

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

31 December 2020



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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 2020, 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 2020, 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*

The Foundation's financial statements as of and for the year ended 31 December 2019 were audited by another auditor, whose auditor's report dated 6 June 2020 expresses an unmodified opinion on those 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 those authorized by the legislation of the Republic of Armenia either intend 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.

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.

Armen Hovhannisyan  
Chief Executive Officer

Emil Vassilyan, FCCA  
Engagement Partner

10 August 2021



# Members of the Board of Trustees as of 31 December 2020

**Mary Sheehan**

Chairman

International Organization for Migration, retired

**Andrew Coxshall**

Chair of Finance and Audit Committee

Partner KPMG, retired

**Anna Ohanyan**

Chair of the Department of Political Science and International Studies at Stonehill College

**William Hanlon**

Chief of Field Office, UNICEF Sukhumi

**Deana Arsenian**

Carnegie Corporation of New York, Vice President

**Horton Beebe-Center**

Former President of Eurasia Foundation

**Laurens Ayvazian**

Former Program Director at Eurasia Foundation

**Naira Avetisyan**

Chief of Child Protection Programme, UNICEF Ukraine

**Sarhat Petrosyan**

Founder of urbanlab urban think-do-share lab



# Statement of activities

	Note	In thousand drams		In US dollars	
		Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Income from grants and contributions	11	663,861	862,056	1,357,034	1,795,052
Revenue from training and consulting services		34,422	20,910	70,364	43,540
Other income		3,454	17,512	7,061	36,468
<b>Total income</b>		<b>701,737</b>	<b>900,478</b>	<b>1,434,459</b>	<b>1,875,060</b>
Employee benefit expenses		(307,990)	(307,614)	(629,579)	(640,542)
Sub-grant expenses	12	(253,238)	(285,891)	(517,657)	(595,310)
Cost of services received		(53,497)	(113,107)	(109,356)	(235,522)
Trip and representation expenses		(9,939)	(110,112)	(20,317)	(229,285)
Depreciation and amortization expenses		(12,229)	(21,729)	(24,998)	(45,246)
Office expenses		(17,828)	(19,842)	(36,443)	(41,317)
Office rent expenses		(4,101)	(16,800)	(8,383)	(34,983)
Audit and consulting expenses		(6,905)	(3,392)	(14,115)	(7,063)
Insurance expenses		(4,424)	(6,614)	(9,043)	(13,772)
Other expenses		(8,173)	(11,277)	(16,707)	(23,482)
<b>Total expenses</b>	13	<b>(678,324)</b>	<b>(896,378)</b>	<b>(1,386,598)</b>	<b>(1,866,522)</b>
Net gain/(loss) from exchange differences	14	103,554	(987)	211,680	(2,056)
<b>Result before income tax</b>		<b>126,967</b>	<b>3,113</b>	<b>259,541</b>	<b>6,482</b>
Income tax expense	15	(2,509)	(2,379)	(5,129)	(4,954)
<b>Result for the year</b>		<b>124,458</b>	<b>734</b>	<b>254,412</b>	<b>1,528</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)	Founder's contribution	Total	Foreign currency translation reserve (unrestricted)	Accumulated result (unrestricted)	Founder's contribution	Total
As of 1 January 2019	40,445	-	40,445	(16,900)	100,507	-	83,607
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
Donation of property by Founder (note 4)	-	209,000	209,000	-	-	399,931	399,931
Result for the year	124,458	-	124,458	-	254,412	-	254,412
Foreign exchange difference from translation of financial statements	-	-	-	(23,302)	-	-	(23,302)
As of 31 December 2020	165,637	209,000	374,637	(39,493)	356,447	399,931	716,885

