

ARMENIAN TECHNOLOGY
GROUP, INC.

Fresno, California

SINGLE AUDIT REPORT
AND
FINANCIAL STATEMENTS

Years Ended
April 30, 2004 and 2003

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

April 30, 2004 and 2003

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Armenian Technology Group, Inc.
Fresno, California

We have audited the accompanying statements of financial position of Armenian Technology Group, Inc. (ATG) as of April 30, 2004 and 2003, and the related statements of activities and changes in net assets, statements of functional expenses, and statements of cash flows for the years then ended. These financial statements are the responsibility of ATG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial positions of ATG as of April 30, 2004 and 2003, and the related statement of activities and changes in net assets, statement of functional expenses, and statement of cash flows, present fairly, in all material respects, the financial position of ATG as of April 30, 2004 and 2003, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. The Supplemental Schedule of Direct and Indirect Costs and Computation of Indirect Cost Rate on page 12 is not a required part of the basic financial statements, but is presented for the purpose of additional analysis. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Price Paige & Company

September 17, 2004

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

STATEMENTS OF FINANCIAL POSITION

April 30, 2004 and 2003

Assets

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash and Cash Equivalents	\$ 910,228	\$ 1,365,699
Prepaid Expenses	8,533	13,346
Receivables	113,524	306,214
Inventory	<u>133,102</u>	<u>32,676</u>
Total Current Assets	1,165,387	1,717,935
Property and Equipment, Net	<u>332,208</u>	<u>636,491</u>
Total Assets	<u>\$ 1,497,595</u>	<u>\$ 2,354,426</u>

Liabilities

Accounts Payable and Accrued Liabilities	\$ 61,735	\$ 122,619
Line of Credit	82,077	138,976
Deferred Grant Revenue	<u>951,418</u>	<u>1,220,713</u>
Total Current Liabilities	1,095,230	1,482,308
Long-term Liabilities:		
Notes Payable	<u>-</u>	<u>21,357</u>
Total Liabilities	1,095,230	1,503,665
Net Assets:		
Unrestricted	316,495	850,761
Temporarily Restricted	<u>85,870</u>	<u>-</u>
Total Net Assets	<u>402,365</u>	<u>850,761</u>
Total Liabilities and Net Assets	<u>\$ 1,497,595</u>	<u>\$ 2,354,426</u>

See Independent Auditor's Report and
Notes to the Financial Statements.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended April 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Changes in Unrestricted Net Assets		
Revenues:		
Contributions	\$ 118,566	\$ 74,790
Grant Funding	637,529	662,436
Contributed Services	494,401	505,043
Interest Income	11,771	3,976
Other	<u>162,793</u>	<u>265,531</u>
Total Unrestricted Revenue	<u>1,425,060</u>	<u>1,511,776</u>
Expenses and Losses:		
Program Services:		
Seed Multiplication	515,876	890,672
Central Diagnostic Laboratory	77,159	47,473
Honey	-	14,392
Wine/Grape	95,937	159,980
Civil Society	280,288	60,234
Supporting Services:		
Management and General	478,575	384,209
Fundraising	<u>101,491</u>	<u>29,846</u>
Total Expenses	1,549,326	1,586,806
Loss on Obsolescence of Equipment	<u>410,000</u>	<u>-</u>
Total Unrestricted Expenses and Losses	<u>1,959,326</u>	<u>1,586,806</u>
Decrease in Unrestricted Net Assets	(534,266)	(75,030)
Changes in Temporarily Restricted Net Assets		
Contributions	<u>85,870</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets	<u>85,870</u>	<u>-</u>
Decrease in Net Assets	(448,396)	(75,030)
Net Assets, Beginning of Year	<u>850,761</u>	<u>925,791</u>
Net Assets, End of Year	<u>\$ 402,365</u>	<u>\$ 850,761</u>

See Independent Auditor's Report and
Notes to the Financial Statements.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2004

