

EURASIA PARTNERSHIP FOUNDATION

FINANCIAL STATEMENTS

31 December 2019

YEREVAN 2020

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Baker Tilly Armenia CJSC
22 Hanrapetutyan Street
0010 Yerevan, Republic of Armenia
Tel: +374(10) 544-301
Tel: +374(10) 544-307/309
Fax: +374(10) 562-404
Email: info@bakertillyarmenia.com
www.bakertilly.am

27.05.2020

№ 022014



CONFIRMED BY:

P. GEVORGYAN
Managing Partner
Baker Tilly Armenia CJSC

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Finance and Economy of the Republic of Armenia

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Eurasia Partnership Foundation

Opinion

We have audited the accompanying financial statements of Eurasia Partnership Foundation (the "Foundation"), which comprise the Statement of Financial Position as at 31 December 2019, the Statement of activities, the Statement of Changes in Net Assets, and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Foundation as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' 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 with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The Foundation's financial statements for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those financial statements on 13 June 2019.

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

The Foundation's Management 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 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, then 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.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Foundation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Auditor

L. Ghevondyan



05.06.2020

Members of the Board of Trustees as of 31 December 2019

Mary Sheehan (Chair)

International Organization for Migration, retired

Andrew Coxshall

Former Partner KPMG

Horton Beebe-Center

Eurasia Foundation, retired

Sarhat Petrosyan

Chairman, UrbanLab Yerevan

Anna Ohanyan

Associate Professor of Political Science, Stonehill College

William Hanlon

Chief of Field Office, UNICEF Sukhumi

Deana Arsenian

Vice President, International Program, Carnegie Corporation

Laurens Ayvazian

Development Transformations

STATEMENT OF FINANCIAL POSITION

	Note	In thousand drams		In US dollars	
		As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Assets					
<i>Non-current assets</i>					
Property and Equipment	4	8,874	24,411	18,497	50,462
Other non-current assets		2,000	-	4,170	-
		<u>10,874</u>	<u>24,411</u>	<u>22,667</u>	<u>50,462</u>
<i>Current assets</i>					
Accounts receivable	5	65,337	117,773	136,202	243,458
Current income tax assets		927	211	1,934	436
Cash and cash equivalents	6	411,261	71,493	857,329	147,789
		<u>477,525</u>	<u>189,477</u>	<u>995,465</u>	<u>391,683</u>
Total assets		<u>488,399</u>	<u>213,888</u>	<u>1,018,132</u>	<u>442,145</u>
Liabilities and net assets					
<i>Non-current liabilities</i>					
Grants related to assets	7	8,874	24,411	18,497	50,462
		<u>8,874</u>	<u>24,411</u>	<u>18,497</u>	<u>50,462</u>
<i>Current liabilities</i>					
Accounts payable	8	41,469	57,214	86,447	118,271
Deferred income	9	396,877	91,818	827,344	189,805
		<u>438,346</u>	<u>149,032</u>	<u>913,791</u>	<u>308,076</u>
Net assets					
Accumulated result (unrestricted)		41,179	40,445	102,035	100,507
Foreign currency translation reserve		-	-	(16,191)	(16,900)
		<u>41,179</u>	<u>40,445</u>	<u>85,844</u>	<u>83,607</u>
Total liabilities and net assets		<u>488,399</u>	<u>213,888</u>	<u>1,018,132</u>	<u>442,145</u>

