

**Annual Report**  
formation and replenishment of the endowment  
and on use of return on management of the endowment in  
2017

Moscow 2018

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## **1. Report on the Formation of the Endowment**

### **1.1. Information on the organization-owner of the Endowment**

Specialized Endowment Fund “Fund for Support of Historical and Cultural Studies “ISTOKI” – the owner of the Endowment – was registered on March 5, 2013 based on the Resolution of the Founder No.1 dated February 4, 2013.

The Fund is established and operates in accordance with the Civil Code of the Russian Federation, Federal Law dated January 12, 1996 No.7-FZ “On Non-Commercial Organizations”, Federal Law dated December 30, 2006 No. 275-FZ “On the Procedure for Establishment and Use of Endowments of Non-Commercial Organizations” and other legislative acts.

Full name of the Fund in Russian: Специализированный фонд целевого капитала «Фонд поддержки исторических и культурных исследований «Истоки».

Abbreviated name in Russian: Фонд целевого капитала «Истоки».

Full name of the Fund in English: Specialized endowment fund «Fund for Support of Historical and Cultural Studies «ISTOKI».

Abbreviated name of the Fund in English: Endowment Fund «ISTOKI».

On March 5, 2013 the Department of the Federal Tax Service for the City of Moscow made an entry to the Single State Register of Legal Entities on establishment of the Fund under the main state registration number 1137799004067.

The Fund is registered with the Federal Tax Service of Russia No. 09 in Moscow.

The Fund is established solely for formation of the endowment, use and distribution of the return on management of the endowment for the benefit of other recipients in accordance with the procedure stipulated by the Federal Law dated December 30, 2006 No. 275-FZ “On the Procedure for Establishment and Use of Endowments of Non-Commercial Organizations”.

Location of the Fund: 42, building 5, Pokrovka St., 105062, Moscow

OGRN 1137799004067

TIN/KPP 7703480265/770901001

Tel.: +7 (495) 955 92 52

## 1.2. Information on the Purpose of the Formed Endowment

Mission of the Fund is to strengthen spiritual grounds of the Russian society, moral education based on Orthodoxy, worthy examples from the Russian history and Russian culture.

The "ISTOKI" endowment is formed by the Fund and used solely in the sphere of education, science, culture and art for the following purposes:

- support to historical and cultural studies;
- provision of scholarships;
- provision of financial support to educational institutions or projects, opening schools and educational centres;
- financing of research projects;
- provision of financial support to companies in order to encourage management functions by young specialists;
- bringing up civil spirit and political responsibility among the youth;
- provision of financial support to churches and faith communities.

To achieve the aforementioned purposes the Fund raises funds to form and replenish the endowment; transfers these funds to the management company; uses and transfers the endowment for the benefit of other non-commercial organizations receiving the return on management of the endowment.

Recipients of the return on management of the endowment are the following non-commercial organizations:

- Interregional Public Fund for Facilitation of Enhancement of the People National Identity "Centre of National Glory", OGRN 1027746000435;
- International Public Foundation for Facilitation of Spirit and Moral Revival of the Modern Society "St. Andrew the First-Called Foundation", OGRN 1027746000446;
- Other non-commercial organizations based on the decision of the Board of Trustees.

### 1.3. Information on the Fund Management Boards

The highest management body of the Fund is the Board. The main function of the Board is to ensure observance of the goals declared by the Fund.

The term of the Board members is six years.

The Chairman of the Board is Vladimir I. Yakunin.

The Fund's Board of Trustees is the body supervising the Fund's activities, the Board's and Director's decision making and their implementation, use of the Fund's means, compliance with the legislation, as well as functions as Council on the endowment use.