Expenses	Seed	Central	Honey	Wine/Grape	Civil	Management	Fundraising	Total
	Multiplication	Diagnostic Laboratory			Society	and General		
Salaries and Wages	\$ 103,188	\$ -	\$ -	\$ 13,604	\$ -	\$ 77,454	\$ 6,943	\$ 201,189
Benefits	14,087	-	-	1,583	-	13,967	531	30,168
Technical Consultants	176,627	68,991	-	68,939	4,947	145,285	7,200	471,989
Professional	13,900	-	-	-	4,248	152,891	20,753	191,792
Supplies, Materials and Equipment	3,320	-	-	463	54,287	5,809	-	63,879
Seeds	44,763	-	-	435	-	-	-	45,198
Travel	21,925	7,359	-	937	-	10,334	-	40,555
Occupancy	27,509	-	-	483	-	15,029	-	43,021
Communications	6,405	580	-	-	-	4,847	16,760	28,592
Office	6,885	229	-	426	1,128	18,199	39,640	66,507
Insurance	-	-	-	-	-	6,895	-	6,895
Equipment Repair and Maintenance	1,324	-	-	626	-	848	-	2,798
Vehicle Expenses	29,656	-	-	1,800	-	2,083	-	33,539
Depreciation	-	-	-	-	-	24,934	-	24,934
Research and Development	64,806	-	-	6,000	-	-	9,664	80,470
Bad Debt	-	-	-	-	-	-	-	-
Foreign Currency Translation	1,481	-	-	146	-	-	-	1,627
Contributions Made	-	-	-	-	215,678	-	-	215,678
Other	-	-	-	495	-	-	-	495
Total Expenses	\$ 515,876	\$ 77,159	\$ -	\$ 95,937	\$ 280,288	\$ 478,575	\$ 101,491	\$ 1,549,326

See Independent Auditor's Report and
Notes to the Financial Statements.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended April 30, 2003

Expenses	Seed	Central	Honey	Wine/Grape	Civil	Management	Fundraising	Total
	Multiplication	Diagnostic Laboratory			Society	and General		
Salaries and Wages	\$ 89,984	\$ 4,294	\$ 601	\$ 18,154	\$ -	\$ 53,538	\$ 1,055	\$ 167,626
Benefits	20,754	429	88	3,054	-	7,926	24	32,275
Technical Consultants	288,249	42,750	9,640	101,229	56,497	144,785	-	643,150
Professional	28,231	-	-	2,118	-	101,280	-	131,629
Supplies, Materials and								
Equipment	4,880	-	-	782	-	55	-	5,717
Seeds	263,507	-	-	899	-	-	-	264,406
Travel	46,721	-	-	472	1,100	3,334	-	51,627
Occupancy	58,917	-	3,759	2,225	-	14,410	-	79,311
Communications	7,346	-	10	254	1,077	4,736	-	13,423
Office	7,103	-	12	312	1,560	17,453	1,765	28,205
Insurance	-	-	-	-	-	4,389	-	4,389
Equipment Repair and								
Maintenance	388	-	282	-	-	459	-	1,129
Vehicle Expenses	21,589	-	-	5,500	-	1,503	-	28,592
Depreciation	-	-	-	-	-	24,541	-	24,541
Research and								
Development	51,203	-	-	24,639	-	5,800	27,002	108,644
Bad Debt	-	-	-	-	-	-	-	-
Foreign Currency								
Translation	1,800	-	-	342	-	-	-	2,142
Other	-	-	-	-	-	-	-	-
Total Expenses	\$ 890,672	\$ 47,473	\$ 14,392	\$ 159,980	\$ 60,234	\$ 384,209	\$ 29,846	\$ 1,586,806

See Independent Auditor's Report and
Notes to the Financial Statements.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

STATEMENTS OF CASH FLOWS
Years Ended April 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities:		
Changes in Net Assets from Activities	\$ (448,396)	\$ (75,030)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities:		
Contributed Assets	-	(1,500)
Loss on Obsolescence of Equipment	410,000	-
Depreciation	24,934	24,541
Prepaid Expenses	4,813	(6,264)
Inventory	(100,426)	132,556
Other Receivables	192,690	(251,740)
Accounts Payable and Accrued Liabilities	(60,884)	105,018
Deferred Grant Revenue	<u>(269,295)</u>	<u>945,639</u>
Cash Provided by (Used in) Operating Activities	(246,564)	873,220
Investing Activities:		
Purchase of Equipment	<u>(130,651)</u>	<u>(11,752)</u>
Cash Used in Investing Activities	(130,651)	(11,752)
Financing Activities:		
Payment of Notes Payable	(21,357)	(5,589)
Proceeds from (Payments to) Line of Credit	<u>(56,899)</u>	<u>88,380</u>
Cash Provided by (Used in) Financing Activities	<u>(78,256)</u>	<u>82,791</u>
Increase (Decrease) in Cash	(455,471)	944,259
Cash at Beginning of Year	<u>1,365,699</u>	<u>421,440</u>
Cash at End of Year	<u>\$ 910,228</u>	<u>\$ 1,365,699</u>

See Independent Auditor's Report and
Notes to the Financial Statements.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2004 and 2003

Note 1 – Organization and Activities

Armenian Technology Group, Inc. (ATG) was incorporated on May 12, 1992, in the State of California as a not-for-profit, public benefit corporation and, in January 1994, was accepted by the United States Agency for International Development (U.S. AID) as a Private Volunteer Organization which allows ATG to be considered for funding from federal agencies. ATG was formed to assist landlocked Armenia in becoming ultimately self-sufficient in the production of wheat and wheat seed germination, to support the country of Armenia in rebuilding its economic infra-structure, and to assist private farmers during the transition to a market economy.