Gevorg Ter-Gabrielyan

Chief Executive Officer

05.06.2020

Marina Ayvazyan

Chief Financial Officer



STATEMENT OF ACTIVITIES

	Note	In thousand drams		In US dollars	
		Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Income from grants and contributions	10	862,056	803,271	1,795,052	1,663,018
Revenue from training and consulting services		20,910	19,906	43,540	41,212
Income from renting office		17,512	15,625	36,468	32,349
Total income		900,478	838,802	1,875,060	1,736,579
Employee benefit expenses		(307,614)	(185,165)	(625,324)	(383,349)
Sub-grant expenses	11	(285,891)	(346,850)	(595,310)	(718,086)
Services received		(113,107)	(116,471)	(235,522)	(241,131)
Trip and representation expenses		(110,112)	(92,719)	(229,285)	(191,957)
Depreciation and amortization expenses		(21,729)	(27,969)	(45,246)	(57,904)
Office expenses		(19,842)	(22,205)	(41,317)	(45,971)
Office rent expenses		(16,800)	(15,600)	(34,983)	(32,297)
Audit and consulting expenses		(3,392)	(8,448)	(7,063)	(17,490)
Insurance expenses		(6,614)	(3,760)	(28,991)	(7,784)
Other expenses		(11,277)	(11,074)	(23,482)	(22,927)
Total expenses	12	(896,378)	(830,261)	(1,866,522)	(1,718,896)
Finance costs	13	(987)	(5,630)	(2,056)	(11,656)
Result before taxation		3,113	2,911	6,482	6,027
Income tax expense	14	(2,379)	(2,302)	(4,954)	(4,766)
Result for the year		734	609	1,528	1,261

STATEMENT OF CHANGES IN NET ASSETS

	In thousand drams		Foreign currency translation reserve (unrestricted)	In US dollars	
	Accumulated result (unrestricted)	Total		Accumulated result (unrestricted)	Total
As of 1 January 2018	39,836	39,836	(16,957)	99,246	82,289
Total comprehensive income					
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
Total comprehensive income					
Result for the year	734	734	-	1,528	1,528
Foreign exchange difference from translation of financial statements	-	-	709	-	709
As of 31 December 2019	41,179	41,179	(16,191)	102,035	85,844

STATEMENT OF CASH FLOWS

	In thousand drams		In US dollars	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Cash flows from operating activities				
Result for the year	734	609	1,528	1,261
<i>Adjustments for:</i>				
Depreciation and amortization	21,729	27,969	45,246	57,904
Income from grants	(862,056)	(803,271)	(1,795,052)	(1,663,018)
Income tax expense	2,379	2,302	4,954	4,766
Finance costs	987	5,630	2,056	11,656
<i>Operating result before working capital changes</i>	<i>(836,227)</i>	<i>(766,761)</i>	<i>(1,741,268)</i>	<i>(1,587,431)</i>
Change in receivables	79,318	(29,083)	165,354	(60,183)
Change in payables	(14,234)	16,211	(29,675)	33,572
<i>Cash used in operations</i>	<i>(771,143)</i>	<i>(779,633)</i>	<i>(1,605,589)</i>	<i>(1,614,042)</i>
Grants received	1,120,927	692,139	2,334,097	1,432,941
Income tax paid	(3,095)	(1,604)	(6,445)	(3,324)
<i>Cash generated from/(used in) operating activities</i>	<i>346,689</i>	<i>(89,098)</i>	<i>722,063</i>	<i>(184,425)</i>
Cash flows from investing activities				
Acquisition of property and equipment	(6,192)	(9,703)	(12,894)	(20,089)
<i>Net cash used in investing activities</i>	<i>(6,192)</i>	<i>(9,703)</i>	<i>(12,894)</i>	<i>(20,089)</i>
Net increase/(decrease) in cash and cash equivalents	340,497	(98,801)	709,169	(204,514)
Foreign exchange effect on cash	(729)	(5,664)	(1,518)	(11,726)
Foreign currency exchange difference	-	-	1,889	555
Cash and cash equivalents at the beginning of the year	71,493	175,958	147,789	363,474
Cash and cash equivalents at the end of the year	411,261	71,493	857,329	147,789

Notes to the Financial statements

1 Nature of operations and general information

Eurasia Partnership Foundation (the "Foundation") was established on September 20, 2007. The founder of the Foundation is Eurasia Foundation that was established in the United States of America (USA), and was registered in accordance with the legislation of the USA Columbia administrative territory on April 29, 1992.

