

# **Financial Statements and Independent Auditor's Report**

## **“Children of Armenia” Charitable Fund**

31 December 2021



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# Independent auditor's report

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To the Board of Trustees of “Children of Armenia” Charitable Fund

## *Opinion*

We have audited the financial statements of “Children of Armenia” Charitable Fund (the “Fund”), which comprise the statement of financial position as of 31 December 2021, and the statement of activities and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund 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 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 Fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund’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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund’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 Fund'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 Fund'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 Fund 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

16 June 2022



# Members of the Board of Trustees as of 31 December 2021

The list of the members of the Board of Trustees as of 31 December 2021 is presented below:

- Richard Bezjian, *Chairman*
- Ovsanna Yeghoyan, *Member*
- Serob Khachatryan, *Member*
- Bagrat Sargis Balabanyan, *Member*
- Garo H. Armen, *Member*
- Alice Saraydarian, *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	3,372,151	2,885,500
Intangible assets		10,582	10,599
Advances for acquisition of non-current assets		90,144	2,913
		<u>3,472,877</u>	<u>2,899,012</u>
<i>Current assets</i>			
Inventories	5	56,641	19,576
Accounts receivable	6	66,933	22,177
Bank deposits	7	106,469	40,837
Cash and bank balances	8	43,764	141,706
		<u>273,807</u>	<u>224,296</u>
<b>Total assets</b>		<u><b>3,746,684</b></u>	<u><b>3,123,308</b></u>
<b>Liabilities and net assets</b>			
<i>Non-current liabilities</i>			
Grants related to assets	9	3,472,877	2,899,012
		<u>3,472,877</u>	<u>2,899,012</u>
<i>Current liabilities</i>			
Accounts payable	10	109,825	37,222
Grants related to income	11	163,982	187,074
		<u>273,807</u>	<u>224,296</u>
<i>Reserves</i>			
Accumulated result		-	-
		<u>-</u>	<u>-</u>
<b>Total liabilities and reserves</b>		<u><b>3,746,684</b></u>	<u><b>3,123,308</b></u>

The financial statements were approved on 16 June 2022 by:

Korioun Khachadourian  
Executive Director



Hermine Tovmasyan  
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 9 to 25.

# Statement of activities

In thousand drams	Note	Year ended 31 December 2021	Year ended 31 December 2019
Sales revenue		84,993	35,818
Cost of sales		(72,515)	(60,584)
Gross profit		12,478	(24,766)
Income from grants	12	1,885,489	1,380,355
Program expenses	13	(1,792,193)	(1,295,268)
		105,774	60,321
Other income		5,466	122
Distribution and marketing expenses		(12,243)	(2,715)
General and administrative expenses	14	(92,936)	(71,769)
Other financial items		(7,868)	11,175
Finance income	15	9,872	3,918
		8,065	1,052
Income tax expense		(8,065)	(1,052)
		-	-

The statement of activities is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 25.

# Statement of cash flows

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities		
Result for the year	-	-
<i>Adjustments for:</i>		
Depreciation and amortization	240,904	197,980
Loss on disposal of property and equipment	8,843	4,066
Finance income	(9,872)	(3,918)
Income from grants related to assets	(240,902)	(197,982)
Other financial items	7,868	(11,175)
	<u>6,841</u>	<u>(11,029)</u>
<i>Change in the following items</i>		
Change in inventories	(37,065)	9,826
Change in receivables	(44,747)	(15,409)
Change in bank deposits	(65,632)	-
Change in payables	72,800	(43,551)
Grants related to income	(23,092)	145,696
<i>Cash generated from/(used in) operations</i>	<u>(90,895)</u>	<u>85,533</u>
Cash flows from investing activities		
Acquisition of property and equipment	(823,612)	(325,581)
Interest received	9,872	3,918
Grants received	814,767	321,516
<i>Net cash from/(used in) investing activities</i>	<u>1,027</u>	<u>(147)</u>
Net increase/(decrease) in cash and bank balances	(89,868)	85,386
Foreign exchange effect on cash	(8,074)	11,240
Cash and bank balances at the beginning of the year (refer to note 8)	<u>141,706</u>	<u>45,080</u>
Cash and bank balances at the end of the year (refer to note 8)	<u><u>43,764</u></u>	<u><u>141,706</u></u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 25.



# Notes to the financial statements

## 1 Nature of operations and general information

“Children of Armenia” Charitable Fund (the Fund”) was founded in 2003.

