



Grant Thornton

Financial Statements and Independent Auditor's
Report

Eurasia Partnership Foundation

December 31, 2015

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Grant Thornton

Independent auditor's report

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To the Board of Trustees of Eurasia Partnership Foundation

We have audited the accompanying financial statements of Eurasia Partnership Foundation (the “Foundation”), which comprise the statement of financial position as of December 31, 2015, and the statement of activities, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation 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 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.

Members of the Board of Trustees as of December 31, 2015

The Chairman of the Board of Trustees of the Eurasia Partnership Foundation is David Lawrence Lee, the director of “MagtiCom” LLC.

The Foundation’s trustees are:

Andrew Coxshall

Board Treasurer
KPMG

William Hanlon

Formerly OSCE Yerevan Office

Mary Sheehan

International Organization for Migration, retired

Danielle del Marmol

Belgium Ambassador, retired

Dieter Boden

German Ambassador, retired

Kenneth S. Yalowitz

United States Ambassador, retired
Dickey Center for International Understanding, Dartmouth College

Yeva Hyusyan

Microsoft Armenia

Raffi Doudaklian

Mission East Armenia

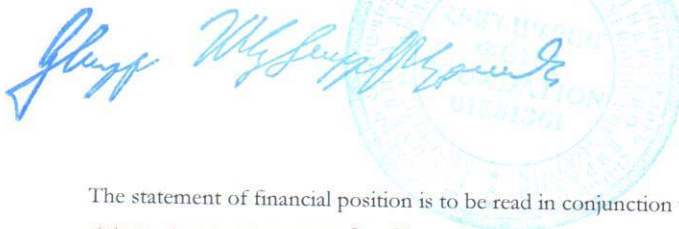
Statement of financial position

	Note	In thousand drams		In US dollar	
		As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Assets					
<i>Non-current assets</i>					
Property and equipment	4	82,336	101,682	170,204	214,081
Intangible assets		502	718	1,038	1,512
Prepayments for acquisition of property and equipment		1,652	2,528	3,415	5,322
		<u>84,490</u>	<u>104,928</u>	<u>174,657</u>	<u>220,915</u>
<i>Current assets</i>					
Accounts receivable	5	157,345	558,628	325,261	1,176,133
Current income tax assets		5,458	6,244	11,283	13,146
Bank balances		68,194	149,437	140,970	314,624
		<u>230,997</u>	<u>714,309</u>	<u>477,514</u>	<u>1,503,903</u>
Total assets		<u><u>315,487</u></u>	<u><u>819,237</u></u>	<u><u>652,171</u></u>	<u><u>1,724,818</u></u>
Liabilities and net assets					
<i>Non-current liabilities</i>					
Grants related to assets	6	82,838	102,400	171,241	215,593
		<u>82,838</u>	<u>102,400</u>	<u>171,241</u>	<u>215,593</u>
<i>Current liabilities</i>					
Accounts payable	7	109,598	20,373	226,559	42,893
Deferred income	8	69,169	650,277	142,985	1,369,091
		<u>178,767</u>	<u>670,650</u>	<u>369,544</u>	<u>1,411,984</u>
<i>Net assets</i>					
Accumulated result (unrestricted)		53,882	46,187	128,852	112,749
Foreign currency translation reserve		-	-	(17,466)	(15,508)
		<u>53,882</u>	<u>46,187</u>	<u>111,386</u>	<u>97,241</u>
Total liabilities and net assets		<u><u>315,487</u></u>	<u><u>819,237</u></u>	<u><u>652,171</u></u>	<u><u>1,724,818</u></u>

The financial statements were approved on March 22, 2016 by:

Gevorg Ter-Gabrielyan
 Chief Executive Officer

Marina Ayvazyan
 Chief Financial Officer




The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 29.

Statement of activities

	Note	In thousand drams		In US dollar	
		Year ended December 31, 2015	Year ended December 31, 2014 (Restated)	Year ended December 31, 2015	Year ended December 31, 2014 (Restated)
Income from grants and contributions	9	954,406	784,623	1,997,292	1,887,701
Revenue from services		3,892	8,795	8,145	21,160
Other income		15,638	17,167	32,726	41,302
Other financial items, net	11	(3,918)	22,905	(8,199)	55,106
Total income		970,018	833,490	2,029,964	2,005,269
Employee benefit expenses		(221,403)	(167,541)	(463,332)	(403,082)
Grant expenses	10	(651,290)	(567,442)	(1,362,959)	(1,365,192)
Depreciation and amortization expenses		(27,017)	(21,230)	(56,539)	(51,077)
Audit and consulting expenses		(6,675)	(8,343)	(13,969)	(20,072)
Trip and representation expenses		(10,407)	(10,785)	(21,779)	(25,947)
Office expenses		(10,090)	(6,241)	(21,115)	(15,015)
Other expenses		(34,655)	(26,008)	(72,523)	(62,572)
Total expenses		(961,537)	(807,590)	(2,012,216)	(1,942,957)
Result before taxation		8,481	25,900	17,748	62,312
Income tax expense	12	(786)	(1,376)	(1,645)	(3,310)
Result for the year		7,695	24,524	16,103	59,002