The principle activities of the Foundation are to:

- promote civil society development;
- contribute to peace- and confidence-building;
- promote human rights and democracy;
- support civic engagement in local self-government reforms;
- support independent media;
- promote critical thinking and media literacy;
- contribute to good governance;
- support community development;
- increase the role of youth in the society;
- promote reforms in fields of public policy and management.

The legal address of the Foundation is 1/21 Azatutyan Avenue, Apt. 23, Yerevan 0037, Republic of Armenia.

The average number of employees of the Foundation during 2019 was 19 employees (2018: 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 12 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 15 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 2019.

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 2019

IFRS 16 Leases

IFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019. The new standard does not significantly affect the accounting for leases for lessors: However, it requires that the grantees recognize most of their lease contracts on the balance sheet as lease liability in conformity with the right of use of the respective leased assets. The lessees should apply a unified model for all recognized lease contracts, however they have a right not to recognize short-term lease contracts and low-value asset lease contracts.

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.

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.

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 479.70 drams for 1 US dollar and 537.26 drams for 1 euro as of 31 December 2019 (31 December 2018: 483.75 drams for 1 US dollar, 553.65 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 represented within finance costs, finance income or other financial items. A summary of the Foundation's financial assets by category is given in note 16.

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 as of January 1, 2018. 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 16.

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 15 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 2018	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
Additions	-	4,254	1,938	6,192	-	8,857	4,036	12,893
Disposals	-	(3,271)	(580)	(3,851)	-	(6,811)	(1,208)	(8,019)
Foreign currency translation difference	-	-	-	-	1,562	747	603	2,912
As of 31 December 2019	89,522	43,654	36,105	169,281	186,620	91,002	75,260	352,882
<i>Accumulated depreciation</i>								
As of 1 January 2018	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
Charge for the year	9,634	6,155	5,940	21,729	20,061	12,816	12,369	45,246
Eliminated on disposal	-	(3,271)	(580)	(3,851)	-	(6,811)	(1,208)	(8,019)
Foreign currency translation difference	-	-	-	-	1,416	662	446	2,524
As of 31 December 2019	89,522	40,643	30,242	160,407	186,620	84,722	63,043	334,385
<i>Carrying amount</i>								
As of 31 December 2018	9,634	4,912	9,865	24,411	19,915	10,154	20,393	50,462
As of 31 December 2019	-	3,011	5,863	8,874	-	6,280	12,217	18,497

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, 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 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Accounts receivable	-	6,611	-	13,666
Grants receivable	30,645	46,401	63,883	95,919
Advances to sub-grantees	15,236	36,084	31,761	74,592
Other advances	19,456	28,677	40,558	59,281
	<u>65,337</u>	<u>117,773</u>	<u>136,202</u>	<u>243,458</u>

All amounts are short-term.

The grants receivables are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
European Union	-	32,849	-	67,905
EU PeaCE	25,539	8,221	53,241	16,994
Embassy of the United States of America	-	5,111	-	10,565
"Communities Finance Officers Association" NGO (USAID)	2,999	-	6,252	-
Democracy Reporting International (DRI)	2,107	-	4,390	-
Other	-	220	-	455
	<u>30,645</u>	<u>46,401</u>	<u>63,883</u>	<u>95,919</u>

Advances to sub-grantees are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
NGO Center Civil Society Development NGO	4,553	-	9,492	-
Helsinki Association HR Protection NGO	1,488	-	3,102	-
Center for Ethnography of Hazarashen NGO	-	1,756	-	3,630
Media Initiatives Center NGO	-	1,707	-	3,529
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	139	1,952	289	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
A.D. Sakharov Armenian Human Rights Centre NGO	1,769	1,438	3,689	2,973
Armavir Development Center NGO	1,155	972	2,407	2,009
Other	6,132	9,794	12,782	20,246
	<u>15,236</u>	<u>36,084</u>	<u>31,761</u>	<u>74,592</u>

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

6 Cash and cash equivalents

	In thousand drams		In US dollar	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Bank accounts	411,261	71,493	857,329	147,789
	<u>411,261</u>	<u>71,493</u>	<u>857,329</u>	<u>147,789</u>

