

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Eurasia Partnership Foundation

Opinion

We have audited the financial statements of Eurasia Partnership Foundation (the Foundation), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Foundation as at 31 December 2016, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter - Scope of the Audit

The accompanying balance sheet of the Foundation as of December 31, 2015, and the related statements of income and cash flows for the year then ended were not audited by us and, accordingly, we do not express an opinion on them.

Responsibilities of the management and those charged with governance for the Financial Statements

Management of the Foundation is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

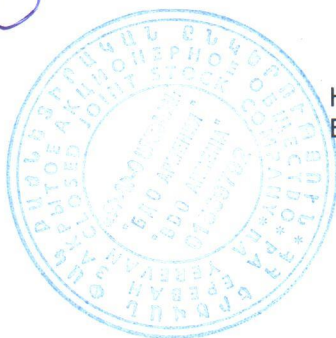
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Vahagn Sahakyan, FCCA
Managing Partner

Hrachya Hovhannisyan, FCCA
Engagement Partner



"BDO Armenia" CJSC
15 May, 2017

Members of the Board of Trustees as of 31 December 2016

David Lawrence Lee (Chair)
MagtiCom, Ltd. former workplace

Anna Ohanyan
Stonehill College

Mary Sheehan
International Organization for Migration, ret.

Dieter Boden
German Ambassador, Organization for Security and Cooperation in Europe, ret.

Andrew Coxshall
KPMG

Danielle del Marmol
Belgium Ambassador, retired

Kenneth Yalowitz
U.S. Ambassador, retired, Dickey Center for International Understanding, Dartmouth College

Raffi Doudaklian
Mission East Armenia

William Hanlon
OSCE Office

Eurasia Partnership Foundation
Statement of activities
For the year ended 31 December 2016

	Notes	2016 AMD'000	2015 AMD'000	2016 USD	2015 USD
Income from grants and contribution	5	620,269	954,406	1,290,936	1,997,292
Revenue from training and consulting services		20,240	3,892	42,125	8,145
Other Income		15,603	15,638	32,474	32,726
		<u>656,112</u>	<u>973,936</u>	<u>1,365,535</u>	<u>2,038,163</u>
Grants expenses	6	(298,226)	(651,290)	(620,683)	(1,362,959)
Employee benefit expenses		(269,557)	(221,403)	(561,016)	(463,332)
Depreciation and amortization expense		(29,959)	(27,017)	(62,352)	(56,539)
Office rent expenses		(15,600)	(15,600)	(32,468)	(32,647)
Audit and consulting expenses		(9,068)	(6,675)	(18,873)	(13,969)
Trip and representation expenses		(9,660)	(10,407)	(20,105)	(21,779)
Office expenses		(9,784)	(10,090)	(20,363)	(21,115)
Other expenses		(21,077)	(19,055)	(43,867)	(39,876)
Results from operations		<u>(6,819)</u>	<u>12,399</u>	<u>(14,192)</u>	<u>25,947</u>
Net gain/(loss) on exchange rate differences		(10,557)	(20,222)	(21,972)	(42,320)
Result before taxation		<u>(17,376)</u>	<u>(7,823)</u>	<u>(36,164)</u>	<u>(16,373)</u>
Tax expense	7	(2,675)	(786)	(5,567)	(1,645)
Result for the year		<u>(20,051)</u>	<u>(8,609)</u>	<u>(41,731)</u>	<u>(18,018)</u>
Other comprehensive income/(loss) <i>Items that will not be reclassified to profit or loss:</i>					
Exchange losses on translation to presentation currency		-	-	266	(1,541)
Other comprehensive income for the year, net of tax		-	-	266	(1,541)
Total comprehensive result		<u>(20,051)</u>	<u>(8,609)</u>	<u>(41,465)</u>	<u>(19,559)</u>

Eurasia Partnership Foundation

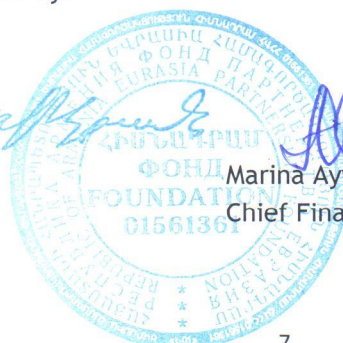
Statement of financial position
As at 31 December 2016

