



Eurasia Partnership Foundation

Annual report and financial statements

For the year ended 31 December 2017

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Legal form:	Foundation
Principal activities:	The nature of the entities operations and its principal activities are set out in note 1
President:	Gevorg Ter-Gabrielyan

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 2017, 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, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 December 2017, 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.

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 IFRS, 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:

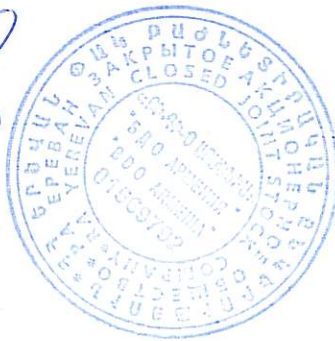
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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
19 May 2018



Members of the Board of Trustees as of 31 December 2017

David Lawrence Lee (Chair)

Chairman European Business Association Georgia, CEO

Andrew Coxshall

Managing Partner for KPMG

Anna Ohanyan

Associate Professor of Political Science, Stonehill College

Danielle del Marmol

Belgium Ambassador, retired

Dieter Boden

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

Kenneth Yalowitz

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

Mary Sheehan

International Organization for Migration, ret.

Raffi Doudaklian

Executive Director of the Tufenkian Foundation

William Hanlon

Chief of Field Office for UNICEF in Sukhumi

**Eurasia Partnership Foundation
Statement of activities
For the year ended 31 December 2017**

	Note	2017 AMD'000	2016 AMD'000	2017 USD	2016 USD
Income from grants contribution	5	720,538	620,269	1,492,693	1,290,936
Revenue from training and consulting services		24,662	20,240	51,091	42,125
Other Income	13	15,719	15,603	32,564	32,474
		760,919	656,112	1,576,348	1,365,535
Grants expenses	6	(352,468)	(298,226)	(730,186)	(620,683)
Employee benefit expenses		(309,278)	(269,557)	(640,712)	(561,016)
Depreciation and amortisation expense		(33,987)	(29,959)	(70,409)	(62,352)
Office expenses		(19,610)	(9,784)	(40,625)	(20,363)
Office rent expenses	13	(15,600)	(15,600)	(32,318)	(32,468)
Trip and representation expenses		(14,005)	(9,660)	(29,013)	(20,105)
Other expenses		(8,125)	(21,077)	(16,832)	(43,867)
Audit and consulting expenses		(2,998)	(9,068)	(6,211)	(18,873)
Results from operations		4,848	(6,819)	10,042	(14,192)
Net gain/loss on exchange rate differences		21,551	(10,557)	44,646	(21,972)
Result before taxation		26,399	(17,376)	54,689	(36,164)
Tax expense	7	(1,899)	(2,675)	(3,934)	(5,567)
Result for the year		24,500	(20,051)	50,755	(41,731)
Other comprehensive income/(loss)					
<i>Items that will not be reclassified to profit or loss:</i>					
Exchange losses on translation to presentation currency		-	-	(158)	266
Other comprehensive income for the year, net of tax		-	-	(158)	266
Total comprehensive income		24,500	(20,051)	50,597	(41,465)



Eurasia Partnership Foundation

**Statement of financial position
As at 31 December 2017**

	Note	2017 AMD'000	2016 AMD'000	2017 USD	2016 USD
Assets					
Current assets					
Accounts receivable	8	44,544	40,823	92,014	84,355
Current Income tax assets		909	2,783	1,878	5,751
Bank balances		175,958	199,819	363,474	412,900
		<u>221,411</u>	<u>243,425</u>	<u>457,366</u>	<u>503,006</u>
Non-current assets					
Property, plant and equipment	9	38,016	63,935	78,529	132,113
Intangible assets		71	286	147	591
		<u>38,087</u>	<u>64,221</u>	<u>78,676</u>	<u>132,704</u>
Total assets		<u>259,498</u>	<u>307,646</u>	<u>536,042</u>	<u>635,710</u>
Liabilities					
Current liabilities					
Accounts payable	10	41,040	27,337	84,776	56,488
Deferred income	11	137,352	196,138	283,727	405,294
		<u>178,392</u>	<u>223,475</u>	<u>368,503</u>	<u>461,782</u>
Non-current liabilities					
Grants related to assets	12	39,079	66,644	80,725	137,711
		<u>39,079</u>	<u>66,644</u>	<u>80,725</u>	<u>137,711</u>
Total liabilities		<u>217,471</u>	<u>290,119</u>	<u>449,228</u>	<u>599,493</u>
Net assets		<u>42,027</u>	<u>17,527</u>	<u>86,814</u>	<u>36,217</u>
Accumulated result		42,027	17,527	103,755	53,000
Translation differences		-	-	(16,941)	(16,783)
Equity		<u>42,027</u>	<u>17,527</u>	<u>86,814</u>	<u>36,217</u>