7 Grants related to assets

	In thousand drams		In US dollar	
	2019	2018	2019	2018
Balance at the beginning of year	24,411	42,677	50,462	88,157
Additions (refer to note 4)	6,192	9,703	12,893	20,089
Realized to income (refer to note 10)	(21,729)	(27,969)	(45,246)	(57,904)
Foreign currency translation difference	-	-	388	120
Balance at the end of year	<u>8,874</u>	<u>24,411</u>	<u>18,497</u>	<u>50,462</u>

8 Accounts payable

	In thousand drams		In US dollar	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
Accounts payable to sub-grantees	2,277	15,935	4,747	32,940
Accounts payable	2,413	5,564	5,030	11,502
Employee benefits payables	26,815	25,902	55,901	53,544
Taxes and liabilities payable	9,964	9,811	20,769	20,281
Other	-	2	-	4
	<u>41,469</u>	<u>57,214</u>	<u>86,447</u>	<u>118,271</u>

9 Deferred income

	In thousand drams		In US dollar	
	2019	2018	2019	2018
Balance at the beginning of year	91,818	169,657	189,805	350,459
Additions	1,151,578	707,166	2,397,921	1,464,052
Reclassification to grants related to assets (refer note 7)	(6,192)	(9,703)	(12,894)	(20,088)
Realized to income (refer to note 10)	(840,327)	(775,302)	(1,749,806)	(1,605,114)
Foreign currency translation difference	-	-	2,318	496
Balance at the end of year	<u>396,877</u>	<u>91,818</u>	<u>827,344</u>	<u>189,805</u>

Additions represent contributions received from the following organizations:

	In thousand drams		In US dollar	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
European Union	297,964	-	620,448	-
Media Initiatives Center NGO (USAID funds)	200,173	144,789	416,820	299,758
EU PeaCE	155,704	-	324,222	-
Embassy of the United States of America	134,538	224,312	280,148	464,395
"Communities Finance Officers Association" NGO (USAID funds)	79,310	79,693	165,147	164,989
Armenian General Benevolent Union (AGBU)	66,193	51,805	137,833	107,252
Embassy of the Kingdom of the Netherlands	53,719	64,167	111,858	132,845
Embassy of the United Kingdom of Great Britain and Northern Ireland	51,899	-	108,069	-
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	37,044	-	77,136	-
German Marshall Fund	22,896	11,997	47,675	24,837
Democracy Reporting International (DRI)	9,675	20,719	20,146	42,895
Swedish Government	-	78,283	-	162,070
Other	11,812	16,374	24,595	33,900
	<u>1,120,927</u>	<u>692,139</u>	<u>2,334,097</u>	<u>1,432,941</u>

The balance of deferred income by sources is presented below:

	In thousand drams		In US dollar	
	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
European Union	280,919	658	585,614	1,361
Embassy of the Kingdom of the Netherlands	47,059	45,325	98,101	93,695
Embassy of the United Kingdom of Great Britain and Northern Ireland	15,760	1,404	32,853	2,901
Media Initiatives Center NGO (USAID funds)	14,860	13,940	30,978	28,817
German Marshall Fund	12,624	-	26,317	-
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	11,791	-	24,580	-
Armenian General Benevolent Union (AGBU)	9,661	15,944	20,139	32,959
"Communities Finance Officers Association" NGO (USAID funds)	-	3,656	-	7,558
Democracy Reporting International (DRI)	-	9,991	-	20,653
Other	4,203	900	8,762	1,861
	<u>396,877</u>	<u>91,818</u>	<u>827,344</u>	<u>189,805</u>

10 Income from grants and contributions

	In thousand drams		In US dollar	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Income from deferred income (refer to note 9)	840,327	775,302	1,749,806	1,605,114
Income from grants related to assets (refer to note 7)	21,729	27,969	45,246	57,904
	<u>862,056</u>	<u>803,271</u>	<u>1,795,052</u>	<u>1,663,018</u>

