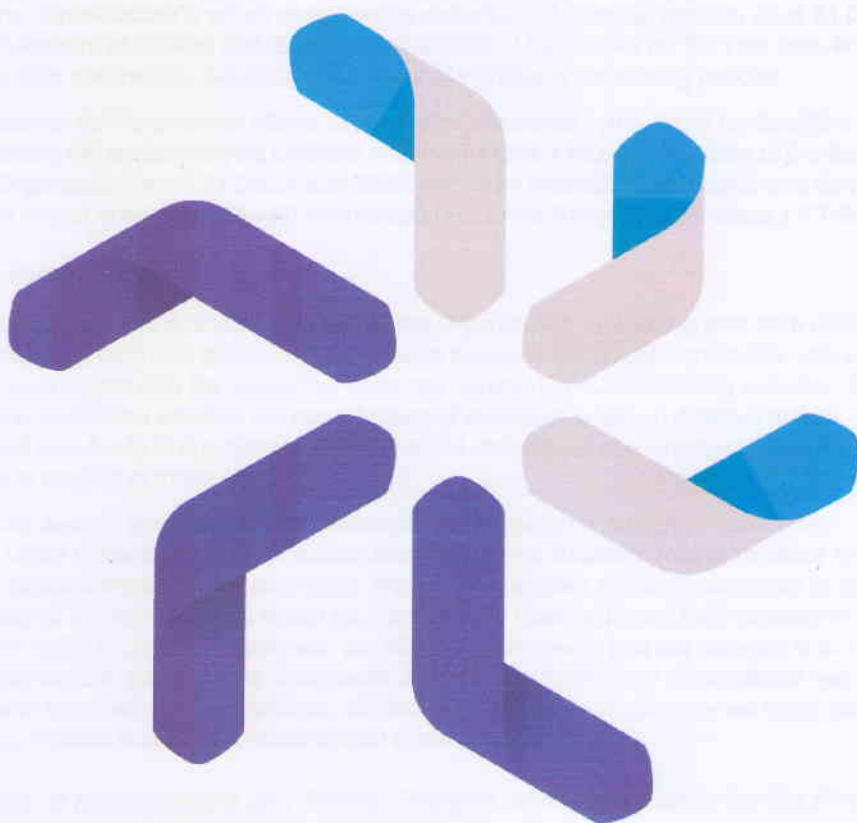


Financial Statements and Independent Auditor's Report

Armenian Caritas Benevolent NGO

31 December 2022



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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 2022, 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 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for 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.

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, FCCA
Engagement Partner

25 August 2023



Armenian Caritas Benevolent NGO

Members of the board of trustees as of 31 December 2022

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 2022	As of 31 December 2021
Assets			
<i>Non-current assets</i>			
Property and equipment	4	1,158,952	1,219,526
		<u>1,158,952</u>	<u>1,219,526</u>
<i>Current assets</i>			
Borrowings provided	5	9,318	83,455
Advances and prepayments		1,232	1,158
Bank deposits	6	117,631	234,142
Cash and bank balances	7	192,721	456,240
		<u>320,902</u>	<u>774,995</u>
Total assets		<u><u>1,479,854</u></u>	<u><u>1,994,521</u></u>
Liabilities, reserves and grants			
<i>Non-current liabilities</i>			
Grants related to assets	8	1,158,952	1,219,526
		<u>1,158,952</u>	<u>1,219,526</u>
<i>Current liabilities</i>			
Accounts payable	9	15,002	11,187
		<u>15,002</u>	<u>11,187</u>
<i>Reserves and grants</i>			
Grants related to income	10	305,900	763,808
		<u>305,900</u>	<u>763,808</u>
Total liabilities, reserves and grants		<u><u>1,479,854</u></u>	<u><u>1,994,521</u></u>

The financial statements were approved on 25 August 2023 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	Note	Year ended 31 December 2022	Year ended 31 December 2021
<i>Income</i>			
Income from grants	11	2,298,395	2,266,836
		<u>2,298,395</u>	<u>2,266,836</u>
<i>Expenses</i>			
Program expenses	12	(2,116,943)	(2,116,767)
Administrative expenses	13	(143,776)	(145,182)
Other expenses		(37,676)	(4,887)
		<u>(2,298,395)</u>	<u>(2,266,836)</u>
Result before income tax		-	-
Income tax expense		-	-
Result of the year		-	-

