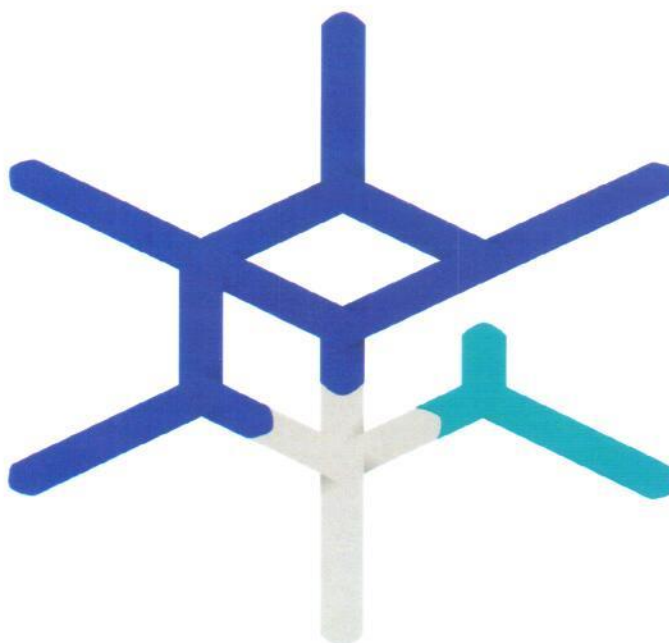


Grant Project Financial Statements and Independent Auditor's Report

“V. Brusov State University” Foundation

**“Establishment of the “HayLingvoTech” Centre of
Excellence for Language and Educational
Technologies” Project**

As of 10 April 2022 and for the period from 1 August 2019 until
10 April 2022



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Independent auditor's report

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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 the "HayLingvoTech" Centre of Excellence for Language and Educational Technologies" Grant project (the "Project") financed within the scope of Competitive Innovation Fund (the "CIF"), which comprise the statement of financial position as of 10 April 2022, 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 10 April 2022, 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 the "HayLingvoTech" Centre of Excellence for Language and Educational Technologies" Grant project as of 10 April 2022, and of the funds received and expenses incurred for the period from 1 August 2019 until 10 April 2022, in accordance with the accounting policies described in note 2, the relevant points of the Grant Agreement 15/19-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 "V. Brusov State University" Foundation (the "BSU") 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 "V. Brusov State University" Foundation (the "BSU") 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 15/19-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 the BSU'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

Emil Vassilyan, FCCA
Engagement Partner

29 April 2022




Statement of financial position

In Armenian drams	Note	As of 10 April 2022
Assets		
Grant project accumulated expenses		101,277,790
Bank balances	4	6,033,588
Total assets		107,311,378
Funds		
Grant project accumulated financing	5	101,240,224
Other income		37,566
Accounts payable	6	6,033,588
Total funds and liabilities		107,311,378

The Grant project financial statements were approved on 29 April 2022 by:

Karine Harutyunyan

Rector



Hasmik Ghazaryan

Head of Financial Department




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 12.

Statement of project sources and uses of funds

As of 10 April 2022 and for the period from 1 August 2019 until 10 April 2022

In Armenian drams

	Actual		Planned		Variance	
	For the period	As of 10 April 2022	For the period	As of 10 April 2022	For the period	As of 10 April 2022
<i>Funds received</i>						
Grant (refer to note 5)	91,116,201	91,116,201				
Co-financing (refer to note 5)	10,124,023	10,124,023				
Other income	37,566	37,566				
Total	101,277,790	101,277,790				
<i>Uses of funds</i>						
Eligible expenses	101,277,790	101,277,790	132,623,220	132,623,220	(31,345,430)	(31,345,430)
Total	101,277,790	101,277,790	132,623,220	132,623,220	(31,345,430)	(31,345,430)
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 12.

Statement of uses of funds of project main categories of expenditures

Period from 1 August 2019 until 10 April 2022

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	4,824,720	536,080	5,360,800	4,732,452	525,828	5,258,280	92,268	10,252	102,520
2	Computer equipment	12,276,900	1,364,100	13,641,000	12,230,280	1,358,920	13,589,200	46,620	5,180	51,800
3	Laboratory equipment and supplies	26,497,350	2,944,150	29,441,500	26,452,350	2,939,150	29,391,500	45,000	5,000	50,000
4	Stationary Computer software and electronic resources	786,708	87,412	874,120	551,493	61,277	612,770	235,215	26,135	261,350
5	Printing	1,725,750	191,750	1,917,500	1,627,614	180,846	1,808,460	98,136	10,904	109,040
6	Consulting Services (local and international)	1,874,250	208,250	2,082,500	531,349	59,039	590,388	1,342,901	149,211	1,492,112
7	Organization of seminars, trainings and workshops	53,236,440	5,915,160	59,151,600	29,810,939	3,312,327	33,123,266	23,425,501	2,602,833	26,028,334
8	Business trip for acquisition of experience	1,620,000	180,000	1,800,000	393,390	43,710	437,100	1,226,610	136,290	1,362,900
9	Grant project staff salary	5,202,000	578,000	5,780,000	3,556,248	395,139	3,951,387	1,645,752	182,861	1,828,613
10	Other expenses	11,016,000	1,224,000	12,240,000	11,006,180	1,222,909	12,229,089	9,820	1,091	10,911
11	Total	300,780	33,420	334,200	257,715	28,635	286,350	43,065	4,785	47,850
		119,360,898	13,262,322	132,623,220	91,150,010	10,127,780	101,277,790	28,210,888	3,134,542	31,345,430

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 12.