The Fund's Board of Trustees includes (Minutes of the Board meeting No. 2 dated April 16, 2013):

- Vladimir Ivanovich Yakunin - Chairman of the Board of Trustees of the Foundation of St. Andrew the First-Called;
- Vladimir Evgenievich Fortov - Academician, Doctor of Physics and Mathematics;
- Georgy Sergeevich Poltavchenko - Governor of St.Petersburg;
- Dmitry Aleksandrovich Pumpyansky - Chairman of the Board of Directors of TMK Group and Sinara Group, member of the Administrative Office of the Russian Union of Industrialists and Entrepreneurs;
- Sergey Vladimirovich Mikhailov - General Director of ITAR-TASS, member of the International Public Relations Association (IPRA), member of the Russian Union of Journalists;
- Andrey Removich Bokarev - co-owner and Chairman of the Board of Directors of CJSC «Transmashholding» and OJSC «MC «Kuzbassrazrezugol»», member of the Board of Directors of OJSC «Ural Mining and Metallurgical Company», OJSC «Altay-koks»;
- Ludmila Alekseevna Verbitskaya - President of St. Petersburg State University, Academician of the Russian Academy of Education, Vice-President of the Russian Union of Rectors.

By Resolution of the Board of the Fund (Minutes No. 17 dated February 07, 2018) Sergey Evgenievich Shcheblygin was reappointed Director of the Fund.

On March 27, 2013 Ekaterina Anatolievna Gerus was appointed Executive Director of the Fund.

There were two Board meetings and two meetings of the Board of Trustees during the reporting year.

Following the amendments to the Civil Code of the Russian Federation executed by Federal Law dated May 5, 2014 No. 99-FZ that took effect since September 1, 2014, a new version of the Charter of "ISTOKI" Endowment Fund was registered on February 16, 2015. The changes covered the following clauses of the Charter:

- The highest management body of the Fund – the Board of the Fund - changed its name for the Council of the Fund;
- Director of the Fund is not appointed but elected by the Board of the Fund.

#### **1.4. Information about the Management Company**

By Resolution of the Board of the Fund (Minutes No. 2 dated April 16, 2013) “Management Company “RusFin” LLC was appointed the management company of the endowment of the “ISTOKI” Fund.

Location of the management company: 42, building 5, Pokrovka St., 105062, Moscow

OGRN 1127746356649

TIN/ KPP 7721757390/770901001

The management company has a license No. 21-000-1-00919 dated August 23, 2012 issued by FFMS of RF and given to carry out activity related to management of investment funds, unit investment trusts and non-governmental pension funds.

On August 1, 2013 the Specialized Endowment Fund “Fund for Support of Historical and Cultural Studies “ISTOKI” and “Management Company “RusFin” LLC signed the endowment management agreement.

The financial statements of the Management Company (“Management Company “RusFin” LLC) for the year 2017, related to the trust management of the “ISTOKI” endowment, compiled in accordance with Russian rules for the preparation of financial statements, was audited by the Auditor - ENEKO Limited Liability Company ", which audit report is dated February 14, 2017 and contains an unmodified opinion on these financial statements.

#### **1.5. Information on the Audit Organization**

Mandatory audit of the accounting and financial statements of the Endowment Fund “ISTOKI” for 2016 was carried out by «Grunetal Consulting Group» LLC which is a member of the self-regulatory organization of auditors NP «Moscow Audit Chamber», PRNE 11303051308 dated October 2, 2013.

The audit was performed in accordance with the requirements of the Federal Law No. 307-FZ dated December 30, 2008 «On Audit Activities» and Federal standards (rules) of audit activities.

As a result of the audit the opinion was issued regarding the reliability of accounting (financial) statements of the Endowment Fund “ISTOKI” for 2017 and the absence of violations in the formation and replenishment of the endowment, as well as in use and distribution of the return on management of the endowment.

## 2. Statement on Income Related to Replenishment of the Endowment and its Management

### 2.1. Statement of the Flow of Assets Comprising the Endowment

According to the Minutes of the Board meeting No.3 dated July 6, 2013 a decision was made to initiate formation of the "ISTOKI" endowment.

On August 26, 2013 the "ISTOKI" endowment was formed.

