

**«CITY OF SMILE» CHARITABLE
FOUNDATION**

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

For the year ended 31 December 2021

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Agnessa Sargsyan

Ex-officio members

Ester Demirtshyan

Samvel Danielyan



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Independent Auditor’s Report

To the Board of Trustees of the «City of smile» Charitable Foundation

Opinion

We have audited the financial statements of the «City of smile» Charitable Foundation (hereinafter “the Foundation”), which comprise the statement of financial position as at December 31, 2021, the statements of profit or loss and other comprehensive income, the statement of changes in net assets, the statement of cash flows for the year then ended, and notes forming part of the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respect, the financial position of the Foundation as at 31 December 2021, and its financial performance and its cash flows for the year 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 Foundation in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the management and those charged with governance for the Financial Statements

Management of the Foundation 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 Foundation’s ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation’s financial reporting process.

Auditor’s Responsibility 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 high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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 Foundation'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 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 Foundation'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 Foundation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Foundation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We also provide those charged with governance/management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

22 April, 2022
IFP LLC

Ashot Barseghyan
Managing Partner



Andrey Bakhsheyan
Engagement Partner

A handwritten signature in blue ink, likely belonging to Andrey Bakhsheyan, the Engagement Partner.

«City of Smile» Charitable Foundation
For the year ended 31 December 2021

Statement of Financial Position

	Notes	31.12.2021 AMD'000	31.12.2020 AMD'000
Assets			
Property, plant and equipment		1,252	548
Total non-current assets		1,252	548
Inventories		306	-
Trade and other receivable		143	202
Bank deposits	6	256,340	175,503
Cash and cash equivalents	7	46,663	44,541
Total current assets		303,452	220,246
Total assets		304,704	220,794
Equity			
Accumulated profit(loss)		4,225	-
Total equity		4,225	-
Non-current liabilities			
Grants related to assets	8	1,252	548
Total non-current liabilities		1,252	548
Trade and other payables	9	25,431	23,133
Grants related to income	10	272,806	197,113
Profit tax liability		990	-
Total current liabilities		299,227	220,246
Total net assets and liabilities		304,704	220,794

The financial statements and notes on pages (6) to (20) were approved and authorized for issue by the management on 22.04.2022 and were signed on its behalf by

Executive director
Ester Denitsyan



Chief Accountant
Lilit Sargsyan



«City of Smile» Charitable Foundation
For the year ended 31 December 2021

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 AMD'000	2020 AMD'000
Revenue		6,217	-
Cost of sales		(716)	-
Gross profit		<u>5,501</u>	<u>-</u>
Income from grants related	11	304,964	544,684
Other income		40	-
Project expenses for beneficiaries	12	(224,583)	(406,968)
Employee compensation expenses		(76,839)	(114,285)
Audit and consulting		(4,852)	(5,040)
Travels and representation expenses		(3,352)	(1,725)
Marketing & advertising costs		(892)	(54)
Bank service expenses		(540)	(568)
Depreciation		(376)	(345)
Office and utilities expenses		(308)	(127)
Postage and communication expenses		(109)	(103)
Other expenses		(6,318)	(4,796)
Finance income		13,236	17,264
Foreign exchange rate gains/(losses)		(298)	(27,937)
Loss before tax		<u>5,274</u>	<u>-</u>
Income tax expense		<u>(1,049)</u>	<u>-</u>
Total comprehensive loss for the year		<u>4,225</u>	<u>-</u>

The financial statements and notes on pages (6) to (20) were approved and authorized for issue by the management on 22.04.2022 and were signed on its behalf by`



Executive director
Razmik Demirtshyan

Chief Accountant
Lilit Sargsyan

Statement of Cash Flows

	2021 AMD'000	2020 AMD'000
Cash flows from operating activities		
Profit (loss) for the period	4,225	-
Adjustments for:		
Depreciation	376	345
Accrued interest	(13,236)	(17,264)
Provision for annual premium		547
Net loss/(gain) from exchange differences	297	27,951
<i>Operating profit (loss) before changes in working capital</i>	(7,232)	11,579
Changes in trade and other receivables	59	24,605
Changes in trade and other payables	1,193	11,626
Changes in grants related to income	76,396	(267,464)
Total net cash flows from operating activities	70,416	(219,654)
 Grants for acquisition of property and equipment	 -	 139
Payments for property and equipment	(1,080)	(146)
Short-term bank deposits acquired/(repayment)	(80,000)	195,467
Interest received	13,236	16,761
Total net cash flows from investing activities	(67,844)	212,221
Net cash flows for the year	2,572	(7,433)
Exchange (loss)/gain on cash and cash equivalents	(450)	538
Cash and cash equivalents at the beginning of the year	44,541	51,436
Cash and cash equivalents at the end of the year (note 7)	46,663	44,541

Notes Forming Part of the Financial Statements

1. About the Foundation

City of Smile Charitable Foundation (hereinafter referred to as the Foundation) is a non-profit organization established based on the voluntary property contributions of its founders, which operates in accordance with the Constitution, Civil Code, Law on Foundations, and other legal acts of the Republic of Armenia.

