Financial Statements and Independent Auditor's Report

“Jinishian” Memorial Foundation

December 31, 2016

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Independent auditor's report

To the Board of Trustees of "Jinishian" Memorial Foundation

Opinion

We have audited the financial statements of "Jinishian" Memorial Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the statement of comprehensive income, statement of changes in reserves 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 December 31, 2016, 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 management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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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.

Gagik Gyulbudaghyan	Emil Vassilyan, FCCA
Managing Partner	Engagement Partner

March 22, 2017

Statement of financial position

In thousand drams	Note	As of December 31, 2016	As of December 31, 2015
Assets			
Non-current assets			
Property and equipment	4	63,740	38,712
Intangible assets		329	375
Borrowings provided	5	50,400	332
		114,469	39,419
Current assets			
Inventories		2,668	4,245
Advances and receivables	6	56,742	23,986
Borrowings provided	5	201,161	301,571
Term deposits	7	333,045	285,414
Cash and bank balances		36,017	52,173
		629,633	667,389
Total assets		744,102	706,808
Reserves and liabilities			
Reserves			
Accumulated result (unrestricted)		685,752	629,755
		685,752	629,755
Non-current liabilities			
Grants related to assets	8	33,822	39,087
		33,822	39,087
Current liabilities			
Accounts payable	9	21,521	13,254
Current income tax liabilities		1,829	1,962
Deferred income	10	1,178	22,750
		24,528	37,966
Total reserves and liabilities		744,102	706,808

The financial statements were approved on March 22, 2017 by:

Armen Hakobian
Executive Director

Zaruhi Sahakyan
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 8 to 29.

Statement of comprehensive income

In thousand drams	Note	Year ended December 31, 2016	Year ended December 31, 2015
Revenue			
Income from grants	11	328,520	265,770
Other income		3,457	1,367
Interest income	12	18,010	20,257
Other financial items, net	15	(1,747)	3,633
Total income		348,240	291,027
Expenses			
Employee benefits		(131,024)	(137,977)
Depreciation and amortization		(7,061)	(7,819)
Grants provided	13	(53,555)	(73,540)
Cost of inventories used		(4,187)	(2,680)
Fuel and transportation expenses		(11,472)	(7,947)
Insurance expenses		(4,396)	(262)
Other expenses	14	(76,947)	(66,202)
Total expenses		(288,642)	(296,427)
Result for the year		59,598	(5,400)
Income tax expense	16	(3,601)	(3,247)
Total comprehensive income for the year		55,997	(8,647)

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 29.

Statement of changes in reserves

In thousand drams	Accumulated result (unrestricted)	Total
as of January 1, 2015	638,402	638,402
Result for the year	(8,647)	(8,647)
as of December 31, 2015	629,755	629,755
Result for the year	55,997	55,997
as of December 31, 2016	685,752	685,752

The statement of changes in reserves is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 29.

Statement of cash flows

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities		
Result for the year	55,997	(8,647)
Adjustments for:		
Income from grants	(328,520)	(265,770)
Depreciation and amortization	7,061	7,819
Loss on disposal of property and equipment	-	393
Income tax expense	3,601	3,247
Finance income	(18,010)	(20,257)
Income from change of allowance on bad and doubtful borrowings	(8,090)	(1,252)
Foreign exchange gain	1,747	(3,633)
Operating result before working capital changes	(286,214)	(288,100)
Change in advances and receivables	(32,756)	(3,878)
Change in inventories	1,577	3,505
Change in payables	9,082	13,290
Cash used in operations	(308,311)	(275,183)
Cash received from grants/(grants return and other movements), net	301,683	270,803
Income tax paid	(3,734)	(1,935)
Net cash used in operating activities	(10,362)	(6,315)
Cash flows from investing activities		
Interest income received	17,783	22,068
Proceeds from borrowings	309,086	241,335
Provision of borrowings	(251,230)	(240,000)
Acquisition of property and equipment	(32,043)	(2,280)
Net cash used in investing activities	43,596	21,123
Net increase in cash and bank balances	33,234	14,808
Foreign exchange effect on cash	(1,732)	3,633
Cash and bank balances at the beginning of the year	333,730	315,289
Cash and bank balances at the end of the year	365,232	333,730

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 8 to 29.