In 2017 the Endowment fund "ISTOKI" received donations totaling 150,428 thousand Rubles, including:

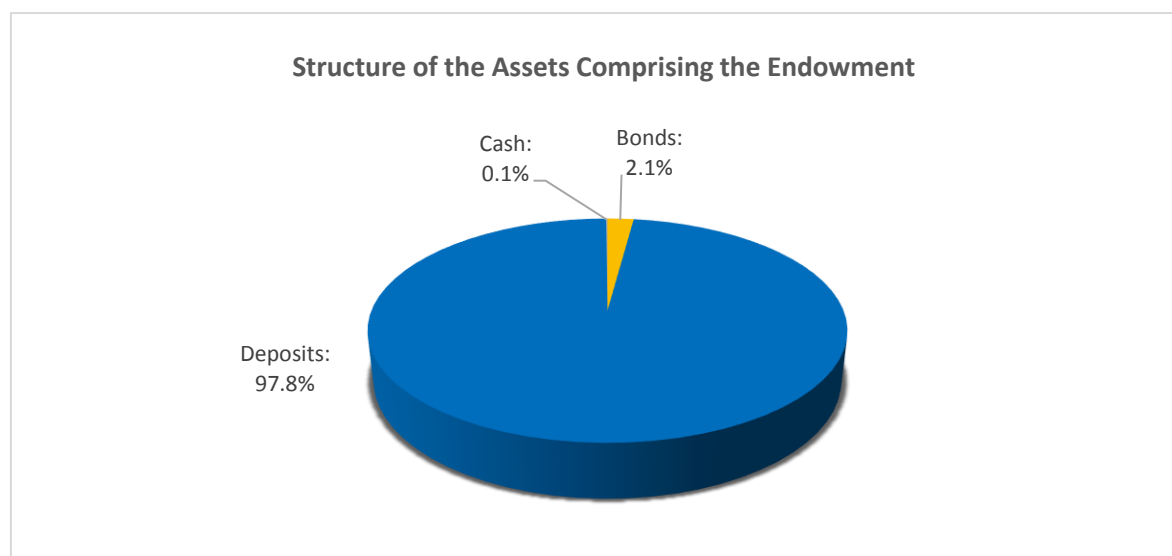
- 121,647 thousand Rubles which were transferred to the "Management Company "RusFin";
- 28,782 thousand Rubles which were used for financing of the general and administrative expenses of the Endowment fund "ISTOKI" in accordance with clause 8.1. Art. 6 of the Federal Law N 275-FZ dated 30.12.2006 and the terms of the donation agreements.

### 2.2. Statement of the Return on Management of the Endowment

#### 2.2.1. Structure of the Assets Comprising the Endowment

The Fund's net asset value comprising the endowment totaled 854,283 thousand Rubles as of December 31, 2017

According to the investment strategy of the Fund the endowment means in 2017 were placed on the bank deposits in Rubles and US. Dollars, invested in publicly traded corporate and mortgage bonds. As of December 31, 2017 the share of deposits in the portfolio taking into account the interest was 97.8%, and bonds – 2.1%, cash – 0.1%.



Information on the structure of assets comprising the "ISTOKI" endowment as of December 31, 2017 is presented in Table 1 below.

**Table 1. Calculation of the net value of assets comprising the "ISTOKI" endowment as of December 31, 2017.**

<b>Name of Issuer</b>	<b>Market Value, in Rub.</b>
<b>Property:</b>	
<b>Bonds with ACI total:</b>	<b>18,028,161</b>
Mortgage bonds	0
Corporate bonds	0
Securities	17,863,532
Yield on bonds	164,629
<b>Deposits with Interest:</b>	<b>841,173,722</b>
Deposits in Rubles	814,579,000
Deposit interest	26,594,722
<b>Cash:</b>	<b>936,423</b>
Bank account	883,032
Account with a broker	53,391
Accounts receivable	0
<b>Total</b>	<b>860,138,305</b>
<b>Liabilities:</b>	
Accounts payable for remuneration of the Management Company	5,854,945
Accounts payable for remuneration of the specialized depository	0
<b>Total</b>	<b>5,854,945</b>
<b>Total of net assets value</b>	<b>854,283,360</b>

### 2.2.2. Return on Management of the Endowment and its Structure

The return of management on the Endowment totaled 52,695 thousand Rubles in 2017.