Statement of changes in net assets

	In thousand drams		In US dollar		
	Accumulated result (unrestricted)	Total	Foreign currency translation reserve (unrestricted)	Accumulated result (unrestricted)	Total
As of January 1, 2014	21,663	21,663	(343)	53,747	53,404
Result for the year	24,524	24,524	-	59,002	59,002
Foreign exchange difference from translation of financial statements	-	-	(15,165)	-	(15,165)
As of December 31, 2014	46,187	46,187	(15,508)	112,749	97,241
Result for the year	7,695	7,695	-	16,103	16,103
Foreign exchange difference from translation of financial statements	-	-	(1,958)	-	(1,958)
As of December 31, 2015	53,882	53,882	(17,466)	128,852	111,386

The statement of changes in reserves is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 29.

Statement of cash flows

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities				
Result for the year	7,695	24,524	16,103	59,002
<i>Adjustments for:</i>				
Depreciation and amortization	27,017	21,230	56,560	51,348
Income from grants	(954,406)	(784,623)	(1,997,292)	(1,887,701)
Income tax expense	786	1,376	1,645	3,310
Foreign exchange loss/(gain)	3,918	(22,905)	8,199	(55,106)
<i>Operating result before working capital changes</i>	<u>(914,990)</u>	<u>(760,398)</u>	<u>(1,914,785)</u>	<u>(1,829,147)</u>
Change in receivables	391,269	(294,134)	829,989	(471,821)
Change in payables	89,225	1,981	183,666	(2,449)
<i>Cash generated used in operations</i>	<u>(434,496)</u>	<u>(1,052,551)</u>	<u>(901,130)</u>	<u>(2,303,417)</u>
Grants received	343,897	1,177,350	719,676	2,832,551
Income tax paid	-	(15,662)	-	(37,681)
<i>Cash from/(used in) operating activities</i>	<u>(90,599)</u>	<u>109,137</u>	<u>(181,454)</u>	<u>491,453</u>
Cash flows from investing activities				
Acquisition of property and equipment and intangible assets	(7,455)	(70,380)	(15,601)	(169,324)
<i>Net cash used in investing activities</i>	<u>(7,455)</u>	<u>(70,380)</u>	<u>(15,601)</u>	<u>(169,324)</u>
Net increase/(decrease) in bank balances	(98,054)	38,757	(197,055)	322,129
Foreign exchange effect on cash	16,811	(4,765)	35,181	(11,464)
Foreign currency exchange difference	-	-	(11,780)	(280,641)
Bank balances at the beginning of the year	<u>149,437</u>	<u>115,445</u>	<u>314,624</u>	<u>284,600</u>
Bank balances at the end of the year	<u><u>68,194</u></u>	<u><u>149,437</u></u>	<u><u>140,970</u></u>	<u><u>314,624</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 29.

Notes to the financial statements

1 Nature of operations and general information

Eurasia Partnership Foundation (the “Foundation”) was established on July 26, 2007. The founder of the Foundation is Eurasia Foundation, which was established in the USA and was registered in accordance with the legislation of the USA Columbia administrative territory on April 29, 1992.

The principle activities of the Foundation are to:

- promote the civil society development procedures;
- support the local self-governing reforms;
- support the community development;
- increase the role of youth in the society;
- support the independent media consistency and promote the development of multi-opinion society;
- promote the reforms in the fields of public policy and management;
- promote the private business development procedures.

The legal address of the Foundation is apt. 23, 1/21 Azatutyun Avenue, Yerevan, Republic of Armenia.

In 2015 the average number of employees of the Foundation was 15 (2014: 14).

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Currently, IFRS do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRS do not give guidance on how to treat transactions specific to not for profit sector, accounting policies have been based on the general principles of IFRS, as detailed in the International Accounting Standards Board (“IASB”) *Framework for Preparation and Presentation Financial Statements*.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

The national currency of Armenia is the Armenian dram (“dram”), which is the Foundation’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Foundation.