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 2022	Year ended 31 December 2021
<i>Cash flows from operating activities</i>		
Cash receipts from donors	1,877,831	2,246,399
Borrowings repaid from beneficiaries	54,589	5,182
Total cash receipts from operations	1,932,420	2,251,581
<i>Cash used in operating activity</i>		
Cash paid to and on behalf of employees	(557,657)	(480,137)
Cash used in project implementation	(1,298,714)	(1,499,065)
Cash paid to the State budget	(176,615)	(145,140)
Borrowings provided to beneficiaries	(113,947)	(81,591)
Other cash (payments)/receipts, net	(292)	(4,622)
Donations refunded to donors	(135,221)	-
Total cash used in operations	(2,282,446)	(2,210,555)
Net cash from operating activities	(350,026)	41,026
<i>Cash flows from investing activities</i>		
Acquisition of non-current assets	(46,375)	(39,231)
Cash inflow from sales of non-current assets	-	266
Movement in bank deposits	117,000	(58,000)
Interest received	15,882	18,275
Net cash used in investing activities	86,507	(78,690)
Net increase/(decrease) in cash and bank balances	(263,519)	(37,664)
Cash and bank balances at the beginning of the year	456,240	493,904
Cash and bank balances at the end of the year	192,721	456,240

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 2022 the Organization implemented about 60 projects (2021: 60), which include "Assistance to the children", "Water and sanitation", "Support to elderly", "Health care dispensary", "Migration and 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 2022 was 107 (2021: 103).

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 Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2022.

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

New and revised standards and interpretations that are effective for annual periods beginning on or after 1 January 2022

New standards and amendments described below and applied for the first time in 2022 did not have a material impact on the annual financial statements of the Company:

Standard	Title of Standard or Interpretation
IFRS 3	References to the conceptual framework (Amendments to IFRS 3)
IAS 16	Proceeds before intended use (Amendments to IAS 16)
IAS 37	Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)
IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements to IFRS Standards 2018-2021 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)

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

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 Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company'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 Company'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
IFRS 17	Amendments to IFRS 17 Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	1 January 2023
IFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
IAS 8	Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
IAS 1	Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
IAS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024

3 Significant accounting policies

3.1 Foreign currencies

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the functional currency are recorded at the rates of exchange defined by the Central Bank of Armenia prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates defined by the Central Bank of Armenia prevailing on the reporting date, which is 393.57 drams for 1 US dollar and 420.06 drams for 1 euro as of 31 December 2022 (31 December 2021: 480.14 drams for 1 US dollar and 542.61 drams for 1 euro).

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 2021	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
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
<i>Accumulated depreciation</i>				
as of 1 January 2021	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
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
<i>Carrying amount</i>				
as of 31 December 2021	1,180,233	29,450	9,843	1,219,526
as of 31 December 2022	1,101,223	40,978	16,751	1,158,952

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 2022 the cost of fully depreciated assets amounted to drams 247,367 thousand (2021: drams 229,952 thousand).

5 Borrowings provided

In thousand drams

	2022	2021
Balance at the beginning of year	83,455	22,601
Borrowings provided within the scope of projects	113,447	78,791
Borrowings provided to employees	500	2,800
Borrowings repaid	(54,589)	(5,182)
Borrowings written-off	(133,495)	-
	9,318	99,010
Allowance for doubtful borrowings	-	(15,555)
Balance at the end of year	9,318	83,455

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 2022 the number of borrowers was 5 (as of 31 December 2021: 61).

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.

During the year 2022 the Organization decided to write off borrowings which have been previously provided to Armenian Catholic Church.

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)				Interest income		
					2022		2021		2022	2021	
					Principal	Interest	Principal	Interest	Principal	Interest	
<i>Inecobank CJSC</i>											
Deposit 1	49,000	3/25/2020	6/25/2021	9.2%	-	-	-	-	2,162	-	2,162
Deposit 2	110,000	3/6/2020	6/6/2021	9.2%	-	-	-	-	4,325	-	4,325
Deposit 3	48,000	7/9/2021	11/9/2022	9.2%	-	3,775	48,000	3,775	2,106	3,775	2,106
Deposit 4	49,000	6/25/2021	10/25/2022	9.2%	-	3,668	49,000	3,668	2,322	3,668	2,322
Deposit 5	120,000	6/7/2021	10/7/2022	9.2%	-	8,439	120,000	8,439	6,227	8,439	6,227
Deposit 6	100,000	10/17/2022	10/17/2023	8.4%	100,000	1,749	-	1,749	-	1,749	-
					<u>100,000</u>	<u>17,631</u>	<u>217,000</u>	<u>17,631</u>	<u>17,142</u>	<u>17,631</u>	<u>17,142</u>