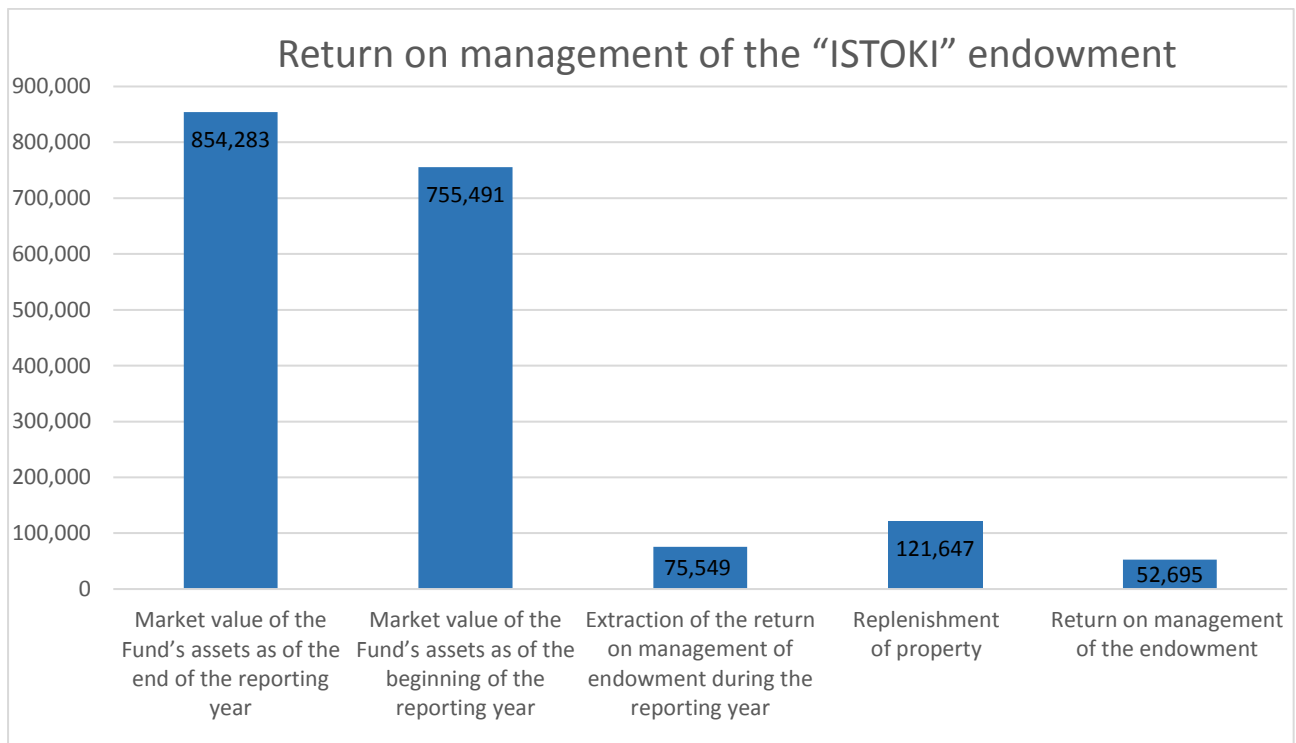
The calculation of the return on management of the Endowment is presented in Table No. 2.

**Table 2. Calculation of the return on management of the "ISTOKI" endowment in 2017.**

<b>Indicator</b>	<b>Amount in Rub.</b>
Market value of the assets that comprise the "ISTOKI" endowment as of the end of the reporting year	854,283,360
Market value of the assets that comprise the "ISTOKI" endowment as of the beginning of the reporting year	755,491,104
Extraction of the return on management of the "ISTOKI" endowment during the reporting year	75,549,110
Replenishment of property comprising the "ISTOKI" endowment in the reporting year	121,646,856