ATG has provided to the country of Armenia emergency food relief, established experimental plantings of wheat, alfalfa, pasture grasses and other crops, evaluated agricultural practices and technological needs, donated machinery and equipment, and worked to improve soils, land preparation and nursery-vine production. Voluntary services from veterinarians, agronomists, engineers, biologists and agricultural consultants have been utilized by ATG in performing the above activities. Funding has been provided by unrestricted cash contributions from the general public, and grants and seed contributions.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

In 1996, ATG adopted Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of *Not-for-Profit Organizations*, for the presentation of its financial statements. As such, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets. As of April 30, 2004 and 2003, ATG had no permanently restricted net assets.

Income Tax Status

ATG received a final determination from the Internal Revenue Service exempting it from federal income taxes as a Section 501(c)(3) organization. In addition, ATG has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. ATG is also exempt from state income taxes under Section 23701(d) of the California Revenue and Taxation Code.

Contributions

All contributions are considered to be available for unrestricted purposes unless specifically restricted by the donor.

Effective May 1, 1995, ATG adopted Statement of Financial Accounting Standards ("SFAS") No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recognized as revenue when they are received or unconditionally pledged. Additionally, equal amounts of revenue and expense have been recorded in the amount of \$494,401 in accordance with SFAS No. 116's requirement to recognize the fair value of certain services which require specialized skills. Such services consisted of time donated by professionals (primarily veterinarians, agronomists, professors, engineers and accountants), which was valued using estimated hourly rates normally charged by those professionals. The accompanying financial statements also reflect revenue of \$141,379 relating to donated goods.

In accordance with SFAS No. 116, contributed general operations and management services have not been recognized as revenue and expense.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2004 and 2003

Note 2 – Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets, when present, represent contributed funds whose use by ATG is limited by donor-imposed restrictions. Net assets are released from such restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor.

Grant Revenues and Expenses

Revenues are recognized at the time expenses reimbursable under grants are incurred. The balance in deferred grant revenue at April 30, 2004, represents amounts received under cost reimbursable grants that will be expended in the next fiscal year in accordance with the grant period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than six months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial statements.

Concentrations of Credit Risk

ATG maintains cash balances at Wells Fargo Bank. The accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. The cash balance of one account exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$176,594 as of April 30, 2004.

ATG maintains securities at Wells Fargo Investments. The account is insured by the Securities Investor Protection Corporation up to \$100,000. Investments exceeded insured limits. The amount in excess of SIPC limit totaled \$401,047 and \$53,056, respectively, as of April 30, 2004 and 2003.

Inventory

Inventory, which consists primarily of seed and raisins, is valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation. The seed is used in ATG's seed multiplication program. The raisins consist of the remaining donated balance awaiting shipment to Armenia at April 30, 2004.

Property and Equipment

Property and equipment are stated at historical cost. Donated fixed assets are valued at estimated fair market value at the date of contribution. Annual depreciation is computed using the straight-line method.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2004 and 2003

Note 2 – Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

The Organization's wholly owned not-for-profit subsidiaries are located in Armenia and Nagorno-Karabagh. The functional currencies of these foreign operations are the local currencies (Armenian Dram-AMD). The financial statements of the Organization's foreign subsidiaries have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." All Statement of Financial Position accounts have been translated using the exchange rate in effect at the Statement of Financial Position dates. Statements of Activities amounts have been translated using the average exchange rate for the year. Foreign currency translation adjustments resulted in losses of \$1,627 and \$2,142 in 2004 and 2003, respectively, and have been reported separately in the Statements of Functional Expenses.

