

**Financial Statements  
and Independent Auditor's Report  
Eurasia Partnership Foundation**

31 December 2018



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# Independent auditor's report

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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 of 31 December 2018, and the statement of activities, statement of changes in net assets and 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 give a true and fair view of the financial position of the Foundation as of 31 December 2018, and of its financial performance and its cash flows for the year then 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 (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Other Matter*

As described in note 19, the statements of financial position as of 31 December 2016 and 31 December 2017 and the statement of activities for the years then ended were restated by the management of the Foundation. We have also audited these restatements.

The prior year financial statements of the Foundation as of and for the year ended 31 December 2017 were audited by another auditor, whose report dated 19 May 2018 expressed an unmodified audit opinion on these financial statements.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management 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 a 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 operations, 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 Responsibilities 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 a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Gagik Gyulbudaghyan  
Managing Partner

Emil Vassilyan, FCCA  
Engagement Partner

13 June 2019



# Members of the Board of Trustees as of 31 December 2018

**Roy Southworth (Chair)**

McLain Association for Children Georgia

**Andrew Coxshall**

Partner KPMG

**Mary Sheehan**

International organization for Migration, retired

**Dieter Boden**

German Ambassador, retired

**Sarhat Petrosyan**

The Committee of Real Estate Cadastre of RA

**Anna Ohanyan**

Associate Professor of Political Science, Stonehill College

**William Hanlon**

Chief of Field Office at UNICEF

**Deana Arsenian**

Vice President, International Program and Program Director,  
Russia and Eurasia, Carnegie Corporation

**Laurens Ayvazian**

Retired, Former Regional Director, Caucasus

# Statement of financial position

	Note	In thousand drams			In US dollars		
		As of 31 December 2018	As of 31 December 2017 (restated)	As of 1 January 2017 (restated)	As of 31 December 2018	As of 31 December 2017 (restated)	As of 1 January 2017 (restated)
<b>Assets</b>							
<i>Non-current assets</i>							
Property and equipment	4	24,411	42,606	64,235	50,462	88,011	132,733
Intangible assets		-	71	287	-	147	593
		<u>24,411</u>	<u>42,677</u>	<u>64,522</u>	<u>50,462</u>	<u>88,158</u>	<u>133,326</u>
<i>Current assets</i>							
Accounts receivable	5	117,773	73,666	45,053	243,458	152,171	93,096
Current income tax assets		211	909	2,783	436	1,878	5,751
Cash and cash equivalents		71,493	175,958	199,817	147,789	363,474	412,896
		<u>189,477</u>	<u>250,533</u>	<u>247,653</u>	<u>391,683</u>	<u>517,523</u>	<u>511,743</u>
<b>Total assets</b>		<u><b>213,888</b></u>	<u><b>293,210</b></u>	<u><b>312,175</b></u>	<u><b>442,145</b></u>	<u><b>605,681</b></u>	<u><b>645,069</b></u>
<b>Liabilities and net assets</b>							
<i>Non-current liabilities</i>							
Grants related to assets	6	24,411	42,677	64,522	50,462	88,157	133,326
		<u>24,411</u>	<u>42,677</u>	<u>64,522</u>	<u>50,462</u>	<u>88,157</u>	<u>133,326</u>
<i>Current liabilities</i>							
Accounts payable	7	57,214	41,040	27,336	118,271	84,776	56,486
Deferred income	8	91,818	169,657	199,584	189,805	350,459	412,415
		<u>149,032</u>	<u>210,697</u>	<u>226,920</u>	<u>308,076</u>	<u>435,235</u>	<u>468,901</u>
<b>Net assets</b>							
Accumulated result (unrestricted)		40,445	39,836	20,733	100,507	99,246	59,672
Foreign currency translation reserve		-	-	-	(16,900)	(16,957)	(16,830)
		<u>40,445</u>	<u>39,836</u>	<u>20,733</u>	<u>83,607</u>	<u>82,289</u>	<u>42,842</u>
<b>Total liabilities and net assets</b>		<u><b>213,888</b></u>	<u><b>293,210</b></u>	<u><b>312,175</b></u>	<u><b>442,145</b></u>	<u><b>605,681</b></u>	<u><b>645,069</b></u>

The financial statements were approved on 13 June 2019 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 10 to 33.