Income from deferred income by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Media Initiatives Center NGO (USAID)	199,178	166,411	414,746	344,522
European Union Instrument contributing to Stability and Peace (IcSP)	181,301	96,275	377,521	199,319
Embassy of the United States of America	134,538	216,116	280,148	447,427
"Communities Finance Officers Association" NGO (USAID)	85,996	81,982	179,069	169,728
Armenian General Benevolent Union (AGBU)	71,481	46,915	148,845	97,128
Embassy of the Kingdom of the Netherlands	51,985	12,742	108,247	26,380
Embassy of the United Kingdom of Great Britain and Northern Ireland	34,701	-	72,258	-
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	23,785	-	49,527	-
Democracy Reporting International (DRI)	21,777	10,729	45,347	22,212
European Union	16,306	15,785	33,955	32,680
German Marshall Fund	10,147	11,997	21,128	24,837
Swedish Government	2,480	102,845	5,164	212,920
Other	6,652	13,505	13,851	27,960
	<u>840,327</u>	<u>775,302</u>	<u>1,749,806</u>	<u>1,605,114</u>

11 Sub-grant expenses

Sub-grant expenses relate to the expenses made by sub-grantees in the framework of projects funded by the following donors:

	In thousand drams		In US dollar	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Media Initiatives Center NGO	122,181	103,583	254,416	214,448
<i>Investigative Journalists NGO</i>	14,758	9,804	30,731	20,297
<i>ANTA Production LLC</i>	9,877	123	20,567	254
<i>Factum Social NGO</i>	8,810	-	18,345	-
<i>Aravot Daily LLC</i>	8,583	945	17,872	1,956
<i>Siluet Studio LLC</i>	7,731	11,490	16,097	23,788
<i>Tsayg LLC</i>	6,942	-	14,456	-
<i>Margins Media LLC</i>	6,706	566	13,963	1,172
<i>"ALT" TV Editorial Office</i>	5,984	1,315	12,460	2,723
<i>Martuni Women's Community Council NGO</i>	5,036	2,937	10,487	6,081
<i>Goris Press Club NGO</i>	4,797	3,269	9,988	6,768
<i>A.D Sakharov Armenian Human Rights Center NGO</i>	4,751	3,111	9,893	6,440
<i>Effective Governance and Community Development NGO</i>	4,742	-	9,875	-
<i>Meltex LLC</i>	4,589	8,953	9,556	18,536
<i>Colson Youth Center NGO</i>	4,394	2,969	9,150	6,147
<i>Hartak Workshop Festival Cultural NGO</i>	4,175	-	8,694	-
<i>Journalists for the Future NGO</i>	4,173	-	8,689	-
<i>Work and Motherland NGO</i>	4,123	3,364	8,584	6,965
<i>Armavir Development Center NGO</i>	3,488	2,585	7,263	5,351
<i>Union of Informed Citizens NGO</i>	2,500	-	5,206	-
<i>Boon Cultural-Scientific Foundation</i>	2,250	-	4,685	-
<i>"NGO Center" Civil Society Development NGO</i>	1,533	2,954	3,193	6,117
<i>"Asparez" Journalists Club NGO</i>	1,413	-	2,942	-
<i>Child and Family Development Center NGO</i>	547	-	1,139	-
<i>Lori TV LLC</i>	279	9,124	581	18,888
<i>ATHK Hamakarg LLC</i>	-	3,400	-	7,039
<i>Armnews CJSC</i>	-	13,560	-	28,073
<i>Husaber JCSC</i>	-	3,500	-	7,246
<i>Impuls LLC</i>	-	11,402	-	23,606
<i>Public TV Company Armenia CJSC</i>	-	4,853	-	10,046
<i>The Civilitas Foundation</i>	-	3,359	-	6,955
Embassy of the United States of America	62,115	123,882	129,341	256,474
<i>Media Initiatives Center NGO</i>	22,854	19,820	47,588	41,033
<i>CRRC-Armenia Foundation</i>	20,892	9,498	43,503	19,664
<i>Goris Press Club NGO</i>	7,207	9,018	15,007	18,671
<i>Martuni Women's Community Council NGO</i>	6,798	7,528	14,156	15,586
<i>Support for Noyemberyan NGO</i>	4,364	8,633	9,087	17,874