The financial statements on pages 6 to 9 were approved and authorized for issue by the Board of Trustees on May 19, 2018 and were signed on its behalf by:

Gevorg Ter-Gabrielyan
Chief Executive Officer


Marina Ayvazyan
Chief Financial Officer



Eurasia Partnership Foundation

**Statement of cash flows
For the year ended 31 December 2017**

	2017 AMD'000	2016 AMD'000	2017 USD	2016 USD
<i>Cash flows from operating activities</i>				
Result for the year	24,500	(20,051)	50,755	(41,731)
<i>Adjustments for:</i>			-	-
Income from grants	(720,538)	(620,269)	(1,492,693)	(1,290,936)
Income tax expense	1,899	2,675	3,934	5,567
Loss on write-off of property and equipment	-	2,404	-	5,003
Depreciation and amortization	33,987	29,959	70,409	62,352
Foreign exchange gain/loss	(21,551)	10,557	(44,646)	21,972
<i>Operating cash flows before working capital adjustments</i>	(681,703)	(594,725)	(1,412,241)	(1,237,773)
Decrease/(increase) in accounts receivables	(3,669)	116,356	(7,601)	242,166
Increase/(decrease) in accounts payables	13,708	(81,408)	28,398	(169,431)
	(671,664)	(559,777)	(1,391,444)	(1,165,038)
Grants received	634,187	731,044	1,313,805	1,521,487
Taxes paid	(25)	-	(52)	-
<i>Net cash flows from / (used in) operating activities</i>	(37,502)	171,267	(77,691)	356,449
<i>Investing activities</i>				
Acquisition of PPE and intangible assets	(7,853)	(12,094)	(16,269)	(25,171)
<i>Net cash flows from / (used in) investing activities</i>	(7,853)	(12,094)	(16,269)	(25,171)
Net increase /(decrease) in cash and cash equivalents	(45,355)	159,173	(93,960)	331,278
<i>Cash and cash equivalents at the beginning of the period</i>	199,819	51,890	412,900	107,266
Foreign exchange effect on cash balances	21,494	(11,244)	44,528	(23,402)
Exchange rate differences from translation	-	-	6	(2,242)
Cash and cash equivalents at the end of the period	175,958	199,819	363,474	412,900

Eurasia Partnership Foundation

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

	Accumulated result AMD'000	Accumulated result USD	Translation reserve USD	Total USD
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
1 January 2017	17,527	53,000	(16,783)	36,217
Result for the year	24,500	50,755		50,755
Presentation currency translation difference			(158)	(158)
31 December 2017	42,027	103,755	(16,941)	86,814



Eurasia Partnership Foundation

**Notes forming part of the financial statements
For the year ended 31 December 2017**

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Notes to the financial statements for the for the year ended December 31, 2017

1. About the Foundation

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 District of Columbia, USA. 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 1/21 Azatutyan Avenue, Yerevan, Republic of Armenia.
In 2017 the average number of employees of the Foundation was 14 (2016: 17).

Programs implemented in 2017

Media for Informed Civic Engagement (MICE) project was funded by Media initiative center NGO

The Media for Informed Civic Engagement (MICE) project is a five-year activity funded by the United States Agency for International Development (USAID). The project is jointly implemented by Media Initiatives Center (MIC), Eurasia Partnership Foundation (EPF) and Internews (USA) in partnership with the Yerevan Press Club (YPC) and the Caucasus Research Resource Center (CRRC).

The goal of the five-year MICE project is to increase citizen access to independent and reliable sources of information about reforms that impact society, with an emphasis on reforms in decentralization, transparency and accountability, and social sector policy. The project also creates a demand for public awareness as a necessary mechanism for participation and involvement through improved quality of journalism and media literacy.

The MICE project works with selected media outlets across the country by training them to use modern tools for fact-checking and news-verification, to conduct quality investigations, to use innovative approaches in reporting, such as data visualization and data journalism, and to develop effective multimedia products.

