

Financial Statements and Independent Auditor's Report Armenian Caritas Benevolent NGO

31 December 2023



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Independent auditor's report

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To the board of trustees of Armenian Caritas Benevolent Non-Governmental Organization

Qualified Opinion

We have audited the financial statements of Armenian Caritas Benevolent Non-Governmental Organization (the "Organization"), which comprise the statement of financial position as of 31 December 2023, and the statement of income and expenses, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Organization as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

As described in note 10 to the financial statements, the Organization received grants from different donors. For these grants, the Organization does not maintain complete accounting in the accounting software. We were unable to reconcile the amounts presented in the note to the balances recorded in the accounting software. Therefore, we were unable to assess whether expenditures between funds from different donor organizations were properly classified in the financial statements and whether any adjustments were necessary in respect of those grants.

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 Organization 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 qualified 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Armen Hovhannisyanyan
Chief Executive Officer

Emil Vassilyan, FCCA
Engagement Partner



15 October 2024

Members of the board of trustees

Rafael Minassyan	President	Ordinary of Armenian Catholic Church in Armenia, Georgia and Eastern Europe
Narek Mnoyan	Member	
Grigor Mkrtchyan	Member	
Anahit Mkhoyan	Member	
Hasmik Hambaryan	Member	
Hranush Sargsyan	Member	

Statement of financial position

In thousand drams	Note	As of 31 December 2023	As of 31 December 2022
Assets			
<i>Non-current assets</i>			
Property and equipment	4	1,068,721	1,158,952
		<u>1,068,721</u>	<u>1,158,952</u>
<i>Current assets</i>			
Borrowings provided	5	4,380	9,318
Advances and prepayments		9,848	1,232
Bank deposits	6	101,926	117,631
Cash and bank balances	7	531,245	192,721
		<u>647,399</u>	<u>320,902</u>
Total assets		<u><u>1,716,120</u></u>	<u><u>1,479,854</u></u>
Liabilities and reserves			
<i>Non-current liabilities</i>			
Grants related to assets	8	1,068,721	1,158,952
		<u>1,068,721</u>	<u>1,158,952</u>
<i>Current liabilities</i>			
Accounts payable	9	12,433	15,002
		<u>12,433</u>	<u>15,002</u>
<i>Reserves</i>			
Grants related to income	10	634,966	305,900
		<u>634,966</u>	<u>305,900</u>
Total liabilities and reserves		<u><u>1,716,120</u></u>	<u><u>1,479,854</u></u>

The financial statements were approved on 15 October 2024 by:

Gagik Tarasyan
Chief Executive Officer

Zvarduhi Aleksanyan
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 9 to 22.

Statement of income and expenses

In thousand drams	Note	Year ended 31 December 2023	Year ended 31 December 2022
<i>Income</i>			
Income from grants	11	1,896,051	2,298,395
Other income		12,620	-
		<u>1,908,671</u>	<u>2,298,395</u>
<i>Expenses</i>			
Program expenses	12	(1,775,673)	(2,116,943)
Administrative expenses	13	(121,537)	(143,776)
Other expenses		(11,461)	(37,676)
		<u>(1,908,671)</u>	<u>(2,298,395)</u>
Result before income tax		-	-
Income tax expense		-	-
Result of the year		<u>-</u>	<u>-</u>

The statement of income and expenses is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 22.

