

Financial Statements and Independent Auditor's Report Eurasia Partnership Foundation

31 December 2021



Contents

Independent auditor's report	3
Members of the Board of Trustees as of 31 December 2021	5
Statement of financial position	6
Statement of activities	7
Statement of changes in net assets	8
Statement of cash flows	9
Notes to the financial statements	10

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 2021, 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 2021, 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.

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 Hovhannisyanyan
Chief Executive Officer

6 May 2022

Emil Vassilyan, FCCA
Engagement Partner



Members of the Board of Trustees as of 31 December 2021

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

Sarhat Petrosyan

Founder of urbanlab urban think-do-share lab

Laurens Ayvazian

Former Program Director (US-Russia Civil Society Partnership Program) at Eurasia Foundation

Naira Avetisyan

Chief of Child Protection Programme, UNICEF Ukraine

Statement of financial position

	Note	In thousand drams		In US Dollars	
		As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Assets					
<i>Non-current assets</i>					
Property and equipment	4	222,674	217,207	463,770	415,636
		222,674	217,207	463,770	415,636
<i>Current assets</i>					
Accounts receivable	5	208,909	107,616	435,100	205,928
Term deposits	6	389,258	662,664	810,718	1,268,038
Current income tax assets		-	817	-	1,564
Bank balances	7	290,801	618,277	605,659	1,183,101
		888,968	1,389,374	1,851,477	2,658,631
Total assets		1,111,642	1,606,581	2,315,247	3,074,267
Liabilities and net assets					
<i>Non-current liabilities</i>					
Grants related to assets	8	15,861	11,602	33,034	22,201
		15,861	11,602	33,034	22,201
<i>Current liabilities</i>					
Accounts payable	9	54,431	41,863	113,365	80,107
Current income tax payable		2,194	-	4,570	-
Deferred income	10	783,438	1,178,479	1,631,687	2,255,074
		840,063	1,220,342	1,749,622	2,335,181
Net assets					
Accumulated result (unrestricted)		46,718	165,637	121,396	356,447
Founder's contribution		209,000	209,000	399,931	399,931
Foreign currency translation reserve		-	-	11,264	(39,493)
		255,718	374,637	532,591	716,885
Total liabilities and net assets		1,111,642	1,606,581	2,315,247	3,074,267

The financial statements were approved on 6 May 2022 by:

Gevorg Ter-Gabrielyan
Chief Executive Officer

Marina Aivazyan
Chief Financial Officer

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



Statement of activities

	Note	In thousand drams		In US dollars	
		Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Income from grants and contributions	11	1,190,166	663,860	2,366,497	1,357,034
Revenue from training and consulting services		21,631	34,422	42,987	70,364
Other income		9,833	3,455	19,539	7,061
Total income		1,221,630	701,737	2,429,023	1,434,459
Employee benefit expenses		(321,396)	(307,990)	(638,710)	(629,579)
Sub-grant expenses	12	(597,331)	(253,238)	(1,187,076)	(517,657)
Cost of services received		(175,364)	(53,497)	(348,501)	(109,356)
Trip and representation expenses		(52,474)	(9,939)	(104,282)	(20,317)
Office expenses		(36,308)	(17,828)	(72,155)	(36,443)
Depreciation and amortization expenses		(13,398)	(12,229)	(26,625)	(24,998)
Audit and consulting expenses		(5,060)	(6,905)	(10,056)	(14,115)
Office rent expenses		(2,567)	(4,101)	(5,101)	(8,383)
Insurance expenses		(6,787)	(4,424)	(13,488)	(9,043)
Other expenses		(11,360)	(8,173)	(22,577)	(16,707)
Total expenses	13	(1,222,045)	(678,324)	(2,428,571)	(1,386,598)
Net gain/(loss) from exchange differences	14	(115,494)	103,554	(229,521)	211,680
Result before income tax		(115,909)	126,967	(229,069)	259,541
Income tax expense	15	(3,010)	(2,509)	(5,982)	(5,129)
Result for the year		(118,919)	124,458	(235,051)	254,412

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 2020	41,179	-	41,179	(16,191)	102,035	-	85,844
Donation of property by Founder	-	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
Result for the year	(118,919)	-	(118,919)	-	(235,051)	-	(235,051)
Foreign exchange difference from translation of financial statements	-	-	-	50,757	-	-	50,757
As of 31 December 2021	46,718	209,000	255,718	11,264	121,396	399,931	532,591