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 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities				
Result for the year	124,458	734	254,412	1,528
<i>Adjustments for:</i>				
Depreciation and amortization	12,229	21,729	24,998	45,246
Income from grants	(663,861)	(862,056)	(1,357,034)	(1,795,052)
Income tax expense	2,509	2,379	5,129	4,954
Foreign exchange loss/(gain)	(103,554)	987	(211,680)	2,056
<i>Operating result before working capital changes</i>	<u>(628,219)</u>	<u>(836,227)</u>	<u>(1,284,175)</u>	<u>(1,741,268)</u>
Change in receivables	(25,823)	79,318	(54,373)	165,354
Change in payables	394	(14,234)	805	(29,675)
<i>Cash used in operations</i>	<u>(653,648)</u>	<u>(771,143)</u>	<u>(1,337,743)</u>	<u>(1,605,589)</u>
Grants received	1,436,047	1,120,927	2,937,087	2,334,097
Income tax paid	(2,399)	(3,095)	(4,904)	(6,445)
<i>Cash used in operating activities</i>	<u>780,000</u>	<u>346,689</u>	<u>1,594,440</u>	<u>722,063</u>
Cash flows from investing activities				
Acquisition of property and equipment	(11,562)	(6,192)	(23,635)	(12,894)
Deposits placed	(494,035)	-	(1,009,883)	-
<i>Net cash used in investing activities</i>	<u>(505,597)</u>	<u>(6,192)</u>	<u>(1,033,518)</u>	<u>(12,894)</u>
Net increase in bank balances	274,403	340,497	560,922	709,169
Foreign exchange effect on cash	101,242	(729)	206,954	(1,518)
Foreign currency exchange difference	-	-	(119,425)	1,889
Cash and cash equivalents at the beginning of the year	<u>411,261</u>	<u>71,493</u>	<u>857,329</u>	<u>147,789</u>
Cash and cash equivalents at the end of the year	<u>20</u> <u>786,906</u>	<u>411,261</u>	<u>1,505,780</u>	<u>857,329</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

The Eurasia Partnership Foundation ("EPF" or the "Foundation") was established on 20 September 2007. The Founder of EPF is the Eurasia Foundation, which was established in the 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 the society;
- support the independent media consistency and promote the development of multi-opinion society;
- promote the reforms in the fields of public policy and management;
- promote the private business development procedures.

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

The average number of employees of the Foundation during 2020 was 29 employees (2019: 14 employees).

### *Business environment*

The changes in the political and economic environment and the development of the legal, tax and legislative systems in Armenia have a continuing nature. The stability and development of the Armenian economy largely depends on these changes. The government has brought a renewed commitment to good governance, including anticorruption efforts, transparency, and accountability.

In March 2020 the World Health Organization classified the coronavirus (COVID-19) outbreak as a pandemic. The coronavirus has already had a significant impact on the global economy and major financial markets.

Continuous measures were introduced by the Government and the Central Bank of the Republic of Armenia to mitigate the impact of the coronavirus on the economy. These measures include, among others, subsidized lending to affected industries and individuals and payment holidays.

The Foundation's management considers its current liquidity position to be sufficient for the sustainable functioning. The Foundation monitors its liquidity position on regular basis and intends to use appropriate liquidity position instruments, if necessary.

The situation in the Republic of Armenia has intensified as a result of Nagorno Karabakh conflict. Despite the ceasefire agreement, the consequences of the war on Armenia's economy, both in the short and long term, are still uncertain.

These events may have a further significant impact on the Foundation's future operations and financial stability, the full consequences of which are currently difficult to predict. The future economic and political situation and its impact on the Foundation's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above on the Foundation's operations.

## 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 International Accounting Standards Board ("IASB") *The Conceptual Framework for Financial Reporting*.

The statement of activities is presented by nature and in note 13 project and other 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 an accruals basis and under the historical cost convention.

### 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 16 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 International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2020.

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 2020**

New standards and amendments described below and applied for the first time in 2020 did not have a material impact on the annual financial statements of the Foundation:

- *Conceptual Framework for Financial Reporting*
- *Definition of a Business (Amendments to IFRS 3)*

- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendment to IFRS 9 and IFRS 7)*
- *COVID-19 Rent Related Concessions (Amendments to IFRS 16)*

### **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 does not anticipate a material impact on the Bank's financial statements from these Standards and Amendments, they are presented below.

- *Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4, IFRS 7)*
- *IFRS 17 Insurance contracts*
- *Proceeds before intended use (Amendments to IAS 16)*
- *References to the conceptual framework (Amendments to IFRS 3)*
- *Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)*
- *Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)*
- *Classification of liabilities as current or non-current (Amendments to IAS 1)*

## **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 522.59 drams for 1 US dollar and 641.11 drams for 1 euro as of 31 December 2020 (31 December 2019: 479.70 drams for 1 US dollar, 537.26 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 statement of activities 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.

Properties donated by the Founder are recognized at the fair market value under the property and equipment of the Foundation on one side, and directly in the net assets on the other side.

