

**"ARMENIAN STATE PEDAGOGICAL UNIVERSITY AFTER  
KHACHATUR ABOVYAN" FOUNDATION**

**“Establishing a center of excellence in science, technology, engineering and  
mathematics, developing the capacity of future and in-service teachers”**

**GRANT**

**SPECIAL PURPOSE FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITORS' REPORT**

**For the period from 14 June 2023 to 15 July 2025**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying special purpose financial statements of the Project “*Establishing a center of excellence in science, technology, engineering and mathematics, developing the capacity of future and in-service teachers*” (hereinafter the Project), implemented by "Armenian State Pedagogical University after Khachatur Abovian" Foundation (hereinafter ASPU), which comprise the statement of financial position as of 15 July 2025, 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 14 June 2023 to 15 July 2025, and a summary of significant accounting policies and other explanatory information.

In our opinion, the special purpose financial statements present fairly in all material respects the financial position as of 15 July 2025, and of the funds received and expenses incurred for the period from 14 June 2023 to 15 July 2025, in accordance with the accounting policies described in note 2, the relevant points of the Grant Agreement 5/23-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 *Auditors Responsibilities for the Audit of the Special Purpose Financial Statements* section of our report. We are independent of the ASPU in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient appropriate to provide a basis for our opinion.

### *Emphasis of Matter - Restriction on Distribution or Use*

We draw attention to Note 2(a) to the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for providing information to the State Agency "Center for Education Projects" Project Implementation Unit" to assist them in meeting the requirements of Competitive Innovation Fund based on the frames of the World Bank's Education Improvement Project with Additional Financing (Project). As a result, the special purpose financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

We draw attention to Note 1(b) to the special purpose financial statements, which states that the project closing date is 15 July 2025. Our opinion is not modified on this matter.

### *Other Matter*

During the audit, we became aware of publicly available legal proceedings involving certain officers of the ASPU, including three individuals who also held responsibilities related to the Project. The matters subject to those proceedings do not relate to the Project or to the transactions included in the accompanying special purpose financial statements. Nevertheless, in response to this information, we reassessed the risks of material misstatement and performed additional audit procedures in the areas considered potentially affected. Based on the audit evidence obtained, we concluded that these matters did not affect the accompanying special purpose financial statements, and our opinion is not modified in respect of this matter.

### *Responsibilities of Management and Those Charged with Governance for the Special Purpose Financial Statements*

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the accounting policies described in Note 2(a), the relevant points of the Grant Agreement 5/23-CIF and the Operational Manual for Competitive Innovation Fund, and for such internal control as management determine is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Project'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, or to cease operations of Project, or has no realistic alternative but to do so.

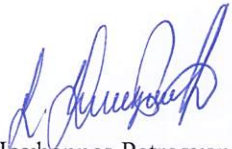
### *Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements*

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose financial statements.


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 ASPU'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 ASPU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the ASPU 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.
- 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.

  
Hovhannes Petrosyan  
Director  
PHP Partners cjsc  
24 June 2026



  
Lilit Minasyan  
Partner, Head of Audit Services

*“Establishing a center of excellence in science, technology, engineering and mathematics, developing the capacity of future and in-service teachers”  
Statement of financial position As of 15 July 2025*

	<i>AMD</i>	<b>Notes</b>	<b>Actual</b>
<b>Assets</b>			
<i>Non-current assets</i>			
Grant project accumulated expenses			<u>78,665,345</u>
<b>Total assets</b>			<u><b>78,665,345</b></u>
<b>Funds and liabilities</b>			
Grant project accumulated financing		4	78,107,340
Other income			<u>558,005</u>
<b>Total funds and liabilities</b>			<u><b>78,665,345</b></u>

The project special purpose financial statements were approved and signed on 24 June 2026.



Lilit Mkrtchyan  
Rector

Anahit Karapetyan  
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.*

*“Establishing a center of excellence in science, technology, engineering and mathematics, developing the capacity of future and in-service teachers”  
Statement of project sources and uses of funds As of 15 July 2025 and for the period from 14 June 2023 to 15 July 2025*

<i>AMD</i>	<b>Actual</b>		<b>Planned</b>		<b>Variance</b>	
	<b>For the period</b>	<b>Cumulative</b>	<b>For the period</b>	<b>Cumulative</b>	<b>For the period</b>	<b>Cumulative</b>
<i>Funds received</i>						
Grant (refer to note 4)	66,391,240	66,391,240				
Co-financing (refer to note 4)	11,716,100	11,716,100				
Other income	558,005	558,005				
<b>Total</b>	<b>78,665,345</b>	<b>78,665,345</b>				
<i>Uses of funds</i>						
Eligible expenses	78,665,345	78,665,345	105,410,430	105,410,430	(26,745,085)	(26,745,085)
<b>Total</b>	<b>78,665,345</b>	<b>78,665,345</b>	<b>105,410,430</b>	<b>105,410,430</b>	<b>(26,745,085)</b>	<b>(26,745,085)</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.*