	Note	2016 AMD'000	2015 AMD'000	2016 USD	2015 USD
Assets					
Current assets					
Accounts receivable	8	40,823	157,345	84,355	325,261
Current Income tax assets		2,783	5,458	5,751	11,283
Bank balance		199,819	51,890	412,900	107,266
		<u>243,425</u>	<u>214,693</u>	<u>503,006</u>	<u>443,810</u>
Non-current assets					
Property, plant and equipment	9	63,935	82,336	132,113	170,204
Intangible assets		286	502	591	1,038
Prepayments for acquisitions of property and equipment		-	1,652	-	3,415
		<u>64,221</u>	<u>84,490</u>	<u>132,704</u>	<u>174,657</u>
Total assets		<u>307,646</u>	<u>299,183</u>	<u>635,710</u>	<u>618,467</u>
Liabilities					
Current liabilities					
Accounts payable	10	27,337	109,598	56,488	226,559
Deferred income	13	196,138	69,169	405,294	142,985
		<u>223,475</u>	<u>178,767</u>	<u>461,782</u>	<u>369,544</u>
Non-current liabilities					
Grants related to assets	12	66,644	82,838	137,711	171,241
		<u>66,644</u>	<u>82,838</u>	<u>137,711</u>	<u>171,241</u>
Total liabilities		<u>290,119</u>	<u>261,605</u>	<u>599,493</u>	<u>540,785</u>
Net assets		<u>17,527</u>	<u>37,578</u>	<u>36,217</u>	<u>77,682</u>
Accumulated result		17,527	37,578	53,000	94,731
Translation differences		-	-	(16,783)	(17,049)
Equity		<u>17,527</u>	<u>37,578</u>	<u>36,217</u>	<u>77,682</u>

The financial statements were approved and authorized for issue by the Board of Trustees on 06 May, 2017 and were signed on its behalf by:


Gevorg Ter-Gabrielyan
Chief Executive Officer


Marina Ayyazyan
Chief Financial Officer



Eurasia Partnership Foundation

Statement of cash flows
For the year ended 31 December 2016

	2016 AMD'000	2015 AMD'000	2016 USD	2015 USD
<i>Cash flows from operating activities</i>				
Result for the year	(20,051)	(8,609)	(41,731)	(18,017)
<i>Adjustments for:</i>			-	
Income from grants	(620,269)	(954,406)	(1,290,936)	(1,997,292)
Income tax expense	2,675	786	5,567	1,645
Loss on write-off of property and equipment	2,404		5,003	
Depreciation and amortization	29,959	27,017	62,352	56,560
Foreign exchange gain/loss	10,557	20,222	21,972	42,320
<i>Operating cash flows before working capital adjustments</i>	(594,725)	(914,990)	(1,237,773)	(1,914,784)
Decrease/(increase) in accounts receivables	116,356	391,269	242,166	829,989
Increase/(decrease) in accounts payables	(81,408)	89,225	(169,431)	183,666
	(559,777)	(434,496)	(1,165,038)	(901,129)
Grants received	731,044	343,897	1,521,487	719,676
<i>Net cash flows from / (used in) operating activities</i>	171,267	(90,599)	356,449	(181,453)
<i>Investing activities</i>				
Acquisition of Property, plant and equipment and intangible assets	(12,094)	(7,455)	(25,171)	(15,601)
<i>Net cash flows used in investing activities</i>	(12,094)	(7,455)	(25,171)	(15,601)
Net increase in cash and cash equivalents	159,173	(98,054)	331,278	(197,054)
<i>Cash and cash equivalents at the beginning of the period</i>	51,890	149,437	107,266	314,624
Foreign exchange effect on cash balances	(11,244)	507	(23,402)	1,061
Exchange rate differences from translation	-	-	(2,242)	(11,365)
Cash and cash equivalents at the end of the period	199,819	51,890	412,900	107,266

Eurasia Partnership Foundation

Statement of changes in equity
For the year ended 31 December 2016

	Accumulated result	Accumulated result	Translation reserve	Total
	AMD'000	USD	USD	USD
1 January 2015	46,187	112,749	(15,508)	97,241
Result for the year	(8,609)	(18,018)		(18,018)
Presentation currency translation difference			(1,541)	(1,541)
31 December 2015	37,578	94,731	(17,049)	77,682
1 January 2016	37,578	94,731	(17,049)	77,682
Result for the year	(20,051)	(41,731)		(41,731)
Presentation currency translation difference			266	266
31 December 2016	17,527	53,000	(16,783)	36,217