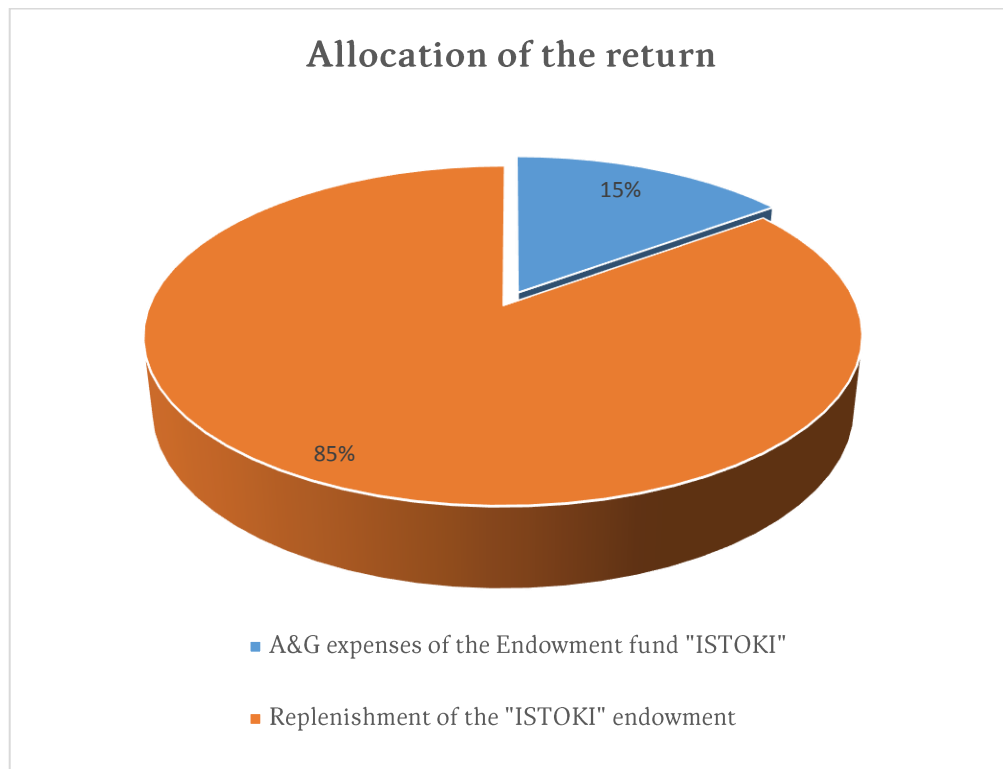


Return on management of the "ISTOKI" endowment less remuneration of the Management Company in the reporting year, total, including:	52,694,509
- <i>overvalued currencies</i>	485,022.55
- <i>interest on deposits</i>	68,641,656.17
- <i>coupon</i>	461,190.1
- <i>income/loss on exchange rate differences</i>	-11,585,631.86
- <i>income/loss on sale of currency</i>	760,013.88
- <i>remuneration of the Management Company</i>	-5,854,945.49
- <i>necessary costs</i>	-212,796.28



In 2018 according to the Minutes of the Fund's Board of Trustees No.13 dated April 27, 2017 and the Minutes of the Council of the Fund No.18 dated April 27, 2017 a decision was made to allocate the return on endowment received in 2017 in the amount of 52,694,509.44 Rubles as follows:

- 1) 7,904,176.42 Rubles use for financing of the general and administrative expenses of the Endowment fund "ISTOKI" in accordance with clause 8.1. Art. 6 of the Federal Law N 275-FZ dated 30.12.2006;
- 2) 44,790,333.02 Rubles use for replenishment of the "ISTOKI" endowment.