These financial statements are presented in Armenian drams and US dollars, since management believes that these currencies are more useful for the users of these financial statements. All financial information presented in Armenian drams has been rounded to the nearest thousand.

Some narrative information in the notes is presented only in dram. In these cases the users should follow note 3.1 to obtain the relevant information in US dollars.

The accounting policy for translation of the dram denominated financial statements into US dollar is explained in note 3.1.

2.4 Use of estimates and judgment

The preparation of the financial statements in conformity with IFRS requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include recognition of contribution income, and recognition of grant expenses. These assumptions and estimates are explained in note 13 to the financial statements.

Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

2.5 Adoption of new and revised standards

In the current year the Foundation has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on January 1, 2015.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Company.

New and revised standards and interpretations that are effective for annual periods beginning on or after January 1, 2015

Annual Improvements 2011-2013

The Annual Improvements 2011-2013 made several minor amendments to a number of IFRSs. The amendments relevant to the Foundation are summarized below:

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Foundation.

Management anticipates that all of the relevant pronouncements will be adopted in the Foundation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Foundation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Foundation's financial statements.

IFRS 9 Financial Instruments (2014)

The IASB released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Foundation's management have yet to assess the impact of this new standard on the Foundation's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Foundation's management have not yet assessed the impact of IFRS 15 on these financial statements.

Annual Improvements 2012-2014

The Annual Improvements 2012-2014 made several minor amendments to a number of IFRSs. The amendments relevant to the Foundation are summarized below:

IFRS 7 *Financial Instruments: Disclosures*

The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying the disclosure requirements in paragraphs 42E-42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.

IFRS 7 *Financial Instruments: Disclosures*

These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 Disclosure—Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 *Interim Financial Reporting* when its inclusion would be necessary in order to meet the general principles of IAS 34.

The Annual Improvements 2012-2014 noted above are effective for annual periods beginning on or after January 1, 2016. Management does not anticipate a material impact on the Foundation's financial statements from these Amendments.

2.6 Restatement of financial statements

The financial statements including the comparative information for prior periods are presented as if the correction had been made in the period in which such a necessity arose. Therefore, the amount of the correction that relates to each period presented is included in the financial statements of that period (refer to note 18).

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency 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 rates defined by the Central Bank of Armenia (the "CBA") prevailing on the reporting date, which is 483.75 drams for 1 US dollar and 528.69 drams for 1 euro as of December 31, 2015 (December 31, 2014: 474.97 drams for 1 US dollar, 577.47 drams for 1 euro).

Exchange differences arising from foreign currency transactions, as well as on the settlement and retranslation of monetary items, are included in the result for the period.

Translation of financial statements into another currency

As presented in note 2.3 these financial statements are also presented in US dollars, since management believes that this currency is useful for the users of these financial statements. The assets and liabilities of the Foundation are translated from dram into US dollar at the exchange rate at the end of the reporting period defined by the CBA. Revenues and expenses are translated into US dollar using average rate of the CBA for the period. The resulting exchange difference is recorded in net assets in the foreign currency translation reserve.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of activities.

Capital repair expenditures on the leased areas are recognized as an item of property and equipment (as "Leasehold improvements"), if it is probable that the economic benefits related to these assets will flow to the Foundation.

Depreciation is charged to the statement of activities on a straight line basis over the estimated useful lives of the individual assets. Depreciation commences when assets are available for use. The estimated useful lives are as follows:

Leasehold improvements	- 5 years
Computer equipment	- 1 year
Fixture and fittings	- 5 years

3.3 Intangible assets

Intangible assets acquired by the Foundation, which have finite useful lives, are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the result for the year on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years for computer software.

3.4 Leased assets

Payments on operating lease agreements are recognized as an expense on a straight-line basis. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.5 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Foundation becomes a part to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets other than hedging instruments are divided into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in the result or directly in other comprehensive income. Refer to note 14.2 for a summary of the Foundation's financial assets by category.

Generally, the Foundation recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets that are recognized in the result are presented within finance costs, finance income or other financial items.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables as well as cash and bank balances.

Accounts receivable

Current accounts receivable are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment. A provision for impairment of receivables is established, when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payments (including from donors) are considered indicators that the receivable is impaired. The amount of provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

The balance of the allowance is adjusted by recording a charge or income to the result of the reporting period. All accounts receivable for which collection is not considered probable are written-off.