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 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities				
Result for the year	(118,919)	124,458	(235,051)	254,412
<i>Adjustments for:</i>			-	
Depreciation and amortization	13,398	12,229	26,626	24,998
Income from grants	(1,190,167)	(663,861)	(2,365,219)	(1,357,034)
Loss from disposal of fixed assets	83	-	165	-
Income tax expense	3,010	2,509	5,982	5,129
Foreign exchange loss/(gain)	115,494	(103,554)	229,521	(211,680)
<i>Operating result before working capital changes</i>	<u>(1,177,101)</u>	<u>(628,219)</u>	<u>(2,337,976)</u>	<u>(1,284,175)</u>
Change in receivables	(134,944)	(25,823)	(268,175)	(54,373)
Change in payables	12,762	394	25,362	805
<i>Cash used in operations</i>	<u>(1,299,283)</u>	<u>(653,648)</u>	<u>(2,580,789)</u>	<u>(1,337,743)</u>
Grants received/(paid), net	790,166	1,436,047	1,570,297	2,937,087
Income tax paid	-	(2,399)	-	(4,904)
<i>Cash from/(used in) operating activities</i>	<u>(509,117)</u>	<u>780,000</u>	<u>(1,010,492)</u>	<u>1,594,440</u>
Cash flows from/(used in) investing activities				
Acquisition of property and equipment	(18,948)	(11,562)	(37,655)	(23,635)
Deposits placed/(withdrawn)	302,450	(494,035)	601,058	(1,009,883)
<i>Net cash from/(used in) investing activities</i>	<u>283,502</u>	<u>(505,597)</u>	<u>563,403</u>	<u>(1,033,518)</u>
Net increase/(decrease) in bank balances	(225,615)	274,403	(447,089)	560,922
Foreign exchange effect on cash	(72,817)	101,242	(144,709)	206,954
Foreign currency exchange difference	-	-	103,375	(119,425)
Cash and cash equivalents at the beginning of the year	22 786,906	411,261	1,505,780	857,329
Cash and cash equivalents at the end of the year	22 <u>488,474</u>	<u>786,906</u>	<u>1,017,357</u>	<u>1,505,780</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 Azatutyan Avenue, Yerevan, Republic of Armenia.

The average number of employees of the Foundation during 2021 was 23 employees (2020: 22 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.

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 also 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 17 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 2021.

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 2021

New standards and amendments described below and applied for the first time in 2021 did not have a material impact on the annual financial statements of the Foundation:

Standard	Title of Standard or Interpretation
<i>Various</i>	<i>Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4, IFRS 7)</i>

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 on or after the effective date of the pronouncement.

Management does not anticipate a material impact on the Foundation's financial statements from these Standards and Amendments, they are presented below:

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after
<i>IFRS 16</i>	<i>COVID-19 Rent Related Concessions beyond 30 June 2021</i>	<i>1 April 2021</i>
<i>IFRS 3</i>	<i>References to the conceptual framework (Amendments to IFRS 3)</i>	<i>1 January 2022</i>
<i>IAS 16</i>	<i>Proceeds before intended use (Amendments to IAS 16)</i>	<i>1 January 2022</i>

IAS 37	<i>Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)</i>	1 January 2022
IFRS 1, IFRS 9, IAS 41, IFRS 16	<i>Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)</i>	1 January 2022
IFRS 17	<i>Insurance contracts</i>	1 January 2023
IFRS 4	<i>Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023
IFRS 17	<i>Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)</i>	1 January 2023
IAS 1	<i>Classification of liabilities as current or non-current (Amendment to IAS 1)</i>	1 January 2023
IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023

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 480.14 drams for 1 US dollar and 542.61 drams for 1 euro as of 31 December 2021 (31 December 2020: 522.59 drams for 1 US dollar, 641.11 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 in 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 18.

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 18.

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 17 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 Income

Income 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.