# Statement of activities

	Note	In thousand drams		In US dollars	
		Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Income from grants and contributions	9	803,271	710,851	1,663,018	1,472,626
Revenue from training and consulting services		19,906	24,662	41,212	51,091
Income from renting office		15,625	15,719	32,349	32,564
Gain from exchange rate differences	12	-	21,551	-	44,646
<b>Total income</b>		<b>838,802</b>	<b>772,783</b>	<b>1,736,579</b>	<b>1,600,927</b>
Employee benefit expenses		(185,165)	(199,318)	(383,349)	(412,915)
Sub-grant expenses	10	(346,850)	(352,468)	(718,086)	(730,186)
Services received		(116,471)	(104,570)	(241,131)	(216,631)
Trip and representation expenses		(92,719)	(14,005)	(191,957)	(29,013)
Depreciation and amortization expenses		(27,969)	(29,338)	(57,904)	(60,778)
Office expenses		(22,205)	(19,610)	(45,971)	(40,625)
Office rent expenses		(15,600)	(15,600)	(32,297)	(32,318)
Audit and consulting expenses		(8,448)	(2,998)	(17,490)	(6,211)
Insurance expenses		(3,760)	(6,927)	(7,784)	(14,350)
Other expenses		(11,074)	(6,947)	(22,927)	(14,392)
<b>Total expenses</b>	11	<b>(830,261)</b>	<b>(751,781)</b>	<b>(1,718,896)</b>	<b>(1,557,419)</b>
Loss from exchange rate differences	12	(5,630)	-	(11,656)	-
<b>Result before taxation</b>		<b>2,911</b>	<b>21,002</b>	<b>6,027</b>	<b>43,508</b>
Income tax expense	13	(2,302)	(1,899)	(4,766)	(3,934)
<b>Result for the year</b>		<b>609</b>	<b>19,103</b>	<b>1,261</b>	<b>39,574</b>

The statement of activities is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 33.

# Statement of changes in net assets

	In thousand drams		In US dollars		
	Accumulated result (unrestricted)	Total	Foreign currency translation reserve (unrestricted)	Accumulated result (unrestricted)	Total
As of 1 January 2017 (before restatement)	17,527	17,527	(16,783)	53,000	36,217
Restatement (refer to note 19)	3,206	3,206	(47)	6,672	6,625
As of 1 January 2017 (after restatement)	20,733	20,733	(16,830)	59,672	42,842
Result for the year	19,103	19,103	-	39,574	39,574
Foreign exchange difference from translation of financial statements	-	-	(127)	-	(127)
As of 31 December 2017 (restated)	39,836	39,836	(16,957)	99,246	82,289
Result for the year	609	609	-	1,261	1,261
Foreign exchange difference from translation of financial statements	-	-	57	-	57
As of 31 December 2018	40,445	40,445	(16,900)	100,507	83,607

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 33.

# Statement of cash flows

	In thousand drams		In US dollars	
	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
<b>Cash flows from operating activities</b>				
Result for the year	609	19,103	1,261	39,574
<i>Adjustments for:</i>				
Depreciation and amortization	27,969	29,338	57,904	60,778
Income from grants	(803,271)	(710,851)	(1,663,018)	(1,472,626)
Income tax expense	2,302	1,899	4,766	3,934
Foreign exchange loss/(gain)	5,630	(21,551)	11,656	(44,646)
<i>Operating result before working capital changes</i>	<u>(766,761)</u>	<u>(682,062)</u>	<u>(1,587,431)</u>	<u>(1,412,986)</u>
Change in receivables	(29,083)	(3,669)	(60,183)	(7,400)
Change in payables	16,211	13,709	33,572	28,300
<i>Cash used in operations</i>	<u>(779,633)</u>	<u>(672,022)</u>	<u>(1,614,042)</u>	<u>(1,392,086)</u>
Grants received	692,139	634,187	1,432,941	1,313,805
Income tax paid	(1,604)	(25)	(3,324)	(61)
<i>Cash used in operating activities</i>	<u>(89,098)</u>	<u>(37,860)</u>	<u>(184,425)</u>	<u>(78,342)</u>
<b>Cash flows from investing activities</b>				
Acquisition of property and equipment	(9,703)	(7,493)	(20,089)	(15,522)
<i>Net cash used in investing activities</i>	<u>(9,703)</u>	<u>(7,493)</u>	<u>(20,089)</u>	<u>(15,522)</u>
Net decrease in bank balances	(98,801)	(45,353)	(204,514)	(93,864)
Foreign exchange effect on cash	(5,664)	21,494	(11,726)	44,528
Foreign currency exchange difference	-	-	555	(86)
Bank balances at the beginning of the year	175,958	199,817	363,474	412,896
<i>Cash and cash equivalents at the end of the year</i>	<u>71,493</u>	<u>175,958</u>	<u>147,789</u>	<u>363,474</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 10 to 33.

# Notes to the financial statements

## 1 Nature of operations and general information

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

The principle activities of the Foundation are to:

- promote civil society development;
- support local self-governing reforms;
- support community development;
- increase the role of youth in 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.

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

The average number of employees of the Foundation during 2018 was 14 employees (2017: 14 employees).

