NUACA") in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "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 those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Emphasis of Matter*

We draw attention to note 2 to the Grant project financial statements, which describes the basis of accounting. The Grant project financial statements are prepared to assist the management of the State Agency "Center for Education Projects" Project Implementation Unit" to meet the requirements of Competitive Innovation Fund based on the frames of the World Bank's Second Education Quality and Relevance Project. As a result, the Grant project financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



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

Management is responsible for the preparation and fair presentation of the Grant project financial statements in accordance with the accounting policies described in note 2 to the Grant project financial statements, the relevant points of the Grant Agreement 5/15-CIF and the Operational Manual for Competitive Innovation Fund, and for such internal control as management determines is necessary to enable the preparation of Grant project financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Grant project financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the Grant project 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 Grant project financial statements.

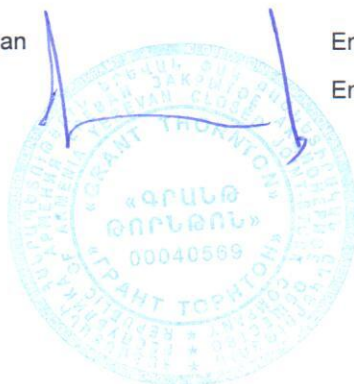
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Grant project 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 NUACA'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 NUACA'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 Grant project 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 NUACA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Grant project financial statements, including the disclosures, and whether the Grant project financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

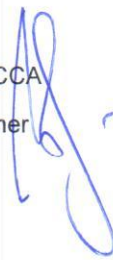
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gagik Gyulbudaghyan  
Managing Partner

15 June 2018



Emil Vassilyan, FCCA  
Engagement Partner



# Statement of financial position

In Armenian drams

	Note	As of 28 February 2018
<b>Assets</b>		
<i>Non-current assets</i>		
Grant project accumulated expenses		279,574,522
		279,574,522
<i>Current assets</i>		
Bank balances		273,429
		273,429
<b>Total assets</b>		279,847,951
<b>Funds</b>		
Grant project accumulated financing	4	277,499,477
Other funds		2,075,045
		279,574,522
<i>Liabilities</i>		
Accounts payable	5	273,429
		273,429
<b>Total funds and liabilities</b>		279,847,951

The Grant project financial statements were approved on 15 June 2018 by:

Gagik Galstyan

Rector



Tatevik Solomonyan

Chief Accountant

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 14.



# Statement of project sources and uses of funds

As of 28 February 2018 and for the period from 24 December 2015 until 28 February 2018

In Armenian drams

	Actual		Planned		Variance	
	For the period	As of 28 February 2018	For the period	As of 28 February 2018	For the period	As of 28 February 2018
<i>Funds received</i>						
Grant (refer to note 4)	241,977,613	241,977,613				
Co-financing (refer to note 4)	35,521,864	35,521,864				
Other funds received	2,075,045	2,075,045				
<b>Total</b>	<b>279,574,522</b>	<b>279,574,522</b>				
<i>Uses of funds</i>						
Eligible expenses	279,574,522	279,574,522	279,650,720	279,650,720	(76,198)	(76,198)
<b>Total</b>	<b>279,574,522</b>	<b>279,574,522</b>	<b>279,650,720</b>	<b>279,650,720</b>	<b>(76,198)</b>	<b>(76,198)</b>
Net increase in working capital	-	-				

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 14.

## Statement of uses of funds by project main categories

Period from 24 December 2015 until 28 February 2018

## In Armenian drams

Type of expense	Estimated expenses			Actual expenses			Variance		
	Grant	Co-financing	Total	Grant	Co-financing	Total	Grant	Co-financing	Total
1 Furniture	4,437,608	651,392	5,089,000	4,437,608	651,392	5,089,000	-	-	-
2 Computers and other equipment	15,024,653	2,205,454	17,230,107	15,024,653	2,205,454	17,230,107	-	-	-
3 Laboratory equipment and supplies	200,967,600	29,839,080	230,806,680	200,931,356	29,832,236	230,763,592	36,244	6,844	43,088
4 Stationary	129,219	18,968	148,187	129,219	18,968	148,187	-	-	-
5 Printing, purchase of telecasting in the scope of broadcasting or publication area	-	450,000	450,000	-	450,000	450,000	-	-	-
6 Consultancy services (local and international)	6,462,350	1,287,650	7,750,000	6,462,350	1,287,650	7,750,000	-	-	-
7 Business trip for acquisition of experience	1,523,224	513,172	2,036,396	1,523,224	513,172	2,036,396	-	-	-
8 Grant project staff salary	14,872,624	829,576	15,702,200	14,839,514	829,576	15,669,090	33,110	-	33,110
0 Other expenses	438,150	-	438,150	438,150	-	438,150	-	-	-
Total	243,855,428	35,795,292	279,650,720	243,786,074	35,788,448	279,574,522	69,354	6,844	76,198

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 14.