Notes to the financial statements

1 Nature of operations and general information

"Jinishian" Memorial Foundation (the "Foundation") is a benevolent organization founded on May 17, 1966 by Vardan Jinishian in commemoration of his parents.

In Armenia the Foundation started its operation in 1994 and was officially registered as a Foundation in 1999. It implements projects directly financed by the Presbyterian Church USA (the Founder) "Jinishian Memorial Program".

The mission of the Foundation is to enable Armenians in need to move from poverty and despair to self-sufficiency and hope-through relief, development and spiritual uplift.

The overriding goal of the Foundation is to support durable solutions to Armenia's social and economic problems.

To realize its mission the Foundation pursues the following goals:

- Reduce poverty;
- Empower all levels of the society to work together to overcome social and economic problems;
- Support the spiritual, intellectual and social development of young Armenians;
- Strengthen civil society through support to non-governmental organizations (NGOs) and other formal and informal social benefit activities;
- Relieve the immediate suffering of the most vulnerable and marginalized groups through material and spiritual assistance.

To realize the above-mentioned goals the Foundation implements the following projects:

- Self-Developed Projects – when the Foundation develops and implements its own projects;
- Partnerships – when the Foundation collaborates with local and international organizations to develop, fund and implement projects;
- Small Grants – when the Foundation provides small grants to support projects developed and implemented by local NGOs and community groups;
- Credit Services – when the Foundation provides affordable credits to Micro-Finance Institutions and Farmer Cooperatives.

On September 2, 2011 the Foundation signed a Memorandum of Understanding with CARD AgroCredit UCO CJSC, in the framwork of which, low interest rate borrowings are provided to CARD AgroCredit UCO CJSC to provide them to farmer cooperatives.

The cooperation with CARD AgroCredit UCO CJSC aims at creating financing resources for farmer cooperatives, founding a crediting model, which will lead to the encouragement of cooperation between the farmers.

In 2016 the average number of employees of the Foundation was 27 (2015: 26).

The principle place of operation of the Foundation is 34 Abovian st., apt. 5, Yerevan, Republic of Armenia.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Currently, IFRS do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRS 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 IFRS, as detailed in the International Accounting Standards Board ("IASB") *The Conceptual Framework for Financial Reporting*.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost.

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, since management believes that this currency is more useful for the users of these financial statements. All financial information presented in Armenian drams has been rounded to the nearest thousand.

2.4 Use of estimates and judgment

The preparation of financial statements in conformity with IFRS 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 January 1, 2016.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments are applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Foundation.

New and revised standards and interpretations that are effective for annual periods beginning on or after January 1, 2016

Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Annual Improvements 2012-2014

The Annual Improvements 2012-2014 made several minor amendments to a number of IFRSs. The amendments relevant to the Foundation are summarized below:

IFRS 7 *Financial Instruments: Disclosures*

The amendments provide additional guidance to help entities identify the circumstances under which a servicing contract is considered to be "continuing involvement" for the purposes of applying the disclosure requirements in paragraphs 42E-42H of IFRS 7. Such circumstances commonly arise when, for example, the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset or when a fixed fee is not paid in full due to non-performance of that asset.

IFRS 7 *Financial Instruments: Disclosures*

These amendments clarify that the additional disclosure required by the recent amendments to IFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with IAS 34 *Interim Financial Reporting* when its inclusion would be necessary in order to meet the general principles of IAS 34.

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

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Foundation.

Management anticipates that all of the relevant pronouncements will be adopted in the Foundation's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Foundation's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Foundation's financial statements.

IFRS 9 *Financial Instruments* (2014)

The IASB released IFRS 9 *Financial Instruments* (2014), representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Foundation's management have yet to assess the impact of this new standard on the Foundation's financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

Amendments to IAS 12 *Income Taxes*

The IASB has issued *Recognition of Deferred Tax Assets for Unrealised Losses*, which makes narrow-scope amendments to IAS 12 *Income Taxes*. The focus of these amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

These amendments clarify the following aspects:

- unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;

- the carrying amount of an asset does not limit the estimation of probable future taxable profits;

- estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences;

- an entity should consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of the deductible temporary difference. If tax law imposes no such restrictions, an entity assesses a deductible temporary difference in combination with all of its other deductible temporary differences.