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Foundation operates on a going concern basis.

Currently, IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs 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 IFRSs, as detailed in the IASB *The Conceptual Framework for Financial Reporting*.

The statement of activities is presented by nature and in note 11 project expenses are presented by sources, since management believes that is more useful for the users of these 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 financial statements in conformity with IFRSs 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 are disclosed in note 14 to the financial statements.

## 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 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 1 January 2018.

The nature and the effect of these changes are disclosed below.

### **New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2018**

#### *IFRS 9 Financial Instruments*

IFRS 9 replaces 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.

When adopting IFRS 9, the Foundation has applied transitional relief and opted not to restate prior periods.

There have been no changes to the classification or measurement of financial assets and financial liabilities as a result of the application of IFRS 9.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 and related *Clarifications to IFRS 15* (hereafter referred to as "IFRS15") replace IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement.

The adoption of IFRS 15 did not have any impact on the company's financial statements.

## **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Foundation**

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 16 Leases**

IFRS 16 presents new requirements and amendments to the accounting of leases. IFRS 16 will require lessees to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability.

IFRS 16 also:

- changes the definition of a lease;
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods;
- provides exemptions for short-term leases and leases of low value assets;
- changes the accounting for sale and leaseback arrangements;
- largely retains IAS 17's approach to lessor accounting;
- introduces new disclosure requirements.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Foundation has begun assessing the potential impact of IFRS 16 on the financial statements. The Foundation will adopt the standard for the year ended 31 December 2019.

### **IFRIC 23 Uncertainty over Income Tax Treatment**

IFRIC 23 provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under IAS 12, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates, and (iv) effect of changes in facts and circumstances.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

## **2.6 Restatement of financial statements**

The Foundation applies changes in accounting policies and correction of prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by: restating the comparative amounts for the prior periods presented in which the error occurred; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented. 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 19).

## 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 prevailing on the reporting date, which is 483.75 drams for 1 US dollar and 553.65 drams for 1 euro as of 31 December 2018 (31 December 2017: 484.10 drams for 1 US dollar, 580.10 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement and retranslation of monetary items, are included in profit or loss for the period.

#### *Translation of financial statements into another currency*

The assets and liabilities of the Foundation are translated from dram into US dollars at the exchange rate at the end of the reporting period. Revenues and expenses are translated into US dollar using average rate for the period, whereas equity accounts are translated using historic rates, ruling at the dates of the transactions. The resulting exchange difference is recorded in statement of activities and credited to equity in the foreign currency translation reserve.

### 3.2 Property and equipment

Property and equipment are stated at cost less any subsequent accumulated depreciation and subsequent 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 result for the year or is added to the cost of other asset 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 years
Fixture and fittings	- 5 years.

### 3.3 Intangible assets

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

Amortization is charged to the result for the year or is added to the cost of other asset 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 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.

#### *Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through statement of activities (FVOCI).

In the periods presented the Foundation does not have any financial assets categorized as FVOCI or FVTPL.

The classification is determined by both:

- the Foundation's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items. A summary of the Foundation's financial assets by category is given in note 15.

#### *Subsequent measurement of financial assets*

##### *Financial assets at amortized cost*

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Foundation's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

### *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Foundation's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Foundation's financial liabilities include accounts payable. A summary of the Foundation's financial liabilities by category is given in note 15.

#### *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. 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.

Grants that are receivable as compensation for expenses or losses already incurred are recognized as income in the period in which they become receivable.

Refer to note 14 for 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 profit. 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 profits 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 profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits 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.

### 3.8 Employee benefits

Short-term employee benefits are benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and include:

- (a) wages, salaries and bonuses;
- (b) paid annual leaves and paid disability leaves;

#### *Paid absences*

The expected cost of short-term employee benefits in the form of paid absences is recognized as follows:

- (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences.
- (b) in the case of non-accumulating paid absences, when the absences occur.

#### *Bonuses*

The expected cost of bonus payments is recognized when and only when the Foundation has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

### 3.9 Revenue

Revenue arises mainly from the rendering of services and income from grants.

To determine whether to recognize revenue, the Foundation follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Foundation satisfies performance obligations by transferring the promised goods or services to its customers.

#### *Rendering of services*

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.

### 3.10 Recognition of expenses

The Foundation recognizes the expenses as incurred. Grants provided are recognized as an expense in the period, when the grant report is submitted by the grantee and the Foundation accepts those expenses.