Grants expected from donors are stated as receivables, when as of the reporting date there is reasonable assurance that they will be received (refer to note 3.6). In the financial statements they are stated as grants receivables.

The amounts paid to sub-grantees in the framework of a sub-grant agreement are recognized in receivables as advances to sub-grantees until the sub-grantees submit documents supporting the expenses they incurred, in which case the advances are expensed (under the caption "Grant expenses").

Bank balances

The bank balances comprise bank accounts and cash in transit.

Classification and subsequent measurement of financial liabilities

A summary of the Foundation's financial liabilities by category is given in note 14.2.

i. Accounts payable

Accounts payable are stated at fair value and subsequently stated at amortized cost.

3.6 Grants

Grants are not recognized until there is reasonable assurance that the Foundation will comply with the conditions attaching to them and the grants will be received.

Grants with a primary condition to purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to the result on a systematic and rational basis over the useful lives of the related assets.

Grants received unconditionally from the donors as a financial support or as a compensation for expenses and losses already incurred, are recognized in the result of the year, when they become receivable.

Grants received from donors, which as of a reporting date have not been used, are recognized in the statement of financial position of the Foundation as deferred income (current liability) and are systematically transferred to the result of the year, along with the grants usage.

All grant income is recognized in the statement of financial position as deferred income, when it becomes receivable, which is the date when the Foundation has entered into legally binding commitments. Deferred income is transferred to the statement of activities in line with the realization of the grant commitments. However, if the amount of deferred income turns out to be more than is required by the Foundation to meet its commitments, the surplus amount is deducted from the balance of the deferred income and the respective receivables from donors. The amount of this adjustment is not reflected in the statement of activities.

If the amount of the grant recognized exceeds the expenses of the Foundation, which are necessary for the implementation of the whole grant, the exceeded part is reduced from the amount of the recognized deferred income and the accounts receivable on grants.

Refer to note 13 for the management's judgments on grants recognition and calculation.

3.7 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable result. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable results will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable result nor the accounting result.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable results will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Foundation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

As a result of changes in the tax legislation of the Republic of Armenia, significant changes have been made to the principles of calculation of depreciation and amortization of the property and equipment and intangible assets. The annual amount of depreciation and amortization of property and equipment and intangible assets acquired after January 1, 2014 is calculated for groups of non-current assets - multiplying the carrying (residual) value of the assets in the group at the end of the reporting period and the annual depreciation or amortization rate stated for that group of assets.

The annual amount of depreciation and amortization of property and equipment and intangible assets acquired after January 1, 2014 is still calculated on a straight line basis.

According to the RA law "On Profit Tax", the assets and the services received by the Organization (non-profit organizations) with no consideration, as well as the expenses related to them are not considered as taxable income and deductible expense for the purposes of profit tax calculation.

3.8 Income recognition

Income is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and rebates allowed by the Foundation.

Rendering of services

Revenue from a contract to provide services is recognized when:

- the amount of revenue may be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Foundation;
- the stage of completion of the transaction at the reporting date may be reliably measured; and
- the costs incurred for the transaction and the costs to complete the transaction may be reliably measured.

Revenue from rendered services incurred from researches, analysis and tests performed by the Foundation. It is recognized as of the reporting date in line with the stage to complete the service.

Income from grants

Income recognition policy is presented in note 3.6.

Other income

The assistance received in a form of free-of-charge services is recorded at the fair value of the service determined by an independent valuer.

4 Property and equipment

	In thousand drams				In US dollar			
	Leasehold improvements	Computer equipment	Fixture and fittings	Total	Leasehold improvements	Computer equipment	Fixture and fittings, other	Total
<i>Cost</i>								
As of January 1, 2014	36,480	31,037	12,247	79,764	89,931	76,515	30,192	196,638
Additions	50,845	8,348	11,187	70,380	122,326	20,084	26,914	169,324
Internal movement	253	-	(253)	-	609	-	(609)	-
Foreign currency translation difference	-	-	-	-	(28,479)	(13,678)	(7,692)	(49,849)
As of December 31, 2014	87,578	39,385	23,181	150,144	184,387	82,921	48,805	316,113
Additions	-	2,441	5,014	7,455	-	5,108	10,493	15,601
Foreign currency translation difference	-	-	-	-	(3,347)	(1,567)	(1,014)	(5,928)
As of December 31, 2015	87,578	41,826	28,195	157,599	181,040	86,462	58,284	325,786
<i>Accumulated depreciation and impairment</i>								
As of January 1, 2014	2,432	19,423	5,592	27,447	5,995	47,882	13,786	67,663
Charge for the year	8,573	8,446	3,996	21,015	20,626	20,320	9,614	50,560
Foreign currency translation difference	-	-	-	-	(3,451)	(9,527)	(3,213)	(16,191)
As of December 31, 2014	11,005	27,869	9,588	48,462	23,170	58,675	20,187	102,032
Charge for the year	16,463	5,869	4,469	26,801	34,452	12,282	9,352	56,086
Foreign currency translation difference	-	-	-	-	(841)	(1,214)	(481)	(2,536)
As of December 31, 2015	27,468	33,738	14,057	75,263	56,781	69,743	29,058	155,582
<i>Carrying amount</i>								
As of December 31, 2014	76,573	11,516	13,593	101,682	161,217	24,246	28,618	214,081
As of December 31, 2015	60,110	8,088	14,138	82,336	124,259	16,719	29,226	170,204