The Amendments are effective for annual periods beginning on or after January 1, 2017 and are required to be applied retrospectively. Management does not anticipate a material impact on the Foundation's financial statements from these Amendments.

IFRS 16 *Leases*

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

IFRS 16 also:

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted provided IFRS 15 *Revenue from Contracts with Customers* is also applied. The Foundation's management have not yet assessed the impact of IFRS 16 on these financial statements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income.

IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which the Foundation initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

If there are multiple payments or receipts in advance, the [Group/Company] shall determine a date of the transaction for each payment or receipt of advance consideration.

IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 483.94 drams for 1 US dollar and 512.20 drams for 1 euro as of December 31, 2016 (December 31, 2015: 483.75 drams for 1 US dollar, 528.69 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 the result for the period.

3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs.
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 profit or loss.

Subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the statement of activities and changes as incurred.

Depreciation is charged to the result for the year 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:

Buildings	-	20 years
Vehicles	-	5 years
Computers	-	1 year
Other	-	5 years.

3.3 Intangible assets

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

Amortization is charged to the result for the year or is added to the cost of other asset on a straight line basis over the estimated useful lives of the intangible assets, which is estimated at 10 years for computer software.

3.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Inventories of the Foundation include the unused inventories and the fuel, which were acquired for the projects realization, but were not used at the reporting date.

3.5 Financial instruments

Recognition, initial measurement and derecognition

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement financial assets are divided into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- available-for-sale financial assets
- held-to-maturity investments.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether any resulting income and expenses are recognized in the result or directly in other comprehensive income. Refer to note 18.2 for a summary of the Foundation's financial assets by category.

Generally, the Foundation recognizes all financial assets using settlement date accounting. An assessment of whether a financial asset is impaired is made at least at each reporting date. All income and expenses relating to financial assets that are recognized in the result are presented within interest costs, interest income or other financial items.

i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables as well as cash and bank balances.

Borrowings provided

Targeted borrowings provided are initially recognized at fair value. Subsequently they are measured at amortized cost less provision for impairment, and the difference between this cost and the redemption cost is recognized in the statement of comprehensive income during the borrowing period.

A provision for impairment of the borrowings is established, when there is an objective evidence that the Foundation will not able to collect all amounts due according to the original terms of the borrowings. Significant financial difficulties of the borrowers and default and delinquency in payments are considered indicators that the borrowing is impaired.

The balance of the allowance is adjusted by recording a charge or income to the result of the reporting period. Any amount written-off with respect to borrower account balances is charged against the existing allowance for doubtful borrowings. All the borrowings for which collection is not considered probable are written-off.

Refer to note 17.1 for the management's estimations and judgments on the borrowings provided.

Cash and bank balances

The Foundation’s cash and bank balances comprise cash in hand, bank accounts and cash in transit.

ii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity and include deposits at commercial banks. Investments are classified as held-to-maturity, if it is the intention of the Foundation's Management to hold them until maturity.

Deposits are subsequently measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the deposit has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the deposit are recognized in the statement of comprehensive income.

3.6 Impairment

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

3.7 Grants

Grant is not recognized until there is reasonable assurance that the Foundation will comply with the conditions attaching to it, and the grant 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 the statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

Other grants are recognized as income over the periods necessary to match them with the cost for which they are intended to compensate, on a systematic basis. Grant that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Foundation with no future related costs are recognized as income in the period in which they become receivable.

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

Grants, which were provided for the purpose of giving immediate financial support rather than as an incentive to undertake specific expenditures, are recognized when received.

3.8 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.

