

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

31 December 2019



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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 2019, and the statement of comprehensive income, 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 paragraph, the accompanying financial statements give a true and fair view of the financial position of the Organization as of 31 December 2019, 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 mentioned 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 mentioned 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.

## *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 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 opinion.

### *Emphasis of Matter*

We draw attention to note 15 to the financial statements, which describes the effect of a new disease COVID-19. The financial statements do not reflect the possible effects of the above. Our opinion is not modified in respect of this matter.

### *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 management either intends 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, FCCA  
Engagement Partner

29 September 2020



# Armenian Caritas Benevolent NGO

## Members of the board of trustees as of 31 December 2019

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	-

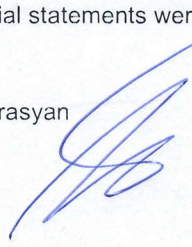


# Statement of financial position

In thousand drams	Note	As of 31 December 2019	As of 31 December 2018
<b>Assets</b>			
<i>Non-current assets</i>			
Property and equipment	4	1,430,782	1,539,729
		<u>1,430,782</u>	<u>1,539,729</u>
<i>Current assets</i>			
Borrowings provided	5	29,037	7,375
Advances and prepayments		6,776	22,970
Bank deposits	6	163,412	149,704
Cash and bank balances	7	143,770	234,072
		<u>342,995</u>	<u>414,121</u>
<b>Total assets</b>		<u><u>1,773,777</u></u>	<u><u>1,953,850</u></u>
<b>Liabilities, reserves and grants</b>			
<i>Non-current liabilities</i>			
Grants related to assets	8	1,430,782	1,539,729
		<u>1,430,782</u>	<u>1,539,729</u>
<i>Current liabilities</i>			
Accounts payable	9	3,854	4,338
		<u>3,854</u>	<u>4,338</u>
<i>Reserves and grants</i>			
Grants related to income	10	339,141	409,783
		<u>339,141</u>	<u>409,783</u>
<b>Total liabilities, reserves and grants</b>		<u><u>1,773,777</u></u>	<u><u>1,953,850</u></u>

The financial statements were approved on 29 September 2020 by:

Gagik Tarasyan  
Director




Vardan Muradyan  
Chief accountant



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 25.

# Statement of comprehensive income

In thousand drams		Year ended 31 December 2019	Year ended 31 December 2018
	Note		
<i>Income</i>			
Income from grants	11	1,732,151	1,536,580
Other income		400	-
		<u>1,732,551</u>	<u>1,536,580</u>
<i>Expenses</i>			
Program expenses	12	(1,542,057)	(1,347,443)
Administrative expenses	13	(184,164)	(183,477)
Other expenses		(3,234)	(671)
		<u>(1,729,455)</u>	<u>(1,531,591)</u>
Result before income tax		<u>3,096</u>	<u>4,989</u>
Income tax expense	14	(3,096)	(4,989)
Result of the year		<u>-</u>	<u>-</u>

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 10 to 25.



# Statement of cash flows

In thousand drams

	Year ended 31 December 2019	Year ended 31 December 2018
<i>Cash flows from operating activities</i>		
Cash receipts from donors	1,529,675	1,554,750
Borrowings repaid from beneficiaries	25,420	24,419
<i>Total cash receipts from operations</i>	<u>1,555,095</u>	<u>1,579,169</u>
<i>Cash used in operating activity</i>		
Cash paid to and on behalf of employees	(490,258)	(425,133)
Cash used in project implementation	(892,000)	(818,615)
Cash paid to the State budget	(177,539)	(152,262)
Borrowings provided to beneficiaries	(43,747)	(6,500)
Other cash (payments)/receipts, net	(20,392)	(10,495)
Total cash used in operations	<u>(1,623,936)</u>	<u>(1,413,005)</u>
<i>Net cash from operating activities</i>	<u>(68,841)</u>	<u>166,164</u>
<i>Cash flows from investing activities</i>		
Acquisition of non-current assets	(24,726)	(50,222)
Cash inflow from sales of non-current assets	3,265	13
Movement in bank deposits	-	(22,309)
Interest received	-	12,939
<i>Net cash used in investing activities</i>	<u>(21,461)</u>	<u>(59,579)</u>
<i>Net increase/(decrease) in cash and bank balances</i>	(90,302)	106,585
Cash and bank balances at the beginning of the year	234,072	127,487
Cash and bank balances at the end of the year	<u>143,770</u>	<u>234,072</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 25.

