

Financial Statements and Independent Auditor's Report Eurasia Partnership Foundation

31 December 2022



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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 2022, 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 2022, 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 Hovhannisyan
Chief Executive Officer



Emil Vassilyan, FCCA
Engagement Partner

29 June, 2023

Members of the Board of Trustees as of 31 December 2022

Mary Sheehan

Chairman

International Organization for Migration, retired

Michael Johnson

Chair of Finance and Audit Committee

Director of Management and Operations for Peace Corps Armenia

Horton Beebe-Center

Former President of Eurasia Foundation

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

Laurens Ayvazian

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

Naira Avetisyan

Chief of Child Protection Programme, UNICEF Ukraine

Sarhat Petrosyan

Founder of urbanlab urban think-do-share lab.

Statement of financial position

	Note	In thousand drams		In US Dollars	
		As of 31 December 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Assets					
<i>Non-current assets</i>					
Property and equipment	4	223,128	222,674	566,932	463,770
		223,128	222,674	566,932	463,770
<i>Current assets</i>					
Accounts receivable	5	56,477	208,909	143,499	435,100
Term deposits	6	168,604	389,258	428,396	810,718
Bank balances	7	214,340	290,801	544,605	605,659
		439,421	888,968	1,116,500	1,851,477
Total assets		662,549	1,111,642	1,683,432	2,315,247
Liabilities and net assets					
<i>Non-current liabilities</i>					
Grants related to assets	8	25,718	15,861	65,345	33,034
		25,718	15,861	65,345	33,034
<i>Current liabilities</i>					
Accounts payable	9	56,845	54,431	144,434	113,365
Current income tax payable		3,473	2,194	8,824	4,570
Deferred income	10	420,735	783,438	1,069,022	1,631,687
		481,053	840,063	1,222,280	1,749,622
Net assets					
Accumulated result (unrestricted)		(53,222)	46,718	(107,902)	121,396
Founder's contribution		209,000	209,000	399,931	399,931
Foreign currency translation reserve		-	-	103,778	11,264
		155,778	255,718	395,807	532,591
Total liabilities and net assets		662,549	1,111,642	1,683,432	2,315,247

The financial statements were approved on 29 June 2023 by:

Gevorg Ter-Gabrielyan

Chief Executive Officer

Marina Ayvazyan

Chief Financial Officer

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 30.

Statement of activities

	Note	In thousand drams		In US dollars	
		Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Income from grants and contributions	11	1,478,894	1,190,166	3,392,970	2,366,497
Revenue from training and consulting services		27,471	21,631	63,025	42,987
Other income		5,172	9,833	11,866	19,539
Total income		1,511,537	1,221,630	3,467,861	2,429,023
Employee benefit expenses		(301,245)	(321,396)	(691,135)	(638,710)
Sub-grant expenses	12	(808,798)	(597,331)	(1,855,595)	(1,187,076)
Cost of services received		(211,624)	(175,364)	(485,521)	(348,501)
Trip and representation expenses		(111,358)	(52,474)	(255,484)	(104,282)
Office expenses		(21,530)	(36,308)	(49,395)	(72,155)
Depreciation and amortization expenses		(12,846)	(13,398)	(29,472)	(26,625)
Audit and consulting expenses		(6,190)	(5,060)	(14,201)	(10,056)
Office rent expenses		(2,552)	(2,567)	(5,855)	(5,101)
Insurance expenses		(6,937)	(6,787)	(15,915)	(13,488)
Other expenses		(16,747)	(11,360)	(38,431)	(22,577)
Total expenses	13	(1,499,827)	(1,222,045)	(3,441,004)	(2,428,571)
Net gain/(loss) from exchange differences	14	(110,370)	(115,494)	(253,218)	(229,521)
Result before income tax		(98,660)	(115,909)	(226,361)	(229,069)
Income tax expense	15	(1,280)	(3,010)	(2,937)	(5,982)
Result for the year		(99,940)	(118,919)	(229,298)	(235,051)

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 30.

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 2021	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
Result for the year	(99,940)	-	(99,940)		(229,298)		(229,298)
Foreign exchange difference from translation of financial statements	-	-	-	92,514			92,514
As of 31 December 2022	(53,222)	209,000	155,778	103,778	(107,902)	399,931	395,807

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 30.

