

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

31 December 2021



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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 2021, 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 significant accounting policies.

In our opinion, except for the possible effects of the matters 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

## *Basis for Qualified Opinion*

- As described in note 10 to the financial statements, the Organization received grants from different donors. The accounting for these grants is maintained in separate MS Excel worksheets. We could not reconcile these worksheets with the respective balances depicted in 1C accounting software. Therefore, we were unable to determine whether the classification of expenses between different donor organizations and own funds is appropriate in the financial statements and whether any adjustments were necessary in respect of those grants.
- As described in note 5 to these financial statements, the Organization provided non-interest bearing borrowings to individuals for the development of small businesses. The accounting for these borrowings is maintained in separate MS Excel worksheets. We could not reconcile these worksheets with the respective balances depicted in 1C accounting software. Therefore, we were unable to determine whether the classification and balances of borrowings are appropriate in the financial statements and whether any adjustments were necessary in respect of those borrowings.

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 Hovhannisyan  
Chief Executive Officer

Emil Vassilyan  
Engagement Partner

9 September 2022



# Armenian Caritas Benevolent NGO

## Members of the board of trustees as of 31 December 2021

Rafael Minassyan	President	Ordinary of Armenian Catholic Church in Armenia, Georgia and Eastern Europe
Zvart Najaryan	Member	
Zhirayr Habibyan	Member	
Vardges Yeghyayan	Member	
Michel Davudyan	Member	

# Statement of financial position

In thousand drams

	Note	As of 31 December 2021	As of 31 December 2020
<b>Assets</b>			
<i>Non-current assets</i>			
Property and equipment	4	1,219,526	1,282,807
		<u>1,219,526</u>	<u>1,282,807</u>
<i>Current assets</i>			
Borrowings provided	5	83,455	22,601
Advances and prepayments		1,158	6,776
Bank deposits	6	234,142	170,788
Cash and bank balances	7	456,240	493,904
		<u>774,995</u>	<u>694,069</u>
<b>Total assets</b>		<u><u>1,994,521</u></u>	<u><u>1,976,876</u></u>
<b>Liabilities, reserves and grants</b>			
<i>Non-current liabilities</i>			
Grants related to assets	8	1,219,526	1,282,807
		<u>1,219,526</u>	<u>1,282,807</u>
<i>Current liabilities</i>			
Accounts payable	9	11,187	4,502
		<u>11,187</u>	<u>4,502</u>
<i>Reserves and grants</i>			
Grants related to income	10	763,808	689,567
		<u>763,808</u>	<u>689,567</u>
<b>Total liabilities, reserves and grants</b>		<u><u>1,994,521</u></u>	<u><u>1,976,876</u></u>

The financial statements were approved on 9 September 2022 by:

Gagik Tarasyan  
Chief Executive Officer

Vardan Muradyan  
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 23.

# Statement of income and expenses

In thousand drams		Year ended 31 December 2021	Year ended 31 December 2020
	Note		
<i>Income</i>			
Income from grants	11	2,266,836	1,805,237
Other income		-	300
		<u>2,266,836</u>	<u>1,805,537</u>
<i>Expenses</i>			
Program expenses	12	(2,116,767)	(1,618,550)
Administrative expenses	13	(145,182)	(159,396)
Other expenses		(4,887)	(27,591)
		<u>(2,266,836)</u>	<u>(1,805,537)</u>
Result before income tax		<u>-</u>	<u>-</u>
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 10 to 23.

# Statement of cash flows

In thousand drams

	Year ended 31 December 2021	Year ended 31 December 2020
<i>Cash flows from operating activities</i>		
Cash receipts from donors	2,246,399	2,007,795
Borrowings repaid from beneficiaries	5,182	7,036
<i>Total cash receipts from operations</i>	<u>2,251,581</u>	<u>2,014,831</u>
<i>Cash used in operating activity</i>		
Cash paid to and on behalf of employees	(480,137)	(474,351)
Cash used in project implementation	(1,499,065)	(931,185)
Cash paid to the State budget	(145,140)	(153,907)
Borrowings provided to beneficiaries	(81,591)	(30,190)
Other cash (payments)/receipts, net	(4,622)	(31,809)
Donations refunded to donors	-	(1,362)
<i>Total cash used in operations</i>	<u>(2,210,555)</u>	<u>(1,622,804)</u>
<i>Net cash from operating activities</i>	<u>41,026</u>	<u>392,027</u>
<i>Cash flows from investing activities</i>		
Acquisition of non-current assets	(39,231)	(32,193)
Cash inflow from sales of non-current assets	266	300
Movement in bank deposits	(58,000)	(10,000)
Interest received	18,275	-
<i>Net cash used in investing activities</i>	<u>(78,690)</u>	<u>(41,893)</u>
<i>Net increase/(decrease) in cash and bank balances</i>	<u>(37,664)</u>	<u>350,134</u>
Cash and bank balances at the beginning of the year	<u>493,904</u>	<u>143,770</u>
Cash and bank balances at the end of the year	<u>456,240</u>	<u>493,904</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 23.

