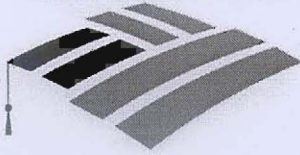


**YEREVAN - AUDIT**



C O N S U L T

**“YEREVAN-AUDIT CONSULT”  
CJSC**

**AUDIT REPORT**

**For The Regional Studies Center Foundation**

**The Financial Statements**

**2013**

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C O N S U L T

« 24 » March 2014 թ.

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The 2013 Year Accounting Report  
of the Regional Studies Center Foundation**INDEPENDENT AUDITOR'S OPINION**

We have audited the financial statements of the Regional Studies Center Foundation (hereinafter Foundation), which comprise the statement of financial situation as of December 31, 2013, the completed statement of comprehensive income, statement of changes in equity and statement of cash flows for the year, and a summary of significant accounting policies and other explanatory notes.

***Managements' Responsibility for the Financial Statements***

The Foundation management is responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control, relevant to the preparation and true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to preparation and true and fair presentation of the financial statements, 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 Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the Regional Studies Center foundation's financial situation as of December 31, 2013, its operations results and cash flows for the year, in accordance with International Financial Reporting Standards.

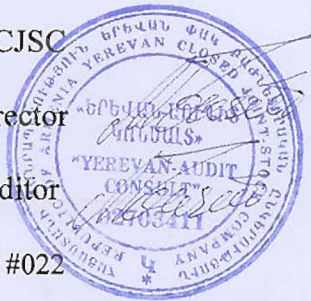
Confirmed by:

"YEREVAN-AUDIT CONSULT" CJSC

Director

Auditor

Qualification Certificate #022



L.Ghonyan

L.Ghonyan

## **1. GENERAL INFORMATION**

The Regional Studies Center (RSC) is an independent, non-profit Foundation offering a wide range of strategic analysis and objective research, and implementing a number of educational and policy-related projects.

As a leading think tank based in Armenia, the RSC conducts research and analysis and develops policy initiatives aimed at bolstering political and economic reform and conflict resolution in the broader South Caucasus region. The RSC strives to elevate political discourse and deepen civic activism while broadening engagement in the public policy process. In this way, the RSC partners with various actors and decision makers, including civil society, international organizations, the private sector, academia and state institutions.

As an independent think tank, the RSC produces a wide range of strategic analysis and objective research focused on five main program areas:

- (1) Regional Analysis on the South Caucasus, but also including Iran, Russia and Turkey,
- (2) National Security and Defence issues;
- (3) Economics & Governance;
- (4) Education & Social Issues, including gender issues;
- (5) Public Policy.

One of the core longer-term goals of the Regional Studies Center (RSC) is to serve as a catalyst for reform and sustainable development by contributing to the formulation of public policy through innovative and objective strategic research and analysis.

The RSC was founded in 14.07.2012. The Foundation is located at the address 4/6 Amiryan Street, 4th Floor, 0010 Yerevan, Armenia

## **2. AUDIT**

### **2.1. OVERALL OBJECTIVE OF AN AUDIT**

The objective of an audit is to express an appropriate opinion as to whether the financial statements for 2013 year present fairly, in all material respects, the financial position, the results of operations, and the cash flows of The RSC. To say that the financial statements present fairly, in all material respects, is equivalent to stating that they are free from material misstatements whether due to error, fraud, or as a consequence of an illegal act by the client.

### **2.2. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances.

The significant accounting policies used are described in Notes to the financial statements. Certain amounts in the financial statements are based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the financial statements.

The Company's Chief Executive Officer and Chief Accountant are responsible for having established and maintaining disclosure controls and procedures and internal controls over financial reporting.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

### **2.3. AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted International auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## **3. GENERAL PROCEDURES**

### **3.1. INTERNAL CONTROLS TESTING**

Auditors reviewed internal controls, mechanisms, and guidelines; evaluated control adequacy and effectiveness; detected operating performance trends and assessed key productivity ratios. The specialists also evaluated such controls to verify adherence to regulatory guidelines, governance procedures and operating principles common in industries in which the Organization operating. Auditors worked with accounting, tax, human resources and compliance departments to recommend adequate and effective controls to management.

### **3.2. BALANCE AND ACCOUNT TESTING**

Auditors conducted detailed tests of balances and accounts when areas under review do not have adequate operating controls in place or financial reporting processes and systems prepare inaccurate operational data. The experts reviewed important accounts and account groups in financial statements and evaluate whether such accounts are reported in accordance with accounting principles generally accepted in industries in which the Foundation is operating. Financial statements include balance sheet, cash flow statements, profit and loss statements and owners' equity reports.

### **3.3. ANALYTICAL PROCEDURES**

Analytical procedures helped auditors to detect and confirm key indicators, financial statement relationships and performance. They worked with financial analysts to review historical data and compare such data to current and future expected indicators. Auditors also focused on account relationships to verify accuracy and completeness in data reporting.

### **3.4. RISK ASSESSMENT**

Risk management procedures analyze and measure risks inherent in Foundation's operations, transactions and corporate relationships. Audit specialists used complex math tools and procedures to appraise risk levels, recommend adequate remediation plans and follow up with entities' managers on identified deficiencies. Auditors focused on credibility and operational risks such as weaknesses in technology systems, human resources processes and regulatory compliance programs.

## **4. THE FINANCIAL STATEMENTS**

We have checked the financial statements for 2013 reporting financial year and agreed the details back to the accounting records. All items reflected in the financial report agree in full to the detailed accounting records maintained by the client.

### **4.1. BASIS OF PREPARATION**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued and effective, or issued and early adopted, for the year ended December 31, 2013, and are presented in Armenian drams.

### **4.2. RULES FOR ACCOUNTING AND RECORD KEEPING**

The record keeping was found to be in accordance with Armenian Legislation, clearly identifiable, the records are maintained on a double entry book keeping system. The record keeping is based on "ArmSoft" Accounting Software.

The Foundation act based on Accounting and recruitment policies developed in accordance with International Accounting Standards and best practice.

### **4.3. FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

For the purpose of preparing financial statements, Armenian and foreign operations apply the following procedure on transactions and balances in currencies other than their functional currency: 1) monetary items are translated in their functional currency using the exchange rate in effect at the period end rate; 2) non-monetary items are translated in their functional currency using the historical exchange rate if they are measured at cost, or using the exchange rate at the measurement date if they are measured at fair value; and 3) revenues and expenses are translated in their functional currency using the average exchange rate of the period. As a result of applying the procedure described above, Armenian and foreign operations obtain financial statements presented in their functional currency.

### **4.4. REVENUE RECOGNITION**

The Foundation's revenues are recognized based on the nature of the contract, which are mainly as follows: Grants from the European Commission and Open Society Foundations.

#### 4.5. TANGIBLE AND INTANGIBLE ASSETS

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, which mainly include property and equipment, and its intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss.

#### 5. PROCUREMENT

Suppliers are selected based on official documented bidding according to Internal Bidding Policy under the project. Purchases are either paid in cash by an authorized employee or by bank transfers, which are signed by the President. When needed contracts are signed with suppliers for supply of goods and provision of services.

**“YEREVAN- AUDIT CONSULT” CJSC**

*Director*

« 24 » March 2014



**L. Ghonyan**