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.

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:

Properties	- 50 years
Computer equipment	- 1 year
Fixture and fittings	- 5 years.

### 3.3 Financial instruments

#### *Recognition and derecognition*

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all 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 other comprehensive income (FVOCI).

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 the result for the year are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses. A summary of the Foundation's financial assets by category is given in note 17.

#### *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, term deposits, trade and most other receivables fall into this category of financial instruments.

#### *Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model". Instruments within the scope of IFRS 9 requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Foundation first identifying a credit loss event. Instead the Foundation considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognized for the first category while "lifetime expected credit losses" are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### *Trade and grant receivables*

The Foundation makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Foundation uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

#### *Classification and measurement of financial liabilities*

The Foundation's financial liabilities include *accounts payables*. A summary of the Foundation's financial liabilities by category is given in note 17.

### **3.4 Grants**

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

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

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

Cash collected by the Foundation is not recognized as income, when the project or grant is not realized or controlled by the Foundation. These amounts are not included in the financial statements of the Foundation.

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.

Non-monetary grants (apartments) received are recorded at fair value.

Refer to note 16 for management's judgments on grants recognition and calculation.

### 3.5 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.

### 3.6 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 Foundation has no realistic alternative but to make the payments.

### 3.7 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 3.4.

#### 4 Property and equipment

	In thousand drams				In US dollar			
	Leasehold improve- ments and properties	Computer equipment	Fixture and fittings	Total	Leasehold improve- ments and properties	Computer equipment	Fixture and fittings	Total
<b>Cost</b>								
As of 1 January 2019	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
Additions	209,000	11,359	203	220,562	427,228	23,220	415	450,863
Disposals and write offs	(89,522)	(1,635)	(150)	(91,307)	(182,997)	(3,342)	(307)	(186,646)
Foreign currency translation difference	-	-	-	-	(30,920)	(8,739)	(6,178)	(45,837)
As of 31 December 2020	209,000	53,378	36,158	298,536	399,931	102,141	69,190	571,262
<b>Accumulated depreciation</b>								
As of 1 January 2019	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
Charge for the year	3,712	6,126	2,391	12,229	7,588	12,522	4,888	24,998
Eliminated on disposal and write off	(89,522)	(1,635)	(150)	(91,307)	(182,997)	(3,342)	(307)	(186,646)
Foreign currency translation difference	-	-	-	-	(4,109)	(7,536)	(5,466)	(17,111)
As of 31 December 2020	3,712	45,134	32,483	81,329	7,102	86,366	62,158	155,626
<b>Carrying amount</b>								
As of 31 December 2019	-	3,011	5,863	8,874	-	6,280	12,217	18,497
As of 31 December 2020	205,288	8,244	3,675	217,207	392,829	15,775	7,032	415,636

According to the property gift contract signed on 11 February 2020 between the Foundation and 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. According to the valuation reports, both signed on 24 February 2020, the fair value of the apartments was drams 209,000 thousand. The valuation was carried out by an independent real estate valuator. Those apartments have been directly recognized in the net assets of the Foundation as a contribution from the Founder.

The Foundation concluded a 'Side Agreement' with the previous owner of the property, the USA-based Eurasia Foundation, which contains an obligation on behalf of the Foundation to "...use the Premises as it was used by EF before the donation as specified in Art. 1.1. of this Agreement. In the event the Property is no longer needed for the stated purposes, the Foundation will consult first with Eurasia Foundation and then with USAID to receive disposition instructions in accordance with 22 CFR 226-3(b) (REAL PROPERTY)."

Previously, according to the contract on the gratuitous use of assets signed on 18 November 2013 between the Foundation and the Eurasia Foundation, these apartments were provided to the Foundation by the Eurasia Foundation for a free-of-charge use for 5 years, exceptionally not for commercial purposes, to be used as an office space. According to the contract, the Foundation was obliged to repair the apartments using its own resources. The capital expenditures on repair were included in the property and equipment as "Leasehold improvements". The "Leasehold improvements" with a cost and accumulated depreciation of 89,522 thousand have been written off in the current year, as they had nil carrying amount as of 1 January 2020. In addition, their value is already reflected in the value of the appraised properties.