Income 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 includes consultancy services and trainings conducted by Foundation. Revenue is recognized as of the reporting date in line with the stage of completion of 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 improvements and properties	Computer equipment	Fixture and fittings	Total	Leasehold improvements and properties	Computer equipment	Fixture and fittings	Total
<i>Cost</i>								
As of 1 January 2020	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	(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
Additions	10,500	6,379	2,069	18,948	20,867	12,677	4,112	37,656
Disposals and write-offs	-	(5,530)	(1,644)	(7,174)	-	(10,990)	(3,267)	(14,257)
Foreign currency translation difference	-	-	-	-	36,360	9,112	6,157	51,629
As of 31 December 2021	219,500	54,227	36,583	310,310	457,158	112,940	76,192	646,290
<i>Accumulated depreciation</i>								
As of 1 January 2020	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	(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
Charge for the year	4,296	6,692	2,410	13,398	8,537	13,299	4,789	26,625
Eliminated on disposals and write-offs	-	(5,447)	(1,644)	(7,091)	-	(10,825)	(3,267)	(14,092)
Foreign currency translation difference	-	-	-	-	1,039	7,754	5,568	14,361
As of 31 December 2021	8,008	46,379	33,249	87,636	16,678	96,594	69,248	182,520
<i>Carrying amount</i>								
As of 31 December 2020	205,288	8,244	3,675	217,207	392,829	15,775	7,032	415,636
As of 31 December 2021	211,492	7,848	3,334	222,674	440,480	16,346	6,944	463,770

5 Account receivables

	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Receivables from rendering of services	-	11,250	-	21,527
Grants receivable	21,334	12,144	44,433	23,238
Advances to sub-grantees	154,785	61,838	322,375	118,330
Other advances	32,790	22,384	68,292	42,833
	<u>208,909</u>	<u>107,616</u>	<u>435,100</u>	<u>205,928</u>

All amounts are short-term.

The grants receivables are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	-	6,390	-	12,227
Communities Finance Officers Association NGO (USAID)	21,334	5,754	44,433	11,011
	<u>21,334</u>	<u>12,144</u>	<u>44,433</u>	<u>23,238</u>

Advances to sub-grantees are disclosed below:

	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Center Civil Society Development NGO	4,787	-	9,970	-
Helsinki Association HR Protection NGO	2,167	4,288	4,513	8,205
Martuni Women's Community Council	2,539	161	5,288	308
Armavir Development Center NGO	4,859	984	10,120	1,883
Knowledge and Impact LLC	1,372	4,015	2,857	7,683
Armenian Psycho-Oncology Association NGO	171	1,705	356	3,263
Boon Scientific Cultural NGO	10,650	2,246	22,181	4,298
Cultural and Social Narratives Lab NGO	4,852	5,462	10,105	10,452
Factum NGO	3,075	1,908	6,404	3,651
Confidence Health NGO	479	2,027	998	3,879
Fundamental Scientific Library SNCO	78	3,142	162	6,012
SOCIES Expert Center NGO	5,053	3,935	10,524	7,530
Youth Cooperation Center of Dilijan NGO	5,725	1,662	11,924	3,180
Journalists for Future NGO	6,046	-	12,592	-
Institute of Public Policy NGO	4,320	-	8,997	-
Open Platform for the Art NGO	5,686	-	11,842	-
4Plus Independent Doc Photography Center NGO	3,750	-	7,810	-
Sebastatsiner Educational Center	8,435	-	17,568	-
Mission Armenia Charitable NGO	5,939	-	12,369	-
Right and Freedom Center NGO	2,675	-	5,571	-
Non-discrimination and Equality Coalition	3,562	-	7,419	-
Pathway to Full Inclusive Society Dev NGO	4,000	-	8,331	-
The Sun Shines for Everyone NGO	3,000	-	6,248	-
Eternal Social Charitable NGO	4,871	-	10,145	-
NGO Center Civil Soc dev NGO	2,315	-	4,822	-
Education for the Future NGO	4,230	-	8,810	-
Other	50,149	30,303	104,449	57,986
	<u>154,785</u>	<u>61,838</u>	<u>322,375</u>	<u>118,330</u>

6 Term deposits

As of the reporting dates term deposits were placed in HSBC Bank Armenia CJSC with maturity periods varying from 90 to 276 days, and with an average effective interest rate of 0.25% for deposits in Euro, 1.46% for deposits in USD and 5.71% for deposits in AMD.

	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Deposits with maturity exceeding three months	191,585	494,035	399,020	945,359
Deposits with maturity up to three months	197,673	168,629	411,698	322,679
Total	<u>389,258</u>	<u>662,664</u>	<u>810,718</u>	<u>1,268,038</u>

Refer to note 22 for deposits with a maturity up to three months, which have been included under “Cash and cash equivalents” for the purposes of the cash flow statement.