<i>Armavir Development Center NGO</i>	-	2,840	-	5,880
<i>Agat NGO</i>	-	2,827	-	5,852
<i>Alternative Projects Experts Group NGO</i>	-	6,820	-	14,119
<i>Armenian Book Center cultural NGO</i>	-	2,781	-	5,758
<i>Astghavard NGO</i>	-	1,989	-	4,118
<i>Azatan community center NGO</i>	-	1,684	-	3,486
<i>Child and Family Development Center NGO</i>	-	1,778	-	3,680
<i>Child development foundation (CDF)</i>	-	6,917	-	14,321
<i>Civic Development and Partnership Foundation (CDPF)</i>	-	6,172	-	12,777
<i>Disability - Info informational NGO</i>	-	2,997	-	6,205
<i>Equal Rights, Equal Opportunities NGO</i>	-	1,702	-	3,523
<i>Focus Art NGO</i>	-	2,973	-	6,156
<i>Hye Dzmer Pap Foundation</i>	-	2,934	-	6,074
<i>Journalists for Future NGO</i>	-	6,980	-	14,450
<i>Journalists For Human Rights NGO</i>	-	2,954	-	6,116
<i>Mayri NGO</i>	-	2,980	-	6,169
<i>Skarp Health Center NGO</i>	-	1,722	-	3,565
<i>SME Cooperation Association NGO</i>	-	2,790	-	5,777
<i>Sose Women's Issues NGO</i>	-	2,888	-	5,979
<i>Spitak Helsinki Group Human Rights NGO</i>	-	1,665	-	3,447
<i>Youth Cooperation Center of Dilijan NGO</i>	-	2,992	-	6,194
European Union Instrument contributing to Stability and Peace (IcSP)	51,869	33,762	108,007	69,898
<i>HY Pictures LLC</i>	14,005	-	29,163	-
<i>Boon Cultural-Scientific Foundation</i>	9,437	-	19,651	-
<i>Armenian Progressive Youth NGO</i>	8,547	1,259	17,798	2,608
<i>Cultural and Social Narratives lab NGO</i>	6,448	473	13,426	979
<i>4Plus Documentary Photography Center NGO</i>	5,227	3,602	10,885	7,457
<i>Hazarashen Armenian Ecological Research Center NGO</i>	4,344	6,655	9,045	13,778
<i>Armenian Committee of Helsinki Civil Assembly NGO</i>	2,501	6,579	5,206	13,620
<i>Inqmagir literary club NGO</i>	1,360	5,229	2,834	10,825
<i>Let's Create Smile Youth NGO</i>	-	9,965	-	20,631
"Communities Finance Officers Association" NGO	25,737	25,782	53,592	53,377
<i>Child and Family Development Center NGO</i>	5,399	-	11,242	-
<i>Work and Motherland NGO</i>	3,554	2,772	7,400	5,739
<i>Armavir Development Center NGO</i>	3,407	5,445	7,093	11,273
<i>Martuni Women's Community Council NGO</i>	3,218	4,263	6,702	8,826
<i>Colson Youth Center NGO</i>	3,125	4,115	6,508	8,518
<i>Goris Press Club NGO</i>	2,910	2,304	6,059	4,770
<i>A.D Sakharov Armenian Human Rights Center NGO</i>	2,391	2,977	4,978	6,162
<i>"NGO Center" Civil Society Development NGO</i>	1,733	3,906	3,610	8,089
European Union	9,437	-	19,650	-
<i>Inqmagir literary club NGO</i>	4,319	-	8,994	-