Statement of cash flows

	In thousand drams		In US dollars	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Cash flows from operating activities				
Result for the year	(99,940)	(118,919)	(229,298)	(235,051)
<i>Adjustments for:</i>				-
Depreciation and amortization	12,846	13,398	29,472	26,626
Income from grants	(1,478,894)	(1,190,167)	(3,392,970)	(2,365,219)
Loss from disposal of fixed assets	593	83	1,360	165
Income tax expense	1,280	3,010	2,937	5,982
Foreign exchange loss	110,366	115,494	253,218	229,521
<i>Operating result before working capital changes</i>	<u>(1,453,749)</u>	<u>(1,177,101)</u>	<u>(3,335,281)</u>	<u>(2,337,976)</u>
Change in receivables	103,177	(134,944)	236,715	(268,175)
Change in payables	2,534	12,762	5,814	25,362
<i>Cash used in operations</i>	<u>(1,348,038)</u>	<u>(1,299,283)</u>	<u>(3,092,752)</u>	<u>(2,580,789)</u>
Grants received/(paid), net	1,126,048	790,166	2,583,449	1,570,297
Income tax paid		-		-
<i>Cash used in operating activities</i>	<u>(221,990)</u>	<u>(509,117)</u>	<u>(509,303)</u>	<u>(1,010,492)</u>
Cash flows from/(used in) investing activities				
Acquisition of property and equipment	(13,893)	(18,948)	(31,874)	(37,655)
Deposits placed/(withdrawn)	95,993	302,450	220,232	601,058
<i>Net cash from investing activities</i>	<u>82,100</u>	<u>283,502</u>	<u>188,358</u>	<u>563,403</u>
Net decrease in cash	(139,890)	(225,615)	(320,945)	(447,089)
Foreign exchange effect on cash	(61,235)	(72,817)	(140,489)	(144,709)
Foreign currency exchange difference	-	-	70,856	103,375
Cash and cash equivalents at the beginning of the year	21 488,474	786,906	1,120,687	1,505,780
Cash and cash equivalents at the end of the year	21 <u>287,349</u>	<u>488,474</u>	<u>730,109</u>	<u>1,017,357</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 30.

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 primary activities of the Foundation are to:

- promote civil society development;
- promote dialogue and tolerance;
- promote human rights and judicial reform;
- support local self-governing reforms;
- support community development;
- increase the role of youth in the society;
- support the independent media sustainability and promote the development of multi-opinion society;
- promote the reforms in the fields of public policy and management;
- promote the private business development.

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

The average number of employees of the Foundation during 2022 was 22 employees (2021: 23 employees).

Business environment

The conflict in Ukraine caused thousands of Russians and Ukrainians to relocate to the Republic of Armenia. This included not only individuals but also businesses that were established and operated in those countries. This resulted in increased inflows of foreign currency into the Armenian market, which led to a significant appreciation of the Armenian dram relative to US dollar and Euro.

On the other hand, the Central Bank of Armenia did not take any measures to weaken the Armenian national currency. This event had a significant impact on entities that were involved in exporting goods and services, including those operating in the Information and Communication Technologies (ITC) sector.

Management does not expect that there will be any further appreciation of the Armenian dram relative to US dollar and Euro. However, the continuing conflict in Ukraine may result in inflows of still more foreign currency into Armenia, which may have a negative impact on the financial sustainability of the EPF.

These financial statements do not include the possible effects of the above.

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 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 2022.

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 2022

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

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 393.57 drams for 1 US dollar and 420.06 drams for 1 euro as of 31 December 2022 (31 December 2021: 480.14 drams for 1 US dollar and 542.61 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:

Apartments and improvements	- 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.

