



Special Purpose Project Financial Statements and

Independent Auditor's Report

“Mission Armenia” charitable non-governmental organization

JSDF Grant for Strengthening the Livelihoods and Voice of the
Poor and Vulnerable Persons in Armenia Project

Grant Agreement No. TF013894

As of and for the year ended December 31, 2013

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Independent auditor's report

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To the Assembly of the “Mission Armenia” charitable non-governmental organization,

We have audited the accompanying special purpose project financial statements of the JSDF Grant for Strengthening the Livelihoods and Voice of the Poor and Vulnerable Persons in Armenia Project (the “Project”), financed by the International Bank for Reconstruction and Development/ International Development Association (as administrator of grant funds provided by Japan under the Japan Social Development Fund) (the “World Bank”) Grant Agreement No. TF013894, which comprise the statement of cash receipts and payments, the statement of uses of funds by Project activities as of and for the year ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Special Purpose Project Financial Statements

Management of the “Mission Armenia” charitable non-governmental organization is responsible for the preparation and fair presentation of these special purpose 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 No. TF013894 and for such internal control as management determines is necessary to enable the preparation of these special purpose 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 special purpose 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 special purpose project financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose project financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose 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 special purpose 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 special purpose 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 special purpose project financial statements present fairly the cash balance of the JSDF Grant for Strengthening the Livelihoods and Voice of the Poor and Vulnerable Persons in Armenia Project as of December 31, 2013 and the cash received and cash paid for the year then ended 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 Grant Agreement No. TF013894.

June 25, 2014

Gagik Gyulbudaghyan

Managing Partner



Emil Vassilyan, FCCA

Engagement Partner



Statement of cash receipts and payments

As of and for the year ended December 31, 2013

In US dollars

	Actual		Planned		Variance		
	For the year	As of December 31, 2013	For the year	As of December 31, 2013	For the year	As of December 31, 2013	Project life
Cash balance as of January 1, 2013	-						
<i>Add: cash receipts</i>							
Grant fund (note 4)	200,000	200,000					
Total cash receipts	200,000	200,000					
<i>Less: cash payments</i>							
1. Consultants' Services, Training, Goods, Small Civil Works, and Operating Costs (note 5)	115,939	115,939	119,240	119,240	(3,301)	(3,301)	2,269,400
2. Sub-Grants	-	-	-	-	-	-	400,000
Total cash payments	115,939	115,939	119,240	119,240	(3,301)	(3,301)	2,669,400
Cash balance as of December 31, 2013	84,061						

The special purpose project financial statements were approved on June 17, 2014 by:



Hripsime Kirakosyan
President

Aram Sargsyan
Financial manager

This statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 5 to 11.

Statement of uses of funds by Project activities

As of and for the year ended December 31, 2013

In US dollars

	Actual		Planned		Variance		Project life
	For the year	As of December 31, 2013	For the year	As of December 31, 2013	For the year	As of December 31, 2013	
Part 1: Provision of vocational training and boosting self-employment	3,347	3,347	3,400	3,400	(53)	(53)	1,067,000
Part 2: Provision of vital social care and services	39,395	39,395	40,200	40,200	(805)	(805)	586,200
Part 3: Creation of an inclusive environment for people with disabilities and enhancement of their self-advocacy	7,677	7,677	8,000	8,000	(323)	(323)	474,600
Part 4: Monitoring, evaluation and project management	65,520	65,520	67,640	67,640	(2,120)	(2,120)	541,600
Total	115,939	115,939	119,240	119,240	(3,301)	(3,301)	2,669,400

This statement is to be read in conjunction with the notes to and forming part of the special purpose project financial statements set out on pages 5 to 11.

Notes to the special purpose project financial statements

1 Activity

The Grant Agreement No. TF013894 of the JSDF Grant for Strengthening the Livelihoods and Voice of the Poor and Vulnerable Persons in Armenia Project (the “Project”) was signed on March 1, 2013 between the “Mission Armenia” charitable non-governmental organization (the “Organization”) and the International Bank for Reconstruction and Development/International Development Association (the “World Bank”), as administrator of grant funds provided by Japan under the Japan Social Development Fund. The total amount of the Grant was agreed to be US dollars 2,669,400.

The objective of the Project is to pilot self-reliant livelihood and generation of employment opportunities combined with the provision of vital services for the extremely poor and vulnerable groups including persons with disabilities.

The Project consists of the following parts:

Part 1: Provision of vocational training and boosting self-employment.

- (a) Selection of people with disabilities and people from other vulnerable groups as Project beneficiaries.
- (b) Providing vocational education and training including, *inter alia*: (i) the dissemination of information about the above mentioned training; and (ii) the provision of necessary equipment for the mentioned training.
- (c) Conducting on-the-job training based on contractual partnerships with public and private sector institutions.
- (d) Facilitating the creation of micro-businesses by people with disabilities through, *inter alia* micro-business grant awards to selected people with disabilities.

Part 2: Provision of vital social care and services.

- (a) Providing technical assistance to manage the Organization's Multifunctional Service Centers (MSCs) including *inter alia*: (i) the dissemination of information about the MSCs; and (ii) the selection of people with disabilities and people from other vulnerable groups as Project beneficiaries.
- (b) Supporting the MSCs services through the provision of kitchen utilities and supplies.
- (c) Providing vital services to people with disabilities through the MSCs on selected locations of the Member Country including, *inter alia*, in-home care.