Note 3 – Receivables

At April 30, 2004 and 2003, receivables consisted of the following:

	<u>2004</u>	<u>2003</u>
Yerevan Mill	\$ -	\$ 190,325
ATG Foundation	89,979	70,744
ATG Nagorno - Karabagh	21,166	42,795
Other	<u>2,379</u>	<u>2,350</u>
Total	<u>\$ 113,524</u>	<u>\$ 306,214</u>

Note 4 – Property and Equipment

	Beginning Balances 05/01/03	Additions	Deletions	Beginning Balances 04/30/04
Land and Buildings	\$ 5,485	\$ 82,341	\$ -	\$ 87,826
Diagnostic Lab Equipment	500,000	28,371	(410,000)	118,371
Farm Equipment	68,180	12,372	-	80,552
Auto and Trucks	72,658	6,450	-	79,108
Furniture and Equipment	33,654	1,117	-	34,771
Other	<u>98,286</u>	<u>-</u>	<u>-</u>	<u>98,286</u>
Total	778,263	130,651	(410,000)	498,914
Accumulated Depreciation	<u>(141,772)</u>	<u>(24,934)</u>	<u>-</u>	<u>(166,706)</u>
Net Assets	<u>\$ 636,491</u>	<u>\$ 105,717</u>	<u>\$ (410,000)</u>	<u>\$ 332,208</u>

During a review of fixed assets, management determined the diagnostic lab equipment received in 1999 had lost value due to obsolescence and, accordingly, an adjustment of \$410,000 was made to the carrying cost.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2004 and 2003

Note 5 – Line of Credit

ATG, Inc. has an agreement with Wells Fargo Bank for a line of credit account with a stated limit of \$250,000, and with Bank of America for a line of credit account with a stated limit of \$90,000. The interest rate applicable to Wells Fargo Bank is the Bank's Prime Rate (4.00% at April 30, 2004) plus 2.75%. The interest rate applicable to Bank of America is 7.13% (at April 30, 2004). These loans are collateralized by ATG assets.

Note 6 – Notes Payable

In 2001, ATG, Inc. purchased on credit a vehicle through Toyota Financial Services. The balance of the note payable was \$21,357 at April 30, 2003. The note balance of \$20,343 was paid in full in June 2003.

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of cash contributions of \$4,470 for the Central Diagnostic Laboratory in Armenia and 60 tons of donated raisins by the Raisin Administrative Committee, that were in inventory awaiting shipment as of April 30, 2004.

Note 8 – Foreign Operations

The Organization's wholly owned not-for-profit subsidiaries, ATG Foundation, Seed Producers Support Association and ATG Nagorno-Karabagh, operate exclusively in Armenia and Nagorno-Karabagh, respectively. Foreign operations are subject to risks inherent to operating under different legal systems and various political and economic environments. Among the risks are changes in existing laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations are less than 28% of the Organization's total net assets.

Results of operations for the Organization's foreign not-for-profit subsidiaries are translated from the local (functional) currency to the U.S. dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. Resulting losses from translating foreign currency are recorded in the caption "foreign currency translation" in the statements of functional expenses.

The Organization's not-for-profit subsidiaries experienced a net foreign currency transaction loss of \$1,627 and \$2,142 in 2004 and 2003, respectively. During the fiscal year ended April 30, 2004, the local currency (Armenian Dram) gained value slightly moving from 557 to 540 AMD to one U.S. dollar. There was little effect on the operations of the subsidiaries since operations are funded primarily from U.S. dollar grants from the Organization.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

NOTES TO THE FINANCIAL STATEMENTS

April 30, 2004 and 2003

Note 9 – Armenian Heritage Museum Grant

During the fiscal year ended April 30, 2002, ATG received an unrestricted grant in the amount of \$200,000 from the California Arts Council (CAC) for the construction of an Armenian Heritage Museum in Fresno, California. The purpose of the Museum shall be to preserve and protect cultural diversity of the San Joaquin Valley. The Museum will feature the trials and tribulations of Americans of Armenian descent throughout the centuries. It will provide a forum for the visual arts, performing arts, folk dances, musical activities, including literary and fine arts. The Museum will encourage and promote seminars, lectures and programs of comparative cultures. As such, the Museum will become an educational center for the youth by providing awareness to the rich, ethnic and multicultural fabric of Central California.

As of April 30, 2003, \$219,675 of Grant Funds were included in the Balance Sheet as Cash. Additionally, the Grant funds were held in bank accounts separate from other ATG operating funds. During the year ended April 30, 2004, the Board of Directors approved a motion to form a separate charitable organization to establish the Museum; and ATG transferred all assets held for the Museum project to a separate 501(c)(3) charitable entity, "Armenian Heritage Museum - A California Nonprofit Public Benefit Corporation" based in Fresno, California.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