## 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	Total
<i>Cost</i>								
As of 1 January 2017 (restated)	89,028	48,180	33,243	170,451	183,965	99,558	68,692	352,215
Additions	494	1,889	5,110	7,493	1,023	3,913	10,586	15,522
Disposals	-	(3,380)	(1,776)	(5,156)	-	(7,002)	(3,679)	(10,681)
Foreign currency translation difference	-	-	-	-	(62)	(24)	(42)	(128)
As of 31 December 2017 (restated)	89,522	46,689	36,577	172,788	184,926	96,445	75,557	356,928
Additions	-	7,817	1,886	9,703	-	16,184	3,905	20,089
Disposals	-	(11,835)	(3,716)	(15,551)	-	(24,502)	(7,693)	(32,195)
Foreign currency translation difference	-	-	-	-	132	82	60	274
As of 31 December 2018	89,522	42,671	34,747	166,940	185,058	88,209	71,829	345,096
<i>Accumulated depreciation</i>								
As of 1 January 2017 (restated)	46,065	40,629	19,522	106,216	95,187	83,955	40,340	219,482
Charge for the year	17,857	5,167	6,098	29,122	36,993	10,704	12,633	60,330
Eliminated on disposal	-	(3,380)	(1,776)	(5,156)	-	(7,002)	(3,679)	(10,681)
Foreign currency translation difference	-	-	-	-	(137)	(38)	(39)	(214)
As of 31 December 2017 (restated)	63,922	42,416	23,844	130,182	132,043	87,619	49,255	268,917
Charge for the year	15,966	7,178	4,754	27,898	33,055	14,861	9,842	57,758
Eliminated on disposal	-	(11,835)	(3,716)	(15,551)	-	(24,502)	(7,693)	(32,195)
Foreign currency translation difference	-	-	-	-	45	77	32	154
As of 31 December 2018	79,888	37,759	24,882	142,529	165,143	78,055	51,436	294,634
<i>Carrying amount</i>								
As of 31 December 2017 (restated)	25,600	4,273	12,733	42,606	52,883	8,826	26,302	88,011
As of 31 December 2018	9,634	4,912	9,865	24,411	19,915	10,154	20,393	50,462

According to the contract on the gratuitous use of assets signed on 18 November 2013 between the Foundation and the Eurasia Foundation, apartments 22 and 23 on 1/21 Azatutyun Avenue, Yerevan, Republic of Armenia were provided to the Foundation by the Eurasia Foundation for use free of charge for 5 years period, exceptionally not for commercial purposes, to be used as an office. 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".

## 5 Account receivables

	In thousand drams		In US dollar	
	As of 31 December 2018	As of 31 December 2017 (restated)	As of 31 December 2018	As of 31 December 2017 (restated)
Accounts receivable	6,611	3,579	13,666	7,393
Grants receivable	46,401	29,106	95,919	60,124
Advances to sub-grantees	36,084	37,294	74,592	77,038
Other advances	28,677	3,676	59,281	7,593
Other	-	11	-	23
	<u>117,773</u>	<u>73,666</u>	<u>243,458</u>	<u>152,171</u>

All amounts are short-term.

The grants receivables are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2018	As of 31 December 2017 (restated)	As of 31 December 2018	As of 31 December 2017 (restated)
European Union	32,849	14,811	67,905	30,595
EU EPNK	8,221	-	16,994	-
Embassy of the United Kingdom of the Netherland	-	6,101	-	12,603
Embassy of the United States of America	5,111	5,096	10,565	10,527
Other	220	3,098	455	6,399
	<u>46,401</u>	<u>29,106</u>	<u>95,919</u>	<u>60,124</u>

Advances to sub-grantees are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2018	As of 31 December 2017	As of 31 December 2018	As of 31 December 2017
Husaber CJSC	-	13,560	-	28,011
Let's Create Smile Youth NGO	-	5,873	-	12,132
Center for Ethnography of Hazarashen NGO	1,756	3,349	3,630	6,918
Media Initiatives Center NGO	1,707	2,127	3,529	4,394
Hy Pictures LLC	4,466	-	9,232	-
Inknagir Literary Club NGO	4,280	-	8,848	-
Boon Cultural-Scientific Foundation	4,153	-	8,585	-
Cultural and Social Narratives lab NGO	2,167	-	4,480	-
Martuni Women's Community Council	1,952	-	4,035	-
ANTA Production LLC	1,419	-	2,933	-
Armenian Committee of Helsinki Civil Assembly NGO	1,060	-	2,191	-
Hartak Workshop Festival Cultural NGO	920	-	1,901	-
Other	12,204	12,385	25,228	25,583
	<u>36,084</u>	<u>37,294</u>	<u>74,592</u>	<u>77,038</u>