## 5 Term deposits

Term deposits were placed in HSBC Bank Armenia CJSC with maturity periods varying from 90 to 365 days, and with an average effective interest rate of 0.41% for deposits in Euro and 1.42% for deposits in USD. The split between current and non-current deposits is shown below:

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Deposits above three month period	494,035	-	945,359	-
Deposits up to three month period	168,629	-	322,679	-
Total	662,664	-	1,268,038	-

Refer to note 22 for short-term deposits, which have been included under "Cash and cash equivalents" for the purposes of the cash flow statement.

## 6 Bank balances

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Bank balances in local currencies	3,902	24,052	7,467	50,140
Bank balances in foreign currencies	614,375	387,209	1,175,634	807,189
	618,277	411,261	1,183,101	857,329

## 7 Account receivables

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Receivables from rendering of services	11,250	-	21,527	-
Grants receivable	12,144	30,645	23,238	63,883
Advances to sub-grantees	61,838	15,236	118,330	31,761
Other advances	22,384	19,456	42,833	40,558
	<u>107,616</u>	<u>65,337</u>	<u>205,928</u>	<u>136,202</u>

All amounts are short-term. The carrying amount of trade receivables is considered a reasonable approximation of their fair value.

The grants receivables are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
European Union	-	25,539	-	53,241
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	6,390	-	12,227	-
Communities Finance Officers Association NGO (USAID)	5,754	2,999	11,011	6,252
Democracy Reporting International (DRI)	-	2,107	-	4,390
	<u>12,144</u>	<u>30,645</u>	<u>23,238</u>	<u>63,883</u>

Advances to sub-grantees are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
NGO Center Civil Society Development NGO	-	4,553	-	9,492
Helsinki Association HR Protection NGO	4,288	1,488	8,205	3,102
Martuni Women's Community Council	161	139	308	289
A.D. Sakharov Armenian Human Rights Center	1,569	1,769	3,002	3,689
Armavir Development Center NGO	984	1,155	1,883	2,407
Knowledge and Impact LLC	4,015	-	7,683	-
Armenian Psycho-Oncology Association NGO	1,705	-	3,263	-
Boon Scientific Cultural NGO	2,246	-	4,298	-
Cultural and Social Narratives Lab NGO	5,462	-	10,452	-
Factum NGO	1,908	-	3,651	-
Confidence Health NGO	2,027	-	3,879	-
Fenafilm Muzeyyen Zeynep Dadak	1,531	-	2,930	-
Fundamental Scientific Library SNCO	3,142	-	6,012	-
Information Committee NGO	1,851	-	3,542	-
Kinoket Productions LLC	1,514	-	2,897	-
Effective Governance and Community Development NGO	1,153	-	2,206	-
SOCIES Expert Center NGO	3,935	-	7,530	-
Youth Cooperation Center of Dilijan NGO	1,662	-	3,180	-
Troya Environmental Association	2,858	-	5,469	-
Other	19,827	6,132	37,940	12,782
	<u>61,838</u>	<u>15,236</u>	<u>118,330</u>	<u>31,761</u>

## 8 Grants related to assets

	In thousand drams		In US dollar	
	2020	2019	2020	2019
Balance at the beginning of year	8,874	24,411	18,497	50,462
Additions	10,967	6,192	22,418	12,893
Realized to income (refer to note 11)	(8,239)	(21,729)	(16,842)	(45,246)
Foreign currency translation difference	-	-	(1,872)	388
Balance at the end of year	<u>11,602</u>	<u>8,874</u>	<u>22,201</u>	<u>18,497</u>

## 9 Accounts payable

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Accounts payable to sub-grantees	4,546	2,277	8,699	4,747
Accounts payable	983	2,413	1,881	5,030
Employee benefits payables	27,357	26,815	52,349	55,901
Taxes and liabilities payable	8,977	9,964	17,178	20,769
	<u>41,863</u>	<u>41,469</u>	<u>80,107</u>	<u>86,447</u>

## 10 Deferred income

	In thousand drams		In US dollar	
	2020	2019	2020	2019
Balance at the beginning of year	396,877	91,818	827,344	189,805
Additions	1,495,919	1,307,757	3,057,888	2,723,131
Reduction of deferred income	(47,729)	(156,179)	(97,565)	(325,210)
Reclassification to grants related to assets	(10,966)	(6,192)	(22,416)	(12,894)
Realized to income (refer to note 11)	(655,622)	(840,327)	(1,340,192)	(1,749,806)
Foreign currency translation difference	-	-	(169,985)	2,318
Balance at the end of year	<u>1,178,479</u>	<u>396,877</u>	<u>2,255,074</u>	<u>827,344</u>

Additions of grants include amounts that were expensed, but not yet received of drams 12,144 thousand as of 31 December 2020 (2019: drams 30,645 thousand).