Statement of cash flows

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
<i>Cash flows from operating activities</i>		
Cash receipts from donors	2,245,947	1,877,831
Borrowings repaid from beneficiaries	22,010	54,589
<i>Total cash receipts from operations</i>	<u>2,267,957</u>	<u>1,932,420</u>
<i>Cash used in operating activity</i>		
Cash paid to and on behalf of employees	(523,259)	(557,657)
Cash used in project implementation	(1,211,413)	(1,298,714)
Cash paid to the State budget	(160,098)	(176,615)
Borrowings provided to beneficiaries	(16,872)	(113,947)
Other cash (payments)/receipts, net	(1,709)	(292)
Donations refunded to donors	(27,215)	(135,221)
Total cash used in operations	<u>(1,940,566)</u>	<u>(2,282,446)</u>
<i>Net cash from operating activities</i>	<u>(327,391)</u>	<u>(350,026)</u>
<i>Cash flows from investing activities</i>		
Acquisition of non-current assets	(12,341)	(46,375)
Movement in bank deposits	15,074	117,000
Interest received	8,400	15,882
<i>Net cash used in investing activities</i>	<u>11,133</u>	<u>86,507</u>
<i>Net increase/(decrease) in cash and bank balances</i>	338,524	(263,519)
Cash and bank balances at the beginning of the year	<u>192,721</u>	<u>456,240</u>
Cash and bank balances at the end of the year	<u><u>531,245</u></u>	<u><u>192,721</u></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 9 to 22.

Notes to the financial statements

1 Nature of operations and general information

Armenian Caritas Benevolent NGO (the "Organization") is a benevolent non-governmental organization based in the Republic of Armenia. The Organization has been registered according to the decree number 19/2-7 dated 23 May 1997 issued by the Colleague of the Ministry of Justice of the Republic of Armenia. The Organization was reregistered by the order number 2147 dated 24 December 1999 of the Minister of Justice of the Republic of Armenia. The main office of the Organization is located at 8 Sargsian Street, Gyumri, Republic of Armenia.

The Organization receives its funding from local and foreign charitable foundations and carries out charitable projects in a number of regions throughout the Republic of Armenia.

During 2023 the Organization implemented about 60 projects (2022: 60), which include "Assistance to the children", "Water and sanitation", "Support to elderly", "Primary health care center", "Migration and human trafficking, violence", "Community development", "Emergency" etc.

The Organization receives grants primarily from the following donors: Caritas Austria, Caritas Germany, Caritas Spain, Caritas Belgium, Caritas France, Bishops Conference of Italy, Renovabis, etc.

The average number of employees of the Organization during 2023 was 90 (2022: 107).

Business environment

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

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

The conflict broke out on 24 February in Ukraine has evolved rapidly, having a significant impact around the world. The United States and the European countries have imposed severe sanctions against Russian Federation. The Western countries are discussing widening existing sanctions. Russian Federation is a significant trading partner of the Republic of Armenia, hence sanctions imposed on Russia as of the date of these financial statements, as well as the escalation of those sanctions had a radical effect on the economy and financial markets of the Republic of Armenia. The immediate global implications were higher inflation, lower growth, and some disruption to financial markets as deeper sanctions take hold.

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 the US dollar and Euro. On the other hand, the Central Bank of Armenia did not take any measures to weaken the Armenian national currency.

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

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

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

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). They have been prepared under the assumption that the Organization 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*.

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 Organization's functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Organization.

These financial statements are presented in Armenian drams (unless otherwise stated), 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 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 incomes and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which circumstances change.

2.5 Adoption of new and revised standards

In the current year the Organization has adopted all 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 2023.

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 2023

New standards and amendments described below and applied for the first time in 2023 did not have a material impact on the annual financial statements of the Organization:

Standard	Title of Standard or Interpretation	
IFRS 17	<i>Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)</i>	1 January 2023
IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)</i>	1 January 2023
IFRS 17	<i>Initial application of IFRS 17 and IFRS 9 – Comparative information (Amendment to IFRS 17)</i>	1 January 2023
IAS 8	<i>Definition of Accounting Estimates (Amendments to IAS 8)</i>	1 January 2023
IAS 1	<i>Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)</i>	1 January 2023
IAS 12	<i>International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)</i>	1 January 2023
IFRS for SMEs	<i>International Tax Reform – Pillar Two Model Rules (Amendments to the IFRS for SMEs Standard)</i>	1 January 2023

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

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 Organization.