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			
	Apartments and improvements	Computer equipment	Fixture and fittings	Total	Apartments and improvements	Computer equipment	Fixture and fittings	Total
<i>Cost</i>								
As of 1 January 2021	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
Additions	5,976	5,415	2,499	13,890	13,711	12,423	5,733	31,867
Disposals and write-offs	-	(8,253)	(3,076)	(11,329)	-	(18,935)	(7,057)	(25,992)
Foreign currency translation difference	-	-	-	-	102,031	24,142	16,618	142,791
As of 31 December 2022	225,476	51,389	36,006	312,871	572,900	130,570	91,486	794,956
<i>Accumulated depreciation</i>								
As of 1 January 2021	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
Charge for the year	4,413	6,498	1,935	12,846	10,125	14,908	4,439	29,472
Eliminated on disposal	-	(8,209)	(2,530)	(10,739)	-	(18,834)	(5,798)	(24,632)
Foreign currency translation difference	-	-	-	-	4,757	20,826	15,081	40,664
As of 31 December 2022	12,421	44,668	32,654	89,743	31,560	113,494	82,970	228,024
<i>Carrying amount</i>								
As of 31 December 2021	211,492	7,848	3,334	222,674	440,480	16,346	6,944	463,770
As of 31 December 2022	213,055	6,721	3,352	223,128	541,340	17,076	8,516	566,932

5 Account receivables

	In thousand drams		In US dollar	
	As of 31 December 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Grants receivable	-	21,334	-	44,433
Advances to sub-grantees	48,438	154,785	123,073	322,375
Other advances	8,039	32,790	20,426	68,292
	<u>56,477</u>	<u>208,909</u>	<u>143,499</u>	<u>435,100</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 6-7% for deposits in AMD (For 2021 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 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Deposits with maturity exceeding three months	95,595	191,585	242,892	399,020
Deposits with maturity up to three months	73,009	197,673	185,504	411,698
Total	<u>168,604</u>	<u>389,258</u>	<u>428,396</u>	<u>810,718</u>

Refer to note 21 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 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Bank balances in local currencies	6,426	5,395	16,328	11,236
Bank balances in foreign currencies	207,914	285,406	528,277	594,423
	<u>214,340</u>	<u>290,801</u>	<u>544,605</u>	<u>605,659</u>

8 Grants related to assets

	In thousand drams		In US dollar	
	2022	2021	2022	2021
Balance at the beginning of year	15,861	11,602	33,034	22,201
Additions	13,243	17,655	30,383	36,771
Realized to income (refer to note 11)	(3,386)	(13,396)	(7,768)	(27,902)
Foreign currency translation Difference	-	-	9,696	1,964
Balance at the end of year	<u>25,718</u>	<u>15,861</u>	<u>65,345</u>	<u>33,034</u>

9 Accounts payable

	In thousand drams		In US dollar	
	As of 31 December 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Accounts payable to sub-grantees	4,130	2,502	10,494	5,211
Employee benefits payables	39,806	39,333	101,141	81,920
Taxes and liabilities payable	7,484	8,987	19,015	18,717
Other payable	5,425	3,609	13,784	7,517
	<u>56,845</u>	<u>54,431</u>	<u>144,434</u>	<u>113,365</u>

10 Deferred income

	In thousand drams		In US dollar	
	2022	2021	2022	2021
Balance at the beginning of year	783,438	1,178,479	1,631,687	2,255,074
Additions	1,215,639	860,345	2,788,994	1,709,764
Reduction of deferred income	(89,591)	(60,961)	(227,637)	(126,965)
Reclassification to grants related to assets	(13,243)	(17,655)	(33,648)	(36,771)
Realized to income (refer to note 11)	(1,475,508)	(1,176,770)	(3,385,202)	(2,338,595)
Foreign currency translation difference	-	-	294,828	169,180
Balance at the end of year	<u>420,735</u>	<u>783,438</u>	<u>1,069,022</u>	<u>1,631,687</u>

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

Donations in cash represent contributions received from the following organizations:

	In thousand drams		In US dollar	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Data for Accountable and Transparent Action, DATA USAID	450,558	393,004	1,033,698	781,017
US department of State, Bureau of Democracy, human rights and labor (DRL)	109,657	201,687	251,582	400,813
Communities Finance officers Association NGO	466	62,246	1,069	123,701
Embassy of the Kingdom of the Netherlands	22,823	57,221	52,362	113,715
The Swedish international Development Cooperation Agency, SIDA	125,367	53,215	287,625	105,754
Media Initiatives Center NGO	-	35,792	-	71,129
Bulgaria MFA	-	20,468	-	40,676
CRRC Armenia	46,335	13,121	106,305	26,075
UN OFFICE AT GENEVA	7,693	2,031	17,650	4,036
EU4Peace	153,468	-	352,096	-
EU4YOUTH	67,073	-	153,883	-
EU	166,812	-	382,710	-
Other	65,387	226	150,014	450
	<u>1,215,639</u>	<u>839,011</u>	<u>2,788,994</u>	<u>1,667,366</u>