As a result of changes in the tax legislation of the Republic of Armenia, significant changes have been made to the principles of calculation of depreciation and amortization of the fixed assets and intangible assets. The annual amount of depreciation and amortization of fixed assets and intangible assets acquired after January 1, 2014 is calculated for groups of non-current assets - multiplying the carrying (residual) value of the assets in the group at the end of the reporting period and the annual amortization rate stated for that group of assets.

The depreciation and amortization of fixed assets and intangible assets acquired before January 1, 2014 are calculated on a straight line basis.

3.9 Income recognition

The income of the Foundation arises from the use of donations received, rendering of services and from interests of the borrowings provided by the Foundation.

Income from donations

This income is recognized, when there is a reasonable assurance that the donation will be received or when the donation is factually received. This income is included in income from grants.

Income from grants related to assets

This income is included in "Income from grants" item. Recognition policy is presented in note 3.7.

Rendering of services

Income from rendering of services is recognized, when the services are rendered, which is justified by the signed documents on behalf of the counterparty. This income is included in other income.

Interest income

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.10 Recognition of expenses

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

4 Property and equipment

In thousand drams	Buildings	Vehicles and fittings	Other	Total
Cost				
as of January 1, 2015	91,717	26,637	55,995	174,349
Additions	-	2,072	208	2,280
Disposals	-	-	(428)	(428)
as of December 31, 2015	91,717	28,709	55,775	176,201
Additions	30,248	801	994	32,043
as of December 31, 2016	121,965	29,510	56,769	208,244
	a			
Accumulated depreciation				
as of January 1, 2015	52,354	24,260	53,144	129,758
Charge for the year	4,586	909	2,271	7,766
Eliminated on disposal	-	-	(35)	(35)
as of December 31, 2015	56,940	25,169	55,380	137,489
Charge for the year	4,586	2,286	143	7,015
as of December 31, 2016	61,526	27,455	55,523	144,504
Carrying amount				
as of December 31, 2015	34,777	3,540	395	38,712
as of December 31, 2016	60,439	2,055	1,246	63,740

As of December 31, 2016 the cost of the property and equipment of the Foundation with nil carrying amount of is drams 80,760 thousand in the statement of financial position (December 31, 2015: drams 78,647 thousand).

The additions of 2016 include at the amount of drams 30,248 thousand are acquired by the Foundation's own resources.

5 Borrowings provided

Name of the borrower	Principal amount (in thousand drams)	Original currency	Commence-ment date	Maturity date	Annual interest rate (%)	Balance as of December 31 (in thousand drams) 2016 Principal	2016 Interest	2015 Principal	2015 Interest	Interest income (in thousand drams) 2016	2015
Unsecured borrowings											
Kotayk Marz, community of Balahovit village	7,354	AMD	26.06.2000	26.06.2005	0%	-	-	6,854	-	-	-
Khachatur Madoyan	7,400	AMD	29.09.2010	31.12.2012	0%	2,882	-	4,118	-	-	-
"Federation of Agricultural Associations" ULE	62,668	AMD	29.10.2010	31.12.2012	3%	41,126	-	41,126	-	-	-
CARD AgroCredit UCO CJSC	100,000	AMD	01.08.2013	31.07.2016	3%	-	-	100,000	66	1,751	3,000
CARD AgroCredit UCO CJSC	40,000	AMD	01.10.2013	31.10.2015	3%	-	-	-	-	-	1,000
CARD AgroCredit UCO CJSC	200,000	AMD	27.11.2014	25.11.2015	3%	-	-	-	-	-	5,300
CARD AgroCredit UCO CJSC	200,000	AMD	27.11.2015	30.11.2016	3%	-	-	200,000	509	5,490	510
CARD AgroCredit UCO CJSC	200,000	AMD	25.11.2016	30.11.2017	3%	200,000	556	-	-	556	-
CARD AgroCredit UCO CJSC	21,900	AMD	25.05.2016	31.05.2021	1.5%	21,900	193	-	-	193	-
CARD AgroCredit UCO CJSC	28,900	AMD	05.08.2016	31.10.2021	1.5%	28,500	80	-	-	80	-
Hasmik Sevumyan	2,490	AMD	20.11.2014	05.05.2017	0%	332	-	1,328	-	-	-
						294,740	829	353,426	575	8,070	9,810
Allowance for doubtful borrowings											
Kotayk Marz, community of Balahovit village						-	-	(6,854)	-		
"Federation of Agricultural Associations" ULE						(41,126)	-	(41,126)	-		
Khachatur Madoyan						(2,882)	-	(4,118)	-		
						(44,008)	-	(52,098)	-		
Carrying amount						250,732	829	301,328	575		

