Financial Statements and Independent Auditor's Report

“Bari Mama” NGO

31 December 2020

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Grant Thornton

Independent auditor's report

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To the Board of "Bari Mama" NGO

Opinion

We have audited the financial statements of "Bari Mama" NGO (the "Organization"), which comprise the statements of financial position as of 31 December 2019 and 31 December 2018, and the statements of activities, statements of changes in net assets and statements of cash flows for the years 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 Organization as of 31 December 2020, and of its financial performance and its cash flows for the years 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 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.

Other Matter

We have audited the financial statements as of and for the year ended 31 December 2019 and expressed a qualified opinion on these financial statements in our audit report dated 15 March 2021. The factors leading to the qualification are not applicable for the audit of the current financial statements.

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	Emil Vassilyan
Chief Executive Officer	Engagement Partner

26 November 2021

Statement of financial position

In thousand drams	Note	As of 31 December 2020	As of 31 December 2019
Assets			
Non-current assets			
Property and equipment	4	195,449	105,583
Prepayments		-	45,060
		195,449	150,643
Current assets			
Inventories		1,720	-
Accounts receivable	5	7,200	3,340
Cash and bank balances	6	15,743	11,286
		24,663	14,626
Total assets		220,112	165,269
Liabilities and net assets			
Non-current liabilities			
Grants related to assets	7	193,264	148,343
Borrowings		-	1,600
		193,264	149,943
Current liabilities			
Accounts payable	8	10,682	807
Income tax liabilities		544	358
Deferred income	9	10,506	12,160
		21,732	13,325
Net Assets			
Accumulated result		5,116	2,001
		5,116	2,001
Total liabilities and net assets		220,112	165,269

The financial statements were approved on 15 March 2021 by:

Marine Adulyan

President

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 21.

Statement of activities

In thousand drams	Note	Year ended 31 December 2020	Year ended 31 December 2019
Income from grants	10	54,312	40,712
Other income		4,375	1,798
Employee benefits		(14,691)	(15,579)
Donations and financial support		(26,914)	(9,667)
Depreciation and amortization		(5,086)	(1,159)
Utility, communication and printing expenses		(4,424)	(5,125)
Event expenses		(216)	(4,088)
Transportation expenses		(913)	(2,102)
Other expenses		(2,701)	(3,427)
Net gain from exchange differences		(83)	378
Result before income tax		3,659	1,741
Income tax expense	11	(544)	(358)
Result for the year		3,115	1,383

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 21.

Statement of changes in net assets

In thousand drams	Accumulated result	Total
as of 1 January 2019	618	618
Result for the year	1,383	1,383
as of 31 December 2019	2,001	2,001
Result for the year	3,115	3,115
as of 31 December 2020	5,116	5,116

The statement of changes in net assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 9 to 21.

Statement of cash flows

In thousand drams	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities			
Cash received from donations		93,633	104,245
Cash received from customers and other		6,725	1,519
Cash paid to suppliers		(29,321)	(25,562)
Cash paid to employees		(10,380)	(11,361)
Payments to the State budget		(4,207)	(3,716)
Cash generated from operations		56,450	65,125
Income tax paid		(358)	(93)
Net cash generated from operating activities		56,092	65,032
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(49,952)	(71,674)
Net cash used in investing activities		(49,952)	(71,674)
Cash flows from financing activities			
Repayment of borrowing		(1,600)	(700)
Net cash used in financing activities		(1,600)	(700)
Net decrease in cash and bank balances		4,540	(7,342)
Foreign exchange effect on cash		(83)	21
Cash and bank balances at the beginning of the year		11,286	18,607
Cash and bank balances at the end of the year		15,743	11,286

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 21.

Notes to the financial statements

1 Nature of operations and general information

“Bari Mama” NGO is an organization founded in the Republic of Armenia. The Organization is registered by the Central Body of the State Register of Legal Entities of the Republic of Armenia on 11 May 2015, with the registration number 211.171.856839.

The Organization's activity is carried out in accordance with the Constitution of the Republic of Armenia, the current laws of the Republic of Armenia, international treaties and the Charter of the Organization.

The Organization was created by the efforts of Armenian mothers, whose main goal is to help children with disabilities who were abandoned due to disability and ended up in orphanages. The Organization has about 8,000 members.

The mission of the Organization is to give children a home and family.

The beneficiaries of the Organization are:

- Pregnant women or women in early postnatal period belonging to the risk groups because of pregnancy and postnatal pathologies,
- Single and/ or socially vulnerable, disabled pregnant women or women in early postnatal period,
- Children aged 0-6 abandoned by a biological parent due to health problems and /or disability,
- Orphanage children,
- Young people over the age of 18 who have left the orphanage and do not have a guardian,
- Socially vulnerable families,
- Organizations working with the above mentioned target groups,
- Preschool institutions,
- Public schools that provide or do not provide inclusive education.

The principle place of registration of the Organization is Aygegortsakan 6th district 1/2, village Jrvezh, RA.

The average number of employees of the Organization as of 31 December 2020 was 3 employees (as of 31 December 2019: 4 employees).

Business environment

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

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

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

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

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

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

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

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the Organization operates on a going concern basis.