# 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 2021 the Organization implemented about 60 projects (2020: 58), which include “Assistance to the children”, “Water and sanitation”, “Support to elderly”, “Health care dispensary”, “Migration and trafficking violence”, “Community development”, 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 2021 was 103 (2020: 99).

### *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.

In March 2020 the World Health Organization has classified the coronavirus (COVID-19), which has exploded in China in December 2019, as pandemic. The coronavirus has already had a significant impact on the global economy and major financial markets.

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

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

The situation in the Republic of Armenia has intensified as a result of 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.

These events may have a further significant impact on the Organization'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 Organization's operations may differ from the management's current expectations.

These financial statements do not reflect the potential future impact of the above on the 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 of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2021.

The nature and the effect of these changes are disclosed below.

#### **New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2021**

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

Standard	Title of Standard or Interpretation
Various	<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 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:

<b>Standard</b>	<b>Title of Standard or Interpretation</b>	<b>Effective for reporting periods beginning on or after</b>
<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 480.14 drams for 1 US dollar and 542.61 drams for 1 euro as of 31 December 2021 (31 December 2020: 522.59 drams for 1 US dollar and 641.11 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 15.2.

### *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 15.2.

### *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 2020	1,614,291	127,621	299,364	2,041,276
Additions	-	23,880	8,958	32,838
Disposals	-	(45,906)	(128,033)	(173,939)
as of 31 December 2020	1,614,291	105,595	180,289	1,900,175
Additions	-	16,720	22,511	39,231
Disposals	-	(858)	(8,823)	(9,681)
as of 31 December 2021	1,614,291	121,457	193,977	1,929,725
<i>Accumulated depreciation</i>				
as of 1 January 2020	274,791	113,142	222,561	610,494
Charge for the year	79,758	10,125	31,970	121,853
Eliminated on disposal	-	(39,429)	(75,550)	(114,979)
as of 31 December 2020	354,549	83,838	178,981	617,368
Charge for the year	79,509	9,027	13,710	102,246
Eliminated on disposal	-	(858)	(8,557)	(9,415)
as of 31 December 2021	434,058	92,007	184,134	710,199
<i>Carrying amount</i>				
as of 31 December 2020	1,259,742	21,757	1,308	1,282,807
as of 31 December 2021	1,180,233	29,450	9,843	1,219,526

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 2021 the cost of fully depreciated assets amounted to drams 229,952 thousand (2020: drams 171,233 thousand).

## 5 Borrowings provided

In thousand drams

	2021	2020
Balance at the beginning of year	22,601	64,069
Borrowings provided within the scope of projects	78,791	29,790
Borrowings provided to employees	2,800	400
Borrowings repaid	(5,182)	(56,103)
	99,010	38,156
Allowance for doubtful borrowings	(15,555)	(15,555)
Balance at the end of year	83,455	22,601

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 2021 the number of borrowers was 61 (as of 31 December 2020: 20).

The Organization has provided fully for all overdue borrowings because the historical experience is that receivables not collected in a due maturity date are generally not recoverable. In addition, when the Organization obtains an objective evidence that the borrowing is impaired but not overdue, the Organization provides fully for those borrowings.

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)				Accrued interest	
					2021		2020		2021	2020
					Principal	Interest	Principal	Interest		
Inecobank CJSC										
Deposit 1	49,000	3/25/2020	6/25/2021	9.2%	-	2,162	49,000	8,318	2,162	8,318
Deposit 2	110,000	3/6/2020	6/6/2021	9.2%	-	4,325	110,000	3,470	4,325	3,470
Deposit 3	48,000	7/9/2021	11/9/2022	9.2%	48,000	2,106	-	-	2,106	-
Deposit 4	49,000	6/25/2021	10/25/2022	9.2%	49,000	2,322	-	-	2,322	-
Deposit 5	120,000	6/7/2021	10/7/2022	9.2%	120,000	6,227	-	-	6,227	-
					<u>217,000</u>	<u>17,142</u>	<u>159,000</u>	<u>11,788</u>	<u>17,142</u>	<u>11,788</u>

## 7 Cash and bank balances

In thousand drams

	As of 31 December 2021	As of 31 December 2020
Cash in hand	1,256	2,156
Bank accounts	454,448	490,455
Cash in transit	536	1,293
	<u>456,240</u>	<u>493,904</u>

## 8 Grants related to assets

In thousand drams

	2021	2020
Balance at the beginning of the year	1,282,807	1,430,782
Addition	237	686
Transferred from grants related to income (refer to note 10)	38,994	32,152
Disposal of related assets (refer to note 4)	(266)	(58,960)
Realized to income (refer to note 11)	<u>(102,246)</u>	<u>(121,853)</u>
Balance at the end of the year	<u>1,219,526</u>	<u>1,282,807</u>

## 9 Accounts payable

In thousand drams

	As of 31 December 2021	As of 31 December 2020
Employee benefits payable	11,187	4,502
	<u>11,187</u>	<u>4,502</u>