The Foundation was registered by the central body of the RA “State Registration of Legal Entities” on December 3, 2014, with registration number 222.160.837674. The primary purpose of its activity is providing free and up-to-date medical care for cancer patients in Armenia.

The governing body of the foundation consists of the board of trustees and the director.

The Board consists of 12 (twelve) members.

The fund operates throughout the entire territory of the Republic of Armenia and has no branches.

Location (postal address): Nersisyan 7, room no. 212, Yerevan, Armenia.

As of December 31, 2021, the number of listed personnel were three (4) employees (as of December 31, 2020, three (3) employees).

Armenian business environment

The Foundation operates in Armenia. Consequently, the Foundation is exposed to Armenia’s economy and financial markets which have emerging market features.

Legal, tax and regulatory regimes are in development stage, with frequent changes and contrasting interpretations, which creates additional difficulties for the business operating in Armenia, in addition to other legal and financial challenges.

The financial statements reflect the Foundation’s assessment of the Foundation’s operations and exposure of the business environment on the financial position. The future business environment can differ of that of expected.

2. Basis of Preparation and Reporting

2.1 Statement of Conformity

These financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

2.2 Basis of Measurement

These financial statements are prepared on the basis of historical cost measurement, except for the financial assets and financial liabilities, which are initially measured at their fair value.

2.3 Reporting and Functional Currency

Armenian Dram (AMD) is the national currency of the Republic of Armenia, which is the functional and reporting currency of the foundation. All the presented financial information is rounded to the nearest thousandth AMD.

3. Summary of significant accounting and financial reporting policies

3.1 Grants and Donations

Government grants in the form of transfer of resources to the Foundation are assistance provided by the state (state and local self-government bodies, and international organizations) in exchange for compliance with certain conditions related to the Foundation's operational activities in the past or in the future. Grants from other private, non-governmental organizations and charitable organizations are similarly accounted for as government grants. However, if, in addition to the funds received, there are no specific conditions relating to the Foundation's operations (for example, they have been provided for general use by the Foundation for statutory purposes), such receipts shall not be regarded as grants but as a donation or donation depending on other relevant circumstances.

Grants are not recognized unless there is a reasonable guarantee that the Foundation shall meet all the conditions attached to them, and that the grants will be received.

3.1.1 Grants Related to Assets

Grants related to assets are those whose main condition is that the Foundation buys, builds or otherwise acquires non-current assets. They are recognized in the statement of financial position as deferred income in the non-current liabilities, and on a systematic basis; they are recognized in profit or loss over the useful life of the asset.

Grants received in the form of a non-monetary asset are recognized in the statement of financial position at face value, and in the absence of such value, at fair value, they are recognized on a systematic basis in profit or loss over the useful life of the asset or in accordance with the benefits generated through the consumption of that asset.

3.1.2 Grants Related to Income

Grants that are not classified as related to assets are considered to be related to income. They are recognized in profit or loss as other income on a systematic basis during periods when the Foundation recognizes their related expenditures as an expense.

3.2 Income Tax

Current income tax expenses pertaining to current and previous reporting periods, are recognized as a liability in the amount of their unpaid portion. If the amount already paid for current or prior reporting periods exceeds the amounts payable for those periods, the excess is recognized as an asset.

Current tax liabilities (assets) for current and previous reporting periods are measured at the amount that is expected to be paid to the budget (to be reimbursed from the budget) using the tax rates (tax laws) in force as of the end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except for deferred tax liabilities arising from the initial recognition of goodwill or the initial recognition of an asset or liability

under a transaction that is not a business combination at the time of the transaction and does not affect either the accounting profit or the taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that a taxable profit will be available against which the deductible temporary difference can be utilized, except for deferred tax assets arising on initial recognition of the asset or liability under a transaction that is not a business combination at the time of the transaction and does not affect either the accounting profit or the taxable profit (tax loss).

Deferred tax assets are recognized for unused tax losses and unused tax discounts transferred to upcoming periods to the extent that it is probable that the Foundation will generate taxable profit in the future against which unused tax losses and unused tax discounts may be reversed.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be applied at the time the asset is sold or the liability repaid, based on the tax rates (and tax laws) that have been enacted or are in effect at the end of the reporting period.

The carrying amount of deferred tax assets is verified (reviewed) at the end of each reporting period. The Foundation reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that it will receive a sufficient taxable profit that will allow it to realize full or partial benefit from the deferred tax asset. Any such reduction shall be restored to the extent that a sufficient taxable profit is probable.