Currently, IFRSs do not contain specific guidance for non-profit organizations and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where IFRSs do not give guidance on how to treat transactions specific to not for profit sector, accounting policies have been based on the general principles of IFRSs, as detailed in the International Accounting Standards Board (“IASB”) *The Conceptual Framework for Financial Reporting.*

2.2 Basis of measurement

The financial statements have been prepared on 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 (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 income 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 12 to the financial statements.

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 2020.

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 2020

New standards and amendments described below and applied for the first time in 2020 did not have a material impact on the annual financial statements of the Organization:

- *Conceptual Framework for Financial Reporting*
- *Definition of a Business (Amendments to IFRS 3)*
- *Definition of Material (Amendments to IAS 1 and IAS 8)*
- *Interest Rate Benchmark Reform (Amendment to IFRS 9 and IFRS 7)*
- *COVID-19 Rent Related Concessions (Amendments to IFRS 16)*

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 does not anticipate a material impact on the Bank's financial statements from these Standards and Amendments, they are presented below.

- *Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 16, IFRS 4, IFRS 7)*
- *IFRS 17 Insurance contracts*
- *Proceeds before intended use (Amendments to IAS 16)*
- *References to the conceptual framework (Amendments to IFRS 3)*
- *Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)*
- *Annual improvements to IFRS Standards 2018-2020 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)*
- *Classification of liabilities as current or non-current (Amendments to IAS 1)*

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 522.59 drams for 1 US dollar and 641.11 drams for 1 euro as of 31 December 2020 (31 December 2019: 479.70 drams for 1 US dollar, 537.26 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.

3.2 Property and equipment

Items of property and equipment, except for land, 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 an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Properties in the course of construction for production, 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 Organization’s accounting policy. Buildings that are leasehold property are also included in property and equipment if they are held under a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

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 the result for the year 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 and constructions	-	20 years
Vehicles and equipment	-	8 years
Fittings	-	8 years
Other	-	5-8 years.

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

3.3 Impairment of property and equipment and intangible assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of net selling price and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case any reversal of impairment loss is treated as a revaluation increase.

3.4 Inventories

Inventories are assets held in the form of materials or supplies to be consumed 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.

3.5 Financial instruments

Financial assets when they are recognized initially are measured at fair value, less directly attributable transaction costs, subsequently they are measured at amortized cost.

Financial liabilities are measured initially at fair value less directly attributable transaction costs, and have not been designated as at fair value through profit or loss, subsequently they are measured at amortized cost.

3.6 Cash and cash equivalents

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

For the purpose of the statement of cash flows, cash equivalents are on-demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Organization classifies investments as a cash equivalent if it is readily convertible to a known amount of cash and is subject to an insignificant risk of changes in value.

The result from sale or revaluation of the asset held for sale is recognized in the result for the year under the lines “Other income” or “Other expenses” correspondingly. In case of sale the existing revaluation reserve relating to this asset is being transferred to the accumulated result.

3.7 Reserves

Accumulated result includes all current and prior period retained profits.

3.8 Grants

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.

Grants received unconditionally from the donors as a financial support or as a compensation for expenses and losses already incurred, are recognized in the result of the year, when they become receivable.

All grant income is recognized in the statement of financial position as deferred income, when it becomes receivable, which is the date when the Organization has entered into legally binding commitments. Deferred income is transferred to the statement of activities in line with the realization of the grant commitments. However, if the amount of deferred income turns out to be more than is required by the Organization to meet its commitments, the surplus amount is deducted from the balance of the deferred income and the respective receivables from donors. The amount of this adjustment is not reflected in the statement of activities.

If the amount of the grant recognized exceeds the expenses of the Organization, which are necessary for the implementation of the whole grant, the exceeded part is reduced from the amount of the recognized deferred income and the accounts receivable on grants.

3.9 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.

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.

3.10 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 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.

3.11 Income

Income arises mainly from the grants and donations. For the accounting policy of income from grants refer to note 3.8.

4 Property and equipment

In thousand drams	Land, buildings and constructions	Vehicles and equipment	Fittings and other	Property and equipment under construction	Total
Cost					
as of 1 January 2019	7,818	1,800	3,344	32,217	45,179
Additions	-	8,186	8,885	44,603	61,674
as of 31 December 2019	7,818	9,986	12,229	76,820	106,853
Additions	-	50	8,007	86,895	94,952
Internal movement	58,657	-	-	(58,657)	-
as of 31 December 2020	66,475	10,036	20,236	105,058	201,805
Accumulated depreciation and impairment					
as of 1 January 2019	-	21	59	-	80
Charge for the year	-	270	920	-	1,190
as of 31 December 2019	-	291	979	-	1,270
Charge for the year	1,774	253	3,059	-	5,086
as of 31 December 2020	1,774	544	4,038	-	6,356
Carrying amount					
as of 31 December 2019	7,818	9,695	11,250	76,820	105,583
as of 31 December 2020	64,701	9,492	16,198	105,058	195,449

5 Accounts receivable

In thousand drams	As of 31 December 2020	As of 31 December 2019
Financial assets		
Other receivables	2	7
	2	7
Non-financial assets		
Advances and prepayments	7,198	3,333
	7,198	3,333
Accounts receivable	7,200	3,340

Refer to note 14 for the currencies in which the accounts receivable are denominated.