Civic Engagement in Local Governance (CELoG)- project was funded by Communities Finance Officers Association NGO

Civic Engagement in Local Governance (CELoG) is a five year project being implemented by a consortium of six Armenia-based civil society organizations and is led by Community Finance Officers’ Association, with the financial support of the USAID. The goal of the programme is to increase civic engagement in decentralization and local self-government reform. It provides citizens with reliable information and strengthens civil society’s capacity to promote effective, accountable and participatory local governance.

EPF believes that informed and active participation of citizens at the local level is of crucial importance not only for the system of local self-government but also for the state building in general.

Forming traditions of bottom up participatory decision making; involving community resources in community development; multiplying positive precedents; promoting local decision making and inter-community cooperation without direct involvement of central authorities; all these directions are crucial for democratization; effective fight against corruption; and social, cultural and economic development.

Notes to the financial statements for the for the year ended December 31, 2017

Support to Armenia-Turkey Normalization Process Programme, stage 2, (ATNP 2) project was funded by European Union

Support to the Armenia-Turkey Normalisation Process is a programme implemented by a Consortium of eight civil society organisations from both countries with the financial assistance of the European Union under the Instrument for Stability.

The goal of the programme is to empower and engage civil societies of Turkey and Armenia to contribute to the enhanced regional peace and stability, democratic pluralism and social inclusion across and within their societies, which will be a good starting point in case the two states eventually return to discussing the establishment of diplomatic relations and re-opening of the border between the two countries.

The Consortium partners include Civilitas Foundation (CF), Eurasia Partnership Foundation (EPF), Public Journalism Club (PJC), Regional Studies Center (RSC) from Armenia; and Anadolu Kültür, the Economic Policy Research Foundation of Turkey (TEPAV), Helsinki Citizens' Assembly (hCa), and Hrant Dink Foundation from Turkey.

Civil Society Development Programme (CSO DePo) project was funded by USAID.

EPF, in a Consortium with Caucasus Research Resource Center (CRRC), Media Initiatives Center (MIC), Goris Press Club (GPC), Support for Noyemberyan NGO (SN), and Martuni Women Community Council (MWCC), is implementing the "CSO DePo: CSO Development Program" under USAID's Development Grants Program (DGP). The Program started in June 2014, and it will be implemented through May 2019.

The goal of the programme is to expand the pool of strong local CSOs by delivering capacity strengthening services so they may become a) successful actors in building a 'more engaged, prosperous and well-governed Armenian society' and b) successful potential partners for USAID/Armenia. The objectives are: a) to make CSOs more sustainable; and b) to increase the involved CSOs' capacities to better deliver services and advocate and monitor reforms in governance, economy, and public health. As a result, the direct participants will become business-oriented and sustainable intermediary providers and capacity developers, at least 70% of beneficiaries will show steady improvement in organizational capacity and sustainable development, at least two models for CSO sustainability will prove successful, and civil society support actors will be ready and able to support CSOs.

Human Rights: Anti-discrimination programme

"Towards Adoption of Antidiscrimination Legislation in Armenia" project was funded by the Embassy of the Kingdom of the Netherlands.

The goal of the project was to conduct a series of debates and discussions with Armenian government and civil society to increase the understanding on the issues of discrimination and on the need of adoption of antidiscrimination legislation. The objectives of the project were to boost the understanding that anti-discrimination measures were needed among the Armenian government, civil society and general public and to support the efforts of the government and of the international community to produce strong and all-encompassing anti-discrimination legislation, in the future to be accepted by the parliament and by the population. The project activities included legal analyses and survey, round table and public discussions, producing a case-based educational documentary film, online talk shows, and trainings for NGOs and media.

Notes to the financial statements for the for the year ended December 31, 2017

2. Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in note 14. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in thousand Armenian drams (AMD'000), which is also the Foundation's functional currency. Financial statements are also presented in United States dollars (presentation currency) for convenience of users.