Reduction of deferred income represents amounts of grants received from the European Union, for which the Foundation is only responsible to transfer funds to various sub-grantees and it does not have control and monitoring function over realization of those grants. The balance of deferred income of European Union grants is drams 164,770 thousand as of 31 December 2020 (2019: drams 280,919 thousand).

Donations in cash represent contributions received from the following organizations:

	In thousand drams		In US dollar	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
The Swedish international Development Cooperation Agency, SIDA	574,144	-	1,173,639	-
EU Peace 2-1	262,182	-	535,940	-
EU4YOUTH	136,188	-	278,389	-
US department of State, Bureau of Democracy, human rights and labor (DRL)	126,746	37,044	259,088	77,136
Media Initiatives Center NGO	123,164	200,173	251,766	416,820
Data for Accountable and Transparent Action, DATA USAID	109,156	-	223,132	-
Communities Finance officers Association NGO	90,017	79,310	184,009	165,147
Embassy of the Kingdom of the Netherlands	23,414	53,719	47,862	111,858
EU PeaCE	18,925	155,704	38,686	324,222
Embassy of the United kingdom of Great Britain and Northern Ireland	10,916	51,899	22,314	108,069
UN OFFICE AT GENEVA	7,765	-	15,873	-
Democracy reporting International (DRI)	1,088	9,675	2,224	20,146
Other	70	11,818	143	24,609
European Union	-	454,143	-	945,658
Embassy of the United States of America	-	134,538	-	280,148
Armenian General Benevolent Union	-	66,193	-	137,833
German Marshal Fund	-	22,896	-	47,675
	<u>1,483,775</u>	<u>1,277,112</u>	<u>3,033,065</u>	<u>2,659,321</u>

The balance of deferred income by sources is presented below:

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
The Swedish International Development Cooperation Agency, SIDA	568,578	-	1,088,000	-
EU Peace 2-1	247,273	-	473,168	-
European Union	164,770	280,919	315,295	585,614
EU4YOUTH	136,188	-	260,602	-
Embassy of the Kingdom of the Netherlands	32,699	47,059	62,571	98,101
Media Initiatives Center NGO (USAID Funds)	20,143	14,860	38,545	30,978
UN OFFICE AT GENEVA	4,576	-	8,757	-
German Marshal Fund	1,222	12,624	2,338	26,317
US department of State, Bureau of Democracy, human rights and labor (DRL)	914	11,791	1,749	24,580
Embassy of the United kingdom of Great Britain and Northern Ireland	-	15,760	-	32,853
Armenian General Benevolent Union	-	9,661	-	20,139
Eastern Partnership Civil Society Forum	-	-	-	-
Other	2,116	4,203	4,049	8,762
	<u>1,178,479</u>	<u>396,877</u>	<u>2,255,074</u>	<u>827,344</u>

## 11 Income from grants and contributions

	In thousand drams		In US dollar	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Income from deferred income (refer to note 10)	655,622	840,327	1,340,192	1,749,806
Income from grants related to assets (refer to note 8)	8,239	21,729	16,842	45,246
	<u>663,861</u>	<u>862,056</u>	<u>1,357,034</u>	<u>1,795,052</u>

Income from grants and contributions by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Democracy reporting International (DRI)	141,784	21,777	289,829	45,347
Media Initiatives Center NGO (USAID)	117,910	199,178	241,026	414,746
Data for Accountable and Transparent Action, DATA USAID	99,753	-	203,910	-
Communities Finance Officers Association NGO	95,551	85,996	195,321	179,069
European Union	67,830	16,306	138,655	33,955
Embassy of Kingdom of Netherlands	37,721	51,985	77,108	108,247
Embassy of the United kingdom of Great Britain and Northern Ireland	26,548	34,701	54,268	72,258
EU PeaCE	18,925	181,301	38,686	377,521
EU Peace 2-1	14,843	-	30,341	-
German Marshall Fund	11,402	10,147	23,307	21,128
Armenian General Benevolent Union (AGBU)	9,690	71,481	19,808	148,845
The Swedish international Development Cooperation Agency, SIDA	5,151	-	10,529	-
UN OFFICE AT GENEVA	3,188	-	6,517	-
Democracy Reporting International (DRI)	1,088	23,785	2,224	49,527
United States Agency for International Development (USAID)	-	134,538	-	280,148
Swedish Government	-	2,480	-	5,164
Other	4,238	6,652	8,663	13,851
	<u>655,622</u>	<u>840,327</u>	<u>1,340,192</u>	<u>1,749,806</u>