## 10 Grants related to income

In thousand drams

	2021	2020
Balance at the beginning of the year	689,567	339,141
Donation received in cash from donors	2,246,399	2,008,319
Bank deposit interest	17,142	11,788
Donations accrued/grants receivable from donors	14,284	47,217
Transferred to grants related to assets (refer to note 8)	(38,994)	(32,152)
Realized to income (refer to note 11)	<u>(2,164,590)</u>	<u>(1,683,384)</u>
Unused balance returned to donors	-	(1,362)
Balance at the end of the year	<u>763,808</u>	<u>689,567</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 2021	Year ended 31 December 2020
Assistance to the children	336,545	662,654
Migration and trafficking violence	460,078	376,457
Support to elderly	333,155	81,939
Water and sanitation	585,836	325,888
Community development	215,765	323,207
Health care dispensary	90,204	139,098
Other	157,145	89,659
	<u>2,178,728</u>	<u>1,998,902</u>
For administration expenses	67,671	9,417
	<u>2,246,399</u>	<u>2,008,319</u>

Sources of donations received from Donors for the years ended 31 December 2021 and 31 December 2020 are detailed below:

In thousand drams

	Year ended 31 December 2021	Year ended 31 December 2020
Austrian Red Cross	334,650	276,460
Renovabis	286,452	171,463
Caritas Austria	256,213	37,643
Caritas Germany	230,230	229,245
CNEWA	163,809	31,293
Caritas France	112,639	109,331
CRS	105,365	106,322
Caritas Spain	104,024	87,560
Caritas Belgium	70,571	19,860
Local contributions	42,217	52,208
Medicor	28,125	107,485
US BC	24,840	53,566
Kinder Missionswerk	16,422	22,029
JT International Luxembourg	15,974	16,428
Cardinal Frings	14,190	-
UNISEF	-	7,425
BC Italy	-	18,824
Caritas Italy	-	36,759
Caritas Europe	-	8,998
Other	440,678	615,420
	<u>2,246,399</u>	<u>2,008,319</u>

## 11 Income from grants

In thousand drams

	Year ended 31 December 2021	Year ended 31 December 2020
Income from grants related to assets (refer to note 8)	102,246	121,853
Income from grants related to income (refer to note 10)	2,164,590	1,683,384
	<u>2,266,836</u>	<u>1,805,237</u>

## 12 Program expenses

In thousand drams

	Year ended 31 December 2021	Year ended 31 December 2020
Assistance to the children	317,124	534,122
Migration and trafficking violence	433,528	307,525
Support to elderly	313,930	64,742
Community development	552,029	258,968
Water and sanitation	203,314	258,966
Health care dispensary	84,999	113,299
Other	211,843	80,928
	<u>2,116,767</u>	<u>1,618,550</u>

The Organization has carried expenses at the amount of drams 9,306 thousand in the scope of the Project ODSS (2020: drams 10,518 thousand).

## 13 Administrative expenses

In thousand drams

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and employee benefits	38,311	23,350
Depreciation expense	102,009	121,853
Other	4,862	14,193
	<u>145,182</u>	<u>159,396</u>

## 14 Subsequent events

The conflict broke out on 24 February 2022 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 escalation of those sanctions could have a drastical effect on the economy and financial markets of the Republic of Armenia. The immediate global implications might be higher inflation, lower growth and some disruption to financial markets as deeper sanctions take hold. Some of the key impacts on the business may include supply chain interruptions, impairment of assets, employee shortages, travel restrictions, trade restrictions, inability to obtain financing, etc.

The specific effect is hard to predict with certainty, and management has not yet assessed the effect of the above on the current financial statements.

## 15 Financial instruments

### 15.1 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 [and equity instrument] are disclosed in note 3.

### 15.2 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 2021	As of 31 December 2020
<i>Amortized cost</i>		
Bank deposits	234,142	170,788
Borrowings provided	83,455	22,601
Cash and bank balances	456,240	493,904
Total financial assets	<u>773,837</u>	<u>687,293</u>

#### *Financial liabilities*

*In thousand drams*

	As of 31 December 2021	As of 31 December 2020
<i>Amortized cost</i>		
Accounts payable	11,187	4,502
Total financial liabilities	<u>11,187</u>	<u>4,502</u>

## 16 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 accounts receivable and term deposits. The maximum exposure to credit risk is represented by the carrying amounts of the following financial instruments:

*In thousand drams*

	As of 31 December 2021	As of 31 December 2020
Financial assets at carrying amounts		
Term deposits	234,142	170,788
Borrowings provided	83,455	22,601
Bank balances	454,984	491,748
	<u>772,581</u>	<u>685,137</u>

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

The Organization has created an allowance for doubtful borrowings provided at the amount of drams 15,555 thousand as of 31 December 2021 (As of 31 December 2020: 15,555 thousand). Management believes that the carrying amount of the borrowings are fully recoverable.

## 17 Contingencies

### 17.1 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.

### 17.2 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.

## 18 Related parties

### 18.1 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 2021	Year ended 31 December 2020
Salaries and bonuses	17,108	16,917
	17,108	16,917