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

## 6 Grants related to assets

	In thousand drams		In US dollar	
	2018	2017	2018	2017
Balance at the beginning of year (restated)	42,677	64,522	88,157	133,326
Additions (refer to note 4)	9,703	7,493	20,089	15,523
Realized to income (refer to note 9)	(27,969)	(29,338)	(57,904)	(60,778)
Foreign currency translation difference	-	-	120	86
Balance at the end of year	<u>24,411</u>	<u>42,677</u>	<u>50,462</u>	<u>88,157</u>

## 7 Accounts payable

	In thousand drams		In US dollar	
	As of 31 December 2018	As of 31 December 2017	As of 31 December 2018	As of 31 December 2017
Accounts payable to sub-grantees	15,935	6,230	32,940	12,869
Accounts payable	5,564	1,278	11,502	2,640
Employee benefits payables	25,902	25,458	53,544	52,588
Taxes and liabilities payable	9,811	8,074	20,281	16,679
Other	2	-	4	-
	<u>57,214</u>	<u>41,040</u>	<u>118,271</u>	<u>84,776</u>

## 8 Deferred income

	In thousand drams		In US dollar	
	2018	2017	2018	2017
Balance at the beginning of year (restated)	169,657	199,584	350,459	412,415
Additions	707,166	659,079	1,464,052	1,365,372
Reclassification to grants related to assets	(9,703)	(7,493)	(20,088)	(15,523)
Realized to income (refer to note 9)	(775,302)	(681,513)	(1,605,114)	(1,411,848)
Foreign currency translation difference	-	-	496	43
Balance at the end of year	<u>91,818</u>	<u>169,657</u>	<u>189,805</u>	<u>350,459</u>

Additions of grants include financing charged, but not yet received of drams 15,027 thousand (2017: drams 24,892 thousand).

Additions represent contributions accrued from the following organizations:

	In thousand drams		In US dollar	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Embassy of the United States of America	224,312	126,933	464,395	262,959
Media Initiatives Center NGO	144,789	178,418	299,758	369,617
"Communities Finance Officers Association" NGO	79,693	91,153	164,989	188,836
SIDA	78,283	-	162,070	-
European Union Instrument contributing to Stability and Peace (IcSP)	-	134,531	-	278,699
Embassy of the Kingdom of the Netherlands	64,167	33,988	132,845	70,411
Armenian General Benevolent Union (AGBU)	51,805	42,987	107,252	89,053
Democracy Reporting International (DRI)	20,719	-	42,895	-
European Union	-	6,165	-	12,772
Embassy of the United Kingdom of Great Britain and Northern Ireland	-	1,100	-	2,279
German Marshall Fund	11,997	-	24,837	-
UN Office at Geneva	-	1,061	-	2,198
Other	16,374	17,851	33,900	36,981
	<u>692,139</u>	<u>634,187</u>	<u>1,432,941</u>	<u>1,313,805</u>

The balance of deferred income by sources is presented below:

	In thousand drams		In US dollar	
	As of 31 December 2018	As of 31 December 2017	As of 31 December 2018	As of 31 December 2017
European Union Instrument contributing to Stability and Peace (IcSP)	-	88,889	-	183,617
Embassy of the Kingdom of the Netherlands	45,325	-	93,695	-
Media Initiatives Center NGO	13,940	35,593	28,817	73,524
Armenian General Benevolent Union (AGBU)	15,944	11,084	32,959	22,896
"Communities Finance Officers Association" NGO	3,656	5,976	7,558	12,345
Democracy Reporting International (DRI)	9,991	-	20,653	-
SIDA	2,357	27,042	4,872	55,860
Other	605	1,073	1,251	2,217
	<u>91,818</u>	<u>169,657</u>	<u>189,805</u>	<u>350,459</u>

## 9 Income from grants and contributions

	In thousand drams		In US dollar	
	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Income from deferred income (refer to note 8)	775,302	681,513	1,605,114	1,411,848
Income from grants related to assets (refer to note 6)	27,969	29,338	57,904	60,778
	<u>803,271</u>	<u>710,851</u>	<u>1,663,018</u>	<u>1,472,626</u>

Income from grants and contributions by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2018	Year ended 31 December 2017 (restated)	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Embassy of the United States of America	216,116	122,997	447,427	254,805
Media Initiatives Center NGO	166,411	162,455	344,522	336,548
SIDA	102,845	-	212,920	-
European Union Instrument contributing to Stability and Peace (IcSP)	-96,275	45,065	199,319	93,359
"Communities Finance Officers Association" NGO	81,982	87,483	169,728	181,233
Armenian General Benevolent Union (AGBU)	46,915	31,838	97,128	65,957
European Union	15,785	155,503	32,680	322,146
Embassy of the Kingdom of the Netherlands	12,742	57,253	26,380	118,607
Democracy Reporting International (DRI)	10,729	-	22,212	-
German Marshall Fund	11,997	-	24,837	-
Other	13,505	18,919	27,960	39,193
	<u>775,302</u>	<u>681,513</u>	<u>1,605,114</u>	<u>1,411,848</u>