## 12 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 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
US department of State, Bureau of Democracy, human rights and labor (DRL)	84,201	14,256	172,120	29,685
Media Initiatives Center NGO	76,722	122,181	156,831	254,416
Data for Accountable and Transparent Action, DATA USAID	50,507	-	103,244	-
Communities Finance Officers Association NGO	27,714	25,737	56,652	53,592
European Union	8,950	9,437	18,295	19,650
Embassy of the United States of America	-	62,115	-	129,341
Other	5,144	296	10,515	619
European Union Instrument contributing to Stability and Peace (IcSP)	-	51,869	-	108,007
	<u>253,238</u>	<u>285,891</u>	<u>517,657</u>	<u>595,310</u>

## 13 Project and other expenses

Project expenses by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	141,784	23,785	289,828	49,527
Media Initiatives Center NGO	117,910	199,178	241,026	414,746
Data for Accountable and Transparent Action, DATA USAID	99,753	-	203,910	-
Communities Finance Officers Association NGO	95,551	85,996	195,321	179,069
European Union	66,922	16,306	136,799	33,955
Embassy of Kingdom of Netherlands	37,721	51,985	77,108	108,247
Democracy Reporting International (DRI)	-	21,777	-	45,347
Embassy of the United Kingdom of Great Britain and Northern Ireland	28,139	34,701	57,520	72,258
German Marshall Fund	-	10,147	-	21,128
Sweden Government	-	2,480	-	5,164
EU Peace 2-1	14,843	-	30,341	-
The Swedish international Development Cooperation Agency, SIDA	5,151	-	10,529	-
UN OFFICE AT GENEVA	3,188	-	6,517	-
European Union Instrument contributing to Stability and Peace (IcSP)	2,892	181,301	5,912	377,521
Embassy of the United States of America	561	134,538	1,147	280,148
Armenian General Benevolent Union (AGBU)	318	71,481	650	148,845
Other	51,362	40,974	104,992	85,321
	<u>666,095</u>	<u>874,649</u>	<u>1,361,600</u>	<u>1,821,276</u>
Depreciation and amortization expense	12,229	21,729	24,998	45,246
	<u>678,324</u>	<u>896,378</u>	<u>1,386,598</u>	<u>1,866,522</u>

## 14 Net gain/ (loss) from exchange differences

	In thousand drams		In US dollar	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Gain/(loss) from exchange differences on:				
Financial assets measured at amortized cost				
Accounts receivable	2,312	(231)	4,726	(482)
Cash and cash equivalents	101,242	(729)	206,954	(1,518)
Financial liabilities measured at amortized cost	-	(27)	-	(56)
	<u>103,554</u>	<u>(987)</u>	<u>211,680</u>	<u>(2,056)</u>

## 15 Income tax expense

	In thousand drams		In US dollar	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Current tax	<u>2,509</u>	<u>2,379</u>	<u>5,129</u>	<u>4,954</u>
	2,509	2,379	5,129	4,954

Reconciliation of effective tax rate is as follows:

	In thousand drams	In US dollar	Effective tax rate (%)	In thousand drams	In US dollar	Effective tax rate (%)
	Year ended 31 December 2020	Year ended 31 December 2020		Year ended 31 December 2019	Year ended 31 December 2019	
Result before taxation (under IFRS)	<u>126,967</u>	<u>259,541</u>		<u>3,113</u>	<u>6,482</u>	
Tax calculated at a tax rate of 18% (2019: 20%)	22,854	46,717	18.00	623	1,296	20.00
(Non-taxable)/non-deductible items, net	<u>(20,345)</u>	<u>(41,588)</u>	<u>(16.02)</u>	<u>1,756</u>	<u>3,658</u>	<u>56.42</u>
Income tax expense	<u>2,509</u>	<u>5,129</u>	<u>1.98</u>	<u>2,379</u>	<u>4,954</u>	<u>76.42</u>

## 16 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.

### 16.1 Critical accounting estimates

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

#### *Useful lives of property and equipment*

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

#### *Fair value measurement*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### *Fair value of properties*

The sales comparison and income approaches were applied to value the properties contributed by the founder, that is, the final value of the total weighted sum of values, derived through each of those approaches.