# 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 2019 the Organization implemented 58 projects (2018: 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 2019 was 99 (2018: 98).

## 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”).

The Organization has adopted new guidance for accounting for financial instruments (refer to note 2.5). This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognized in retained earnings.

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 the historical cost basis.

### 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, 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 2019.

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 2019**

#### *Amendments to IFRS 9: Prepayment Features with Negative Compensation*

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

There has not been material impact on the Organization's financial statements.

#### **Annual Improvements 2015-2017**

The Annual Improvements 2015-2017 made several minor amendments to a number of IFRSs. The amendments relevant to the Organization are summarized below:

#### *IAS 23 Borrowing Costs: Borrowing costs eligible for capitalization*

IAS 23.14 specifies how to determine the amount of borrowing costs eligible for capitalization when an entity borrows funds generally and uses them to obtain a qualifying asset. IAS 23 requires an entity, when determining the funds that it borrows generally, to exclude "borrowings made specifically for the purpose of obtaining a qualifying asset". The IASB observed that an entity might misinterpret those words to mean that funds borrowed generally would exclude funds outstanding that were originally borrowed specifically to obtain a qualifying asset that is now ready for its intended use or sale. The amendments therefore clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally. The amendments are applied prospectively (i.e. only to borrowing costs incurred on or after the beginning of the annual reporting period in which the amendments are first applied) as the costs of gathering the information required to capitalize borrowing costs retrospectively may exceed the potential benefits.

### **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. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Organization's financial statements.

## 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 479.70 drams for 1 US dollar and 537.26 drams for 1 euro as of 31 December 2019 (31 December 2018: 483.75 drams for 1 US dollar, 553.65 drams for 1 euro). Non-monetary items are not retranslated and are measured at historic cost.

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 16.2.

### *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 16.2.

#### *Accounts payable*

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

## 3.4 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.

## 3.5 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.

## 3.6 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.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable result. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable results will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable result nor the accounting result.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable results will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Organization expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 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:

- (a) wages, salaries and bonuses;
- (b) paid annual leaves and paid disability leaves;
- (c) social security contributions and other social payments;

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 entity has no realistic alternative but to make the payments.

### 3.8 Income recognition

#### *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 2018	1,611,445	138,575	228,983	1,979,003
Additions	2,846	-	49,960	52,806
Disposals	-	-	(2,699)	(2,699)
as of 31 December 2018	1,614,291	138,575	276,244	2,029,110
Additions	-	-	24,726	24,726
Disposals	-	(10,954)	(1,606)	(12,560)
as of 31 December 2019	1,614,291	127,621	299,364	2,041,276
<i>Accumulated depreciation</i>				
as of 1 January 2018	114,954	98,597	154,506	368,057
Charge for the year	80,079	12,706	31,225	124,010
Eliminated on disposal	-	-	(2,686)	(2,686)
as of 31 December 2018	195,033	111,303	183,045	489,381
Charge for the year	79,758	10,022	40,628	130,408
Eliminated on disposal	-	(8,183)	(1,112)	(9,295)
as of 31 December 2019	274,791	113,142	222,561	610,494
<i>Carrying amount</i>				
as of 31 December 2018	1,419,258	27,272	93,199	1,539,729
as of 31 December 2019	1,339,500	14,479	76,803	1,430,782

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 2019 the cost of fully depreciated assets amounted to drams 223,488 thousand (2018: drams 211,150 thousand).

## 5 Borrowings provided

In thousand drams

	2019	2018
Balance at the beginning of year	45,441	51,702
Borrowings provided within the scope of projects	44,048	-
Borrowings provided to employees	-	18,158
Borrowings repaid	(25,420)	(24,419)
	64,069	45,441
Allowance for doubtful borrowings	(35,032)	(38,066)
Balance at the end of year	29,037	7,375

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 2019 the number of borrowers was 39 (as of 31 December 2018: 39).

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.