### 2.2.3. Information on Remuneration of the Management Company and its Expenditure

**Table 3. Calculation of the remuneration fee the Management company “RusFin” for 2017**

1	Market value of the Fund’s assets comprising the “ISTOKI” endowment. as of the beginning of the reporting year, Rub.	755,491,104.49
2	Market value of the Fund’s assets comprising the “ISTOKI” endowment as of the end of the reporting year, Rub.	860,138,305.35
3	Replenishment of property comprising the “ISTOKI” endowment in the reporting year, Rub.	121,646,856.37
4	Extraction of the return on management of the “ISTOKI” endowment during the reporting year, Rub.	75,549,110.44
5	Increase in the market value of the Fund’s assets in the reporting year, Rub. (line 2 – line 1 – line 3 + line 4)	58,549,455.93
6	Remuneration fee, %	10.00%
7	Remuneration fee in the reporting year, Rub. (line 5 x line 6)	5,854,945.49
8	Remuneration, Rub.: 1) 0, if line 5 ≤ 0 2) line 7, if line 5 > 0.	<b>5,854,945.49</b>

According to paragraph 3 of Art. 18 of the Federal Law dated 30.12.2006. No. 275-FZ, the remuneration of the management company is paid out from the return on management of the endowment for the reporting year, but not more than 10 percent of such return. At the end of 2017, the management company received the return on management of the endowment in amount of 58,549,455.93 Rubles, remuneration fee amounted to 5,854,045.49 Rubles.

The costs on management of the endowment incurred by the management company in 2017 amounted to 212.8 thousand Rubles:

<b>Costs</b>	<b>Amount, Rub.</b>
Brokerage service	18,000.00
Other costs	155,672.55
Bank costs	39,120.73
<b>Total:</b>	<b>212,793.28</b>

### 3. Statement of the Use of Return on Management of the Endowment

In 2017 according to the Minutes of the Fund's Board of Trustees No. 11 dated March 16, 2017 and the Minutes of the Council of the Fund No.15 dated March 16, 2017 a decision was made to allocate the return on management received in 2016 in the amount of 75,549 thousand Rubles as follows:

- 3) 72,719 thousand Rubles to International Public Foundation for Facilitation of Spirit and Moral Revival of the Modern Society "St. Andrew the First-Called Foundation" for its programs and projects. The plan-actual budget execution analysis is presented in Table 4;
- 4) 2,830 thousand Rubles to the Interregional Public Fund for Facilitation of Enhancement of the People National Identity "Centre of National Glory". The plan-actual budget execution analysis is presented in Table 5.

**Table 4. The plan-actual budget execution analysis of the St. Andrew the First-Called Foundation for 2017 (funds received from the Endowment Fund "ISTOKI")**

№	Expenses	Plan, Rub.	Actual, Rub.	Variance Actual – Plan, Rub.	Variance Actual – Plan, %
<b>I.</b>	<b>Total</b>	<b>72,718,750</b>	<b>57,953,138</b>	<b>-14,765,612</b>	<b>80%</b>
<b>II.</b>	<b>Events and programs, incl.:</b>	<b>45,863,000</b>	<b>33,671,859</b>	<b>-12,191,141</b>	<b>73%</b>
1.	"Sanctity of motherhood" program	41,000,000	28,766,753	-12,233,247	70%
2.	"Outposts of orthodoxy" program	2,000,000	2,042,106	42,106	102%
3.	"Pray for peace in Jerusalem" program	2,863,000	2,863,000	0	100%
<b>III.</b>	<b>Administrative and general</b>	<b>26,855,750</b>	<b>24,281,279</b>	<b>-2,574,471</b>	<b>90%</b>

The cash balance of the funds received amounted to 14,765,611.82 Rubles. This balance was caused by the fact that in 2017 several planned activities were not implemented, as the actual budget of particular events significantly exceeded the budget, as well as the willness of the involved partners and participants to postpone some events to a later period.

**Таблица 5. The plan-actual budget execution analysis of the Centre of National Glory for 2017 (funds received from the Endowment Fund "ISTOKI").**

Expenses	Plan, Rub.	Actual, Rub.	Variance Actual – Plan, Rub.	Variance Actual – Plan, %
Administrative and general	<b>2,830,360.44</b>	<b>2,830,360.44</b>	0.00	100%

Thus, the funds received were used in full accordance with the intended purpose.