7 Cash and bank balances

In thousand drams	As of 31 December 2022	As of 31 December 2021
Cash in hand	1,523	1,256
Bank accounts	190,914	454,448
Cash in transit	284	536
	<u>192,721</u>	<u>456,240</u>

8 Grants related to assets

In thousand drams	2022	2021
Balance at the beginning of the year	1,219,526	1,282,807
Addition	19,672	237
Transferred from grants related to income (refer to note 10)	26,703	38,994
Disposal of related assets (refer to note 4)	-	(266)
Realized to income (refer to note 11)	<u>(106,949)</u>	<u>(102,246)</u>
Balance at the end of the year	<u>1,158,952</u>	<u>1,219,526</u>

9 Accounts payable

In thousand drams	As of 31 December 2022	As of 31 December 2021
Employee benefits payable	11,707	11,187
Other	3,295	-
	<u>15,002</u>	<u>11,187</u>

10 Grants related to income

In thousand drams	2022	2021
Balance at the beginning of the year	763,808	689,567
Donation received in cash from donors	1,877,831	2,246,399
Bank deposit interest	17,631	17,142
Donations accrued/grants receivable from donors	(135,221)	14,284
Transferred to grants related to assets (refer to note 8)	(26,703)	(38,994)
Realized to income (refer to note 11)	<u>(2,191,446)</u>	<u>(2,164,590)</u>
Balance at the end of the year	<u>305,900</u>	<u>763,808</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 2022	Year ended 31 December 2021
Assistance to the children	302,201	336,545
Migration and trafficking violence	326,238	460,078
Support to elderly	437,182	333,155
Water and sanitation	-	585,836
Community development	294,756	215,765
Health care dispensary	115,611	90,204
Emergency	325,035	-
Other	35,539	157,145
	<u>1,836,562</u>	<u>2,178,728</u>
For administration expenses	<u>41,269</u>	<u>67,671</u>
	<u>1,877,831</u>	<u>2,246,399</u>

Sources of donations received from donors for the years ended 31 December 2022 and 31 December 2021 are detailed below:

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Austrian Red Cross	224,908	334,650
Renovabis	358,595	286,452
Caritas Austria	200,036	256,213
Caritas Germany	333,369	230,230
CNEWA	145,419	163,809
Caritas France	71,014	112,639
CRS	68,061	105,365
Caritas Spain	52,776	104,024
Caritas Belgium	43,434	70,571
Local contributions	52,771	42,217
Medicor	20,650	28,125
US BC	9,359	24,840
Kinder Missionswerk	46,794	16,422
JT International Luxembourg	28,326	15,974
Cardinal Frings	7,198	14,190
BC Italy	21,420	-
Caritas Europe	5,281	-
Other	188,420	440,678
	<u>1,877,831</u>	<u>2,246,399</u>

11 Income from grants

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Income from grants related to assets (refer to note 8)	106,949	102,246
Income from grants related to income (refer to note 10)	<u>2,191,446</u>	<u>2,164,590</u>
	<u>2,298,395</u>	<u>2,266,836</u>

12 Program expenses

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Assistance to the children	340,682	317,124
Migration and trafficking violence	367,779	433,528
Support to elderly	492,850	313,930
Community development	332,289	552,029
Water and sanitation	-	203,314
Health care dispensary	130,332	84,999
Emergency	366,423	-
Other	86,588	211,843
	<u>2,116,943</u>	<u>2,116,767</u>

13 Administrative expenses

In thousand drams	Year ended 31 December 2022	Year ended 31 December 2021
Salaries and employee benefits	24,860	38,311
Depreciation expense	106,949	102,009
Other	11,967	4,862
	<u>143,776</u>	<u>145,182</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 [and equity instrument] 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 2022	As of 31 December 2021
<i>Amortized cost</i>	117,631	234,142
Bank deposits	9,318	83,455
Borrowings provided	192,721	456,240
Cash and bank balances	319,670	773,837
Total financial assets	<u>319,670</u>	<u>773,837</u>

Financial liabilities

In thousand drams	As of 31 December 2022	As of 31 December 2021
<i>Amortized cost</i>		
Accounts payable	15,002	11,187
Total financial liabilities	15,002	11,187

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 2022	As of 31 December 2021
Financial assets at carrying amounts		
Term deposits	117,631	234,142
Borrowings provided	9,318	83,455
Bank balances	190,914	454,984
	317,863	772,581

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 2022	Year ended 31 December 2021
Salaries and bonuses	18,124	17,108
	<u>18,124</u>	<u>17,108</u>