According to the contract on the gratuitous use of assets signed between the Foundation and the Eurasia Foundation (USA), apartments 22 and 23 on 1/21 Azatutyan avenue, Yerevan, Republic of Armenia were provided to the Foundation by the Eurasia Foundation for a free use, exceptionally not for commercial purposes, to be used as an office territory. According to the contract, the Foundation was obliged to repair the apartments using its own resources. Capital expenditures on repair are included in the property and equipment as "Leasehold improvements".

Acquisitions of the items of the property and equipment were done using the resources of the following grants (refer to note 6):

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Embassy of the United States of America	2,740	27,111	5,734	65,226
European Union	852	21,977	1,783	52,874
Embassy of the Kingdom of the Netherlands	-	9,654	-	23,226
Embassy of the United Kingdom of Great Britain and Northern Ireland	3,774	6,844	7,898	16,466
Media Initiatives Center NGO	-	1,031	-	2,480
Center for Agribusiness and Rural Development Center	89	983	186	2,365
"Orange Armenia" CJSC	-	335	-	806
Eurasia Foundation	-	253	-	609
Other	-	2,192	-	5,272
	<u>7,455</u>	<u>70,380</u>	<u>15,601</u>	<u>169,324</u>

5 Accounts receivable

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Grants receivable	115,571	251,044	238,906	528,546
Advances to sub-grantees	30,495	292,466	63,039	615,757
Other advances	8,130	13,195	16,806	27,781
Receivables from the State budget	1,862	1,923	3,849	4,049
Other	1,287	-	2,661	-
	<u>157,345</u>	<u>558,628</u>	<u>325,261</u>	<u>1,176,133</u>

All amounts are short-term.

Management believes that the receivables from the State budget are fully recoverable.

The grants receivables are disclosed below:

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
European Union	105,732	251,044	218,567	528,546
Embassy of the United Kingdom of Great Britain and Northern Ireland	7,475	-	15,452	-
Other	2,364	-	4,887	-
	<u>115,571</u>	<u>251,044</u>	<u>238,906</u>	<u>528,546</u>

Advances to sub-grantees are disclosed below:

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Anadolu Culture	-	43,599	-	91,793
"Public Journalism Club" NGO	-	11,859	-	24,968
Economic Policy Research Foundation	-	31,211	-	65,712
Hrant Dink Foundation	-	74,789	-	157,460
Civilitas Foundation	-	40,528	-	85,327
"Local Research Center" NGO	-	16,205	-	34,118
Helsinki Citizen Assembly	-	9,525	-	20,054
"Caucasus Research Resource Center-Armenia" Foundation	-	28,185	-	59,341
Media Initiatives Center NGO	10,896	10,437	22,524	21,974
Urban Foundation for Sustainable Development	-	5,719	-	12,041
"Helsinki Committee of Armenian Human Rights" NGO	2,523	-	5,216	-
"Alt TV" LLC	2,851	-	5,894	-
Other	14,225	20,409	29,405	42,969
	<u>30,495</u>	<u>292,466</u>	<u>63,039</u>	<u>615,757</u>

Other advances refer to the payments for the services to be received.