## 10 Sub-grant expenses

Sub-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 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Embassy of the United States of America	123,882	70,894	256,474	146,867
Media Initiatives Center NGO	103,583	111,091	214,448	230,140
European Union	-	76,713	-	158,922
SIDA	59,841	-	123,889	-
European Union Instrument contributing to Stability and Peace (IcSP)	33,762	10,778	69,898	22,328
"Communities Finance Officers Association" NGO	25,782	40,010	53,377	82,886
Embassy of the Kingdom of the Netherlands	-	22,424	-	46,454
Other	-	20,558	-	42,589
	<u>346,850</u>	<u>352,468</u>	<u>718,086</u>	<u>730,186</u>

## 10 Sub-grant expenses

Sub-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 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Embassy of the United States of America	123,882	70,894	256,474	146,867
Media Initiatives Center NGO	103,583	111,091	214,448	230,140
European Union	-	76,713	-	158,922
SIDA	59,841	-	123,889	-
European Union Instrument contributing to Stability and Peace (IcSP)	33,762	10,778	69,898	22,328
"Communities Finance Officers Association" NGO	25,782	40,010	53,377	82,886
Embassy of the Kingdom of the Netherlands	-	22,424	-	46,454
Other	-	20,558	-	42,589
	<u>346,850</u>	<u>352,468</u>	<u>718,086</u>	<u>730,186</u>

## 11 Project and other expenses

Project expenses by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Embassy of the United States of America	216,116	126,897	447,427	262,885
Media Initiatives Center NGO	166,411	158,554	344,522	328,466
SIDA	102,845	5,456	212,921	11,303
European Union Instrument contributing to Stability and Peace (IcSP)	96,275	45,065	199,319	93,359
"Communities Finance Officers Association" NGO	81,982	87,483	169,728	181,233
Armenian General Benevolent Union (AGBU)	46,915	31,838	97,128	65,957
European Union	15,785	155,910	32,682	322,146
Embassy of the Kingdom of the Netherlands	12,742	57,253	26,380	118,607
German Marshall Fund	11,888	-	24,612	-
Democracy Reporting International (DRI)	10,729	-	22,212	-
Other	40,604	53,987	84,061	111,685
	<u>802,292</u>	<u>722,443</u>	<u>1,660,992</u>	<u>1,496,641</u>
Depreciation and amortization expense	27,969	29,338	57,904	60,778
	<u>830,261</u>	<u>751,781</u>	<u>1,718,896</u>	<u>1,557,419</u>

## 12 Other financial items

	In thousand drams		In US dollar	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Gain/(loss) from exchange differences on:				
Financial liabilities measured at amortized cost				
Accounts receivable	(3)	52	(7)	108
Cash and cash equivalents	(5,664)	21,494	(11,726)	44,528
Financial liabilities measured at amortized cost	37	5	77	10
	<u>(5,630)</u>	<u>21,551</u>	<u>(11,656)</u>	<u>44,646</u>

## 13 Income tax expense

	In thousand drams		In US dollar	
	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Current tax	2,302	1,899	4,766	3,934
	<u>2,302</u>	<u>1,899</u>	<u>4,766</u>	<u>3,934</u>

Reconciliation of effective tax rate is as follows:

	In thousand drams	In thousand drams	Effective tax rate (%)	In US dollar	In US dollar	Effective tax rate (%)
	Year ended 31 December 2018	Year ended 31 December 2017		Year ended 31 December 2018	Year ended 31 December 2017	
Result before taxation (under IFRS)	2,911	21,002		6,027	43,508	
Tax calculated at a tax rate of 20% (2017: 20%)	582	4,200	19.99	1,205	8,702	20.00
(Non-taxable)/non- deductible items, net	1,720	(2,301)	59.09	3,561	(4,768)	(10.96)
Income tax expense	<u>2,302</u>	<u>1,899</u>	<u>79.08</u>	<u>4,766</u>	<u>3,934</u>	<u>9.04</u>

## 14 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.

### 14.1 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.

#### *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). 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 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 the useful lives of those assets.

## 15 Financial instruments

### 15.1 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 3.6.

## 15.2 Categories of financial instruments

The carrying amounts of financial assets and financial liabilities in each category are as follows:

### *Financial assets*

In thousand drams	As of 31 December 2018	As of 31 December 2017
<i>Amortized cost</i>		
Account receivables	53,012	-
Cash and cash equivalents	71,493	-
	<u>124,505</u>	<u>-</u>
<i>Loans and receivables (amortized cost) (in accordance with IAS 39)</i>		
Account receivables	-	32,696
Cash and cash equivalents	-	175,958
	<u>-</u>	<u>208,654</u>
Total financial assets	<u>124,505</u>	<u>208,654</u>

### *Financial liabilities*

In thousand drams	As of 31 December 2018	As of 31 December 2017
<i>Amortized cost</i>		
Account payables	47,403	32,966
	<u>47,403</u>	<u>32,966</u>

## 16 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 Foundation does not actively engage in the trading of financial assets for speculative purposes nor does it write options. 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.