Management anticipates that all of the relevant pronouncements will be adopted in the Organization'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 Organization'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
IAS 1	<i>Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2024
IFRS 16	<i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	1 January 2024
IAS 1	<i>Non-current Liabilities with Covenants (Amendments to IAS 1)</i>	1 January 2024
IAS 7 and IFRS 7	<i>Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)</i>	1 January 2024
IAS 21	<i>Lack of Exchangeability (Amendments to IAS 21)</i>	1 January 2025

3 Summary of material 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 404.79 drams for 1 US dollar and 447.90 drams for 1 euro as of 31 December 2023 (31 December 2022: 393.57 drams for 1 US dollar and 420.06 drams for 1 euro).

Exchange differences arising on the settlement and retranslation of monetary items, are included in the result for the period.

3.2 Property and equipment

Properties in the course of administrative purposes are carried at cost, less any recognized impairment loss. Cost includes directly attributable expenditures, site preparation, installation and assembly costs, professional fees and for qualifying assets, borrowing costs capitalized in accordance with the Organization's accounting policy.

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 result for the period.

Expenditure to replace a component of an item of property and equipment that is accounted for separately is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized if future economic benefits will arise from the expenditure. All other expenditure, including repair and maintenance, is recognized in the result as incurred.

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:

Buildings	- 20 years
Vehicles	- 5 years
Furniture, computers, office equipment	- 3-5 years

3.3 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Organization 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 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.

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).

In the periods presented the Organization does not have any financial assets categorized as FVOCI. A summary of the Organization's financial assets by category is given in note 14.2.

Classification and measurement of financial liabilities

The Organization's financial liabilities include accounts payable. A summary of the Organization's financial liabilities by category is given in note 14.2.

Accounts payable

Accounts payable are stated at fair value and subsequently stated at amortized cost.

3.4 Cash and cash equivalents

Cash and bank balances comprise cash on hand, bank accounts and cash in transit.

3.5 Grants

Government grants are not recognized until there is reasonable assurance that the Organization 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.

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. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Organization with no future related costs are recognized as income in the period in which they become receivable.

Receivables from donors arise when the Organization spends (incurs expenses) more than it receives from the donors and it is certain that the Organization will receive compensation from the donors for the expenses incurred.

Unused balance for grants arises when the Organization spends (incurs expenses) less than it receives from the donor and is returned when the donor does not allow it to be used for another project and requires it to be paid back and is included in "Grants related to income" caption of Statement of financial position.

3.6 Interest accrued

Interest accrued on deposits are credited to grants related to income, since this is either required by the donor or represents managements intend to use the funds for purpose defined by the donors.

3.7 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:

- wages, salaries and bonuses;
- paid annual leaves and paid disability leaves;

When employees render services to the Organization during the accounting period, the Organization recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Organization shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- (b) as an expense, unless the amount is included in the cost of an asset.

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 Organization 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 Organization has no realistic alternative but to make the payments.

3.8 Income

Income from grants

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

4 Property and equipment

In thousand drams

	Land and buildings	Vehicles	Furniture, computers, equipment	Total
<i>Cost</i>				
as of 1 January 2022	1,614,291	121,457	193,977	1,929,725
Additions	-	21,330	25,045	46,375
Disposals	-	-	(2,831)	(2,831)
as of 31 December 2022	1,614,291	142,787	216,191	1,973,269
Additions	-	-	12,341	12,341
Internal movement		(4,170)	4,170	-
Disposals	-	(6,340)	(7,160)	(13,500)
as of 31 December 2023	1,614,291	132,277	225,542	1,972,110
<i>Accumulated depreciation</i>				
as of 1 January 2022	434,058	92,007	184,134	710,199
Charge for the year	79,010	9,802	18,137	106,949
Eliminated on disposal	-	-	(2,831)	(2,831)
as of 31 December 2022	513,068	101,809	199,440	814,317
Charge for the year	73,914	4,072	24,586	102,572
Internal movement	20,828	520	(21,348)	-
Eliminated on disposal	-	(6,340)	(7,160)	(13,500)
as of 31 December 2023	607,810	100,061	195,518	903,389
<i>Carrying amount</i>				
as of 31 December 2022	1,101,223	40,978	16,751	1,158,952
as of 31 December 2023	1,006,481	32,216	30,024	1,068,721

None of the Organization's property and equipment have been pledged as a security as of the reporting date.