# Grant operating account statement

*In Armenian drams*

Opening balance as of 24 December 2015		-
Add: Cumulative unexplained discrepancy		-
Grant replenishment during the year	241,977,613	
Interest received*	1,143	
	<u>241,978,756</u>	<u>241,978,756</u>
Present outstanding amount advanced to the Grant operating account (1)		<u>241,978,756</u>
Closing balance as of 28 February 2018		-
Add: Amount of eligible expenditures paid during the period	241,977,613	
	<u>241,977,613</u>	<u>241,977,613</u>
Total advance accounted for (2)		<u>241,977,613</u>
Discrepancy (1) – (2) to be explained		1,143

\* In the framework of the Project the monetary movements were stopped until the closing date of the Project, 11 November 2017, after which interest at the amount of drams 1,143 was deposited into the grant operating account.

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 14.

# Co-financing operating account statement

*In Armenian drams*

Opening balance as of 24 December 2015		-
Add: Cumulative unexplained discrepancy		-
Co-financing received during the year	35,795,293	
	<u>35,795,293</u>	<u>35,795,293</u>
Present outstanding amount advanced to the co-financing operating account (1)		<u>35,795,293</u>
Closing balance as of 28 February 2018		273,429
Add: Amount of eligible expenditures paid during the period*	35,521,864	
	<u>5,000</u>	
	<u>35,526,864</u>	<u>35,526,864</u>
Total advance accounted for (2)		<u>35,526,864</u>
Discrepancy (1) – (2) to be explained		(5,000)

\* In the framework of the Project the monetary movements were stopped until the closing date of the Project, 11 November 2017, after which a bank account service fee at the amount of drams 5,000 has been charged from the co-financing operational account.

This statement is to be read in conjunction with the notes to and forming part of the Grant project financial statements set out on pages 11 to 14.

# Notes to the Grant project financial statements

## 1 Nature of operations and general information

"National University of Architecture and Construction of Armenia" Foundation (the "NUACA") was established in accordance with the Republic of Armenia Government decree N 80-Ն dated 23 January 2014. It is restructured from "Yerevan State University of Architecture and Construction" State Non Commercial Organization into "National University of Architecture and Construction of Armenia" Foundation. The NUACA has a legal entity status and is registered by the appropriate authorities responsible for the registration of legal entities.

The founder of the NUACA is the Republic of Armenia represented by the Government of the Republic of Armenia.

The NUACA renders high professional educational projects in accordance with the law and regulation defined by the Government of the Republic of Armenia and its activity goals.

The objectives of the NUACA are to:

- implementation of higher (magistracy), secondary vocational and post-graduate educational programmes, development and approval of educational plans and subject projects, publishing of scientific literature;
- conferring honorary titles of the Academy, setting prizes, providing scholarships and awards, academic medals;
- arranging the admission of applicants under the Master's, PhD and research programs, in accordance with the order defined by the Republic of Armenia Government;
- implementation of such business activities, which are defined by the Board of trustees.

The NUACA is acting through its governing bodies.

The governing bodies of the NUACA are:

- the Board of trustees;
- the Rector of the NUACA.

The Board of trustees is set up for 5 years, and it has 32 members.

According to the Grant Agreement 5/15-CIF (Agreement) signed between the NUACA and the State Agency "Center for Education Projects" Project Implementation Unit" (the "PIU"), dated 24 December 2015, the NUACA implements the "Modernization of curricula for Architectural and Construction specialties, Establishment of the new research and experimental laboratory" Grant project ("Project"). The budget of the Grant project makes drams 279,650,720, drams 243,855,428 of which will be allocated from the Grant funds, and drams 35,795,292 from co-financing. The closing date of the Grant project is defined as 28 February 2018.

This Grant project is a consortium project and the main regulating higher education institution is the NUACA, and its partner institution is "Mikshin" limited liability company. On 9 November 2015 a memorandum of understanding was signed between the NUACA and the partner institution, which defines the mutual understanding and conditions between the NUACA and partner institutions on the "Modernization of curricula for Architectural and Construction specialties, Establishment of the new research and experimental laboratory" Grant project. In the framework of the memorandum of cooperation signed between the NUACA and the partner institution on 5 November 2015 the partner institution delegated the NUACA to present a project request to the "Center for Education Projects" PIU in the framework of Competitive Innovation Fund, as well as to sign a grant contract and possible additional agreements with the "Center for Education Projects" PIU in case of being provided with the grant.