Amounts in AMD are rounded to the nearest thousand, unless otherwise stated. Amounts in US dollars are presented with rounded cents. Some narrative information in the notes is presented only in AMD. In such cases the users are expected to obtain relevant information in USD using the exchange rates used for translation specified in note 14.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Foundation management to exercise judgment in applying the Foundation's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Basis of measurement

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

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2017

The following new standards, amendments and interpretations are effective for the first time for periods beginning on or after 1 January 2017:

- Annual Improvements to IFRSs (2014 – 2016 Cycle): IFRS 12 Disclosure of interests in other entities
- IAS 12 Income Taxes (Amendment – Recognition of Deferred Tax Assets for Unrealized Losses)
- IAS 7 Statement of Cash Flows (Disclosure Initiative Amendments);

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Foundation's financial statements.

b) New standards, interpretations and amendments not yet effective

There are a number of standards and interpretations, which have been issued by the International Accounting Standards Board that are effective in future accounting periods that the Foundation has decided not to adopt early. The most significant of these are:

- IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (both mandatorily effective for periods beginning on or after 1 January 2018); and
- IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

Notes to the financial statements for the for the year ended December 31, 2017

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

#	Pronouncement	Nature of the impending change in accounting policy on adoption of the pronouncement	Date by which application of the IFRS is required	Date Company plans to apply the pronouncement initially	Impact of initial application on financial statements
1	IFRS 9 Financial Instruments (2014)	IFRS 9 Financial Instruments (2014) incorporates the final requirements on all three phases of the financial instruments projects – classification and measurement, impairment, and hedge accounting.	1 January 2018 Early adoption permitted	1 January 2018	No impact envisaged
2	IFRS 15, Revenue from contracts with customers	IFRS 15 has a single model to deal with revenue from contracts with customers. Its core principal is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.	1 January 2018 Early adoption permitted	1 January 2018	No impact envisaged
3	IFRS 16, Leases (2017)	Under IFRS 16 a lessee recognizes a right-of-use assets and a lease liability. The right-of-use assets is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of lease payments payable over the lease term.	1 January 2019 Early adoption permitted	1 January 2019	No impact envisaged
4	IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: (a) there is consideration that is denominated or priced in a foreign currency; the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.	1 January 2018 Early adoption permitted	1 January 2018	No impact envisaged
5	IFRIC 23 Uncertainty Over Income Tax	The interpretation addresses how to determine the taxable profit (loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over treatment under IAS 12, Income Tax.	1 January 2019 Early adoption permitted	1 January 2019	No impact envisaged

Notes to the financial statements for the for the year ended December 31, 2017

3. Critical accounting estimates and judgments

The Foundation makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. 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.

Estimates and assumptions

Useful lives of property and equipment

The useful life of an asset is an estimate of how long the asset will be used (as opposed to how long the asset will last). The estimation of the useful lives of items of property and equipment is a matter of judgment based on the experience with similar 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. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

Income and expenses related to 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 receive grants from the donors and distributes them to sub-grantees according to the approved budget. Management of the Foundation uses judgment in deciding of 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 to the donors for sub-grantees, who have not duly realize 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-grantees. Cash received for the transfer to sub-grantees are recognized in the financial statements of the Foundation as payables to sub-grantees, upon receiving the cash.

Leasehold improvements

The Foundation occupies apartments leased from Eurasia Foundation USA free of charge. Expenditures incurred on the repair and renovation of the apartments by the Foundation were capitalized as leasehold improvements and included in the property and equipment line of the Foundation's statement of financial position (see note 9). These capitalized expenditures are depreciated over 5 years, which according to management, is a reasonable estimate of useful lives of those assets. The remaining useful life for these assets as at the end of the reporting period was less than 2 years.

Notes to the financial statements for the for the year ended December 31, 2017

4. Financial instruments - Risk Management

The Foundation is exposed through its operations to the following financial risks:

- Credit risk
- Foreign exchange risk
- Liquidity risk.

In common with all other businesses, the Foundation is exposed to risks that arise from its use of financial instruments. This note describes the Foundation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Foundation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) *Principal financial instruments*

The principal financial instruments used by the Foundation, from which financial instrument risk arises, are as follows:

- Accounts receivables
- Cash and cash equivalents
- Accounts payables

(ii) *Financial instruments by category*

Financial assets

	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	AMD'000	AMD'000	USD	USD
Loans and receivables				
Accounts receivable	3,579	104	7,393	215
Bank balances	175,958	199,819	363,474	412,900
	<u>179,537</u>	<u>199,923</u>	<u>370,867</u>	<u>413,115</u>

Financial liabilities

	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	AMD'000	AMD'000	USD	USD
Financial Liabilities at amortized cost				
Accounts payable	32,966	24,722	68,098	51,085
	<u>32,966</u>	<u>24,722</u>	<u>68,098</u>	<u>51,085</u>

(iii) *Financial instruments not measured at fair value*

Financial instruments initially measured at fair value and subsequently measured at amortized cost includes cash and cash equivalents, accounts receivable and accounts payable.