The main objective of the Fund is to provide support to children in the fields of welfare, health and education in Armenia through implementation of health, education, infrastructure, economic development and social programs.

The average number of employees of the Fund during 2021 was 118 employees (2020: 103 employees).

The legal address of the Fund is 2/2 Melik-Adamyanyan, Yerevan, 0001, Republic of Armenia.

### *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 Fund’s management considers its current liquidity position to be sufficient for the sustainable functioning. The Fund 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 Fund’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 Fund’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 Fund’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 Fund 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 Fund’s functional currency, since this currency best reflects the economic substance of the underlying events and transactions of the Fund.

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 revenues and expenses during the reporting period. Significant areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 16 to the financial statements.

## 2.5 Adoption of new and revised standards

In the current year the Fund 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 Fund:

<b>Standard</b>	<b>Title of Standard or Interpretation</b>
<i>Various</i>	<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 Fund**

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 Fund.

Management anticipates that all of the relevant pronouncements will be adopted in the Fund’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 Fund’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). Non-monetary items are not retranslated and are measured at historic cost (translated using the exchange rates at the transaction date), except for non-monetary items carried at fair value that are denominated in foreign currencies which are retranslated at the rates prevailing on the date when the fair value was determined.

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

### 3.2 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price including import duties and non-refundable purchase taxes and other directly attributable costs. When the unit of property and equipment comprises major components with different useful lives they are accounted for as separate components of property and equipment.

Properties not available for use, which are maintained for rental or administrative purposes, or for purposes not yet determined, 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 Fund'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.

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 result as incurred.

Depreciation is charged to the result 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 and constructions	- 20-30 years
Computers and equipment	- 3-5 years
Vehicles	- 5-10 years
Fittings	- 5 years.

As no finite useful life for land can be determined, related carrying amounts are not depreciated.

### 3.3 Intangible assets

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

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

### 3.4 Leased assets

The Fund makes the use of leasing arrangements principally for the provision of office space. The rental contract for office space is typically negotiated for terms of 3 years. The Fund does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis.

The Fund assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

### 3.5 Inventories

Inventories are assets held for sale in the ordinary course of business or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Items such as spare parts, stand-by equipment and servicing equipment are also recognized as inventories unless they meet the definition of property and equipment.

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

### 3.6 Financial instruments

#### *Recognition and derecognition*

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

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

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

#### *Classification and initial measurement of financial assets*

All financial assets are initially measured at fair value adjusted for transaction costs.

Financial assets are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the Fund's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognized in the result for the year are presented within finance costs, finance income or other financial items. A summary of the Fund's financial assets by category is given in note 18.2.

#### *Subsequent measurement of financial assets*

##### *Financial assets at amortized cost*

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's cash and most other receivables fall into this category of financial instruments.

#### *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

#### *Accounts receivable and contract assets*

The Fund makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Fund uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses by using a provision matrix.

#### *Classification and measurement of financial liabilities*

The Fund's financial liabilities include loans and borrowings, trade and other payables and finance lease liabilities. A summary of the Fund's financial liabilities by category is given in note 18.2.

#### *Accounts payable*

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

### 3.7 Grants

Grants are not recognized until there is reasonable assurance that the Fund 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 profit or loss 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. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Fund with no future related costs are recognized in profit or loss in the period in which they become receivable.

Grants received from donors, which as of a reporting date have not been used, are recognized in the statement of financial position of the Fund as deferred income (current liability) and are systematically transferred to the result of the year, along with the grants usage.

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.

Refer to note 17 for the management's judgments on grants recognition and calculation.

### 3.8 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

### 3.9 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;

When employees render services to the Fund during the accounting period, the Fund 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 Fund 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 Fund 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 Fund has no realistic alternative but to make the payments.

### 3.10 Income recognition

Income arises mainly from the provision of hotel services.

To determine whether to recognize income, the Fund follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing income when/as performance obligation(s) are satisfied.

#### *Income from grants*

Refer to note 3.7 for income recognition policy.