6 Grants related to assets

	In thousand drams		In US dollar	
	2015	2014	2015	2014
Balance at the beginning of year	102,400	53,250	215,593	131,274
Additions (refer to note 4)	7,455	70,380	15,601	169,325
Realized to income (refer to note 9)	(27,017)	(21,230)	(56,539)	(51,076)
Foreign currency translation difference	-	-	(3,414)	(33,930)
Balance at the end of year	<u>82,838</u>	<u>102,400</u>	<u>171,241</u>	<u>215,593</u>

7 Accounts payable

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Accounts payable on sub-grantees	85,071	-	175,857	-
Employee benefits payables	16,566	16,415	34,245	34,560
Taxes and liabilities payable	6,478	1,828	13,391	3,849
Other	1,483	2,130	3,066	4,484
	<u>109,598</u>	<u>20,373</u>	<u>226,559</u>	<u>42,893</u>

8 Deferred income

	In thousand drams		In US dollar	
	2015	2014	2015	2014
Balance at the beginning of year	650,277	1,199,474	1,369,091	2,956,991
Additions	353,736	284,576	740,266	684,653
Reclassification to grants related to assets	(7,455)	(70,380)	(15,601)	(169,325)
Income recognition	(927,389)	(763,393)	(1,940,753)	(1,836,625)
Foreign currency translation difference	-	-	(10,018)	(266,603)
Balance at the end of year	<u>69,169</u>	<u>650,277</u>	<u>142,985</u>	<u>1,369,091</u>

Additions represent contributions accrued from the following organizations:

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Embassy of the United States of America	177,745	118,788	371,968	285,789
Media Initiatives Center NGO	55,130	4,435	115,371	10,670
Embassy of the Kingdom of the Netherlands	32,561	67,441	68,141	162,254
Embassy of the United Kingdom of Great Britain and Northern Ireland	21,152	49,230	44,265	118,441
Center for Agribusiness and Rural Development Center	14,962	6,023	31,311	14,491
UNICEF	9,578	-	20,044	-
"Communities Finance Officers Association" NGO	31,806	17,451	66,561	41,985
Other	10,802	21,208	22,605	51,023
	<u>353,736</u>	<u>284,576</u>	<u>740,266</u>	<u>684,653</u>

The balance of deferred income by sources is presented below:

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
European Union	9,756	540,238	20,167	1,137,415
Embassy of the United States of America	27,707	28,536	57,275	60,080
Embassy of the Kingdom of the Netherlands	1,307	22,240	2,702	46,824
"Communities Finance Officers Association" NGO	863	13,508	1,784	28,440
Media Initiatives Center NGO	23,473	4,435	48,523	9,337
Other	6,063	41,320	12,534	86,995
	<u>69,169</u>	<u>650,277</u>	<u>142,985</u>	<u>1,369,091</u>

9 Income from grants and contributions

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Income from deferred income (refer to note 8)	927,389	763,393	1,940,753	1,836,625
Income from grants related to assets (refer to note 6)	27,017	21,230	56,539	51,076
	<u>954,406</u>	<u>784,623</u>	<u>1,997,292</u>	<u>1,887,701</u>

Income from grants and contributions by sources is presented below:

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
European Union	529,630	556,803	1,108,360	1,339,596
Embassy of the United States of America	175,836	68,626	367,973	165,105
Eurasia Foundation Center for Agribusiness and Rural Development Center	-	2,703	-	6,503
Embassy of the United Kingdom of Great Britain and Northern Ireland	19,385	506	40,567	1,217
Embassy of the Kingdom of the Netherlands	37,950	30,381	79,418	73,093
"Communities Finance Officers Association" NGO	53,494	77,299	111,947	185,971
Media Initiatives Center NGO	44,452	3,852	93,025	9,267
Other	36,092	1,395	75,530	3,356
	<u>30,550</u>	<u>21,828</u>	<u>63,933</u>	<u>52,517</u>
	<u>927,389</u>	<u>763,393</u>	<u>1,940,753</u>	<u>1,836,625</u>

10 Grant expenses

Grant expenses relate to the amounts paid to sub-grantees in the framework of projects funded by the following donors:

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
European Union	473,855	465,479	991,640	1,119,882
Embassy of the United States of America	107,613	28,206	225,202	67,860
Embassy of the Kingdom of the Netherlands	-	14,807	-	35,624
Other	69,822	58,950	146,117	141,826
	<u>651,290</u>	<u>567,442</u>	<u>1,362,959</u>	<u>1,365,192</u>

11 Other financial items

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Gain/(loss) from exchange differences on:				
Loans and receivables	(3,918)	22,905	(8,199)	55,106
	<u>(3,918)</u>	<u>22,905</u>	<u>(8,199)</u>	<u>55,106</u>

12 Income tax expense

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Current tax	786	1,376	1,645	3,310
	<u>786</u>	<u>1,376</u>	<u>1,645</u>	<u>3,310</u>

Only income from services and gains from foreign exchange rate translations are taxable.

