



Grant Thornton

Project Financial Statements and
Independent Auditor's Report

Foreign Financing Project Management Center

Promoting Youth Inclusion project
SPF Grant No. TF016980

As of December 31, 2015 and for the period from
March 26, 2015 to December 31, 2015

Independent auditor's report

Գրասրահ 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
www.granthornton.am

To the State Institution “Foreign Financing Projects Management Center” of the Ministry of Finance of the Republic of Armenia,

We have audited the accompanying project financial statements of the Promoting Youth Inclusion project (the “Project”), financed by the International Development Association (acting as administrator of grant funds provided by various donors under the State and Peace-building Multi-Donor Trust Fund) Grant Letter Agreement No. TF016980, which comprise the statement of cash receipts and payments, the statement of uses of funds by Project activities as of December 31, 2015 and for the period from March 26, 2015 to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Project Financial Statements

Management of the State Institution “Foreign Financing Projects Management Center” of the Ministry of Finance of the Republic of Armenia is responsible for the preparation and fair presentation of these project financial statements in accordance with the International Public Sector Accounting Standard (“IPSAS”) *Financial Reporting Under the Cash Basis of Accounting* issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, the World Bank guidelines, and the relevant points of the Grant Agreement SPF Grant No. TF016980 and for such internal control as management determines is necessary to enable the preparation of these project 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 project 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 about whether the project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the project financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the project 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 project 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 project 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 project financial statements present fairly the cash balance of the Promoting Youth Inclusion project as of December 31, 2015 and the cash received and cash paid for the period from March 26, 2015 to December 31, 2015 in accordance with the International Public Sector Accounting Standards ("IPSAS") *Financial Reporting Under the Cash Basis of Accounting* issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants, the World Bank guidelines and the relevant points of Grant Agreement SPF Grant No. TF016980.

Emphasis of a Matter

We draw attention to note 3 to the project financial statements, which states that the closing date of the Project was defined as March 31, 2016. Our opinion is not qualified in respect of this matter.

Basis of Accounting

Without modifying our opinion, we draw attention to note 2 to the project financial statements, which describes the basis of accounting. The project financial statements are prepared to assist the management of the State Institution "Foreign Financing Projects Management Center" of the Ministry of Finance of the Republic of Armenia to meet the requirements of the financial reporting of the World Bank. As a result, the project financial statements may not be suitable for another purpose.

June 30, 2016

Gagik Gyulbudaghyan

Managing Partner



Emil Vassilyan, FCCA

Engagement Partner

Statement of cash receipts and payments

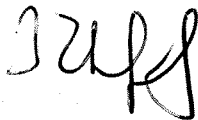
As of December 31, 2015 and for the period from March 26, 2015 to December 31, 2015

In US dollars

| | Actual | | Planned | Variance | PAD |
|--|---|----------------------------|----------------------------|----------------------------|------------------|
| | For the period from March 26, 2015 to December 31, 2015 | As of December 31, 2015 | As of December 31, 2015 | As of December 31, 2015 | Life of Project |
| Opening cash balance | - | - | | | |
| <i>Add: cash receipts</i> | | | | | |
| IDA Fund (note 4) | 100,000 | 100,000 | | | |
| Government co-financing | 10,097 | 10,097 | | | |
| Total cash receipts | 110,097 | 110,097 | | | |
| Exchange rate difference | (171) | (171) | | | |
| <i>Less: cash payments</i> | | | | | |
| (1) Goods, non-consulting services, Consultants' services and operating costs under the Project other than Part 1 (a)(vii) and Part 2 (e), | 45,025 | 45,025 | 135,416 | (90,391) | 876,000 |
| (2) Small Grants under Part 1 (a)(vii) of the Project | - | - | - | - | 144,000 |
| (3) Micro- Grants under Part 2 (e) of the Project | - | - | - | - | 180,000 |
| Total cash payments | 45,025 | 45,025 | 135,416 | (90,391) | 1,200,000 |
| Closing cash balance | 64,901 | | | | |

The project financial statements were approved on June 30, 2016 by:

Edgar Avetyan
 Director




This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 5 to 9.

Statement of uses of funds by Project activities

As of December 31, 2015 and for the period from March 26, 2015 to December 31, 2015

In US dollars

| | Actual | | Planned | Variance | PAD |
|--|---|----------------------------|----------------------------|----------------------------|-----------------|
| | For the period from March 26, 2015 to December 31, 2015 | As of December 31, 2015 | As of December 31, 2015 | As of December 31, 2015 | Life of Project |
| Part A: Strengthening Youth Leadership | - | - | - | - | 400,000 |
| Part B: Promoting Youth Livelihoods | 16,843 | 16,843 | 88,916 | (72,073) | 421,250 |
| Part C: Project Management | 28,182 | 28,182 | 46,500 | (18,318) | 378,750 |
| | 45,025 | 45,025 | 135,416 | (90,391) | 1,200,000 |

This statement is to be read in conjunction with the notes to and forming part of the project financial statements set out on pages 5 to 9.