6 Cash and bank balances

In thousand drams	As of 31 December 2020	As of 31 December 2019
Cash in hand	4,419	244
Bank accounts	11,324	11,042
	15,743	11,286

Refer to note 14 for the currencies in which the cash and bank balances are denominated.

7 Grants related to assets

In thousand drams	2020	2019
Balance at the beginning of year	148,343	77,985
Transferred from grants related to income (refer to note 9)	45,950	71,548
Additions	3,942	-
Income recognized (refer to note 10)	(4,971)	(1,190)
Balance at the end of year	193,264	148,343

All assets of the Organization are purchased with grant funds.

8 Accounts payable

In thousand drams	As of 31 December 2020	As of 31 December 2019
Trade payables	8,834	306
Employee remuneration	495	-
Payables to the State budget	82	478
Other	1,271	23
	10,682	807

Refer to note 14 for more information about the Organization’s exposure to foreign currency risk.

9 Deferred income

In thousand drams	2020	2019
Balance at the beginning of year	12,160	18,617
Received during the year	95,830	105,371
Transferred to grants related to assets (refer to note 7)	(45,950)	(71,548)
Income recognized (refer to note 10)	(49,341)	(39,422)
Grant refund	(2,193)	(501)
Effect of foreign exchange rate revaluation	-	(357)
Balance at the end of year	10,506	12,160

Additions represent donations accrued from the following organizations:

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Private donations	39,743	21,363
RA Ministry of labor and social affairs	18,414	-
Izmirlyan Charity Foundation	9,250	-
Aurora Humanitarian Initiatives Foundation	7,223	-
My Step Charity Foundation	3,000	-
Picsart LLC	2,500	-
Armenian General Benevolent Union	1,438	1,635
Cronimet LLC	300	6,623
Art, Music and Sport Association	-	27,317
UNICEF	-	21,260
UN Development Program	-	20,202
Other organizations	13,962	6,971
	95,830	105,371

10 Income from grants

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Grants related to assets	4,971	1,190
Grants related to income	49,341	39,422
Other donations	-	100
	54,312	40,712

11 Income tax expense

In thousand drams	Year ended 31 December 2020	Year ended 31 December 2019
Current tax	544	358
	544	358

Reconciliation of effective tax rate is as follows:

In thousand drams	Year ended 31 December 2020	Effective tax rate (%)	Year ended 31 December 2019	Effective tax rate (%)
Result before taxation (under IFRSs)	3,659		1,741	
Tax calculated at a tax rate of 18% (2019: 20%)	659	18.0	348	20.0
(Non-taxable)/non-deductible items, net	(115)	(3.1)	10	0.6
Income tax expense	544	14.9	358	20.6

12 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.

12.1 Critical accounting estimates

The Organization 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.

Grants recognition

As disclosed in note 3.8, 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. 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 Organization to completely implement the grant.

13 Financial instruments

13.1 Significant accounting policies

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

13.2 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 2020	As of 31 December 2019
Amortized cost		
Trade and other receivables	2	7
Cash and cash equivalents	15,743	11,286
Total financial assets	15,745	11,293

Financial liabilities

In thousand drams	As of 31 December 2020	As of 31 December 2019
Amortized cost		
Trade and other payables	9,329	329
Total financial liabilities	9,329	329

14 Financial risk management

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

Financial risk factors

a) Market risk

The Organization is exposed to market risk through its use of financial instruments and specifically to currency risk, which result from both its operating and investing activities.

Foreign currency risk

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

Most of the Organization's transactions are carried out in Armenian drams. Exposures to currency exchange rate arise from the Organization's grants, which are primarily denominated in foreign currency.

As of 31 December 2020 foreign currency denominated financial assets and liabilities which expose the Organization to currency risk are disclosed below.

Item	US dollar
Financial assets	
Bank Balances	3,658
Net position	3,658

As of 31 December 2019 the Organization has no balances of financial assets and liabilities denominated in foreign currencies.

The following table details the Organization's sensitivity to a 10% (2019: 10%) increase and decrease in dram against US dollar. 10% (2019: 10%) represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2019: 10%) change in foreign currency rates.

If Armenian dram had strengthened against US dollar by 10% in 2020 will affect the result of the year by drams 366 thousand.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Organization's exposure to currency risk.

b) Liquidity risk

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

The Organization'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 Organization considers expected cash flows (including grants from donors) from financial assets in assessing and managing liquidity risk, particularly its cash resources. The Organization's cash resources exceed the current cash outflow requirements.

15 Fair value measurement

The Organization provides an analysis of its assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These Levels are described below:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 plant facilities, 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

The Organization's related parties include the members of the Board of the Organization, its president and members of the president's family.

17.1 Transactions with related parties

During the reporting year the Organization had the following transactions with the related parties.

In thousand drams

Transactions	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and bonuses	6,021	4,745
Repayment of borrowing	1,600	700
Provision of services	-	199
	7,621	5,644