Most of the Foundation's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Foundation's bank balances, which are primarily denominated in US dollars and Euro.

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	US dollar	Euro	Total
<b>As of 31 December 2018</b>			
<i>Financial assets</i>			
Accounts receivable	6,513	-	6,513
Cash and cash equivalents	8,200	39,621	47,821
	<u>14,713</u>	<u>39,621</u>	<u>54,334</u>
<i>Financial liabilities</i>			
Accounts payable	-	131	131
	<u>-</u>	<u>131</u>	<u>131</u>
<b>Net position</b>	<u><u>14,713</u></u>	<u><u>39,490</u></u>	<u><u>54,203</u></u>

Item	US dollar	Euro	Total
<b>As of 31 December 2017</b>			
<i>Financial assets</i>			
Accounts receivable	3,481		3,481
Cash and cash equivalents	39,954	117,848	157,802
	<u>43,435</u>	<u>117,848</u>	<u>161,283</u>
<i>Financial liabilities</i>			
Accounts payable	18	981	999
	<u>18</u>	<u>981</u>	<u>999</u>
<b>Net position</b>	<u><u>43,417</u></u>	<u><u>116,867</u></u>	<u><u>160,284</u></u>

The following table details the Foundation's sensitivity to a 10% (2017: 10%) [change as appropriate] increase and decrease in dram against US dollar. 10% (2017: 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% (2017: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2017: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2018	2017	2018	2017
Profit or loss	1,471	4,342	3,949	11,687
	<u>1,471</u>	<u>4,342</u>	<u>3,949</u>	<u>11,687</u>

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. 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 Foundation is exposed to credit risk from financial assets, including cash and cash

equivalents held at banks, 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 credit risk is managed on a collective basis based on the Foundation's credit risk management policies and procedures.

The credit risk in respect of cash balances held with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

### 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 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.

## 17 Contingencies

### 17.1 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.

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

### 17.2 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.

## 18 Related parties

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

### 18.1 Transactions with management and close family members

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

In thousand drams	Year ended 31 December 2018	Year ended 31 December 2017
Salaries and bonuses	73,446	69,246

## 19 Restatement of comparative financial statements

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

During 2018 management of the Foundation identified that some items in the statements of financial position as of 31 December 2017 and as of 31 December 2016 and some items in the statement of activities for the years ended 31 December 2017 and 31 December 2016 are not stated properly. As a result, those errors and misstatements have been adjusted in the reporting period as follows:

The statement of financial position as of 1 January 2017 has been restated as follows:

In thousand drams	As of 1 January 2017 (before restatement)	Restatement	Note	As of 1 January 2017 (after restatement)
<b>Assets</b>				
<i>Non-current assets</i>				
Property and equipment	63,936	299	a	64,235
Intangible assets	287	-		593
	<u>64,223</u>	<u>299</u>		<u>64,522</u>
<i>Current assets</i>				
Accounts receivable	40,823	4,230	b	45,053
Current income tax assets	2,783	-		2,783
Cash and cash equivalents	199,817	-		199,817
	<u>243,423</u>	<u>4,230</u>		<u>247,653</u>
<b>Total assets</b>	<u>307,646</u>	<u>4,529</u>		<u>312,175</u>
<b>Liabilities and net assets</b>				
<i>Non-current liabilities</i>				
Grants related to assets	66,643	(2,121)	c	64,522
	<u>66,643</u>	<u>(2,121)</u>		<u>64,522</u>
<i>Current liabilities</i>				
Accounts payable	27,336	-		27,336
Deferred income	196,140	3,444	d	199,584
	<u>223,476</u>	<u>3,444</u>		<u>226,920</u>
<b>Net assets</b>				
Accumulated result (unrestricted)	17,527	3,206		20,733
<b>Total liabilities and net assets</b>	<u>307,646</u>	<u>4,529</u>		<u>312,175</u>

Explanations to restatements are as follows:

- a The carrying amount of property and equipment has increased by drams 299 thousand in relation to the adjustment in the cost of the items of property and equipment that were written off twice- once during the reporting year and once before the reporting year.
- b The carrying amount of grants receivable increased by drams 4,230 thousand, since management of the Foundation did not recognise grants and contributions as receivables when they became receivable. In the financial statements they are recorded as grants receivable and respectively deferred income.
- c The carrying amount of grants related to assets decreased by drams 2,121 thousand due to the fact that income from grant related to assets was recognized erroneously.