According to the contracts signed in the framework of the Project "Cooperation for Providing Financial Services to Farmer Cooperatives" the Foundation provided borrowings to CARD AgroCredit UCO CJSC. CARD AgroCredit UCO CJSC provided the borrowings to separate business sectors of agriculture as a borrowing to develop farmer cooperatives.

In the framework of certain borrowings provided in 2016 to CARD AgroCredit UCO CJSC by the Foundation a free-of-charge subsidies at the amount of drams 3,573 thousand (refer to note 13) was provided. In the framework of these borrowings the annual interest rate of the loans provided (between the sub-grantee and CARD AgroCredit UCO CJSC) was 9%, of which 5% was subsidized by the Foundation.

The movement of the allowance for doubtful borrowings is presented below:

In thousand drams	2016	2015
Balance at the beginning of year	52,098	53,350
Write-off of allowance	(6,354)	-
Reversal of allowance (included in other income)	(1,736)	(1,252)
Balance at the end of year	44,008	52,098

Refer to note 16.1 for the Foundation's estimations related to the average market rate of the borrowings provided.

6 Advances and other receivables

In thousand drams	As of December 31, 2016	As of December 31, 2015
Advances	55,384	22,750
Receivables from the State budget	69	960
Other receivables	1,289	276
	56,742	23,986

The outstanding balance of advances includes grants provided to communities, village centers, local and non-governmental organizations for implementation of different projects at the amount of drams 51,062 thousand (2015: drams 13,988 thousand), and other advances at the amount of drams 4,322 thousand (2015: drams 8,762 thousand), that have been provided for the acquisition of services.

The balance of grants provided includes:

In thousand drams	As of December 31, 2016	As of December 31, 2015
Mother See of Holy Etchmiadzin	24,300	960
"Oxfam" AB	14,336	-
"Homeland Development Initiative Foundation" (HDIF)	1,900	7,033
"Full Life" NGO	-	2,400
"Union of Information Technology Enterprises" NGO	2,830	-
"Rehabilitation centre named after Caroline Cox" SNCO	1,685	-
Other	6,011	3,595
	51,062	13,988

Management believes that the receivables from the State budget are fully recoverable.

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

7 Term deposits

In thousand drams	As of December 31, 2016	As of December 31, 2015
Deposits	329,215	281,557
Accrued interest on deposits	3,830	3,857
	333,045	285,414

Term deposits were invested in "Acba-Credit Agricole Bank" CJSC, "HSBC Bank Armenia" CJSC and "Ameriabank" CJSC with different maturity periods, from 6 to 167 days, and the average effective interest rate is 4.2% (2015: 4.2%).

During 2016 the interest income from term deposits was drams 9,940 thousand (2014: drams 10,447 thousand) (refer to note 12).

8 Grants related to assets

In thousand drams	2016	2015
Balance at the beginning of the year	39,087	45,019
Income from grants (refer to note 11)	(7,061)	(8,212)
Transferred from deferred income	1,796	2,280
Balance at the end of the year	33,822	39,087

9 Accounts payable

In thousand drams	As of December 31, 2016	As of December 31, 2015
Accounts payable to employees	13,737	10,907
Other	2,094	-
Fees and duties payable	5,690	2,347
	21,521	13,254

According to the post-employment benefit plan, the Foundation makes deductions for social security fund for employees at the amount of 2% of their gross salary. The Foundation concluded a contract with "Ameria Asset Management" CJSC and transferred the pension fund of employees to the trust management of "Ameria Asset Management" CJSC, in accordance with the contract signed to this entity.

Management of the Foundation believes that the present value of post-employment benefit liabilities is not materially different from the carrying amounts.