## 4 Property and equipment

In thousand drams

	Land	Buildings and constructions	Computers and equipment	Vehicles	Fittings	Construction in progress	Improvement of the leased asset	Total
<i>Cost</i>								
as of 1 January 2020	57,549	2,477,264	266,897	61,241	214,211	4,052	-	3,081,214
Additions	-	15,287	90,491	8,533	55,497	106,198	62,716	338,722
Disposals	-	-	(10,348)	-	(12,330)	-	-	(22,678)
as of 31 December 2020	57,549	2,492,551	347,040	69,774	257,378	110,250	62,716	3,397,258
Additions	6,574	45,571	46,409	66,883	45,663	487,969	32,780	731,849
Disposals	-	(5,652)	(23,269)	-	(13,609)	-	-	(42,530)
Internal movement	-	83,931	17,547	-	(18,969)	(82,509)	-	-
as of 31 December 2021	64,123	2,616,401	387,727	136,657	270,463	515,710	95,496	4,086,577
<i>Accumulated depreciation</i>								
as of 1 January 2020	-	124,563	114,371	24,228	74,621	-	-	337,783
Charge for the year	-	83,167	54,620	7,518	40,287	-	8,225	193,817
Eliminated on disposal	-	-	(9,021)	-	(10,821)	-	-	(19,842)
as of 31 December 2020	-	207,730	159,970	31,746	104,087	-	8,225	511,758
Charge for the year	-	85,737	69,798	11,790	42,869	-	26,161	236,355
Eliminated on disposal	-	(1,006)	(21,162)	-	(11,519)	-	-	(33,687)
as of 31 December 2021	-	292,461	208,606	43,536	135,437	-	34,386	714,426
<i>Carrying amount</i>								
as of 31 December 2020	57,549	2,284,821	187,070	38,028	153,291	110,250	54,491	2,885,500
as of 31 December 2021	64,123	2,474,373	178,804	93,121	133,853	366,767	61,110	3,372,151



As of the reporting date the Fund does not have any pledged items of the property and equipment.

Additions in the “Construction in progress” include construction works of residential houses at the amount of drams 260,900 thousand acquired within the scope of “Houses for Artsakh residents” project launched in 2021 in Lori region, "COAF Smart" complex of Lori region, Conference Center and other capital expenditures at the amount of drams 227,069 thousand (2020: Conference Center and other capital expenditures at the amount of drams 106,198 thousand).

In 2021 capital renovation works at the amount of drams 32,780 thousand are related to the "Child and Family Services Center" operating in the area given to the Fund for free of use in the village of Hatsik, Armavir region of the Republic of Armenia (in 2020 the Fund carried out a capital renovation work at the amount of drams 62,716 thousand in the leased office space located at 2/2 Melik-Adamyany street, Yerevan), which is presented in the “Improvement of the leased asset”.

Depreciation expense has been charged to program expenses at the amount of drams 212,689 thousand, general and administrative expenses at the amount of drams 23,666 thousand (2020: program expenses at the amount of drams 156,727 thousand, general and administrative expenses at the amount of drams 37,090 thousand).

## 5 Inventories

In thousand drams	As of 31 December 2021	As of 31 December 2020
Goods for contribution	53,050	15,966
Raw materials	1,849	1,573
Fuel	1,563	2,037
Other	179	-
	<u>56,641</u>	<u>19,576</u>

Inventories of the Fund are not pledged.

## 6 Accounts receivable

In thousand drams	As of 31 December 2021	As of 31 December 2020
Advances	50,193	15,984
Grants receivable	16,715	5,883
Other accounts receivable	25	310
	<u>66,933</u>	<u>22,177</u>

All amounts are short-term.

## 7 Bank deposits

In thousand drams

	Commence- ment date	Maturity date	Interest	As of 31 December 2021			As of 31 December 2020		
				Principal amount	Accrued interest	Financial income 2021	Principal amount	Accrued interest	Financial income 2020
Ameriabank CJSC	15.12.2021	16.12.2022	9.5%	106,000	469	7,030	-	-	-
HSBC Bank Armenia CJSC	03.06.2019	03.06.2021	8.5%	-	-	1,283	36,000	4,837	3,060
				<u>106,000</u>	<u>469</u>	<u>8,313</u>	<u>36,000</u>	<u>4,837</u>	<u>3,060</u>

## 8 Cash and bank balances

In thousand drams	As of 31 December 2021	As of 31 December 2020
Cash in hand	534	522
Bank accounts	43,230	141,184
	<u>43,764</u>	<u>141,706</u>

Refer to note 19 for the currencies in which the bank balances are denominated.