Grant operating account statement

In Armenian drams

Opening balance as of 1 August 2019		-
Add: Cumulative unexplained discrepancy		-
Grant replenishment during the period	94,011,490	
	<u>94,011,490</u>	<u>94,011,490</u>
Less: Refund to the PIU during the period		
Present outstanding amount advanced to the Grant operating account (1)		<u>94,011,490</u>
Closing balance as of 10 April 2022		2,895,289*
Add: Amount of eligible expenditures paid during the period	91,116,201	
	<u>91,116,201</u>	<u>91,116,201</u>
Total advance accounted for (2)		<u>94,011,490</u>
Discrepancy (1) – (2) to be explained		-

* The balance was refunded to the PIU on 11 April 2022.

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 12.

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	13,262,322	
	<u>13,262,322</u>	<u>13,262,322</u>
Less: Refund to another BSU account during the period		
Present outstanding amount advanced to the co-financing operating account (1)		<u>13,262,322</u>
Closing balance as of 10 April 2022		3,138,299*
Add: Amount of eligible expenditures paid during the period	10,124,023	
	<u>10,124,023</u>	<u>10,124,023</u>
Total advance accounted for (2)		<u>13,262,322</u>
Discrepancy (1) – (2) to be explained		-

* The balance was refunded to the BSU on 13 April 2022.

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 12.

Notes to the Grant project financial statements

1 Nature of operations and general information

The BSU was created in 1935 as a two-year pedagogical institution for training Russian language specialists. Throughout its 84-year history, the BSU's educational programs and the volume of research work have continuously expanded. Since 2014 the university is named as "Yerevan State University of Languages and Social Sciences after V. Brusov and in 2017 is reorganized as foundation. In 2020 the BSU is renamed as "V. Brusov State University" foundation.

Currently, 26 bachelor's, 25 master's and postgraduate programs are being implemented. Specialists in the field of fundamental and applied linguistics, translation, pedagogy, political science, international relations, geology, journalism, service, public education management are trained.

The BSU is consistently implementing its strategic objectives, which are as follows:

- Improving the quality of education,
- Promotion of scientific research, application of their results in the educational process,
- Introduction of the latest interdisciplinary specialties by combining educational and linguistic sciences with the fields of ICT and artificial intelligence,
- Diversification of cooperation with employers,
- Introduction of international dimension in educational programs and research.

According to the Grant Agreement 15/19-CIF (Agreement) signed between the BSU and the State Agency "Center for Education Projects" Project Implementation Unit" (the "PIU") signed on 1 August 2019, the BSU implements the "Establishment of the "HayLingvoTech" Centre of Excellence for Language and Educational Technologies" Grant project ("Project"). The budget of the Grant project makes drams 132,623,220, drams 119,360,898 of which will be allocated from the Grant funds, and drams 13,262,322 from BSU co-financing. The closing date of the Grant project is defined as 10 April 2022.

The specific goals of the Project are:

- Development of technology-based language and social science education and research in Armenia in the context of global development,
- Training vital specialists in the fields of computational linguistics, simultaneous translation, education assessment and testing through the implementation of technology-based cross-sectoral educational programs,
- Development of the full use of Armenian language in the digital environment and software, introduce a toolkit for assessing Armenian language proficiency levels,
- Promotion of the education-research-innovation-business connection.

The BSU is located at 42 Tumanyan street, Yerevan, 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 15/19-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 the BSU's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the BSU. 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 BSU. 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 8.

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 closing date of the Grant Agreement was defined as 10 April 2022.

4 Bank balances

In Armenian drams	As of 10 April 2022
Grant operating account	2,895,289
Co-financing operating account	3,138,299
	<u>6,033,588</u>

5 Grant project financing

In Armenian drams	Period from 1 August 2019 until 10 April 2022
PIU funds	94,011,490
Amount to be returned	(2,895,289)
	<u>91,116,201</u>
Co-financing	
BSU's co-financing	13,262,322
Amount to be returned	(3,138,299)
	<u>10,124,023</u>
Total	<u>101,240,224</u>

6 Accounts payable

Accounts payable consist of the amount payable to the "V. Brusov State University" Foundation and to the State Agency "Center for Education Projects" Project Implementation Unit". The amount has arisen from unused funds of the Grant project, from the funds subject to repayment and amounts to drams 3,138,299 thousand and drams 2,895,289 thousand, respectively. The amount to be paid to the State Agency "Center for Education Projects" Project Implementation Unit" (drams 2,895,289 thousand) was returned on 11 April 2022 and the amount to be paid to the "V. Brusov State University" Foundation (drams 3,138,299 thousand) was returned on 13 April 2022.

7 Reconciliation between the amounts received by the Grant project from the PIU and disbursed by the BSU

In Armenian drams

	BSU	PIU	Variance
Stage 1	11,478,708	11,478,708	-
Stage 2	42,873,967	42,873,967	-
Stage 3	14,293,937	14,293,937	-
Stage 5	20,064,878	20,064,878	-
Stage 7	5,300,000	5,300,000	-
	<u>94,011,490</u>	<u>94,011,490</u>	
Amount to be returned	<u>(2,895,289)</u>	<u>(2,895,289)</u>	-
	<u>91,116,201</u>	<u>91,116,201</u>	-

8 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 BSU.

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

In Armenian drams	As of 10 April 2022
Furniture	7,351,280
Computer and laboratory equipment	40,887,700
Computer software	1,808,460
	<u>50,047,440</u>