Depreciation expense has been fully charged to administration expenses.

As of 31 December 2023, the cost of fully depreciated assets amounted to drams 243,938 thousand (2022: drams 247,367 thousand).

5 Borrowings provided

In thousand drams	2023	2022
Balance at the beginning of year	9,318	83,455
Borrowings provided within the scope of projects	16,872	113,447
Borrowings provided to employees	-	500
Borrowings repaid	(21,810)	(54,589)
Borrowings written-off	-	(133,495)
	<u>4,380</u>	<u>9,318</u>
Allowance for doubtful borrowings	-	-
Balance at the end of year	<u><u>4,380</u></u>	<u><u>9,318</u></u>

Within the scope of the Migration and Development Innovative Fund, Aramazd and Support for Training of Parish Social Ministers projects, the Organization provides non-interest-bearing borrowings to individuals for the development of small business and agriculture mainly in the cities of Yerevan and Gyumri. The maximum amount of the borrowing per contract is drams 2,500 thousand and the maturity period is maximum two years. Received borrowings are repaid both during and at the end of the maturity period. As of 31 December 2023, the number of borrowers was 8 (as of 31 December 2022: 5).

According to management, the fair values of current borrowings equal to their carrying amounts.

6 Bank deposits

Bank name	Principal amount (in thousand drams)	Deposit date	Maturity date	Deposit rate (%)	Balance as of 31 December (in thousand drams)					
					2023		2022		Interest income	
					Principal	Interest	Principal	Interest	2023	2022
<i>Inecobank CJSC</i>										
Deposit 3	48,000	7/9/2021	11/9/2022	9.2%	-	-	-	3,775	3,775	
Deposit 4	49,000	6/25/2021	10/25/2022	9.2%	-	-	-	3,668	3,668	
Deposit 5	120,000	6/7/2021	10/7/2022	9.2%	-	-	-	8,439	8,439	
Deposit 6	100,000	10/17/2022	10/17/2024	8.4%	100,000	1,926	100,000	1,749	1,749	
					<u>100,000</u>	<u>1,926</u>	<u>100,000</u>	<u>17,631</u>	<u>17,631</u>	

7 Cash and bank balances

In thousand drams	As of 31 December 2023	As of 31 December 2022
Cash in hand	1,485	1,523
Bank accounts	529,385	190,914
Cash in transit	375	284
	<u>531,245</u>	<u>192,721</u>

8 Grants related to assets

In thousand drams	2023	2022
Balance at the beginning of the year	1,158,952	1,219,526
Addition	-	19,672
Transferred from grants related to income (refer to note 10)	12,341	26,703
Realized to income (refer to note 11)	(102,572)	(106,949)
Balance at the end of the year	<u>1,068,721</u>	<u>1,158,952</u>

9 Accounts payable

In thousand drams	As of 31 December 2023	As of 31 December 2022
Employee benefits payable	11,898	11,707
Other	535	3,295
	<u>12,433</u>	<u>15,002</u>

10 Grants related to income

In thousand drams	2023	2022
Balance at the beginning of the year	305,900	763,808
Donation received in cash from donors	2,245,947	1,877,831
Bank deposit interest	8,400	17,631
Donations accrued/grants receivable from donors	(27,215)	(135,221)
Transferred to grants related to assets (refer to note 8)	(12,341)	(26,703)
Realized to income (refer to note 11)	(1,885,725)	(2,191,446)
Balance at the end of the year	<u>634,966</u>	<u>305,900</u>

The details of the donations received during the year are presented below.