<i>Boon Cultural-Scientific Foundation</i>	3,378	-	7,034	-
<i>HY Pictures LLC</i>	1,740	-	3,622	-
Swedish Government	-	59,841	-	123,889
<i>Anadolu Kultur A.S</i>	-	7,793	-	16,134
<i>Ayrudzy Riding Club NGO</i>	-	4,433	-	9,179
<i>Fenafilm Muzeyyen Zeynep Dadak Kostepen</i>	-	8,408	-	17,407
<i>History Foundation</i>	-	10,900	-	22,566
<i>Hrant Dink Foundation</i>	-	8,975	-	18,580
<i>The Urban Foundation for Sustainable Development UFSD</i>	-	11,454	-	23,713
<i>Troya Environmental Association</i>	-	7,878	-	16,310
Other	14,552	-	30,304	-
	285,891	346,850	595,310	718,086

12 Project and other expenses

Project expenses by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Media Initiatives Center NGO	199,178	166,411	414,746	344,522
European Union Instrument contributing to Stability and Peace (IcSP)	181,301	96,275	377,521	199,319
Embassy of the United States of America	134,538	216,116	280,148	447,427
"Communities Finance Officers Association" NGO	85,996	81,982	179,069	169,728
Armenian General Benevolent Union (AGBU)	71,481	46,915	148,845	97,128
Embassy of the Kingdom of the Netherlands	51,985	12,742	108,247	26,380
Embassy of the United Kingdom of Great Britain and Northern Ireland	34,701	-	72,258	-
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	23,785	-	49,527	-
Democracy Reporting International (DRI)	21,777	10,729	45,347	22,212
European Union	16,306	15,785	33,955	32,682
German Marshall Fund	10,147	11,888	21,128	24,612
Swedish Government	2,480	102,845	5,164	212,921
Other	40,974	40,604	85,321	84,061
	874,649	802,292	1,821,276	1,660,992
Depreciation and amortization expense	21,729	27,969	45,246	57,904
	896,378	830,261	1,866,522	1,718,896

13 Finance costs

	In thousand drams		In US dollar	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Gain/(loss) from exchange differences on:				
<i>Financial assets measured at amortized cost</i>				
<i>Accounts receivable</i>	(231)	(3)	(482)	(7)
<i>Cash and cash equivalents</i>	(729)	(5,664)	(1,518)	(11,726)
<i>Financial liabilities measured at amortized cost</i>				
	(27)	37	(56)	77
	<u>(987)</u>	<u>(5,630)</u>	<u>(2,056)</u>	<u>(11,656)</u>

14 Income tax expense

	In thousand drams		In US dollar	
	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Current tax	2,379	2,302	4,954	4,766
	<u>2,379</u>	<u>2,302</u>	<u>4,954</u>	<u>4,766</u>

Reconciliation of effective tax rate is as follows:

	2019 Effective tax rate	In thousand drams	2018 Effective tax rate	In thousand drams	In US dollar	In US dollar
		Year ended 31 December 2019		Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Result before taxation (under IFRS)		3,113		2,911	6,482	6,027
Tax calculated at a tax rate	20.0 %	623	20,0 %	582	1,296	1,205
Tax effect of						
- <i>Non-taxable income</i>		(175,914)		(163,779)	(366,304)	(339,066)
- <i>Non-deductible expenses</i>		177,670		165,499	369,962	342,627
Income tax expense	<u>76.4 %</u>	<u>2,379</u>	<u>79,1 %</u>	<u>2,302</u>	<u>4,954</u>	<u>4,766</u>

15 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.

15.1 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.

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 grants income and expenses should be completely recognized in the financial statements of the Foundation. These are infrequent cases in special projects.

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 right 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.

16 Financial instruments

16.1 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.

16.2 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 2019	As of 31 December 2018
<i>Amortized cost</i>		
Account receivables	30,645	53,012
Cash and cash equivalents	411,261	71,493

Total financial assets	441,906	124,505
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Financial liabilities

In thousand drams	As of 31 December 2019	As of 31 December 2018
<i>Amortized cost</i>		
Account payables	31,505	47,403
	31,505	47,403

17 Financial risk management and risk management framework

Risk management framework

The Board of Trustees has overall responsibility for the establishment and oversight of the Foundation's risk management framework. The Board has established an Audit and Finance Committee, which is responsible for developing and monitoring the Foundation's risk management policies. The committee reports regularly to the Board of Trustees on its activities.