The Foundation offsets current tax assets and current tax liabilities only and only when:

- a) has a legally established right to offset the recognized amounts;
- b) intends to either make the calculation (repay the asset or liability) on a net basis, or sell the asset and repay the liability at the same time.

The vast majority of the Foundation's revenues are generated through the received assets that are free of charge and not taxable, while the related expenses incurred are not deductible. Therefore, no deferred taxes have been recognized by the Foundation during the current and previous reporting periods.

3.3 Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is recognized as an asset when, and only when the future economic benefits associated with that item are likely to flow to the Foundation, and the carrying amount of the item can be measured reliably.

After recognizing an item of property, plant and equipment as an asset, it is measured at its historical (initial) cost less the accumulated depreciation and the accumulated impairment losses. The initial cost includes the purchase price, including import duties, non-reimbursable taxes, deductible trade discounts, privileges, delivery of the asset, and any costs that are directly attributable to bring the asset to working conditions as intended by management. Recognition of an expense in the initial amount of an item of property, plant and equipment is discontinued once the unit is brought to the location and condition necessary for it to be capable of operating in the manner intended by management.

The initial cost includes professional fees and -in the case of an asset under construction- the expenses of loans and borrowings that are subject to capitalization. Depreciation of these assets is calculated when they are ready to be used for their intended purpose.

The gain or loss arising on the disposal or write-off of an item of property, plant and equipment is defined as the difference between the net proceeds of the sale of the asset (if any) and the carrying amount (book value). The gain or loss arising on derecognition of an item of property, plant and equipment is included in profit or loss when the unit is derecognized.

Costs of replacing a component of a separate item of property, plant and equipment that are accounted for as a separate asset are recognized in carrying amount when those costs are incurred, and if the recognition criteria are met. The carrying amount of those replaced parts is derecognized. Maintenance, scheduled service and repair costs are recognized in profit or loss.

The amount of depreciation for the period is recognized in profit or loss using the straight-line method of calculation over the estimated useful life of the property, plant and equipment. Depreciation of an asset

is calculated when it is available for use, that is, when it is brought to the location and condition necessary for it to be capable of operating in the manner intended by management. The calculation of depreciation of an asset is discontinued at the earliest of either the date after which the asset is classified as held for sale or included in the disposal group classified as held for sale as per IFRS 5, and the date of derecognition of the asset. When a unit of fixed asset consists of large components with different useful lives, their depreciation is calculated separately.

The estimated useful life of the different categories of property, plant and equipment is presented below:

- office equipment 1 years
- other fixed assets 5-8years

3.4 Foreign exchange transactions

When preparing financial statements, transactions made for the Foundation in currencies other than the operating currency are recorded at the exchange rate published by the Central Bank of the Republic of Armenia (CBA) as of the transaction date. At each reporting date, cash items in foreign currencies are recalculated applying the exchange rate published by the Central Bank of the Republic of Armenia as of the reporting date. Non-monetary items whose original value is denominated in foreign currency are not recalculated.

Exchange differences arising from foreign exchange transactions, as well as from the recalculation of monetary items denominated in foreign currencies, are recognized in profit or loss.

3.5 Financial instruments

3.5.1 Initial Recognition and Measurement

The Foundation recognizes a financial asset or financial liability in its statement of financial position when, and only when it becomes a contracting party to the instrument. A financial asset or financial liability is measured at fair value at initial recognition, plus -in case where it is not a financial asset or financial liability measured at fair value through profit or loss- transaction costs that are directly attributable to the financial asset or the acquisition or issuance of a financial liability.

Interest-bearing, or interest-bearing at a rate less than the market rate loans, long-term receivables or payables at their initial recognition are measured at their fair value, which is determined by discounting their nominal future cash flows by applying the prevailing market interest rates in accordance with the maturity and risk level of the instruments, rather than their face value or the compensating amount given or received at the time of contract.

The difference between the fair value and the face value of the instruments is recognized in profit or loss, except when it is part of a government grant, in which case the approaches set out in "IAS 20-Accounting for Government Grants and Disclosure of Government Assistance" apply.

3.5.2 Derecognition

The Foundation derecognizes a financial asset when, and only when:

- a. the contractual rights towards cash flows arising from the financial asset lose their validity (validity expires); or
- b. they transfer the financial asset and the transfer satisfies the terms of derecognition presented below.

A financial liability (or part of a financial liability) is derecognized when, and only when it is settled, that is, when the obligation specified in the contract is discharged or canceled or expires.

The exchange of debt instruments under significantly different terms between a borrower and lender should be accounted for as a settlement of the initial financial liability and the recognition of a new financial liability. Similarly, a significant change in the terms of an existing financial liability or part of it (whether or not attributable to the borrower's financial difficulties) should be accounted for as a settlement of the initial financial liability and recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) settled or transferred to another party, and the compensation paid (including any transferred non-monetary assets

or liabilities) is recognized in profit or loss.