7 Bank balances

	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Bank balances in local currencies	5,395	3,902	11,236	7,467
Bank balances in foreign currencies	285,406	614,375	594,423	1,175,634
	<u>290,801</u>	<u>618,277</u>	<u>605,659</u>	<u>1,183,101</u>

The balances are held with HSBC Bank Armenia

8 Grants related to assets

	In thousand drams		In US dollar	
	2021	2020	2021	2020
Balance at the beginning of year	11,602	8,874	22,201	18,497
Additions	17,655	10,966	36,771	22,416
Realized to income (refer to note 11)	(13,396)	(8,238)	(27,902)	(16,842)
Foreign currency translation difference	-	-	1,964	(1,870)
Balance at the end of year	<u>15,861</u>	<u>11,602</u>	<u>33,034</u>	<u>22,201</u>

9 Accounts payable

	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Accounts payable to sub-grantees	2,502	4,546	5,211	8,699
Employee benefits payables	39,333	27,357	81,920	52,349
Taxes and liabilities payable	8,987	8,977	18,717	17,178
Other payable	3,609	983	7,517	1,881
	<u>54,431</u>	<u>41,863</u>	<u>113,365</u>	<u>80,107</u>

10 Deferred income

	In thousand drams		In US dollar	
	2021	2020	2021	2020
Balance at the beginning of year	1,178,479	396,877	2,255,074	827,344
Additions	860,345	1,495,919	1,709,764	3,057,888
Reduction of deferred income	(60,961)	(47,729)	(126,965)	(97,565)
Reclassification to grants related to assets	(17,655)	(10,966)	(36,771)	(22,416)
Realized to income (refer to note 11)	(1,176,770)	(655,622)	(2,338,595)	(1,340,192)
Foreign currency translation difference	-	-	169,180	(169,985)
Balance at the end of year	<u>783,438</u>	<u>1,178,479</u>	<u>1,631,687</u>	<u>2,255,074</u>

Additions of grants include amounts that were expensed, but not yet received of drams 21,334 thousand as of 31 December 2021 (2020: drams 12,144 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.

Donations in cash represent contributions received from the following organizations:

	In thousand drams		In US dollar	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Data for Accountable and Transparent Action, DATA USAID	393,004	109,156	781,017	223,132
US department of State, Bureau of Democracy, human rights and labor (DRL)	201,687	126,746	400,813	259,088
Communities Finance officers Association NGO	62,246	90,017	123,701	184,009
Embassy of the Kingdom of the Netherlands	57,221	23,414	113,715	47,862
The Swedish international Development Cooperation Agency, SIDA	53,215	574,144	105,754	1,173,639
Media Initiatives Center NGO	35,792	123,164	71,129	251,766
Bulgaria MFA	20,468	-	40,676	-
CRRC Armenia	13,121	-	26,075	-
UN OFFICE AT GENEVA	2,031	7,765	4,036	15,873
EU4Peace - Component 4: Capacity Enhancement, Civic Engagement and Crisis Response	-	262,182	-	535,940
EU4YOUTH	-	136,188	-	278,389
EU Peacebuilding through Capacity Enhancement and Civic Engagement	-	18,925	-	38,686
Embassy of the United kingdom of Great Britain and Northern Ireland	-	10,916	-	22,314
Democracy reporting International (DRI)	-	1,088	-	2,224
Other	226	70	450	143
	<u>839,011</u>	<u>1,483,775</u>	<u>1,667,366</u>	<u>3,033,065</u>

The balance of deferred income by sources is presented below:

	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
The Swedish International Development Cooperation Agency, SIDA	446,528	568,578	929,995	1,088,000
EU4Peace - Component 4: Capacity Enhancement, Civic Engagement and Crisis Response	154,952	247,273	322,723	473,168
EU4YOUTH	76,319	136,188	158,952	260,602
Embassy of the Kingdom of the Netherlands	35,966	32,699	74,907	62,571
European Union	26,632	164,770	55,467	315,295
US department of State, Bureau of Democracy, human rights and labor (DRL)	11,331	914	23,599	1,749
CRRC Armenia	10,718	-	22,323	-
Bulgaria MFA	10,346	-	21,548	-
Data for Accountable and Transparent Action, DATA USAID	6,506	-	13,550	-
UN Office at Geneva	636	4,576	1,325	8,757
Media Initiatives Center NGO (USAID Funds)	-	20,143	-	38,545
Other	3,504	3,338	7,298	6,387
	<u>783,438</u>	<u>1,178,479</u>	<u>1,631,687</u>	<u>2,255,074</u>

11 Income from grants and contributions

	In thousand drams		In US dollar	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Income from deferred income (refer to note 10)	1,176,770	655,622	2,338,595	1,340,192
Income from grants related to assets (refer to note 8)	13,396	8,238	27,902	16,842
	<u>1,190,166</u>	<u>663,860</u>	<u>2,366,497</u>	<u>1,357,034</u>