Reconciliation of effective tax rate is as follows:

	In thousand drams	In US dollar		In thousand drams	In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2015	Effective tax rate (%)	Year ended December 31, 2014	Year ended December 31, 2014	Effective tax rate (%)
Result before taxation (under IFRS)	8,481	17,748	-	25,900	62,312	
Tax calculated at a tax rate of 20% (2014: 20%)	1,696	3,550	20.00	5,180	12,462	20.00
(Non-taxable)/non- deductible items, net	(910)	(1,905)	(10.73)	(3,804)	(9,152)	(14.69)
Income tax expense	<u>786</u>	<u>1,645</u>	<u>9.27</u>	<u>1,376</u>	<u>3,310</u>	<u>5.31</u>

13 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

13.1 Critical accounting estimates

The Foundation makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of property and equipment

The estimation of the useful lives of items of property and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Foundation. The following primary factors are considered:

- expected usage of the assets;
- expected physical wear and tear, which depends on operational factors and maintenance programme;
- technical or commercial obsolescence arising from changes in market conditions.

If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Grants recognition

As disclosed in note 3.6, grants are not recognized until there is reasonable assurance that the Foundation will comply with the conditions attaching to them and the grants will be received. For each grant agreement management estimates the probability that it will satisfy the conditions attached to the grant, and that the grant will be received. In doing so, management relies on the previous experience with the donor, as well as the capabilities of the Foundation to completely implement the grant. If management estimates that the Foundation will be able to satisfy the conditions attached to the grant, and that the donor is ready to completely transfer the grant amounts, such grants are immediately recognized in the financial statements (as grants receivable and deferred income), when the respective grant agreement is signed. However, if the management is mistaken in its estimates, the financial statements may be adjusted, and those adjustments may be significant to the financial statements of the Foundation.

Relationships with sub-grantees

The Foundation has signed grant agreements, according to which the grants should be realized with other parties (sub-grantees). For this purpose the Foundation signs sub-grant agreements with those parties. In the framework of such agreements the Foundation receives grants from the donors and distributes them to sub-grantees, according to the approved budget. Management of the Foundation uses judgments in deciding if income from grants and expenses related to it should be completely recognized in the financial statements of the Foundation. Those judgments are based on the following factors:

- whether the Foundation selects the sub-grantees or not;
- whether the Foundation has the right to control sub-grantee's expenses and require documents supporting those expenses or not;
- whether the Foundation is responsible for the result provided by sub-grantees or not;
- whether the Foundation is responsible to the donor for sub-grantees, who have not duly realized the grant or have otherwise behaved bad or not;
- whether other such factors, which may certify whether the Foundation may be brought to responsibility instead of sub-grantees or not.

If the management of the Foundation concludes that the Foundation acts as an agent in the relationships with sub-grantees, it does not recognize any income or expense provided or incurred by sub-grantee. Cash received for the transfer to sub-grantees are recognized in the financial statements of the Foundation's payables to sub-grantees, upon receiving the cash.

Capitalized expenditures on the leased assets

As disclosed in note 4, the capital expenditures incurred on the apartments transferred to the Foundation with the free rights of use by Eurasia Foundation (USA) are considered as the assets of the Foundation, since, according to the estimates of the management, the Foundation receives economic benefits from the use of those assets. These capitalized expenditures are depreciated over 5 years, which, according to management, is a reasonable estimate of useful lives of those assets.

14 Financial instruments

14.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.5.

14.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Loans and receivables				
Accounts receivable	116,858	251,044	241,567	528,546
Bank balances	68,194	149,437	140,970	314,624
	<u>185,052</u>	<u>400,481</u>	<u>382,537</u>	<u>843,170</u>

Financial liabilities

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Financial liabilities measured at amortized cost:				
Accounts payable	103,120	18,545	213,168	39,044
	<u>103,120</u>	<u>18,545</u>	<u>213,168</u>	<u>39,044</u>

15 Financial risk management

The Foundation is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Board of Trustees of the Foundation is responsible for the effective financial risk management system as well as for the development of financial risk management policy. The Board of Trustees regularly revises this system and policy to reflect the current market changes.

The most significant financial risks to which the Foundation is exposed are described below.

Financial risk factors

a) Market risk

The Foundation is exposed to market risk through its use of financial instruments and specifically to currency risk, which result from both its operating and investing activities.