Due to their short-term nature, the carrying value of cash and cash equivalents, accounts receivable, trade and other payables approximates their fair value.

General objectives, policies and processes

The Board of Trustees (the Board) has overall responsibility for the determination of the Foundation's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Foundation's finance function.

Notes to the financial statements for the for the year ended December 31, 2017

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Foundation's flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Foundation if counterparty to a financial instrument fails to meet its contractual obligations. The Foundation is mainly exposed to credit risk from donors not performing their obligations. It is Foundation policy, implemented locally, to assess the credit risk of new counterparts before entering into contracts.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. The Foundation maintains accounts in one of the most reputable Armenian bank (HSBC Armenia CJSC) and considers the credit risk related to balances on bank accounts being negligible.

Market risk

Market risk arises from the Foundation's foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk).

Foreign exchange risk arises when the Foundation enters into transactions denominated in a currency other than its functional currency.

The Foundation is predominantly exposed to currency risk related to its balances of cash in USD and Euro kept in the Foundation's bank accounts.

Due to historical experience in Armenia, the Board considers the devaluation of USD and EURO as compared to Armenian dram not likely to occur and applies no measures for mitigating the risks referred to above.

As of 31 December the Foundation's net exposure to foreign exchange risk was as follows.

	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net foreign currency financial assets (/liabilities)	AMD'000	AMD'000	USD	USD
Accounts receivable in EUR	3,481	-	6,001	-
Cash balances in EUR	117,847	148,767	203,149	290,447
Accounts payable in EUR	(981)	(274)	(1,691)	(535)
Net exposure in EUR	<u>120,347</u>	<u>148,493</u>	<u>207,459</u>	<u>289,912</u>
Cash balances in USD	39,953	47,562	82,530	98,281
Net exposure in USD	<u>39,953</u>	<u>47,562</u>	<u>82,530</u>	<u>98,281</u>
Total net exposure	<u>160,300</u>	<u>196,055</u>	<u>289,989</u>	<u>388,193</u>

The effect of a 10% strengthening of Euro against AMD at the reporting date on Euro-denominated assets carried at that date would, all other variables held constant, have resulted in an increase in pre-tax profit for the year and increase of net assets of AMD 12 million (2016: AMD 14.8 million). A 10% weakening in the exchange rate would, on the same basis, have decreased post-tax profit and decreased net assets by AMD 12 million (2016: AMD 14.8 million).

The effect of a 10% strengthening of USD against AMD at the reporting date on USD-denominated assets carried at that date would, all other variables held constant, have resulted in an increase in pre-tax profit for the year and increase of net assets of AMD 4 million (2016: AMD 4.7 million). A 10% weakening in the exchange rate would, on the same basis, have decreased post-tax profit and decreased net assets by AMD 4 million (2016: AMD 4.7 million).

Notes to the financial statements for the for the year ended December 31, 2017

Liquidity risk

Liquidity risk arises from the Foundation encountering difficulty in meeting its financial obligations as they fall due.

The Foundation's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

Contractual maturities of financial liabilities of the Foundation as of the reporting date do not exceed 3 months (the same for 31 December 2016).

5. Income from grants and contributions

Income from grants contribution

	2017	2016	2017	2016
	AMD'000	AMD'000	USD	USD
Income from grants related to income	686,407	590,594	1,421,986	1,229,175
Income from grants related to assets	34,131	29,675	70,707	61,761
	<u>720,538</u>	<u>620,269</u>	<u>1,492,693</u>	<u>1,290,936</u>

Income from grants and contributions by sources is presented below:

	2017	2016	2017	2016
	AMD'000	AMD'000	USD	USD
Media Initiatives Center NGO	162,455	156,425	336,548	325,560
European Union	155,503	75,692	322,146	157,534
United States Agency for International Development (USAID)	122,997	179,199	254,805	372,958
Communities Finance Officers Association NGO	87,483	84,119	181,234	175,073
Embassy of Kingdom of Netherlands	57,253	40,038	118,607	83,329
EU EPNK	45,065	-	93,358	-
Armenian General Benevolent Union (AGBU)	31,838	-	65,958	-
Other	23,812	31,104	49,330	64,736
Center for Agribusiness and Rural Development	-	24,017	-	49,985
	<u>686,407</u>	<u>590,594</u>	<u>1,421,986</u>	<u>1,229,175</u>