Movement of the allowance for doubtful borrowings is presented below:

In thousand drams

	2019	2018
Balance at the beginning of year	38,066	16,488
Increase in the allowance during the year	5,810	29,345
Repaid during the year	(8,844)	(7,767)
Balance at the end of year	35,032	38,066

The list of doubtful borrowings is disclosed below.

In thousand drams

Project	Borrower name	Initial borrowing provided	Contract date	Maturity date	Amount of allowance	
					As of 31 December 2019	As of 31 December 2018
Migration and Development Innovative Fund	Karine Tatulyan	1,200	03/02/2011	12/02/2012	450	450
Migration and Development Innovative Fund	Armen Tadevosyan	1,200	03/02/2011	04/02/2012	816	1,200
Migration and Development Innovative Fund	Susanna Margaryan	1,200	05/26/2011	07/26/2012	400	816
Migration and Development Innovative Fund	Karapet Ghazaryan	2,400	12/24/2013	12/24/2014	280	580
Migration and Development Innovative Fund	Arsen Hovsepyan	2,000	08/02/2013	07/31/2014	2,000	2,000
Aramazd-4 For Community With Community	Hasmik Rafaelyan	989	10/10/2013	10/31/2016	318	318
Migration and Development Innovative Fund	Eghishe Movsisyan	1,200	03/07/2014	03/07/2015	25	400
Migration and Development Innovative Fund	Davit Hovsepyan	1,200	03/07/2014	03/07/2015	-	40
Migration and Development Innovative Fund	Gagik Karapetyan	1,660	06/06/2014	06/06/2015	340	370
Migration and Development Innovative Fund	Tsoghik Badoyan	200	07/16/2014	07/16/2015	200	200
Migration and Development Innovative Fund	Arusyak Kirakosyan	200	07/16/2014	07/16/2015	200	-
Migration and Development Innovative Fund	Geteon Simonyan	200	07/16/2014	07/16/2015	200	200
Migration and Development Innovative Fund	Davit Tumasyan	200	07/16/2014	07/16/2015	-	200
Migration and Development Innovative Fund	Ani Darbinayn	200	07/16/2014	07/16/2015	200	200
Migration and Development Innovative Fund	Adam Madoyan	200	07/16/2014	07/16/2015	-	200
Aramazd-3 Social Education Project	Garik Danielyan	1,500	10/15/2014	10/15/2015	-	1,000
Own capital	Father Rafayel Archbishop	4,700	08/29/2014	Indefinite	8,158	6,858
Aramazd-4 For Community With Community	Ashot Aghajanyan	1,120	02/09/2015	10/31/2016	829	829
Migration and Development Innovative Fund	Gurgen Petrosyan	2,000	12/26/2016	1/26/2018	1,329	1,329
Migration and Development Innovative Fund	Ashot Martirosyan	1,700	05/02/2017	05/02/2018	100	100

In thousand drams

Project	Borrower name	Initial borrowing provided	Contract date	Maturity date	Amount of allowance	
					As of 31 December 2019	As of 31 December 2018
Migration and Development Innovative Fund	Rudik Osipov	2,500	10/19/2017	10/19/2018	2,000	2,000
Migration and Development Innovative Fund	Misha Poghosyan	2,120	11/07/2017	11/07/2018	160	1,460
Migration and Development Innovative Fund	Ararat Avalyan	2,500	10/17/2017	10/17/2018	2,500	2,500
Migration and Development Innovative Fund	Rouzanna Vardanyan	529	11/29/2017	11/29/2018	529	529
Migration and Development Innovative Fund	Harout Gaspar	2,500	11/03/2017	11/03/2018	2,500	2,500
Migration and Development Innovative Fund	Carlo Gaspar	2,500	10/25/2017	10/25/2018	-	2,500
Migration and Development Innovative Fund	Souren Hayrapetyan	2,120	12/14/2017	12/14/2018	1,148	2,120
Migration and Development Innovative Fund	Gevorg Demirchyan	2,500	11/10/2017	11/10/2018	1,353	2,500
Migration and Development Innovative Fund	Serine Aghakhani	2,125	10/19/2017	10/19/2018	2,125	2,125
Migration and Development Innovative Fund	Lilit Manucharyan	2,121	12/12/2017	12/12/2018	981	2,121
Migration and Development Innovative Fund	Gevorg Mehrabyan	1,250	10/09/2017	10/09/2018	-	250
Migration and Development Innovative Fund	Astghik Kurghinyan	1,000	10/16/2017	10/16/2018	181	171
Migration and Development Innovative Fund	Hamestuhi Sasunyan	2,500	1/24/2018	12/13/2019	1,500	-
Migration and Development Innovative Fund	Misha Davtyan	1,530	8/3/2018	12/24/2019	510	-
Own capital	Vardan Mouradyan	10,000	4/13/2018	12/13/2019	2,500	-
					<u>35,032</u>	<u>38,066</u>