Income from grants and contributions by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Data for Accountable and Transparent Action, DATA USAID	384,381	99,753	763,880	203,910
Democracy Reporting International (DRI)	189,802	1,088	377,194	2,224
The Swedish international Development Cooperation Agency, SIDA	175,169	5,151	348,113	10,529
European Union	104,895	67,830	208,458	138,655
EU4Peace - Component 4: Capacity Enhancement, Civic Engagement and Crisis Response	92,058	14,843	182,947	30,341
Communities Finance Officers Association NGO	83,148	95,551	165,240	195,321
Media Initiatives Center NGO (USAID)	55,304	117,910	109,906	241,026
Embassy of the Kingdom of the Netherlands	53,460	37,721	106,241	77,108
EU4YOUTH	18,599	-	36,962	-
Bulgaria MFA	10,131	-	20,133	-
UN office at Geneva	5,971	3,188	11,866	6,517
German Marshall Fund	1,222	11,402	2,428	23,307
Democracy reporting International (DRI)	-	141,784	-	289,829
Embassy of the United Kingdom of Great Britain and Northern Ireland	-	26,548	-	54,268
EU Peacebuilding through Capacity Enhancement and Civic Engagement	-	18,925	-	38,686
Armenian General Benevolent Union (AGBU)	-	9,690	-	19,808
Other	2,630	4,238	5,227	8,663
	<u>1,176,770</u>	<u>655,622</u>	<u>2,338,595</u>	<u>1,340,192</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 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Data for Accountable and Transparent Action, DATA USAID	229,642	50,507	456,368	103,244
US department of State, Bureau of Democracy, human rights and labor (DRL)	130,431	84,201	259,206	172,120
The Swedish international Development Cooperation Agency, SIDA	87,916	-	174,715	-
Media Initiatives Center NGO	45,904	76,722	91,225	156,831
European Union	40,965	8,950	81,409	18,295
Communities Finance Officers Association NGO	30,074	27,714	59,766	56,652
EU4Peace - Component 4: Capacity Enhancement, Civic Engagement and Crisis Response	26,748	-	53,156	-
Other	5,651	5,144	11,231	10,515
	<u>597,331</u>	<u>253,238</u>	<u>1,187,076</u>	<u>517,657</u>

13 Project and other expenses

Project expenses by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Data for Accountable and Transparent Action, DATA USAID	384,453	99,753	764,024	203,910
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	189,941	141,784	377,470	289,828
The Swedish international Development Cooperation Agency, SIDA	175,233	5,151	348,241	10,529
Media Initiatives Center NGO	57,682	117,910	114,631	241,026
European Union	104,895	66,922	208,458	136,799
EU4Peace - Component 4: Capacity Enhancement, Civic Engagement and Crisis Response	92,058	14,843	182,947	30,341
Communities Finance Officers Association NGO	83,153	95,551	165,250	195,321
Embassy of the Kingdom of the Netherlands	53,460	37,721	106,241	77,108
EU4YOUTH	18,599	-	36,962	-
Hrant Dink Foundation	11,567	-	22,987	-
Bulgaria MFA	10,132	-	20,135	-
UN office at Geneva	5,971	3,188	11,866	6,517
Embassy of the United Kingdom of Great Britain and Northern Ireland	-	28,139	-	57,520
European Union Instrument contributing to Stability and Peace	-	2,892	-	5,912
Embassy of the United States of America	-	561	-	1,147
Armenian General Benevolent Union (AGBU)	-	318	-	650
Other	21,503	51,362	42,733	104,992
	<u>1,208,647</u>	<u>666,095</u>	<u>2,401,945</u>	<u>1,361,600</u>
Depreciation and amortization expense	13,398	12,229	26,626	24,998
	<u>1,222,045</u>	<u>678,324</u>	<u>2,428,571</u>	<u>1,386,598</u>

14 Net gain/(loss) from exchange differences

	In thousand drams		In US dollar	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Gain/(loss) from exchange differences on:				
Financial assets measured at amortized cost				
Accounts receivable	(42,871)	2,312	(85,198)	4,726
Cash and cash equivalents	(72,817)	101,242	(144,709)	206,954
Financial liabilities measured at amortized cost	194	-	386	-
	<u>(115,494)</u>	<u>103,554</u>	<u>(229,521)</u>	<u>211,680</u>