Foreign currency risk

The Foundation undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Foreign currency denominated financial assets and liabilities which expose the Foundation to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

Item	In thousand drams		In US dollar	
	US dollar	Euro	US dollar	Euro
As of December 31, 2015				
<i>Financial assets</i>				
Accounts receivable	-	105,732	-	222,608
Bank balances	38,990	17,364	80,599	36,558
	<u>38,990</u>	<u>123,096</u>	<u>80,599</u>	<u>259,166</u>
<i>Financial liabilities</i>				
Accounts payable	-	79,883	-	165,133
Net position	<u>38,990</u>	<u>43,213</u>	<u>80,599</u>	<u>94,033</u>

Item	In thousand drams		In US dollar	
	US dollar	Euro	US dollar	Euro
As of December 31, 2014				
<i>Financial assets</i>				
Accounts receivable	29,710	-	61,416	-
Bank balances	280,754	103,580	580,370	218,077
	<u>310,464</u>	<u>103,580</u>	<u>641,786</u>	<u>218,077</u>
<i>Financial liabilities</i>				
Accounts payable	-	-	-	-
Net position	<u>310,464</u>	<u>103,580</u>	<u>641,786</u>	<u>218,077</u>

The following table details the Foundation's sensitivity to a 10% (2014: 10%) increase and decrease in dram against US dollar and Euro. 10% (2014: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2014: 10%) change in foreign currency rates.

If the Armenian dram had strengthened against US dollar and Euro by 10% (2013: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2015	2014	2015	2014
Result	3,899	21,732	4,321	7,251

US dollar	US dollar impact		Euro impact	
	2015	2014	2015	2014
Result	8,060	44,925	9,403	15,265

Exposures to foreign exchange rates vary during the year depending on the grants received in foreign currency. Nonetheless, the analysis above is considered to be representative of the Foundation's exposure to currency risk.

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Foundation. The effect of this risk for the Foundation arises from different financial instruments, such as accounts receivable, especially the amounts expected from donors. Management believes that the credit risk on these amounts is low, since the practice with those donors shows that donors always transfer the agreed amounts. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

	In thousand drams		In US dollar	
	As of December 31, 2015	As of December 31, 2014	As of December 31, 2015	As of December 31, 2014
Financial assets at carrying amounts				
Accounts receivable	116,858	251,044	241,567	528,546
Bank balances	68,194	149,437	140,970	314,624
	<u>185,052</u>	<u>400,481</u>	<u>382,537</u>	<u>843,170</u>

The credit risk for bank balances is considered negligible, since the counterparties are reputable banks, which have a credit rating of BBB- by Fitch international rating agency.

c) Liquidity risk

Liquidity risk is the risk that the Foundation will be unable to meet its obligations.

The Foundation's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The Foundation considers expected cash flows (including grants from donors) from financial assets in assessing and managing liquidity risk, particularly its cash resources. The Foundation's cash resources exceed the current cash outflow requirements.

16 Contingencies

16.1 Business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of the economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependant. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Foundation. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Foundation may be affected.

Management of the Foundation believes that in the current conditions appropriate measures are implemented in order to ensure economic stability of the Foundation.

16.2 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Foundation does not have full coverage for its business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Foundation property or relating to the Foundation activities. Until the Foundation obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets or environmental damage could have a materially adverse effect on the Foundation's activities and financial position.

16.3 Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

17 Related parties

The Foundation's related parties include the members of the board of trustees of the Foundation and its Executive Director.

17.1 Transactions with management

The Senior Management received the following remuneration during the year, which is included in employee benefits.

	In thousand drams		In US dollar	
	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and bonuses	63,614	57,444	133,125	138,203

18 Restatement of comparative financial statements

As disclosed in note 2.6, the policy of the Foundation is the retrospective adjustment of mistakes disclosed in the current year.

During 2015 management of the Foundation changed its accounting policy regarding the accounting treatment of the receipt of free-of-charge rental services of the office premises (apartments 22 and 23, building 1/21, Azatutyun avenue, Yerevan, Republic of Armenia). Previously this transaction was recorded at the nominal value, which is nil based on the agreement signed on November 18, 2013 between the Foundation and the Eurasia Foundation (USA). In 2015 this transaction is recorded at the fair value, which was determined by an independent and licensed valuator. This change does not have any impact on the statement of financial position as of December 31, 2014. The statement of activities for the year ended December 31, 2014 has been restated, as follows:

In thousand drams	2014 (before restatement)	Restatement	2014 (after restatement)
Other income	1,567	15,600	17,167
Other expenses	(10,408)	(15,600)	(26,008)
US dollars	2014 (before restatement)	Restatement	2014 (after restatement)
Other income	3,770	37,532	41,302
Other expenses	(25,040)	(37,532)	(62,572)