Notes to the financial statements for the for the year ended December 31, 2017
6. Grant expenses

Grant expenses represent amounts spent by the Foundation and paid to sub-grantees in the framework of projects funded by the following donors:

	2017	2016	2017	2016
	AMD'000	AMD'000	USD	USD
Media Initiatives Center NGO	111,091	119,101	230,140	247,879
United States Agency for International Development (USAID)	70,894	92,427	146,867	192,364
Communities Finance Officers Association NGO	40,010	34,946	82,886	72,731
European Union	76,713	23,836	158,922	49,609
Center for Agribusiness and Rural Development	-	11,120	-	23,144
Embassy of Kingdom of Netherlands	22,424	9,072	46,455	18,881
European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh (EPNK)	10,778	2,053	22,329	4,273
Other	20,557	5,671	42,587	11,802
	<u>352,468</u>	<u>298,226</u>	<u>730,186</u>	<u>620,683</u>

7. Tax expense

	2017	2016	2016	2016
	AMD'000	AMD'000	USD	USD
Current tax expense	1,899	2,675	3,934	5,567
	<u>1,899</u>	<u>2,675</u>	<u>3,934</u>	<u>5,567</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the Republic of Armenia applied to profits for the year are as follows:

	2017	2016	2016	2016
	AMD'000	AMD'000	USD	USD
Results before taxation (under IFRS)	26,399	(17,376)	54,689	(36,164)
Tax calculated at tax rate of 20%	5,280	(3,475)	10,938	(7,233)
Non-deductible/(non-taxable) items	(3,381)	6,150	(7,004)	12,800
Income tax expense	1,899	2,675	3,934	5,567

Estimates and assumptions

The Foundation is subject to income tax related to its income received from the provision of services and significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Foundation recognizes tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite the Foundation's belief that its tax return positions are supportable, the Foundation believes that certain positions are likely to be challenged and may not be fully sustained upon review by tax authorities. The Foundation believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different from the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

Notes to the financial statements for the for the year ended December 31, 2017

8. Accounts receivable

	2017	2016	2017	2016
	AMD'000	AMD'000	USD	USD
Trade accounts receivable	<u>3,579</u>	104	<u>7,393</u>	215
Total financial assets other than cash and cash equivalents classified as loans and receivables	3,579	104	7,393	215
Advances to sub-grantees	37,278	30,770	77,005	63,582
Other advances	3,676	8,188	7,593	16,919
Receivables from the State budget	-	1,010	-	2,087
Other	<u>11</u>	751	<u>23</u>	1,552
	<u>44,544</u>	<u>40,823</u>	<u>92,014</u>	<u>84,355</u>

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

Advances to sub-grantees are disclosed below:

	2017	2016	2017	2016
	AMD'000	AMD'000	USD	USD
Husabel CJSC	13,560	-	28,011	
Let's Create Smile Youth NGO	5,873	-	12,132	
Center for Ethnography of Hazarashen NGO	3,349	-	6,918	
Media Initiatives Center NGO	2,127	4,993	4,393	10,317
Martuni Women's Community Council (MWCC)	-	2,368	-	4,894
Helsinki Committee of Armenian Human Rights NGO	-	3,344	-	6,910
Alt TV LLC	-	-	-	-
History Foundation	-	6,399	-	13,223
Turkish Publishers Association	-	5,239	-	10,825
Other	<u>12,369</u>	<u>8,427</u>	<u>25,551</u>	<u>17,413</u>
	<u>37,278</u>	<u>30,770</u>	<u>77,005</u>	<u>63,582</u>