15 Income tax expense

	In thousand drams		In US dollar	
	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Current tax	3,010	2,509	5,982	5,129
	<u>3,010</u>	<u>2,509</u>	<u>5,982</u>	<u>5,129</u>

Reconciliation of effective tax rate is as follows:

	In thousand drams		Effective tax rate (%)	In thousand drams		Effective tax rate (%)
	Year ended 31 December 2021	In US dollar Year ended 31 December 2021		Year ended 31 December 2020	In US dollar Year ended 31 December 2020	
Result before taxation (under IFRS)	(115,909)	(229,069)		126,967	259,541	
Tax calculated at a tax rate of 18% (2020: 18%)	(20,864)	(41,232)	18.00	22,854	46,717	18.00
(Non-taxable)/non-deductible items, net	23,874	47,214	(20.61)	(20,345)	(41,588)	(16.02)
Income tax Expense	<u>3,010</u>	<u>5,982</u>	<u>(2.61)</u>	<u>2,509</u>	<u>5,129</u>	<u>1.98</u>

16 Subsequent events

The Russian invasion of Ukraine that started on 24 February 2022 has evolved rapidly, having a significant impact around the world. The United States and the European countries have imposed severe sanctions against Russian Federation. The Western countries are discussing widening existing sanctions. Russian Federation is a significant trading partner of the Republic of Armenia, hence sanctions imposed on Russia as of the date of these financial statements, as well as escalation of those sanctions could have a drastic effect on the economy and financial markets of the Republic of Armenia. The immediate global implications might be higher inflation, lower growth and some disruption to financial markets as deeper sanctions take hold. Some of the key impacts on the business may include supply chain interruptions, impairment of assets, employee shortages, travel restrictions, trade restrictions, inability to obtain financing, etc.

The specific effect is hard to predict with certainty, however, management assesses that the above will not have a significant impact on the Foundation's operations and its financial statements.

17 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.

17.1 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 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. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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.

18 Financial instruments

18.1 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.

18.2 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 3.3.

18.3 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 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Account receivables	21,334	23,394	44,433	44,765
Term deposits	389,258	662,664	810,718	1,268,038
Bank balances	290,801	618,277	605,659	1,183,101
Total financial assets	701,393	1,304,335	1,460,809	2,495,904

Financial liabilities

<i>Amortized cost</i>	In thousand drams		In US dollar	
	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Account payables	45,444	32,886	94,647	62,929
Total financial liabilities	45,444	32,886	94,647	62,929

19 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.

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.

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

As of 31 December 2021	US dollar	Euro
<i>Financial assets</i>		
Accounts receivable	-	10,909
Term deposits	56,938	177,054
Bank balances	312,091	27,131
	<u>369,029</u>	<u>204,185</u>
Net position	<u>369,029</u>	<u>204,185</u>

Item

As of 31 December 2020	US dollar	Euro
<i>Financial assets</i>		
Accounts receivable	7,030	-
Term deposits	470,331	192,333
Bank balances	171,549	442,826
	<u>648,910</u>	<u>635,159</u>
Net position	<u>648,910</u>	<u>635,159</u>

The following table details the Foundation's sensitivity to a 10% (2020: 10%) increase and decrease in dram against US dollar and Euro. 10% (2020: 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% (2020: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2020: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2021	2020	2021	2020
Result	<u>36,903</u>	<u>64,891</u>	<u>20,418</u>	<u>63,516</u>
	<u>36,903</u>	<u>64,891</u>	<u>20,418</u>	<u>63,516</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, 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.

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.

20 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).

20.1 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 values 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 17.1).

21 Contingencies

21.1 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 (such as coverage in respect of environmental damage, arising from accidents on the property). The Foundation does have full coverage for its General Liabilities; Crime and Directors' and officers' liabilities; and Property Insurance with only exception that Property insurance coverage was interrupted from October 06, 2021 until November 30, 2021 due to the prolonged bidding process before contracting insurance company. However, the Foundation does not have full coverage in respect of 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.

21.2 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 2021, 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.

22 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 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
Bank balances	290,801	618,277	605,659	1,183,101
Short-term deposits	197,673	168,629	411,698	322,679
	<u>488,474</u>	<u>786,906</u>	<u>1,017,357</u>	<u>1,505,780</u>

23 Related parties

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

23.1 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 2021	Year ended 31 December 2020	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and bonuses	<u>77,267</u>	<u>60,779</u>	<u>153,553</u>	<u>124,242</u>