*“Establishing a center of excellence in science, technology, engineering and mathematics, developing the capacity of future and in-service teachers”  
Statement of uses of funds by project main categories of expenditures for the period from 14 June 2023 to 15 July 2025*

<i>AMD</i>	<b>Actual</b>			<b>Planned</b>			<b>Variance</b>		
	Grant	Co-financing	Total	Grant	Co-financing	Total	Grant	Co-financing	Total
Laboratory equipment and supplies	37,870,628	6,683,052	44,553,680	53,152,090	9,379,780	62,531,870	(15,281,462)	(2,696,728)	(17,978,190)
Computers equipment	12,732,660	2,246,940	14,979,600	13,382,995	2,361,705	15,744,700	(650,335)	(114,765)	(765,100)
CIF project staff salary	7,336,715	1,294,714	8,631,429	7,344,000	1,296,000	8,640,000	(7,285)	(1,286)	(8,571)
Office equipment and furniture	4,249,969	749,995	4,999,964	8,166,715	1,441,185	9,607,900	(3,916,746)	(691,190)	(4,607,936)
Consultancy services	2,720,000	480,000	3,200,000	4,760,000	840,000	5,600,000	(2,040,000)	(360,000)	(2,400,000)
Business trips	1,815,328	320,352	2,135,680	2,372,316	418,644	2,790,960	(556,988)	(98,292)	(655,280)
Other expenses	140,243	24,749	164,992	420,750	74,250	495,000	(280,507)	(49,501)	(330,008)
<b>Total</b>	<b>66,865,543</b>	<b>11,799,802</b>	<b>78,665,345</b>	<b>89,598,866</b>	<b>15,811,564</b>	<b>105,410,430</b>	<b>(22,733,323)</b>	<b>(4,011,762)</b>	<b>(26,745,085)</b>

*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.*

*"Establishing a center of excellence in science, technology, engineering and mathematics, developing the capacity of future and in-service teachers"*  
*Grant operating account statement*

	AMD
Opening balance as of 14 June 2023	-
Add: Cumulative unexplained discrepancy	
Grant replenishment during the period	67,279,181
Less: Refund to the PIU during the period	<u>(887,941)</u>
<b>Present outstanding amount advanced to the Grant operating account (1)</b>	<b><u>66,391,240</u></b>
Closing balance as of 15 July 2025	-
Add: Amount of eligible expenditures paid during the period	<u>66,391,240</u>
<b>Total advance accounted for (2)</b>	<b><u>66,391,240</u></b>
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 11 to 14.*

*“Establishing a center of excellence in science, technology, engineering and mathematics, developing the capacity of future and in-service teachers”*  
*Co-financing operating account statement*

	AMD
Opening balance as of 14 June 2023	-
Add: Cumulative unexplained discrepancy	-
Co-financing received during the period	15,811,564
Less: Refund of co-financing during the period	<u>(4,095,464)</u>
<b>Present outstanding amount advanced to the Grant operating account (1)</b>	<b><u>11,716,100</u></b>
Closing balance as of 15 July 2025	-
Add: Amount of eligible expenditures paid during the period	<u>11,716,100</u>
<b>Total advance accounted for (2)</b>	<b><u>11,716,100</u></b>
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 11 to 14.*

## **1 Background**

### **(a) Organisation and operations**

Khachatur Abovyan Armenian State Pedagogical University (hereinafter referred to as “ASPU”) is a state higher educational institution established in 1922 in Yerevan, Republic of Armenia. Since 1948, ASPU has borne the name of the prominent Armenian educator and writer Khachatur Abovyan.

The University operates as a public higher education institution under the jurisdiction of the Ministry of Education, Science, Culture and Sports of the Republic of Armenia, in accordance with the Law on Higher and Postgraduate Professional Education and its Charter approved by the Government of Armenia.

The ASPU’s primary mission is the training and professional development of teachers and education specialists. It offers Bachelor’s, Master’s, and Doctoral (PhD) programs in pedagogy, social sciences, humanities, natural sciences, arts, and culture. The institution provides both full-time and distance (blended) learning modalities.

The Government of Armenia has entered into a Loan Agreement with the World Bank (IBRD Loan No. 9389-AM) to support the implementation of the Education Improvement Project, including Additional Financing (the “Project”).

One of the key components of the Project is the full-scale implementation of the Competitive Innovation Fund (CIF), aimed at enhancing the capacity and competitiveness of Higher Education Institutions.