SUPPLEMENTAL SCHEDULE OF DIRECT AND INDIRECT COSTS AND COMPUTATION OF INDIRECT COST RATE

Year Ended April 30, 2004¹

	<u>Total Costs</u>	<u>Eliminations</u>			<u>Adjusted Cost</u>
		<u>Projected Related Equipment</u>	<u>2 Contributions</u>	<u>Other</u>	
Direct Costs - Program Services:					
Seed Multiplication	\$ 515,876	\$ -	\$ 138,852	\$ (82,341)	\$ 459,365
Honey	-	-	-	-	-
Central Diagnostic Laboratory	77,159	-	68,451	-	8,708
Wine/Grape	95,937	-	68,561	-	27,376
Civil Society	<u>280,288</u>	<u>-</u>	<u>59,234</u>	<u>-</u>	<u>221,054</u>
Total Direct Costs	969,260	-	335,098	(82,341)	716,503
Indirect Costs:					
Management and General	478,575		198,378	167,356 ³	112,841
Fundraising	<u>101,491</u>	<u>-</u>	<u>20,753</u>	<u>80,738</u>	<u>-</u>
Total Indirect Costs	<u>580,066</u>	<u>-</u>	<u>219,131</u>	<u>248,094</u>	<u>112,841</u>
Total	<u>\$ 1,549,326</u>	<u>\$ -</u>	<u>\$ 554,229</u>	<u>\$ 165,753</u>	<u>\$ 829,344</u>

Indirect Cost Rate:

Total adjusted indirect cost
as a percentage of total
adjusted direct costs.

15.75%

Notes

1 The above schedule of direct and indirect costs and computation of indirect cost rate was prepared by Armenian Technology Group, Inc. with reference to the guidelines presented in the Office of Management and Budget's (OMB) Circular A-122, "Cost Principles for Non-profit Organizations – Attachments C and D, Indirect Costs and Determination of Indirect Cost Rates."

2 Contributions Expenses:

InKind – Goods	\$ 59,828
InKind – Services	<u>494,401</u>
Total InKind Contributions Expenses	<u>\$ 554,229</u>

3 Unallowable costs: Interest, Fundraising and Depreciation.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended April 30, 2004

	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture - Foreign Agricultural Service		
Pass-through from Commodity Credit Corporation		
Food for Progress - Seed Multiplication	10.960	\$ 550,949
U.S. Department of State - U.S. Agency for International Development		
Seed Multiplication Program	10.960	<u>21,580</u>
Total Federal Financial Assistance		<u>\$ 572,529</u>

See Notes to Schedule of the Federal Awards.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

Year Ended April 30, 2004

Note 1 - Basis of Accounting

The Schedule of Federal Awards is prepared on the accrual basis of accounting.

Note 2 - Major Program

The Office of Management and Budget Circular A-133 defines a major program as an individual award or a number of awards in a category of federal assistance of support for which the total expenditures are the larger of three percent of total federal funds expended or \$300,000. Therefore, the Seed Multiplication Program is a major program.



Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Armenian Technology Group, Inc.
Fresno, California

We have audited the financial statements of Armenian Technology Group, Inc. as of and for the year ended April 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Armenian Technology Group, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Armenian Technology Group, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Board of Directors, management, and U.S. Department of Agriculture. However, this report is a matter of public record and its distribution is not limited.

Price Paige & Company

September 17, 2004

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**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Board of Directors
Armenian Technology Group, Inc.
Fresno, California

Compliance

We have audited the compliance of Armenian Technology Group, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended April 30, 2004. Armenian Technology Group, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Armenian Technology Group, Inc.'s management. Our responsibility is to express an opinion on Armenian Technology Group, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Armenian Technology Group, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Armenian Technology Group, Inc.'s compliance with those requirements.

In our opinion, Armenian Technology Group, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended April 30, 2004.

Internal Control Over Compliance

The management of Armenian Technology Group, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Armenian Technology Group, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Price Pange & Company

September 17, 2004

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended April 30, 2004

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Reportable condition(s) identified -
not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes X no

Reportable condition(s) identified -
not considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? yes X no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.960	Food for Progress - Seed Multiplication

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended April 30, 2004

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

ARMENIAN TECHNOLOGY GROUP, INC.

Fresno, California

STATUS OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended April 30, 2004

03-1 Finding

The accounting data maintained in Armenia is integrated at year-end into the consolidated accounting records of ATG at its headquarters in Fresno. Due to the high volume of transactions, this process is complicated and errors could easily occur and not be detected. For the fiscal year ended April 30, 2003, an adjusting entry of approximately \$14,000 was required to increase the balance in the consolidated cash account.

Recommendation

ATG should implement a standardized monthly procedure to incorporate the Armenia accounting data into its consolidated general ledger. By doing this monthly, any discrepancies can be identified and reconciled in a timely fashion. Alternatively, ATG should consider purchasing software that has the capacity to handle multiple locations.

Questioned Cost

\$-0-

Status

Implemented.