

Grant Project Financial Statements and Independent Auditor's Report

“Yerevan State University” Foundation

**“Establishment of an Educational-Scientific Center
of Drugs Quality Control and Monitoring” Project**

As of 31 July 2021 and for the period from 1 August 2019 until
31 July 2021



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Independent auditor's report

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Երևան Պլազա բիզնես կենտրոն
ՀՀ, ք. Երևան 0015
Գրիգոր Լուսավորչի 9
Հ. + 374 10 50 09 64/61

Grant Thornton CJSC
Yerevan Plaza Business Center
9 Grigor Lusavorich Street,
Yerevan 0015, Republic of Armenia
T + 374 10 50 09 64/61

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 "Establishment of an Educational-Scientific Center of Drugs Quality and Monitoring" Grant project (the "Project") financed within the scope of Competitive Innovation Fund (the "CIF"), which comprise the statement of financial position as of 31 July 2021, 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 1 August 2019 until 31 July 2021, 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 "Establishment of an Educational-Scientific Center of Drugs Quality and Monitoring" Grant project as of 31 July 2021, and of the funds received and expenses incurred for the period from 1 August 2019 until 31 July 2021, in accordance with the accounting policies described in note 2, the relevant points of the Grant Agreement 14/19-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 Yerevan State University Foundation (YSU) 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 Education Improvement 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 of Yerevan State University Foundation (YSU) 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 14/19-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 YSU's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

Armen Hovhannisyan
Chief Executive Officer

30 September 2021

Emil Vassilyan, FCCA
Engagement Partner



Statement of financial position

In Armenian drams	Note	As of 31 July 2021
Assets		
Grant project accumulated expenses		259,378,744
Total assets		259,378,744
Funds and liabilities		
Grant project accumulated financing	4	258,467,821
Foreign exchange difference		585,893
Other income		325,030
Total funds and liabilities		259,378,744

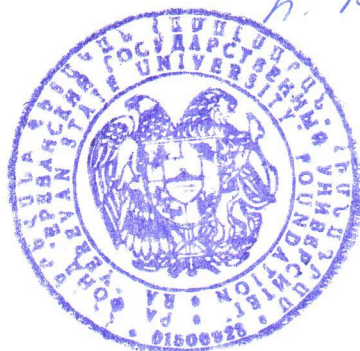
The Grant project financial statements were approved on 30 September 2021 by:

Hovhannes Hovhannisyan

Acting Rector

Rafik Grigoryan

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 10 to 13.

Statement of project sources and uses of funds

As of 31 July 2021 and for the period from 1 August 2019 until 31 July 2021

In Armenian drams

	Actual		Planned		Variance	
	For the period	As of 31 July 2021	For the period	As of 31 July 2021	For the period	As of 31 July 2021
<i>Funds received</i>						
Grant (refer to note 4)	227,451,680	227,451,680				
Co-financing (refer to note 4)	31,016,141	31,016,141				
Other income	325,030	325,030				
Total	258,792,851	258,792,851				
Foreign exchange difference	585,893	585,893				
<i>Uses of funds</i>						
Eligible expenses	259,378,744	259,378,744	283,429,194	283,429,194	(24,050,450)	(24,050,450)
Total	259,378,744	259,378,744	283,429,194	283,429,194	(24,050,450)	(24,050,450)
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 10 to 13.

Statement of uses of funds by project main categories of expenditures

Period from 1 August 2019 until 31 July 2021

In Armenian drams

#	Type of expense	Estimated expenses			Actual expenses			Variance		
		Grant	Co-financing	Total	Grant	Co-financing	Total	Grant	Co-financing	Total
1	Computers and equipment	4,747,600	647,400	5,395,000	4,477,440	610,560	5,088,000	270,160	36,840	307,000
2	Laboratory equipment and supplies	236,663,680	32,272,320	268,936,000	215,891,511	29,439,752	245,331,263	20,772,169	2,832,568	23,604,737
3	Printing	158,400	21,600	180,000	52,800	7,200	60,000	105,600	14,400	120,000
4	Study tours, travel and staying costs	815,051	111,143	926,194	798,584	108,897	907,481	16,467	2,246	18,713
5	CIF Grant project staff salary	7,032,960	959,040	7,992,000	7,032,960	959,040	7,992,000	-	-	-
Total		249,417,691	34,011,503	283,429,194	228,253,295	31,125,449	259,378,744	21,164,396	2,886,054	24,050,450

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 10 to 13.

Grant operating account statement

In Armenian drams

Opening balance as of 1 August 2019		-
Add: Cumulative unexplained discrepancy		-
Grant replenishment during the period	<u>227,687,553</u>	<u>227,687,553</u>
	<u>227,687,553</u>	
Less: Refund to the PIU during the period		(235,873)
Present outstanding amount advanced to the Grant operating account (1)		<u>227,451,680</u>
Closing balance as of 31 July 2021		-
Add: Amount of eligible expenditures paid during the period	227,451,680	
	<u>227,451,680</u>	<u>227,451,680</u>
Total advance accounted for (2)		<u>227,451,680</u>
Discrepancy (1) – (2) to be explained		-

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 10 to 13.