## 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 (in thousand drams)	
					2019		2018		2019	2018
					Principal	Interest	Principal	Interest		
<i>Inecobank CJSC</i>										
Deposit 1	48,769	12/23/2017	12/23/2018	8.15%	-	-	-	-	-	3,877
Deposit 2	100,000	11/30/2017	11/30/2018	9.00%	-	-	-	-	-	8,211
Deposit 3	49,000	12/25/2018	3/20/2020	9.20%	49,000	4,582	49,000	74	4,582	74
Deposit 4	100,000	12/06/2018	3/06/2020	9.20%	100,000	9,830	100,000	630	9,830	630
					149,000	14,412	149,000	704	14,412	12,792

## 7 Cash and bank balances

In thousand drams

	As of 31 December 2019	As of 31 December 2018
Cash in hand	2,321	2,623
Bank accounts	140,884	231,036
Cash in transit	565	413
	<u>143,770</u>	<u>234,072</u>

## 8 Grants related to assets

In thousand drams

	2019	2018
Balance at the beginning of the year	1,539,729	1,610,946
Addition/(disposal)	(3,265)	2,482
Transferred from grants related to income (refer to note 10)	24,726	50,311
Realized to income (refer to note 11)	(130,408)	(124,010)
Balance at the end of the year	<u>1,430,782</u>	<u>1,539,729</u>

## 9 Accounts payable

In thousand drams

	As of 31 December 2019	As of 31 December 2018
Employee benefits payable	3,854	4,338
	<u>3,854</u>	<u>4,338</u>

## 10 Grants related to income

In thousand drams

	2019	2018
Balance at the beginning of the year	409,783	345,919
Donation received in cash from donors	1,560,064	1,551,177
Bank deposit interest	14,412	12,792
Other donations received	-	148
Donations accrued/grants receivable from donors	(18,649)	(37,372)
Transferred to grants related to assets (refer to note 8)	(24,726)	(50,311)
Realized to income (refer to note 11)	(1,601,743)	(1,412,570)
Balance at the end of the year	<u>339,141</u>	<u>409,783</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 2019	Year ended 31 December 2018
Assistance to the children	640,714	583,857
Migration and trafficking violence	347,106	310,251
Support to elderly	277,074	303,176
Water and sanitation	109,575	149,096
Community development	69,007	80,603
Health care dispensary	47,820	79,935
Other	50,384	35,819
	<u>1,541,680</u>	<u>1,542,737</u>
For administration expenses	<u>18,384</u>	<u>8,440</u>
	<u>1,560,064</u>	<u>1,551,177</u>

Sources of donations received from Donors for the years ended 31 December 2019 and 31 December 2018 are detailed below:

In thousand drams	Year ended 31 December 2019	Year ended 31 December 2018
Caritas Austria	399,902	456,378
Caritas Germany	253,760	291,790
Renovabis	130,503	209,308
CNEWA	110,254	93,836
Caritas Spain	90,646	33,209
Austrian Red Cross	79,838	-
Caritas Belgium	59,143	41,389
Kinder Missionswerk	53,931	24,374
US BC	38,080	-
Caritas France	37,481	59,249
Medicor	31,920	41,475
Ministry of diaspora of Armenia	25,473	74,133
UNISEF	19,654	-
BC Italy	15,445	53,765
Cardinal Frings	14,428	9,209
CRS	12,380	14,767
JT International Luxembourg	9,127	14,600
Caritas Italy	7,633	8,252
Caritas Europe	3,990	4,440
Netherland	-	3,375
Other	166,476	117,628
	<u>1,560,064</u>	<u>1,551,177</u>