The balance of deferred income by sources is presented below:

	In thousand drams		In US dollar	
	As of 31 December 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
The Swedish International Development Cooperation Agency, SIDA	108,368	446,528	275,346	929,995
EU4Peace - Component 4: Capacity Enhancement, Civic Engagement and Crisis Response	55,066	154,952	139,914	322,723
EU4YOUTH	90,441	76,319	229,796	158,952
Embassy of the Kingdom of the Netherlands	-	35,966	-	74,907
European Union	56,590	26,632	143,786	55,467
US department of State, Bureau of Democracy, human rights and labor (DRL)	-	11,331	-	23,599
CRRC Armenia	49,471	10,718	125,698	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	-	1,325
Other	60,799	3,504	154,482	7,298
	<u>420,735</u>	<u>783,438</u>	<u>1,069,022</u>	<u>1,631,687</u>

11 Income from grants and contributions

	In thousand drams		In US dollar	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Income from deferred income (refer to note 10)	1,475,508	1,176,770	3,385,202	2,338,595
Income from grants related to assets (refer to note 8)	3,386	13,396	7,768	27,902
	<u>1,478,894</u>	<u>1,190,166</u>	<u>3,392,970</u>	<u>2,366,497</u>

Income from grants and contributions by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Data for Accountable and Transparent Action, DATA USAID	455,379	384,381	1,044,759	763,880
The Swedish international Development Cooperation Agency, SIDA	462,674	175,169	1,061,495	348,113
European Union	64,264	104,895	147,438	208,458
EU4Peace	252,030	92,058	578,223	182,947
Communities Finance Officers Association NGO	466	83,148	1,069	165,240
Media Initiatives Center NGO (USAID)	-	55,304	-	109,906
Embassy of the Kingdom of the Netherlands	58,789	53,460	134,877	106,241
EU4YOUTH	29,146	18,599	66,869	36,962
Bulgaria MFA	10,346	10,131	23,736	20,133
UN office at Geneva	8,328	5,971	19,107	11,866
German Marshall Fund	-	1,222	-	2,428
Democracy reporting International (DRL)	119,505	189,802	274,176	377,194
CRRC	6,994	-	16,046	-
Other	7,587	2,630	17,407	5,227
	<u>1,475,508</u>	<u>1,176,770</u>	<u>3,385,202</u>	<u>2,338,595</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 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Data for Accountable and Transparent Action, DATA USAID	254,080	229,642	582,926	456,368
US department of State, Bureau of Democracy, human rights and labor (DRL)	40,404	130,431	92,697	259,206
The Swedish international Development Cooperation Agency, SIDA	305,450	87,916	700,782	174,715
Media Initiatives Center NGO	-	45,904	-	91,225
European Union	9,635	40,965	22,105	81,409
Communities Finance Officers Association NGO	-	30,074	-	59,766
EU4Peace - Component 4: Capacity Enhancement, Civic Engagement and Crisis Response	176,294	26,748	404,465	53,156
Other	22,935	5,651	52,620	11,231
	<u>808,798</u>	<u>597,331</u>	<u>1,855,595</u>	<u>1,187,076</u>

13 Project and other expenses

Project expenses by sources is presented below:

	In thousand drams		In US dollar	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Data for Accountable and Transparent Action, DATA USAID	454,929	384,453	1,043,726	764,024
US Department of State, Bureau of Democracy, Human Rights and Labor (DRL)	115,168	189,941	264,226	377,470
The Swedish international Development Cooperation Agency, SIDA	462,674	175,233	1,061,495	348,241
Media Initiatives Center NGO	-	57,682	-	114,631
European Union	64,264	104,895	147,438	208,458
EU4Peace	253,054	92,058	580,572	182,947
Communities Finance Officers Association NGO	5,110	83,153	11,724	165,250
Embassy of the Kingdom of the Netherlands	39,554	53,460	90,747	106,241
EU4YOUTH	28,746	18,599	65,951	36,962
Hrant Dink Foundation	6,634	11,567	15,220	22,987
Bulgaria MFA	7,745	10,132	17,769	20,135
UN office at Geneva	8,415	5,971	19,306	11,866
CRRC	7,394	2,404	16,964	4,777
IOM	18,826	-	43,192	-
Other	14,468	19,099	33,202	37,956
	<u>1,486,981</u>	<u>1,208,647</u>	<u>3,411,532</u>	<u>2,401,945</u>
Depreciation expense	<u>12,846</u>	<u>13,398</u>	<u>29,472</u>	<u>26,626</u>
	<u><u>1,499,827</u></u>	<u><u>1,222,045</u></u>	<u><u>3,441,004</u></u>	<u><u>2,428,571</u></u>