## 4. Financial Statement of General and Administrative Expenditure of the Fund

### 4.1. Financial Statement of the Endowment Fund "ISTOKI" for 2017

№	Item	Amount, 000' Rub.
1	<b>ENDOWMENT</b>	
1,1	Donations for formation and replenishment of the endowment	122,713
1,2	Return on management of the endowment	58,549
1,3	Other	1,516
	<b>TOTAL INCREASE OF THE ENDOWMENT FOR THE PERIOD</b>	<b>182,779</b>
2	<b>INCOME RECEIVED FOR MAINTENANCE OF THE FUND</b>	
2,1	Donations for Fund maintenance and performance of its statutory activity	26,282
2,2	Return on management for Statutory activity	0
2,3	Funds for Administrative and Management Expenses in amount not exceeding 5% from donations for formation and replenishment of the endowment	2,500
2,4	Other	1,704
	<b>TOTAL INCOME RECEIVED FOR MAINTENANCE OF THE FUND</b>	<b>30,486</b>
	<b>TOTAL INCOME OF THE FUND</b>	<b>213,265</b>
3	<b>EXPENSES CHARGEABLE TO THE ENDOWMENT</b>	
3,1	Remuneration of the management company according to the trust management agreement	5,855
3,2	Reimbursement of necessary expenses of the management company related to the management	0
3,3	Distribution of the return on management of the endowment	75,549
3,4	Other (expenses from donations on formation and replenishment of the endowment (not exceeding 5%))	2,583
3,5	Costs chargeable to 15 % of the return on management of the endowment	0
	<b>TOTAL COSTS CHARGEABLE TO THE ENDOWMENT</b>	<b>83,987</b>
4	<b>EXPENSES CHARGEABLE TO MEANS FOR MAINTENANCE OF THE FUND</b>	
4,1	Expenses from donations for maintenance of the Fund and performance of its statutory activity, incl.:	22,858
	<i>Payroll including insurance premiums</i>	19,436
	<i>Bank charges</i>	97
	<i>General and administrative expenses</i>	2,956
	<i>Purchase of fixed assets and property</i>	360
	<i>Taxes</i>	7
	<i>Other including contingencies</i>	2
4,2	Difference in rates of exchange	140
	<b>TOTAL EXPENSES CHAREGEABLE TO MEANS FOR MAINTENANCE OF THE FUND</b>	<b>22,997</b>
	<b>TOTAL EXPENSES</b>	<b>106,984</b>
5	<b>Fund Assets as of the end of the period, incl.:</b>	<b>866,813</b>
	Funds transferred to trust management	801,589
	Funds received for formation of the endowment but not transferred to trust management	0
	Return on management of the endowment less remuneration of the management company	52,695
	Means for maintenance of the Fund	12,530

## 4.2. Report on the Proper Use of Means for January - December 2017 of the Endowment Fund "ISTOKI"

Sections and Items	Code	January – December 2017	January – December 2016
Starting cash balance	6100	777,782	910,968
<b>Cash Received</b>			
Joining fee	6210	-	-
Membership fee	6215	-	-
Return on management of the endowment	6220	52,695	-
Voluntary property contributions and donations	6230	148,995	3,115
Business profits	6240	-	-
Other	6250	3,065	-
Total cash received	6200	204,754	3,115
<b>Cash Used</b>			
Expenses for intended events	6310	(76,340)	(112,556)
including:			
social and charity aid	6311	(75,549)	(111,911)
conferences, meetings, seminars and other	6312	-	-
other events	6313	(791)	(645)
Expenses for administrative staff	6320	(22,131)	(22,930)
including:			
expenses related to labour remuneration (including accruals)	6321	(19,780)	(19,479)
payments not related to labour remuneration	6322	-	-
expenses for business travel	6323	(266)	(439)
maintenance of premises, buildings, vehicles and other property (except repair)	6324	-	-
repair of fixed assets and other property	6325	-	-
other	6326	(2,085)	(3,012)
Purchase of fixed assets, inventory and other property	6330	(678)	(814)
Other	6350	(16,670)	-
Total funds spent	6300	(115,819)	(136,301)
End cash balance	6400	866,717	777,782