Notes to the project financial statements

1 Activity

The Grant Agreement SPF Grant No. TF016980 of the Promoting Youth Inclusion Project (the “Project”) was signed on July 31, 2014 between the Republic of Armenia and the International Development Association (the “IDA”). The total amount of the Grant was agreed to be US dollars 1,000,000.

The objective of the Project is to promote the social and economic inclusion of vulnerable youth in the Targeted Regions through increased access to opportunities for leadership and livelihood development.

The Project consists of the following parts:

Part 1: Strengthening Youth Leadership

- a) Supporting the social inclusion of vulnerable young people in the Targeted Regions through the carrying out of a program of activities including:
 - i. leadership skills training and other leadership learning events and exchanges;
 - ii. youth discussion groups;
 - iii. cultural and sports activities;
 - iv. the promotion of youth volunteerism;
 - v. the development of a youth information portal, including crowd-sourcing local opportunities;
 - vi. government-youth discussion forums; and
 - vii. the provision of Small Grants to youth for Innovative Development Projects planned in collaboration between youth leaders and local authorities.
- b) Supporting opportunities for young people to work collaboratively with their community councils and heads of community to develop new activities for young people in the locality.

Part 2: Promoting Youth Livelihoods

Increasing access to information on livelihoods among vulnerable youth in the Targeted Regions and improving their employability through:

- a) the carrying out of training on youth unemployment related issues for local authorities and service providers;
- b) the carrying out of regional livelihood conferences, including, job fairs, curriculum vitae workshops, e-Learning courses and information and communication technology skills development;
- c) the provision of support programs for youth entrepreneurs;
- d) the provision of business opportunities training for youth; and

- e) the provision of Micro-grants for youth entrepreneurs who have participated in project training to launch new business ideas.

Part 3: Project Management

Financing: (a) the operating costs incurred by the PCU and FFFPMC relating to Project implementation, including, management, supervision and fiduciary oversight; (b) the costs associated for carrying out the Project's audit.

In accordance with the Grant Agreement SPF Grant No. TF016980 dated July 31, 2014, the financing of the Project is implemented through the following categories:

| Category | Amount of the Grant Allocated (In US dollars) | Percentage of Expenditures to be financed (exclusive of Taxes) |
|--|---|--|
| (1) Goods, non-consulting services, Consultants' services and operating costs under the Project other than Part 1 (a)(vii) and Part 2 (e), | 730,000 | 100% |
| (2) Small Grants under Part 1 (a)(vii) of the Project | 120,000 | 100% |
| (3) Micro- Grants under Part 2 (e) of the Project | 150,000 | 100% |
| | <u>1,000,000</u> | |

The Project is implemented by the State Institution "Foreign Financing Projects Management Center" of the Ministry of Finance of the Republic of Armenia (the "FFPMC"). The FFFPMC was established as a state institution by the Republic of Armenia Government Resolution # 37 dated March 29, 2000, on the basis of the Department of Aid Coordination and Technical Assistance of the Ministry of Economy of the Republic of Armenia. The founder of the FFFPMC is the Government of the Republic of Armenia.

The legal address of FFFPMC is Tigran Mets 4, Yerevan, Republic of Armenia.

The average number of the FFFPMC staff during the reporting period was 21.

2 Significant accounting policies

2.1 Statement of compliance

The project financial statements are prepared in accordance with IPSAS *Financial Reporting Under the Cash Basis of Accounting*, the World Bank guidelines and the relevant points of the Grant Agreement SPF Grant No. TF016980.

Alternatively, the FFFPMC presents a statement of financial position of the Project as of the reporting date as an encouraged additional disclosure, as prescribed in the part 2 of IPSAS *Financial Reporting Under the Cash Basis of Accounting* (refer to note 7).

2.2 Project financial statements

The project financial statements include:

- f) The statements of cash receipts and payments of the Project for the period from March 26, 2015 to December 31, 2015, showing the World Bank and counterpart funds separately, and the statement of uses of funds by Project activities.

- g) Accounting policies and explanatory notes (including additional accounting policies and disclosures), covering
- Summary of summary reports or SOEs used as the basis for the submission of withdrawal applications in the notes, as appropriate;
 - Statement of designated account in the notes, as appropriate;
 - Statement of financial position showing accumulated funds of the Project, bank balances, other assets of the Project, and liabilities, if any, as described in the note 2.1.