Donations received in cash for the Projects are follows:

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Assistance to the children	396,611	302,201
Migration and human trafficking, violence	257,347	326,238
Support to elderly	381,217	437,182
Community development	620,811	294,756
Primary health care center	342,372	115,611
Emergency	22,678	325,035
Other	147,349	35,539
	<u>2,168,385</u>	<u>1,836,562</u>
For administration expenses	77,562	41,269
	<u>2,245,947</u>	<u>1,877,831</u>

Sources of donations received from donors for the years ended 31 December 2023 and 31 December 2022 are detailed below:

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Austrian Red Cross	-	224,908
Vatican	167,833	-
Renovabis	184,980	358,595
Caritas Austria	197,793	200,036
Caritas Germany	431,235	333,369
Catholic Charitable Association of the Middle East	139,808	145,419
Caritas France	65,913	71,014
Catholic Relief Services /CRS/	25,035	68,061
Caritas Spain	88,121	52,776
Caritas Belgium	312,036	43,434
Local contributions	19,830	52,771
Medicor Foundation	22,000	20,650
United States Council of Bishops US BC	-	9,359
Kinder Missionswerk	-	46,794
JT International Luxembourg	47,461	28,326
Caritas Italy	19,242	-
Cardinal Frings Gymnasium	102,466	7,198
Council of Bishops of Italy	-	21,420
Caritas Europe	-	5,281
L'oeuvre d'orient association	72,633	-
RA Ministry of Labor and Social Affairs	50,150	-
Council of Bishops	36,772	-
International Organization of Christian Solidarity	39,160	-
Public Organization for the Development of Civil Society	23,287	-
Caritas Korea	19,950	-
"People in Need" NGO	19,397	-
Private investments	6,486	-
Bank interests	22,965	-
Own Investment	1,533	-
Other	129,861	188,420
	<u>2,245,947</u>	<u>1,877,831</u>

11 Income from grants

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Income from grants related to assets (refer to note 8)	102,572	106,949
Income from grants related to income (refer to note 10)	1,793,479	2,191,446
	<u>1,896,051</u>	<u>2,298,395</u>

12 Program expenses

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Assistance to the children	313,565	340,682
Migration and trafficking violence	203,462	367,779
Support to elderly	301,395	492,850
Community development	270,683	332,289
Health care dispensary	17,930	130,332
Emergency	490,821	366,423
Other	177,817	86,588
	<u>1,775,673</u>	<u>2,116,943</u>

13 Administrative expenses

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Salaries and employee benefits	22,467	24,860
Depreciation expense	99,070	106,949
Other	-	11,967
	<u>121,537</u>	<u>143,776</u>

14 Financial instruments

14.1 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 and financial liability are disclosed in note 3.

14.2 Categories of financial instruments

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

Financial assets

In thousand drams	As of 31 December 2023	As of 31 December 2022
<i>Amortized cost</i>		
Bank deposits	101,926	117,631
Borrowings provided	4,380	9,318
Cash and bank balances	531,245	192,721
Total financial assets	<u>637,551</u>	<u>319,670</u>

Financial liabilities

In thousand drams

	As of 31 December 2023	As of 31 December 2022
<i>Amortized cost</i>		
Accounts payable	12,433	15,002
Total financial liabilities	<u>12,433</u>	<u>15,002</u>

15 Financial risk management

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

Financial risk factors

a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Organization. The effect of this risk for the Organization arises from different financial instruments, such as borrowings provided and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

In thousand drams

	As of 31 December 2023	As of 31 December 2022
Financial assets at carrying amounts		
Term deposits	101,926	117,631
Borrowings provided	4,380	9,318
Bank balances	529,385	190,914
	<u>635,691</u>	<u>317,863</u>

The credit risk for cash and cash equivalents (including bank deposits) is considered negligible, since the counterparties are reputable banks.

16 Contingencies

16.1 Insurance

The Armenian insurance industry is in its development stage and many forms of insurance protection common in other parts of the world are not yet generally available in Armenia. The Organization does not have full coverage for its property, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Organization property or relating to the Organization operations. Until the Organization 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 Organization's operations and financial position.

16.2 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.

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.

17 Related parties

17.1 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in salaries and employee benefits.

In thousand drams	Year ended 31 December 2023	Year ended 31 December 2022
Salaries and bonuses	<u>17,892</u>	<u>18,124</u>
	<u>17,892</u>	<u>18,124</u>