Project funding is provided jointly by the International Bank for Reconstruction and Development (IBRD) and the Government of Armenia. The State Agency “Center for Education Projects” Project Implementation Unit disburses the financing grant in tranches based on the outcomes of competitive selection processes.

Additionally, the Armenian State Pedagogical University after Khachatur Abovian (ASPU) contributes to the Project by co-financing a portion of the expenses.

According to the Grant Agreement 5/23-CIF (Agreement) signed between the ASPU and the State Agency "Center for Education Projects" Project Implementation Unit" (the "PIU"), dated 14 June 2023, the ASPU implements the “Establishing a center of excellence in science, technology, engineering and mathematics, developing the capacity of future and in-service teachers” Grant project ("Project"). The budget of the Grant project makes AMD 105,410,430, AMD 89,598,866 of which will be allocated from the Grant funds, and AMD 15,811,564 from co-financing.

The project is designed to establish a Center of Excellence in the fields of Natural Science, Technology, Engineering, and Mathematics (BSTEM) at ASPU. The initiative is aligned with contemporary educational requirements and aims to enhance the institutional capacity for preparing and retraining educators with practical and research-oriented competencies in BSTEM disciplines.

- Objectives:

- To develop and modernize the infrastructure necessary for high-quality BSTEM education.
- To support the professional development of future educators (students) and current teachers through targeted training and retraining programs.
- To strengthen teaching, methodological, research, and creative capabilities within the BSTEM domain.

- Key Components:

- Establishment and modernization of laboratories in physics, biology, chemistry, geography, technology (including engineering and mathematics), and informatics.
- Creation of a multifunctional hall for scientific events and training activities.
- Development of an auditorium dedicated to professional orientation and early career

experience formation.

- Expected Results:
  - Operationalization of a modern Center of Excellence equipped with contemporary materials and equipment.
  - Improved pedagogical and research competencies among BSTEM educators.
  - Enhanced institutional infrastructure supporting innovation and quality in BSTEM education.

During the reporting period the number of staff involved in the Grant project implementation was 3 employees.

**(b) Project closing**

The Project was closed on 15 July 2025.

## **2 Basis of preparation**

**(a) Statement of compliance**

The special purpose financial statements are prepared in accordance with the accrual basis of accounting, the relevant points of the Grant Agreement 5/23 - CIF and requirements of the Operational Manual for Competitive Innovation Fund.

The special purpose project financial statements consist of:

- Statement of Financial Position,
- Statement of Project Sources and Uses of Funds,
- Statement of Uses of Funds by Project Main Categories of Expenditures,
- Grant Operating Account Statement,
- Co-financing Operating Account Statement,
- Summary of Significant Accounting Policies and Other Explanatory Information.

**(b) Reporting currency**

The reporting currency of special purpose financial statements is Armenian dram (AMD). All financial information presented in AMD has been rounded to the nearest AMD.

**(c) 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.

**(d) 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 ASPU. Items of property, plant, and equipment 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.

**(e) 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 Significant accounting policies**

#### **(a) Taxes**

All the applicable tax liabilities are calculated and paid in accordance to tax regulations of the Republic of Armenia.

### **4 Accumulated Grant project financing**

AMD

**Period from  
14 June 2023  
to 15 July  
2025**

Grant funds	
PIU financing	67,279,181
Amount returned	(887,941)
	<b>66,391,240</b>
Co-financing	
ASPU's co-financing	15,811,564
Amount returned	(4,095,464)
	<b>11,716,100</b>
<b>Total</b>	<b>78,107,340</b>

### **5 Reconciliation between the amounts received by the Grant project from the PIU and disbursed by the ASPU**

AMD	ASPU	PIU	Variance
Stage 1	1,071,000	1,071,000	-
Stage 2	22,773,710	22,773,710	-
Stage 3	27,942,503	27,942,503	-
Stage 4	192,342	192,342	-
Stage 5	15,299,626	15,299,626	-
	<b>67,279,181</b>	<b>67,279,181</b>	-
Amount returned	(887,941)	(887,941)	-
	<b>66,391,240</b>	<b>66,391,240</b>	-

### **6 Property, plant, and equipment**

The items of property, plant, and equipment 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 ASPU.

The initial cost of the property, plant, and equipment procured within the scope of the Grant project are presented below:

*“Establishing a center of excellence in science, technology, engineering and mathematics, developing  
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Notes to the Special Purpose Financial Statements for the period from 14 June 2023 to 15 July 2025*

*AMD*

Laboratory equipment  
Computer equipment  
Office equipment and furniture  
Other

**As of 15 July  
2025**

39,350,600

14,979,600

4,999,964

5,203,080

**64,533,244**