## 11 Income from grants

In thousand drams

	Year ended 31 December 2019	Year ended 31 December 2018
Income from grants related to assets (refer to note 8)	130,408	124,010
Income from grants related to income (refer to note 10)	1,601,743	1,412,570
	<u>1,732,151</u>	<u>1,536,580</u>

## 12 Program expenses

In thousand drams

	Year ended 31 December 2019	Year ended 31 December 2018
Assistance to the children	633,319	497,311
Migration and trafficking violence	343,100	264,154
Support to elderly	68,210	257,416
Water and sanitation	108,310	126,686
Community development	273,876	67,386
Health care dispensary	47,268	68,734
Other	67,974	65,756
	<u>1,542,057</u>	<u>1,347,443</u>

The Organization has carried expenses at the amount of drams 13,002 thousand in the scope of the Project ODSS.

## 13 Administrative expenses

In thousand drams

	Year ended 31 December 2019	Year ended 31 December 2018
Depreciation expense	130,408	124,010
Salaries and employee benefits	26,679	28,755
Office expenses	12,133	8,104
Audit and consulting	7,597	3,463
Travel and accommodation	6,088	9,950
Bank charges	473	298
Other	786	8,897
	<u>184,164</u>	<u>183,477</u>

## 14 Income tax expense

In thousand drams

	Year ended 31 December 2019	Year ended 31 December 2018
Current tax	3,096	4,989
	<u>3,096</u>	<u>4,989</u>

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2019	Effective tax rate (%)	Year ended 31 December 2018	Effective tax rate (%)
Result before taxation (under IFRSs)	3,096		4,989	
Tax calculated at a tax rate of 20% (2018: 20%)	619	20.00	998	20.00
(Non-taxable)/non- deductible items, net	2,477	80.00	3,991	80.00
Income tax expense	3,096	100.00	4,989	100.00

## 15 Subsequent events

In March 2020 the World Health Organization has classified the coronavirus (COVID-19), which has exploded in China in December 2019, as pandemic. The novel coronavirus outbreak has caused extensive disruptions to businesses operating in or having close trading associations with companies abroad. Global responses to the coronavirus disease outbreak continue to rapidly evolve. COVID-19 has already had a significant impact on the global economy and major financial markets.

On 16 March 2020 the Government of the Republic of Armenia announced a state of emergency in the country until 14 April 2020, which was then extended until 14 September 2020.

Some of the key impacts on the business may include unavailability of personnel, reductions in the volume of services provided, in earnings and more.

Management believes that the above mentioned will not have a material impact on the financial statements.

## 16 Financial instruments

### 16.1 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.

### 16.2 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 2019	As of 31 December 2018
<i>Amortized cost</i>		
Bank deposits	163,412	149,704
Borrowings provided	29,037	7,375
Cash and bank balances	143,770	234,072
Total financial assets	388,528	391,151

#### *Financial liabilities*

In thousand drams	As of 31 December 2019	As of 31 December 2018
<i>Amortized cost</i>		
Accounts payable	3,854	4,338
Total financial liabilities	3,854	4,338

## 17 Financial risk management

The Organization does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Organization is exposed are described below.

### Financial risk factors

#### a) Market risk

##### *Foreign currency risk*

The Organization is not exposed to foreign exchange risk, since as of the reporting date it has no significant financial liabilities denominated in foreign currencies.

#### b) 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 2019	As of 31 December 2018
Financial assets at carrying amounts		
Term deposits	163,412	149,704
Borrowings provided	29,037	7,375
Bank balances	141,449	231,449
	<u>333,898</u>	<u>388,528</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 35,032 thousand as of 31 December 2019 and drams 38,066 thousand as of 31 December 2018. Management believes that the carrying amount of the borrowings are fully recoverable.

## 18 Contingencies

### 18.1 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.

## 18.2 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.

## 19 Related parties

### 19.1 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 2019	Year ended 31 December 2018
Salaries and bonuses	17,967	18,077
	17,967	18,077

In thousand drams

	Year ended 31 December 2019	Year ended 31 December 2018
Liability for unused vacation days	298	385
	298	385