#### *Grants recognition*

As disclosed in note 3.4, 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.

## 17 Financial instruments

### 17.1 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.

### 17.2 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 3.4.

### 17.3 Categories of financial instruments

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

#### *Financial assets*

<i>Amortized cost</i>	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Account receivables	23,394	30,645	44,765	63,883
Term deposits	662,664	-	1,268,038	-
Bank balances	618,277	411,261	1,183,101	857,329
<b>Total financial assets</b>	<b>1,304,335</b>	<b>441,906</b>	<b>2,495,904</b>	<b>921,212</b>

## Financial liabilities

Amortized cost	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Account payables	32,886	31,505	62,929	65,678
Total financial liabilities	32,886	31,505	62,929	65,678

## 18 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
As of 31 December 2020		
<i>Financial assets</i>		
Accounts receivable	7,030	-
Term deposits	470,331	192,333
Bank balances	171,549	442,826
	648,910	635,159
Net position	648,910	635,159
Item		
As of 31 December 2019		
<i>Financial assets</i>		
Bank balances	56,014	331,195
	56,014	331,195
<i>Financial liabilities</i>		
Accounts payable	912	-
	912	-
Net position	55,102	331,195

The following table details the Foundation's sensitivity to a 10% (2019: 10%) increase and decrease in dram against US dollar. 10% (2019: 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% (2019: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2019: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2020	2019	2020	2019
Result	64,891	5,510	63,516	33,119
	64,891	5,510	63,516	33,119

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, term deposits and other receivables.

The credit risk is managed on a basis based on the Foundation's credit risk management policies and procedures.

The credit risk in respect of bank balances and deposits is negligible, since the counterparty is a major reputable bank (HSBC Armenia) CJSC).

### 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.

## 19 Fair value measurement

The Company provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 19.1 Fair value measurement of non-financial assets

### *Leasehold improvements and properties (Level 2)*

Items in the "Lease hold improvements and properties" class of property and equipment of the Foundation are stated at fair market value. The estimated fair value of leasehold properties is categorized within Level 2 of the fair value hierarchy. The fair value of those assets is estimated based on appraisals performed by independent, professionally-qualified property valuers who hold necessary licenses.

The valuation was carried out using a sales comparison and income approaches that reflects weighted average value for appraised real estate of using two approaches (refer to note 16.1).

## 20 Contingencies

### 20.1 Insurance

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

### 20.2 Taxes

The taxation system in Armenia is characterized by frequently changing legislation, which sometimes needs interpretations. 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 fines and penalties.

On 1 January 2020, the chapter on the regulation of transfer pricing of the Tax Code of the Republic of Armenia came into force, which defines the peculiarities of transactions between related parties, defines the procedure for considering those transactions as controlled by the tax authority, as well as the procedure for submitting notification and documentation. The purpose of the mentioned regulations is to determine whether the financial performance of transactions between related parties is consistent with the arm's length principle, and in the event of inconsistency, the adjustment procedure for tax base computation purpose is established. The application of these regulations is subject to separate inspection by the tax authority, and the absence of required documentation or improper submission can result in significant consequences.

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.

## 21 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include bank balances and short-term investments with a maturity period of less than 3 months. Cash and bank balances at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position, as follows:

	In thousand drams		In US dollar	
	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
Bank balances	618,277	411,261	1,183,101	857,329
Short-term deposits	168,629	-	322,679	-
	<u>786,906</u>	<u>411,261</u>	<u>1,505,780</u>	<u>857,329</u>

## 22 Related parties

The Foundation's related parties include the Eurasia Foundation (the Founder), Foundation Board of Trustees and Executive Director.

### 22.1 Transactions with management

The table below summarizes the remuneration received by the chief executive officer and associate country director during the reporting year, which is included in employee benefits.

	In thousand drams		In US dollar	
	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and bonuses	60,779	75,960	124,242	158,171