10 Deferred income

In thousand drams	2016	2015
Balance at the beginning of the year	22,750	11,785
Additions	301,751	270,737
Transferred to grants related to assets	(1,796)	(2,280)
Income from grants (refer to note 11)	(321,459)	(257,558)
Other movements	(68)	66
Balance at the end of the year	1,178	22,750

During the year, in the framework of approved budget the Foundation received donations from the Founder and used them for the following purposes:

- provision of borrowings to Universal Credit Organizations;
- implementation of different other projects;
- development of the Foundation;
- investment of the free amounts in the bank accounts as deposits.

The amounts received during the period consist of amounts financed in the framework of the projects. The financing includes the following sources:

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Presbyterian Church USA	252,892	242,674
"World Vision Armenia" BO	22,093	-
Gyulbekyan Foundation	15,667	22,856
CARD AgroCredit UCO CJSC	3,500	3,500
Embassy of the Czech Republic in Armenia	3,807	-
US Embassy in Armenia	3,792	-
Other grants	-	1,707
	301,751	270,737

As of the end of the year the balance of deferred income has arisen from the following sources:

In thousand drams	As of December 31, 2016	As of December 31, 2015
Gyulbekyan Foundation	-	22,740
US Embassy in Armenia	1,178	-
CARD AgroCredit UCO CJSC	-	10
	1,178	22,750

As of December 31, 2016 the balance of deferred income includes the resources received by the Foundation for different projects, which were implemented starting from the end of 2016, and should be finished in 2017.

11 Income from grants

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Grants related to assets (refer to note 8)	7,061	8,212
Deferred income (refer to note 10)	321,459	257,558
	328,520	265,770

12 Interest income

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Interest income from borrowings	8,070	9,810
Interest income from deposits	9,940	10,447
	18,010	20,257

13 Grants provided

In thousand drams

	Year ended December 31, 2016	Year ended December 31, 2015
Mother See of Holy Etchmiadzin	5,860	16,376
"Homeland Development Initiative Foundation" (HDIF)	7,034	11,816
Arpunq village community center	5,783	8,300
Our Lady of Armenia Convent	4,900	5,280
Armenian Missionary Association of America	4,900	4,800
"Full Life" NGO	4,800	-
Torfavan village community center	-	2,000
CARD AgroCredit UCO CJSC	3,573	-
Tsapatagh village community centre	2,800	1,990
Little Masrik village community centre	2,800	2,000
Lchavan village community centre	2,800	-
Norakert village community centre	2,000	-
"Shen association" NGO	-	1,890
"Rehabilitation centre named after Caroline Cox" SNCO	-	5,338
Other	6,305	13,750
	53,555	73,540

The Foundation provides grants to local non-governmental organizations, communities and community centers to assist the projects implemented by them.

14 Other expenses

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Services received from the medical institutions	11,640	-
Trip and representation expenses	16,305	19,821
Office expenses	3,470	4,426
Renovation and service expenses	1,103	1,060
Other	44,429	40,895
	76,947	66,202

15 Other financial items, net

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Gain from exchange differences on:		
Term deposits	(145)	3,806
Cash and bank balances	(1,587)	(173)
Financial liabilities measured at amortized cost	(15)	-
	(1,747)	3,633

16 Income tax expense

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Current tax	3,601	3,247

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended December 31, 2016	Effective tax rate (%)	Year ended December 31, 2015	Effective tax rate (%)
Result before taxation (under IFRS)	59,598		(5,400)	
Tax calculated at a tax rate of 20% (2015: 20%)	11,920	20	(1,080)	20
(Non-taxable)/non-deductible items, net	(8,319)	(14)	4,327	(80)
Income tax expense	3,601	6	3,247	(60)

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.

Average market rate of the borrowings provided

As disclosed in note 5, the Foundation provides borrowings to credit organizations. Management believes that the carrying amounts of the borrowings provided are the same as their fair values, so they are not discounted by market rates based on the absence of appropriate financial market in the Republic of Armenia for receiving and providing borrowings of such amounts and with such conditions, as well as the fact that the Foundation is a non-governmental organization, and it does not have any purpose of gaining profit. In addition, borrowings provided by the Foundation are generally short-term, and must be recovered within 12 months. However, if management changes its estimations, the financial statements of the Foundation may be changed significantly.