The main goal of the Grant project is to establish of a modern, educational and scientific-experimental laboratory of architectural and construction material science, technology and constructions, which will promote improving professional education programs and expansion of the NUACA's academic functions, as well as the capacity building.

The specific goals of the Project are the following:

- having an educational-scientific-testing laboratory base equipped with modern equipment for enhanced capacity building of the NUACA, with trained scientific-pedagogical, scientific-research and laboratory staff;
- having new and modern educational programs for certain professions with the use of new methods and educational-methodological modern materials of teaching and learning;
- creation of possibility of scientific-research, design and expert services provision;
- creation of scientific active communication between the high educational institutions of the Republic of Armenia and the scientific-production organizations and international organizations having similar directions.

The NUACA is located at 105 Teryan street, Yerevan, Republic of Armenia.

During the reporting period the number of staff involved in the Grant project implementation was 4 employees.

## 2 Basis of preparation

### 2.1 Statement of compliance

The Grant project financial statements were prepared in accordance with the accrual basis of accounting, the relevant points of the Grant Agreement 5/15-CIF and requirements of the Operational Manual for Competitive Innovation Fund. Significant accounting policies are disclosed below.

### 2.2 Functional and presentation currency

The national currency of Armenia is the Armenian dram ("dram"), which is the NUACA's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the NUACA. All financial information presented in Armenian drams has been rounded to the nearest unit.

### 2.3 Grant project financing

The financing received in the framework of the agreement is recorded in the statement of financial position as "Grant project accumulated project financing" and is recognized at each replenishment. The unused amounts available at the end of the Grant project, which are subject to be returned are being deducted from the amounts of "Accumulated Grant project financing" and recognized as payable. In addition, the current period funds received are disclosed in the statement of Grant project sources and uses of funds.

### 2.4 Grant project expenses

The Grant project expenses are recognized on the accrual basis of accounting. The accumulated Grant project expenses are disclosed in the statement of financial position under non-current assets. In addition, expenses are disclosed in the statement of Grant project sources and uses of funds and statement of uses of funds by Grant project main categories of expenditures. Furniture and equipment procured within the scope of the Grant project and recognized in expenses are the property of the NUACA. Items of fixed assets procured within the scope of the Grant project are not recognized as such and no depreciation is calculated in respect of them. Instead, their initial cost is disclosed in note 6.

### 2.5 Planned expenses

The Grant project planned expenses are the Grant project budget defined by the grant agreement, which includes the grant financing and co-financing.

### 3 Closing date of the Grant project

According to the grant agreement, the Grant project closing date was defined as 28 February 2018.

### 4 Accumulated Grant project financing

In Armenian drams

Period from 24  
December 2015 until  
28 February 2018

Grant funds	
PIU financing	241,977,613
	241,977,613
Co-financing	
NUACA's co-financing	35,795,293
Amount to be returned	(273,429)
	35,521,864
Total	277,499,477

### 5 Accounts payable

Accounts payable consist of the amount payable to "National University of Architecture and Construction of Armenia" Foundation. The amount has arisen from unused co-financing funds of the Grant project, from the amount subject to repayment and amounts to drams 273,429 thousand.

### 6 Reconciliation between the amounts received by the Grant project from the PIU and disbursed by the NUACA

In Armenian drams

	NUACA	PIU	Variance
Stage 1	26,485,885	26,485,885	-
Stage 2	49,615,268	49,615,268	-
Stage 3	28,138,845	28,138,845	-
Stage 4	47,839,115	47,839,115	-
Stage 5	67,238,920	67,238,920	-
Stage 6	-	-	-
Stage 7	10,543,782	10,543,782	-
Stage 8	12,115,798	12,115,798	-
	241,977,613	241,977,613	-

## 7 Fixed assets

The items of fixed assets include furniture, computer and other equipment acquired in the scope of the Grant project. No depreciation is calculated in respect of them.

The acquired and expensed items are the property of the NUACA.

The initial cost of the fixed assets procured within the scope of the Grant project are presented below:

### NUACA

#### Fixed assets

##### In Armenian drams

Computer equipment

Office furniture

Laboratory equipment

Other

As of 28 February  
2018

11,401,136

5,089,000

230,763,592

5,828,971

253,082,699