- (d) Providing nutritionally balanced meals for people with disabilities through, *inter alia*: (i) the Organization's MSCs on selected locations of the Member Country; and (ii) home delivery for bedridden patients.
- (e) Providing personal care services for people with disabilities including, *inter alia*: (i) assistance with personal hygiene; and (ii) assistance with residential cleaning.
- (f) Providing health services for selected people with disabilities including, *inter alia*: (i) diagnosis; (ii) medical procedures; (iii) preventive services; and (iv) services to bed-ridden beneficiaries.
- (g) Providing social and psychological services for selected people with disabilities including, *inter alia*: (i) social and psychological counselling; (ii) assistance for personal development; (iii) referrals to specialized organizations; and (iv) mediation and advocacy efforts.
- (h) Providing technical assistance to, *inter alia*: (i) recruit and manage volunteers, (ii) collect donations; and (iii) increase financing sustainability by raising contributions from donors.
- (i) Raising funds from local government, business, and private donors to sustain these activities following the Closing Date of the agreement.

Part 3: Creation of an inclusive environment for people with disabilities and enhancement of their self-advocacy.

- (a) Establishing accessible disability resource centers in selected MSCs through, *inter alia*, (a) improvements of physical conditions of the buildings; and (b) installation of computers and internet connection.
- (b) Improving accessibility of public sites frequently used by people with disabilities.
- (c) Developing self-advocacy groups for people with disabilities through, *inter alia*: (i) training; (ii) train-the-trainers workshops, (iii) developing training materials.

Part 4: Monitoring, evaluation and project management.

- (a) Providing technical assistance to the management of the Project, including, *inter alia*: (i) organization; coordination and implementation of Project activities, (ii) monitoring and evaluation of project activities; and (iii) procurement and financial management;
- (b) Conducting an independent audit of the Project.
- (c) Organizing workshops to disseminate information on the Project and facilitate the exchange of experiences.

In accordance with the Grant Agreement No. TF013894 dated March 1, 2013, 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 (inclusive of Taxes)
1. Consultants' Services, Training, Goods, Small Civil Works, and Operating Costs	2,269,400	100%
2. Sub-Grants	<u>400,000</u>	100%
	<u><u>2,669,400</u></u>	

The Project is implemented by the “Mission Armenia” charitable non-governmental organization (the “Organization”), which was established by the Ministry of Justice of the Republic of Armenia on the basis of the collegiums decision #31/6 dated July 12, 1993. The Organization was registered in Republic of Armenia state register on March 22, 2005.

The Organization realizes its activities collaborating with the Government of Armenia, local self-governing bodies, the USAID, the UNHCR, a number of other international organizations as well as the Mission Armenia branches in Australia and the United States.

The legal address of the Mission Armenia Charitable NGO is Yeghbayrutyan str. 22/68, Yerevan, Armenia.

The average number of the Organization staff involved in implementation of Project in 2013 was 5.

2 Significant accounting policies

2.1 Statement of compliance

The special purpose 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 No. TF013894.

Alternatively, the Organization presents the 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 Special purpose project financial statements

The special purpose project financial statements include:

- a) The statement of cash receipts and payments of the Project for the year ended December 31, 2013, showing the World Bank and counterpart funds separately, and the statement of uses of funds by Project activities.
- b) 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

Armenian dram is the national currency of the Republic of Armenia. These special purpose project financial statements are presented in US dollar (presentation currency) for the convenience of users.

In preparing the special purpose project financial statements, transactions in currencies other than US dollar are recorded at the rates of exchange defined by the HSBC Bank Armenia prevailing on the dates of the transactions.

At each reporting date cash balances denominated in foreign currencies are retranslated at the rate defined by the Central Bank of Armenia prevailing on the reporting date, which is drams 405.64 for US dollar 1 as of December 31, 2013.

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 No. TF013894 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 No. TF013894, the World Bank disburses proceeds from the Grant 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 Special 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 Grant Agreement No. TF013894 dated March 1, 2013, the closing date of the Project was defined as March 1, 2016.

4 Grant fund

Within the scope of the Project in 2013 the Organization has received 200,000 US dollars from the World Bank.

5 Uses of funds by category descriptions

The statement of cash receipts and payments discloses the expenses in two categories, one of which is combined, as depicted in the Grant Agreement No. TF013894. However, for the convenience of certain users, the breakdown of uses of funds is disclosed in the table below.

In US dollars	For the year ended December 31, 2013
Consultants' Services	43,095
Goods	39,683
Operating Costs	33,161
	<u>115,939</u>

6 Designated account statement

As of and for the year ended December 31, 2013

In US dollars

Opening balance as of January 1, 2013		-
Add:		
Cumulative unexplained discrepancy	-	
Grant replenishment during the year	200,000	
	<u>200,000</u>	<u>200,000</u>
<i>Less: Refund to the World Bank from the designated account during the year</i>		-
Present outstanding amount advanced to the designated account (1)		<u>200,000</u>
Closing balance as of December 31, 2013		84,061
Add:		
Amount of eligible expenditures paid during the year	115,939	
Service charges (if applicable)	-	
	<u>115,939</u>	<u>115,939</u>
<i>Less: Interest earned (if credited into the designated account)</i>		-
Total advance accounted for (2)		<u>200,000</u>
Discrepancy (1) – (2) to be explained		-

7 Statement of financial position

As described in the note 2.1, the policy of the Organization is to prepare the special purpose project financial statements in accordance with IPSAS *Financial Reporting Under the Cash Basis of Accounting*. However, the Organization 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, 2013
Assets	
<i>Current assets</i>	
Balance in bank account	
Designated account	84,061
	<u>84,061</u>
<i>Non-current assets</i>	
Project expenditures	127,254
	<u>127,254</u>
	<u>211,315</u>
Total assets	<u><u>211,315</u></u>
Funds and liabilities	
<i>Funds</i>	
Grant fund	200,000
	<u>200,000</u>
<i>Current liabilities</i>	
Accounts payable	11,296
Exchange rate difference	19
	<u>11,315</u>
	<u>211,315</u>
Total funds and liabilities	<u><u>211,315</u></u>



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