18 Financial instruments

18.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.5.

18.2 Categories of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial assets

In thousand drams	As of December 31, 2016	As of December 31, 2015
Held-to-maturity investments:		
Term deposits	333,045	285,414
Loans and receivables:		
Borrowings provided	251,561	301,903
Cash and bank balances	36,017	52,173
	620,623	639,490

19 Financial risk management

The Foundation is exposed to various risks in relation to financial instruments. The main types of risks are market risk and credit risk.

The most significant financial risks to which the Foundation is exposed are described below.

Financial risk factors

a) Market risk

The Foundation is exposed to market risk through its use of financial instruments and specifically to currency risk, which result from its operating activity.

Foreign currency risk

Most of the Foundation's contributions are kept in US dollar and Euro. Hence, exposures to exchange rate fluctuations arise.

Foreign currency denominated financial assets, 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		
2016	US dollar	Euro
Financial assets		
Term deposits	279,215	-
Cash and bank balances	23,429	2,355
	302,644	2,355

Item		
2015	US dollar	Euro
Financial assets		
Term deposits	228,894	-
Cash and bank balances	17,528	2,436
	246,422	2,436

The Foundation is mainly exposed to US dollar and Euro risks. The following table details the Foundation's sensitivity to a 10% (2015: 10%) increase and decrease in dram against US dollar and Euro. 10% (2015: 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% (2015: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar and Euro by 10% (2015: 10%) then this would have had the following impact:

In thousand drams	US dollar impact		Euro impact	
	2016	2015	2016	2015
Result	30,264	24,642	235	244

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 has adopted a policy of only dealing with creditworthy counterparties.

The effect of this risk for the Foundation arises from the borrowings provided, which are not secured because the borrowings were provided with the objective of being transferred to agricultural cooperatives to assist the micro-loan program of farmers or for the realization of other benevolent projects.

The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams	As of December 31, 2016	As of December 31, 2015
Financial assets at carrying amounts		
Cash and bank balances	36,017	52,173
Term deposits	333,045	285,414
Borrowings provided	251,561	301,903
	620,623	639,490

During 2016 and 2015 borrowings were provided to CARD AgroCredit UCO CJSC for agricultural financing. Management believes that the borrowings provided are fully recoverable. The credit organization fully bears the repayment risk of the borrowings provided.

As of December 31, 2016 the Foundation created a provision of drams 44,008 thousand for other borrowings (December 31, 2015: drams 52,098 thousand).

Additionally, management believes that there is no credit risk related to bank balances, since they are kept in reputable commercial banks.

20 Commitments

20.1 Business environment

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Deterioration of economic situation of countries collaborating with the Republic of Armenia led to the shortage of money transfers from abroad, upon which the economy of Armenia is significantly dependant. Further decline in international prices of mining products, uncertainties due to possibilities of attraction of direct capital investments, inflation, may lead to deterioration of the situation of Armenian economy and of the Foundation. However, as the number of variables and assumptions involved in these uncertainties is big, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Foundation may be affected.

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

20.2 Insurance

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

20.3 Taxes

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, which is often subject to interpretation. Often differing interpretations exist among various taxation authorities and jurisdictions. Taxes are subject to review and investigations by tax authorities, which are enabled by law to impose severe fines and penalties.

These facts may create tax risks in Armenia substantially more than in other developed countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

21 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and term deposits. 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	As of December 31, 2016	As of December 31, 2015
Cash and bank balances	36,017	52,173
Term deposits (refer to note 7)	329,215	281,557
	365,232	333,730

22 Related parties

The Foundation's related parties include its parent and key management personnel as described below.

22.1 Transactions with related parties

During 2016 the Foundation received drams 252,892 thousand from its Founder (2015: drams 242,674 thousand).

22.2 Transactions with management and close family members

Key management received the following remuneration during the year:

In thousand drams	Year ended December 31, 2016	Year ended December 31, 2015
Salaries and bonuses	25,550	23,277