- d The carrying amount of deferred income increased by drams 3,444 thousand which reflects the use of deferred income and the adjustment related to the deferred income recognized as grants receivable (explained in point b above).

The statement of financial position as of 31 December 2017 has been restated as follows:

In thousand drams	As of 31 December 2017 (before restatement)	Restatement	Note	As of 31 December 2017 (after restatement)
<i>Assets</i>				
<i>Non-current assets</i>				
Property and equipment	38,017	4,589	a	42,606
Intangible assets	71	-		71
	<u>38,088</u>	<u>4,589</u>		<u>42,677</u>
<i>Current assets</i>				
Accounts receivable	44,544	29,122	b	73,666
Current income tax assets	909	-		909
Cash and cash equivalents	175,958	-		175,958
	<u>221,411</u>	<u>29,122</u>		<u>250,533</u>
Total assets	<u>259,499</u>	<u>33,711</u>		<u>293,210</u>
<i>Liabilities and net assets</i>				
<i>Non-current liabilities</i>				
Grants related to assets	39,079	3,598	c	42,677
	<u>39,079</u>	<u>3,598</u>		<u>42,677</u>
<i>Current liabilities</i>				
Accounts payable	41,040	-		41,040
Deferred income	137,354	32,303	d	169,657
	<u>178,394</u>	<u>32,303</u>		<u>210,697</u>
<i>Net assets</i>				
Accumulated result (unrestricted)	42,026	(2,190)		39,836
	<u>259,499</u>	<u>33,711</u>		<u>293,210</u>
Total liabilities and net assets	<u>259,499</u>	<u>33,711</u>		<u>293,210</u>

Explanations to restatements are as follows:

- a The carrying amount of property and equipment increased by drams 4,589 thousand in relation to the adjustment made in 2016 (drams 299 thousand), an adjustment in relation to the written off items of property and equipment which were not recorded in the financial statement (drams 590 thousand) and adjustment to the related accumulated depreciation (drams 4,880 thousand).
- b The carrying amount of grants receivable was adjusted by drams 29,122 thousand, since management of the Foundation did not recognise grants and contributions as receivables when they became receivable. In the financial statements they are recorded as grants receivable and respectively deferred income.
- c The carrying amount of grants related to assets increased by drams 3,598 thousand due to the fact that income from grant related to assets was recognized erroneously.
- d The carrying amount of deferred income increased by drams 32,303 thousand, which reflects the use of deferred income and the adjustment related to the deferred income recognized as grants receivable (explained in point b above).

The statement of activities for the year ended 31 December 2017 has been restated as follows:

In thousand drams	Year ended 31 December 2017 (before restatement)	Restatement	Note	Year ended 31 December 2017 (after restatement)
Income from grants and contributions	720,538	(9,687)	e	710,851
Revenue from training and consulting services	24,662	-		24,662
Income from renting office	15,719	-		15,719
Other financial items, net	21,551	-		21,551
Total income	<u>782,470</u>	<u>(9,687)</u>		<u>772,783</u>
Employee benefit expenses	(309,278)	109,960	f	(199,318)
Grant expenses	(352,468)	-		(352,468)
Services received	-	(104,570)	f	(104,570)
Trip and representation expenses	(14,005)	-		(14,005)
Depreciation and amortization expenses	(33,987)	4,649	g	(29,338)
Office expenses	(19,610)	-		(19,610)
Office rent expenses	(15,600)	-		(15,600)
Audit and consulting expenses	(2,998)	-		(2,998)
Insurance expenses	-	(6,927)	f	(6,927)
Other expenses	(8,125)	1,178	f	(6,947)
Total expenses	<u>(756,071)</u>	<u>4,290</u>		<u>(751,781)</u>
Result before taxation	<u>26,399</u>	<u>(5,397)</u>		<u>21,002</u>
Income tax expense	(1,899)	-		(1,899)
Result for the year	<u><u>24,500</u></u>	<u><u>(5,397)</u></u>		<u><u>19,103</u></u>

Explanations to restatements are as follows:

- e The income from grants and contributions decreased by drams 9,687 thousand due to the fact that income from grants related to assets and income from deferred income were recognized erroneously.
- f Expenses from services received and insurance expenses as well as other expenses were erroneously included in the employee benefit expenses. As a result, reclassifications were made.
- g Depreciation and amortization expenses decreased by drams 4,290 thousand that relate to the adjustment explained in point (a) above and by drams 359 thousand that relate to reclassification of expense from disposal of property and equipment from depreciation and amortization expenses to other expenses.