## 9 Grants related to assets

In thousand drams	2021	2020
Balance at the beginning of the year	2,899,012	2,775,478
Funds received during the year	-	1,373
Reclassification from grants related to income (refer to note 11)	814,767	320,143
Used during the year (refer to note 12)	(240,902)	(197,982)
Balance at the end of the year	<u>3,472,877</u>	<u>2,899,012</u>

## 10 Accounts payable

In thousand drams	As of 31 December 2021	As of 31 December 2020
Payables on acquisition of non-current assets	25,547	-
Payables on acquisition of inventories	10,319	234
Allowance for unused vacation days	1,629	1,874
Payables to the State budget	34,831	22,453
Lease payables	5,117	4,427
Payables for services received	31,132	8,211
Other payables	1,250	23
	<u>109,825</u>	<u>37,222</u>

No interest is charged on accounts payable. The Fund has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Refer to note 19 for more information about the Fund's exposure to foreign currency risk.

## 11 Grants related to income

In thousand drams	2021	2020
Balance at the beginning of the year	187,074	41,378
Funds received during the year	2,426,476	1,642,329
Grant return	(1,046)	-
Grants to be received	10,832	5,883
Transfer to grants related to assets (refer to note 9)	(814,767)	(320,143)
Used during the year	(1,644,587)	(1,182,373)
Balance at the end of the year	<u>163,982</u>	<u>187,074</u>

Additions include the funds received from the following donors:

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
“Children of Armenia Fund New York”	2,307,146	1,477,754
Armenian Missionary Association of America, Armenia branch (AMAA)	57,240	-
U.S. Embassy in Armenia	25,231	47,663
“Family Health International 360” LLC	9,497	8,734
Delegation of the European Union to Armenia	6,950	71,326
United Nations Development Program	6,346	-
German Corporation for International Cooperation (GIZ GmbH)	4,346	-
Embassy of the Republic of Lithuania in the Republic of Armenia	3,952	-
Agency of Local Democratic Offices	-	12,869
“Austrian Development Agency” LLC	-	5,277
DVV International Office in Armenia	-	3,226
“Energize Global Services” CJSC	-	4,941
“Advance Armenia” Foundation	-	4,883
Other donors	5,768	5,656
	<u>2,426,476</u>	<u>1,642,329</u>

The balance at the end of the year of the grants related to income include the unused balances of the funds received from the following donors:

In thousand drams	As of 31 December 2021	As of 31 December 2020
“Children of Armenia Fund New York”	104,800	135,764
Armenian Missionary Association of America, Armenia branch (AMAA)	56,440	-
U.S. Embassy in Armenia	-	16,261
“HSBC Bank Armenia” CJSC	-	123
Delegation of the European Union to Armenia	-	31,515
German Corporation for International Cooperation (GIZ GmbH)	2,742	-
“Family Health International 360” LLC	-	3,403
Other	-	8
	<u>163,982</u>	<u>187,074</u>

## 12 Income from grants

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Income from grants related to income (refer to note 11)	1,644,587	1,182,373
Income from grants related to assets (refer to note 9)	240,902	197,982
	<u>1,885,489</u>	<u>1,380,355</u>

## 13 Program expenses

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Educational programs	235,786	193,400
Health programs	77,269	195,389
“COAF-Smart” initiatives	740,040	633,421
Social programs	184,170	191,573
Infrastructure development	395,548	27,318
Economic development	159,380	45,080
Agricultural programs	-	9,087
	<u>1,792,193</u>	<u>1,295,268</u>

## 14 General and administrative expenses

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Professional and consulting fees	1,558	6,131
Employee benefit expenses	34,672	33,073
Lease and utility expenses	7,752	5,217
Service and depreciation expenses	9,352	5,700
Business trip and representative expenses	7	56
Foreign currency translation expenses	18,512	8,120
Other expenses	19,025	13,732
	<u>92,936</u>	<u>71,769</u>

## 15 Finance income

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2020
Interest income from bank deposits	8,313	3,060
Interest income accrued on the positive balance of bank accounts	1,559	858
	<u>9,872</u>	<u>3,918</u>

## 16 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, however, management assesses that the above will not have a significant impact on the Fund’s operations and its financial statements.

## 17 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 17.1 Critical accounting estimates

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates may be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Useful lives of property and equipment*

Management has estimated useful lives of the property and equipment. Management believes that estimated useful lives of the property and equipment are not materially different from economical lives of those assets. If actual useful lives of property and equipment are different from estimations, financial statements may be materially different.

### 17.2 Critical judgments in applying accounting policies

The following are the judgements made by management in applying the accounting policies of the Fund that have the most significant effect on the financial statements.