Notes to the financial statements for the for the year ended December 31, 2017

9. Property, plant and equipment

	Leasehold improvement	Computer equipment	Fixtures and fittings	Total	Leasehold improvement	Computer equipment	Fixtures and fittings	Total
	AMD'000	AMD'000	AMD'000	AMD'000	USD	USD	USD	USD
<i>Cost</i>								
At 1 January 2016	87,578	41,826	28,195	157,599	181,040	86,462	58,284	325,786
Additions	1,450	10,380	1,633	13,463	3,018	21,603	3,399	28,020
Disposals	-	(6,862)	-	(6,862)	-	(14,282)	-	(14,282)
Foreign currency translation	-	-	-	-	(93)	(85)	(47)	(225)
At 31 December 2016	89,028	45,344	29,828	164,200	183,965	93,698	61,636	339,299
At 1 January 2017	89,028	45,344	29,828	164,200	183,965	93,698	61,636	339,299
Additions	494	1,889	5,109	7,492	1,023	3,913	10,584	15,520
Disposals	-	(2,841)	(1,725)	(4,567)	-	(5,886)	(3,575)	(9,461)
Foreign currency translation	-	-	-	-	(63)	(26)	(40)	(129)
At 31 December 2017	89,522	44,392	33,212	167,125	184,925	91,699	68,605	345,229
<i>Accumulated depreciation</i>								
At 1 January 2016	27,468	33,738	14,057	75,263	56,781	69,743	29,058	155,582
Depreciation	17,036	8,069	4,355	29,460	35,456	16,794	9,064	61,314
Disposals	-	(4,458)	-	(4,458)	-	(9,278)	-	(9,278)
Foreign currency translation	-	-	-	-	(274)	(82)	(76)	(432)
At 31 December 2016	44,504	37,349	18,412	100,265	91,963	77,177	38,046	207,186
At 1 January 2017	44,504	37,349	18,412	100,265	91,963	77,177	38,046	207,186
Depreciation	17,857	5,167	10,388	33,412	36,993	10,703	21,520	69,216
Disposals	-	(2,841)	(1,725)	(4,567)	-	(5,886)	(3,575)	(9,461)
Foreign currency translation	-	-	-	-	(138)	(38)	(62)	(238)
At 31 December 2017	62,361	39,674	27,075	129,110	128,818	81,956	55,929	266,703
<i>Net book value</i>								
At 31 December 2015	60,110	8,088	14,138	82,336	124,259	16,719	29,226	170,204
At 31 December 2016	44,524	7,995	11,416	63,935	2,002	16,521	23,590	132,113
At 31 December 2017	27,161	4,717	6,137	38,016	56,107	9,743	12,676	78,529

Notes to the financial statements for the for the year ended December 31, 2017

According to the contract on the free of charge use of assets signed between the Foundation and the Eurasia Foundation (USA), apartments 22 and 23 on 1/21 Azatutyun Avenue, Yerevan, Republic of Armenia were provided to the Foundation by the Eurasia Foundation (USA) for free use as an office space. 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".

10. Accounts payable

	2017 AMD'000	2016 AMD'000	2017 USD	2016 USD
Accounts payable on sub-grantees	6,230	374	12,869	773
Employee benefits payable	25,458	20,493	52,588	42,346
Other payables	1,278	3,855	2,641	7,965
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortized cost	<u>32,966</u>	24,722	<u>68,098</u>	51,084
Taxes and liabilities payable	8,074	2,615	16,678	5,404
	<u>41,040</u>	<u>27,337</u>	<u>84,776</u>	<u>56,488</u>

11. Deferred income

	2017 AMD'000	2016 AMD'000	2017 USD	2016 USD
Balance at the beginning of the year	196,138	69,169	405,294	142,985
Additions	634,187	731,043	1,313,805	1,521,485
Reclassification to grants related to assets	(6,566)	(13,480)	(13,602)	(28,055)
Income recognition	(686,407)	(590,594)	(1,421,986)	(1,229,175)
Foreign currency translation difference	-	-	216	(1,946)
	<u>137,352</u>	<u>196,138</u>	<u>283,727</u>	<u>405,294</u>

Additions represent contributions from the following organizations:

	2017 AMD'000	2016 AMD'000	2017 USD	2016 USD
Media Initiatives Center NGO	178,418	153,115	369,617	318,671
European Partnership for the Peaceful Settlement of the Conflict over Nagorno-Karabakh (EPNK)	134,531	-	278,700	-
United States Agency for International Development (USAID)	126,933	148,580	262,958	309,232
Communities Finance Officers Association NGO	91,153	85,970	188,835	178,925
Armenian General Benevolent Union (AGBU)	42,987	-	89,054	-
Embassy of the United Kingdom of the Netherland	33,988	56,404	70,411	117,391
European Union	6,165	229,335	12,772	477,304
Embassy of the United Kingdom of Great Britain and Northern Ireland	1,100	11,863	2,279	24,690
Center for Agribusiness and Rural Development Center	-	23,716	-	49,359
UN OFFICE AT GENEVA	1,061	4,254	2,198	8,854
Other	17,851	17,806	36,981	37,059
	<u>634,187</u>	<u>731,043</u>	<u>1,313,805</u>	<u>1,521,485</u>