14 Net gain/(loss) from exchange differences

	In thousand drams		In US dollar	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Gain/(loss) from exchange differences on:				
Financial assets measured at amortized cost				
Accounts receivable	(49,255)	(42,871)	(113,004)	(85,198)
Cash and cash equivalents	(61,235)	(72,817)	(140,489)	(144,709)
Financial liabilities measured at amortized cost	120	194	275	386
	<u>(110,370)</u>	<u>(115,494)</u>	<u>(253,218)</u>	<u>(229,521)</u>

15 Income tax expense

	In thousand drams		In US dollar	
	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Current tax	1,280	3,010	2,937	5,982
	<u>1,280</u>	<u>3,010</u>	<u>2,937</u>	<u>5,982</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 2022	In US dollar Year ended 31 December 2022		Year ended 31 December 2021	In US dollar Year ended 31 December 2021	
Result before taxation (under IFRS)	(98,660)	(226,361)		(115,909)	(229,069)	
Tax calculated at a tax rate of 18% (2021: 18%)	(17,760)	(40,745)	18.00	(20,864)	(41,232)	18.00
(Non-taxable)/non-deductible items, net	19,040	43,682	(19.3)	23,874	47,214	(20,61)
Income tax expense	<u>1,280</u>	<u>2,937</u>	<u>(1.1)</u>	<u>3,010</u>	<u>5,982</u>	<u>(2,61)</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 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.

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 should undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which will be reported to the Audit and Finance Committee. No internal audit has been performed yet.

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 3.3.

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 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Account receivables	-	21,334	-	44,433
Term deposits	168,604	389,258	428,396	810,718
Bank balances	214,340	290,801	544,605	605,659
Total financial assets	<u>382,944</u>	<u>701,393</u>	<u>973,001</u>	<u>1,460,810</u>

Financial liabilities

<i>Amortized cost</i>	In thousand drams		In US dollar	
	As of 31 December 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Account payables	49,361	45,444	125,419	94,647
Total financial liabilities	<u>49,361</u>	<u>45,444</u>	<u>125,419</u>	<u>94,647</u>

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.

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 2022

	<u>US dollar</u>	<u>Euro</u>
<i>Financial assets</i>		
Term deposits	43,293	84,012
Bank balances	44,505	165,525
	<u>87,798</u>	<u>249,537</u>
Net position	<u>87,798</u>	<u>249,537</u>

Item

As of 31 December 2021	US dollar	Euro
<i>Financial assets</i>		
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>

The following table details the Foundation's sensitivity to a 10% (2021: 10%) increase and decrease in dram against US dollar and Euro. 10% (2021: 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% (2021: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2021: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2022	2021	2022	2021
Result	8,780	36,903	24,954	20,418
	<u>8,780</u>	<u>36,903</u>	<u>24,954</u>	<u>20,418</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.

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

Apartments and improvements (Level 2)

Items in the “Apartments and improvements” class of property and equipment of the Foundation are stated at fair market value. The estimated fair value of 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).

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 (such as coverage in respect of environmental damage, arising from accidents on the property).

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 2022, 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 2022	As of 31 December 2021	As of 31 December 2022	As of 31 December 2021
Bank balances	214,340	290,801	544,605	605,659
Short-term deposits	73,009	197,673	185,504	411,698
	<u>287,349</u>	<u>488,474</u>	<u>730,109</u>	<u>1,017,357</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 2022	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2021
Salaries and bonuses	<u>75,219</u>	<u>77,267</u>	<u>172,572</u>	<u>153,553</u>