#### *Recognition of grants*

As disclosed in note 3.7, grants are not recognized until there is reasonable assurance that the Fund will comply with the conditions attaching to them and the grants will be received. For each grant agreement management estimates the probability that it will satisfy the conditions attached to the grant, and that the grant will be received. In doing so, management relies on the previous experience with the donor, as well as the capabilities of the Fund to completely implement the grant. However, if the management is mistaken in its estimates, the financial statements may be adjusted, and those adjustments may be significant to the financial statements of the Fund.

## 18 Financial instruments

### 18.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

### 18.2 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	106,000	36,000
Cash and bank balances	43,764	141,706
	<u>149,764</u>	<u>177,706</u>

## Financial liabilities

In thousand drams	As of 31 December 2021	As of 31 December 2020
<i>Amortized cost</i>		
Accounts payable	59,514	14,769
	<u>59,514</u>	<u>14,769</u>

## 19 Financial risk management

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

The Fund 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 Fund is exposed are described below.

### Financial risk factors

#### a) Market risk

The Fund is exposed to market risk, specifically to currency risk, which result from both its operating and investing activities.

##### *Foreign currency risk*

The Fund undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Most of the Fund's transactions are carried out in Armenian drams. Exposures to currency exchange rates arise from the Fund's foreign currency grants and overseas sales and purchases, which are primarily denominated in US dollars.

Foreign currency denominated financial assets and liabilities which expose the Fund to currency risk are disclosed below. The amounts shown are those reported to key management translated into Armenian drams at the closing rate:

Item	As of 31 December 2021	As of 31 December 2020	As of 31 December 2021	As of 31 December 2020
	US dollar		Another currency	
<i>Financial assets</i>				
Bank balances	86	53,838	-	30,764
Net position	<u>86</u>	<u>53,838</u>	<u>-</u>	<u>30,764</u>

#### b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund. 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		
Bank balances	43,230	141,184
	<u>43,230</u>	<u>141,184</u>

The credit risk for bank balances and term deposits is considered negligible, since the counterparties are reputable banks which have the following credit rating by Moody's Investors Service/Standard & Poor's: "HSBC Bank Armenia" CJSC - ba3, "Ameriabank" CJSC - ba3.

### c) *Liquidity risk*

Liquidity risk is the risk that the Fund will be unable to meet its obligations.

The Fund's policy is to run a prudent liquidity management policy by means of holding sufficient cash and bank balances, as well as highly liquid assets for making all operational and debt service related payments when those become due.

The following table details the Fund's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The table includes cash flows from interest and principal amount.

In thousand drams	As of 31 December 2021	As of 31 December 2020
	Non-interest bearing	Non-interest bearing
Less than 6 months	27,027	4,661
6 months to 1 year	47,967	10,108
	<u>74,994</u>	<u>14,769</u>

The Fund considers expected cash flows from financial assets in assessing and managing liquidity risk, particularly its cash resources. The Fund's cash resources significantly exceed the current cash outflow requirements.

## 20 Contingencies

### 20.1 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 Fund does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Fund property or relating to the Fund operations. Until the Fund 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 Fund's operations and financial position.

### 20.2 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

### 20.3 Related parties

The Fund's related parties include "Children of Armenia Fund New York", Board of Trustees of the Fund, "Energize Global Services" CJSC, which is founded by Mr. Richard Bezjian, the Chairman of the Board of Trustees of the Fund, as well as key management as described below.



## 20.4 Control relationships

The Fund is controlled by the Board of Trustees. "Children of Armenia Fund New York", which operates in the United States of America and is located in the USA, 10010 New York, 5th Avenue, 149 building, room No. 500, is under common control with the Fund.

## 20.5 Transactions with related parties

During the reporting year the Fund had the following transactions with the related parties and as of the reporting date had the following outstanding balances.

In thousand drams

Transactions	Year ended 31 December 2021	Year ended 31 December 2020
Entities under common control		
Acquisition of grants	2,307,146	1,482,695
	<u>2,307,146</u>	<u>1,482,695</u>

In thousand drams

Outstanding balances	As of 31 December 2021	As of 31 December 2020
Entities under common control		
Grants related to income	104,800	135,764
	<u>104,800</u>	<u>135,764</u>

## 20.6 Transactions with management and close family members

Key management received the following remuneration during the year, which is included in general and administrative expenses.

In thousand drams

	Year ended 31 December 2021	Year ended 31 December 2020
Salaries and bonuses	<u>31,053</u>	<u>23,803</u>