2.3 Functional and presentation currency

The national currency of the Republic of Armenia is Armenian dram. These project financial statements are presented in US dollars (presentation currency).

In preparing the project financial statements, transactions in currencies other than US dollar are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rate defined by the Central Bank of Armenia prevailing on that date, which is 483.75 for US dollar 1 as of December 31, 2015. Any exchange rate differences are recognized in the statement of the statement of cash receipts and payments and the accumulated figure of exchange rate difference is disclosed in the Statement of financial position under "Exchange rate difference".

2.4 Expenses

Expenses incurred in the framework of the Project are recognized on the cash basis of accounting, i.e. when the relevant cash is paid. The expenses are recognized in the statement of cash receipts and payments under the caption "cash payments". Additionally, the Project expenses are disclosed in the statement of uses of funds by Project activities.

2.5 Project financing

Financing received in the framework of the Grant Agreement SPF Grant No. TF016980 is recorded in the statement of cash receipts and payments as "cash receipts" and is recognized at each replenishment. In addition, the Project funds received are disclosed in the Statement of financial position (refer to note 7).

2.6 The World Bank financing

To finance eligible expenditures for the Grant Agreement, the World Bank disburses proceeds from the Loan account using one or more of the disbursement methods, which are stated below:

a. Reimbursement

The Bank may reimburse the borrower to finance eligible expenditures that the borrower has prefinanced from its own resources.

b. Advance

The Bank may advance loan proceeds into a Designated account of the borrower to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date.

c. Direct payments

The Bank may make payments, at the borrower's request, directly to a third party for eligible expenditures.

d. Special commitment

The Bank may pay amounts to a third party for eligible expenditures under Special commitments entered into, in writing, at the borrower's request and on terms and conditions agreed between the Bank and the borrower.

3 Closing date of the project

According to the Grant Agreement SPF Grant No. TF016980, the Project closing date was March 31, 2016.

4 IDA Fund

| In US dollars | For the period from March 26, 2015 to December 31, 2015 | As of December 31, 2015 |
|----------------------------|---|----------------------------|
| Designated account advance | 100,000 | 100,000 |
| | <u>100,000</u> | <u>100,000</u> |

5 Designated account statement

As of December 31, 2015 and for the period from March 26, 2015 to December 31, 2015

In US dollars

| | | |
|--|----------------|----------------|
| Opening balance as of March 26, 2015 | | - |
| Add: | | |
| Cumulative unexplained discrepancy | - | |
| Grant replenishment during the year | 100,000 | |
| | <u>100,000</u> | <u>100,000</u> |
| <i>Less: Refund to the IDA from the designated account during the year</i> | | - |
| Present outstanding amount advanced to the designated account (1) | | <u>100,000</u> |
| Closing balance as of December 31, 2015 | | 64,901 |
| Add: | | |
| Amount of eligible expenditures paid during the year | 35,099 | |
| Service charges (if applicable) | - | |
| | <u>35,099</u> | <u>35,099</u> |
| <i>Less: Interest earned (if credited into the designated account)</i> | | - |
| Total advance accounted for (2) | | <u>100,000</u> |
| Discrepancy (1) – (2) to be explained | | - |

6 Reconciliation between the amounts received by the FPPMC and disbursed by the World Bank

For the period from March 26, 2015 to December 31, 2015

In US dollars

| Category | Appl. | FPPMC | The World Bank | Difference |
|----------------------------|-------|---------|----------------|------------|
| Designated account advance | 1 A | 100,000 | 100,000 | - |
| | | 100,000 | 100,000 | - |
| Total | | 100,000 | 100,000 | - |

7 Statement of financial position

As described in the note 2.1, the policy of the FPPMC is to prepare the project financial statements in accordance with IPSAS *Financial Reporting Under the Cash Basis of Accounting*. However, the FPPMC also has presented a separate statement of financial position as a disclosure encouraged under IPSAS *Financial Reporting Under the Cash Basis of Accounting*.

| US dollar | As of December 31, 2015 |
|------------------------------|----------------------------|
| Assets | |
| <i>Current assets</i> | |
| Balances in bank accounts | |
| Designated account | 64,901 |
| | 64,901 |
| <i>Non-current assets</i> | |
| Project expenditures | 44,998 |
| | 44,998 |
| Total assets | 109,899 |
| <i>Net assets funded by:</i> | |
| IDA Fund | 100,000 |
| Government co-financing | 10,097 |
| | 110,097 |
| Exchange rate difference | (198) |
| Total net assets | 109,899 |