The Foundation's risk management policies are established to identify and analyse the risks faced by the Foundation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Foundation's activities. The Foundation, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Foundation's Audit and Finance Committee oversees how management monitors compliance with the Foundation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Foundation. The Foundation's Audit and Finance Committee is assisted in its oversight role by Internal Audit as needed. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Finance Committee.

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:

As of 31 December 2019	US dollar	Euro	Total
<i>Financial assets</i>			
Accounts receivable	-	-	-
Cash and cash equivalents	56,014	331,195	387,209
	<u>56,014</u>	<u>331,195</u>	<u>387,209</u>
<i>Financial liabilities</i>			
Accounts payable	912	-	912
	<u>912</u>	<u>-</u>	<u>912</u>
Net position	<u>55,102</u>	<u>331,195</u>	<u>386,297</u>
As of 31 December 2018	US dollar	Euro	Total
<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>
Net position	<u>14,713</u>	<u>39,490</u>	<u>54,203</u>

The following table details the Foundation's sensitivity to a 10% (2018: 10%) increase and decrease in dram against US dollar. 10% (2018: 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% (2018: 10%) change in foreign currency rates.

If the Armenian dram had strengthened against US dollar and Euro by 10% (2018: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2019	2018	2019	2018
Profit or loss	5,601	1,471	33,119	3,949
	<u>5,601</u>	<u>1,471</u>	<u>33,119</u>	<u>3,949</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.

18 Contingencies

18.1 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.

18.2 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. So far it has not been the case.

19 Related parties

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

19.1 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 2019	Year ended 31 December 2018
Salaries and bonuses	75,960	73,446

20 Events after the reporting date

20.1 Donation of office space

According to property gift contracts signed on 11 February 2020 between the Foundation and its Founder, the Eurasia Foundation, Apartments 22 and 23 on 1/21 Azatutyan Avenue, Yerevan, Republic of Armenia were donated to the Foundation by the Eurasia Foundation for free and without any restrictions. The Foundation has subsequently recognized those apartments as assets in property in the total amount of drams 209,000 thousand.

20.2 Coronavirus Pandemic

On 11 March 2020 the World Health Organization declared the coronavirus (COVID-19) as a global pandemic. The impact of the COVID-19 outbreak is unknown at this time. The developing situation with COVID-19 may have some impact on the continuity or the volume of the operations of the Foundation. On 16 March 2020 the Government of the Republic of Armenia announced a state of emergency in the country to last until 14 April 2020, which was later prolonged to 13 June 2020. These financial statements do not reflect the potential effect of the above.

The Foundation considers this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.

The management is currently analyzing the possible impact of changing micro and macroeconomic economic conditions on the financial position and performance of the Foundation.

In particular, the management of the Foundation held various discussions around the necessary steps in order to mitigate the financial, resource management, staff retention and organizational sustainability risks during the outbreak of COVID-19 pandemic in Armenia and globally. EPF Armenia has shifted to online/remote working mode on March 15th which was communicated with the public, as well as the Foundation's donors and other stakeholders. Following the announcement of the state of emergency, the Foundation also formed four working groups: futuristic, assistance to the society, assistance to the civil society and CSOs, EPF communications and revision of policies and procedures.

In order to mitigate the fundraising and financial resources risks following steps have been undertaken by the Foundation:

- a) Negotiations were held with the donors and written requests were submitted for receiving approval for no-cost extensions for three projects ending during March-May 2020
- b) Active internal brainstorming and discussions were organized within each programmatic team and communication was initiated with the donors for the approval of revisions /modifications to match the changed environment of working in the online/remote mode.
- c) Active fundraising activities during and before COVID-19 pandemic.