Notes to the financial statements for the for the year ended December 31, 2017

12. Grants related to assets

	2017	2016	2017	2016
	AMD'000	AMD'000	USD	USD
Balance at the beginning of the year	66,644	82,838	137,765	171,241
Additions	6,566	13,481	13,602	28,057
Realized to income	(34,131)	(29,675)	(70,707)	(61,761)
Foreign currency translation difference	-	-	65	174
	<u>39,079</u>	<u>66,644</u>	<u>80,725</u>	<u>137,711</u>

13. Related party transactions – key management personnel compensation

The Foundation's related parties include Eurasia Foundation USA, the members of the Board and the key management personnel.

The Foundation's office is free of charge occupying two apartments that belong to Eurasia Foundation USA. The estimated fair value of annual rent charge was recognized as income and expense during 2017 and 2016 at AMD 15.6 million (included in other income and other expenses).

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Foundation. Key management personnel of the Foundation received the following remuneration during the year, which is included in expenses for employee benefits.

	2017	2016	2017	2016
	AMD'000	AMD'000	USD	USD
Salary	69,246	65,411	143,453	136,137

14. Accounting policies

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 prevailing on the reporting date, which is 483.94 drams for 1 US dollar and 512.2 drams for 1 euro as of December 31, 2016 (December 31, 2015: 483.75 drams for 1 US dollar, 528.69 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 the financial statements are also presented in US dollars, since management believes that this currency is more 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. Revenues and expenses are translated into US dollar using average rate of the Republic of Armenia Central Bank for the period. The resulting exchange difference is recorded in assets in the foreign currency translation reserve.

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.

Notes to the financial statements for the for the year ended December 31, 2017

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 result.

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

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.

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.

Financial instruments

Financial assets and financial liabilities are recognized when the Foundation becomes a party 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.

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 4 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.

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.

Notes to the financial statements for the for the year ended December 31, 2017

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.

The cash and bank balances comprise cash in hand, bank accounts.

A summary of the Foundation's financial liabilities by category is given in note 4. Accounts payable are stated at fair value and subsequently stated at amortized cost.

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.

Cash from grants provided in the framework of the contract, where the Foundation acts as an agent of a sub-grantee, are recognized in the statement of financial position of the Foundation on their receipt, and are at the same time recognized as payable to sub-grantee in the amount that should further be translated to sub-grantee.

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 Foundation acts as a principal (not an agent) in the relationships with the sub-grantees, the recognition of income from deferred income arisen from such agreements is done in parallel with the implementation of the whole grant, and not at the point when the amounts stipulated in the sub-agreements are transferred to the sub-grantees.

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.

Notes to the financial statements for the for the year ended December 31, 2017

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.

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.

Revenue form 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.

15. 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 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 economic situation in countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia significantly depends. 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 in the Armenian economy and of the Foundation.

The short-term and mid-term uncertainties for the economy of Armenia have grown following the ‘velvet’ revolution in April-May 2018. As the new government took a steady course to eradicate political and economic corruption in the country, therefore, the short-term risks specifically relate to an increased volatility of the banking system in case we observe a massive exodus of (corrupt) capital from the country. However, recent statement by the Central Bank of Armenia reckons that “...the impact of the recent political events on the financial market has been effectively absorbed thanks to the adequate toolkit the CBA used under its independence mandate... The risks to the economic growth outlook and to the inflation deviating from its recovery path are estimated to be more balanced. Should there emerge such risks, the CBA will adjust the monetary policy directions accordingly, while ensuring the price stability.” Provided the country steadily moves towards a transparent, corruption-free governance system, in the medium- to longer-term prospective, Armenia may expect a bigger in-flow of donor assistance, which will boost international development programming in Armenia both at the state and civil society levels. The role of civil society in the governance is expected to substantially increase. This will contribute to a higher degree of institutional and financial sustainability of the Armenian civil society, and of EPF in particular.

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 in the short- to medium term.



Notes to the financial statements for the for the year ended December 31, 2017

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

16. Contingent liabilities

There are no material contingent liabilities outstanding of the yearend.