Co-financing operating account statement

In Armenian drams

Opening balance as of 1 August 2019		-
Add: Cumulative unexplained discrepancy		-
Co-financing received during the period	<u>34,011,503</u>	<u>34,011,503</u>
	<u>34,011,503</u>	<u>34,011,503</u>
Less: Refund of co-financing during the period		(2,995,362)
Present outstanding amount advanced to the co-financing operating account (1)		<u>31,016,141</u>
Closing balance as of 31 July 2021		-
Add: Amount of eligible expenditures paid during the period	31,016,141	
	<u>31,016,141</u>	<u>31,016,141</u>
Total advance accounted for (2)		<u>31,016,141</u>
Discrepancy (1) – (2) to be explained		-

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 10 to 13.

Notes to the Grant project financial statements

1 Nature of operations and general information

Decision on establishment of the university in Yerevan was made by the Republic of Armenia Council of Ministers on 16 May 1919. The official inauguration of the "Yerevan State University" Foundation ("YSU") was held in the building of trade school of Aleksandropol (former name for Gyumri) on 31 January 1920.

YSU is a self-governed educational, scientific-research and cultural higher education institution. The activity of YSU is aimed to arrange basic and applied scientific research and studies, armenology, science, social-economic, the humanities and techniques, education in different fields of art, basic and applied scientific research for secondary educational, higher professional, post graduate professional and additional educational directions in accordance with the procedures of the Republic of Armenia legislation and educational programs.

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

The objectives of YSU are to:

- meet the mental, spiritual and moral needs of the people by providing higher and post graduate professional education;
- carry out researches in different fields of science, education methodology, scientific pedagogical and ensure multilateral development of armenology;
- ensure the development of science, education, economy and art through researches and creative activities of the academic staff and students and applying it in economy, research and educational processes;
- arrange higher education trainings and retraining for the academic staff;
- ensure improvement of education quality and availability of appropriate system and other goals prescribed by the Charter.

The Board of trustees is the top collegial governing body of YSU. The rector manages the current activity of YSU.

YSU implements the "Establishment of an Educational-Scientific Center of Drugs Quality Control and Monitoring" Grant project ("Project") in accordance with the Grant agreement 14/19-CIF (Agreement) signed between the University and the PIU on 30 July 2019. The budget of the Grant project made up drams 283,429,194. Drams 249,417,691 from this amount should be provided from the grant funds and drams 34,011,503 from the co-financing.

The goal of the project is to create a scientific and educational center for drug quality control and monitoring at the YSU Institute of Pharmacy, which will promote cooperation between other faculties of YSU, other universities of the republic, business and scientific spheres, the development of educational and research activities and innovations in the field of pharmacy and in other related professional fields.

The specific goals of the Grant project are to:

- Develop a strategy of goals and functions, management, development and sustainability consistent with the mission of the center being created,
- Create a modern scientific and educational analytical laboratory at the Institute of Pharmacy of YSU, equipped with necessary equipment for structural studies of drugs, control and evaluation of the quality of drugs, to introduce well-known methods and develop new analytical methods for the operation of this equipment,
- Train highly qualified specialists in the operation of equipment,
- Organize short-term courses, seminars, scientific and educational visits to local and foreign universities and/or laboratories, as well as online courses with foreign partner organizations,

- Develop a new Master's Degree Program in "Drug Quality Control and Evaluation with a partner organization,
- Conclude mutually beneficial cooperation agreements with local and foreign pharmaceutical companies,
- Create website for the Center.

YSU is located at 1 Alek Manukyan street, Yerevan, 0025, Armenia.

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

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 14/19-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 YSU's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of YSU.

These Grant project financial statements are presented in Armenian drams, since management believes that this currency is more useful for the users of these Grant project financial statements. 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 YSU. 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 31 July 2021.

4 Accumulated Grant project financing

In Armenian drams

Period from 1 August
2019 until 31 July
2021

Grant funds	
PIU funds received	227,687,553
Amount returned	(235,873)
	<u>227,451,680</u>
Co-financing	
YSU's co-financing	34,011,503
Amount returned	(2,995,362)
	<u>31,016,141</u>
Total	<u><u>258,467,821</u></u>

5 Reconciliation between the amounts received by the Grant project from the PIU and disbursed by YSU

In Armenian drams

	YSU	PIU	Variance
Stage 1	6,310,480	6,310,480	-
Stage 2	94,572,720	94,572,720	-
Stage 6	18,306,603	18,306,603	-
Stage 7	79,497,750	79,497,750	-
Stage 8	29,000,000	29,000,000	-
	<u>227,687,553</u>	<u>227,687,553</u>	<u>-</u>
Amount returned	<u>(235,873)</u>	<u>(235,873)</u>	<u>-</u>
	<u><u>227,451,680</u></u>	<u><u>227,451,680</u></u>	<u><u>-</u></u>

6 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 YSU.

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

In Armenian drams	As of 31 July 2021
Office furniture	5,088,000
Laboratory equipment	241,605,263
	<u><u>246,693,263</u></u>