3.5.3 Subsequent Measurement

After the initial recognition of lendings, borrowings, loans, deposits, accounts receivable and payable, they are measured at amortized cost using the effective interest rate method. Short-term accounts receivable and payable receivables are usually measured in their nominal values. Demand liabilities are measured at the amount to be repaid in the event of a settlement claim.

Gains or losses of financial assets and liabilities “measured at fair value through profit or loss” are recognized in the statement of profit or loss.

The Foundation has no investments in equity instruments (shares) of other organizations.

3.6 Provisions

A provision should be recognized by the Foundation when, and only when:

- (a) the entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted.

Provisions shall be reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed. A provision shall be used only for expenditures for which the provision was originally recognized.

3.7 Employee Benefits

Employee benefits include:

- salaries,
- short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidized goods or services) for current employees;
- bonuses.

The amount of employee benefits expected to be paid in exchange for services received from employees during the reporting period is recognized:

- (a) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- (b) as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost (initial cost) of an asset.

The Foundation recognizes the expected costs of short-term employee benefits in the form of cumulative compensatory absences (such as paid annual leave) when employees provide a service that increases their entitlement to future compensatory absences. The Foundation measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

The Foundation recognizes the expected cost of and bonus payments when, and only when:

- (a) the Foundation has a present legal or constructive obligation to make such payments as a result of past events; and
- (b) a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

4. Evaluations and Judgements

The preparation of financial statements in accordance with IFRSs requires the Foundation's management to make estimates and assumptions that affect the application of accounting policies and principles, as well as the amount of assets, liabilities, contingent liabilities at the end of reporting period, and the amount of income and expenses for the reporting period. Evaluations and judgments are continually assessed based on management experience and other factors, including expectations of future events that are reasonable in certain circumstances. However, uncertainty towards these estimates and assumptions may lead to consequences that will require significant changes in the carrying amounts of assets and liabilities in the future.

4.1 Useful Life of Property, Plant and Equipment, and Intangible Assets

An estimate of the useful life of an item of property, plant and equipment is the result of judgment based on experience with such assets. Future economic benefits embodied in assets are consumed mainly in conjunction with its use. However, factors such as operational, technical or obsolescence often lead to a reduction in the economic benefits of the asset. Management estimates the residual value of an asset in accordance with the current technical condition of the asset and according to the estimated period during which the Foundation expects to receive benefits. The following main factors are taken into account: projected use of assets, depreciation depending on operational factors and maintenance program, technical and economic obsolescence due to changes in market conditions.

4.2 Impairment of Assets

For each reporting period, the Foundation assesses the indications of a possible decrease in the recoverable amount of assets in regard to their carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to the recoverable amount and an impairment loss on the revalued asset is recognized in profit or loss in the period in which the decrease is made.

In order to eliminate the non-existent effect of past events, and in order to reflect the affected present conditions of the non-existent past events, the past experience is adjusted based on current observable and future-oriented data.

4.3 Tax Legislation

Compliance with the tax legislation of the Republic of Armenia is a subject of comments made by the tax authorities. The uncertain tax situation of the Foundation is re-evaluated by the management in each reporting period. Income tax liabilities are determined by management to the extent that no additional tax requirements arise from the tax authorities.

The estimations are based on the interpretation of tax legislation and the decision of any known court or a competent authority on those matters that has been accepted or substantially adopted before the reporting period. Liabilities for fines, penalties and taxes (excluding income tax) are recognized in the reporting period based on management's best estimate of the costs incurred to settle the liability.

4.4 Transaction with Related Parties

In the ordinary course of business, the Foundation carries out transactions with related parties. The Foundation applies professional judgment to identify related parties. In order to carry out the evaluation, the Foundation regularly monitors the significant participation of the members of the Board of Trustees in the equity of other organizations, as well as analyzes the volume of transactions with each of them.

5. New or Amended IFRSs

5.1 *Appliance of New or Amended Standards and Interpretations*

Changes in accounting policies

There are no new standards, interpretations or amendments that were effective starting from January 1, 2021.

New standards, interpretations and amendments not yet effective

There were no new standards, interpretations and amendments that are not yet effective that will have or may have an impact on the Foundation's future financial statements.

6 Bank deposits

	Currency	Maturity	Rate (%)	31.12.21 AMD'000	31.12.2020 AMD'000
Deposits from trade banks	AMD	2022	6,45%	176,162	-
Deposits from trade banks	AMD	2022	6,25%	65,080	-
Deposits from trade banks	AMD	2022	6, 65%	15,098	-
Deposits from trade banks	AMD	2021	5,75%	-	90,233
Deposits from trade banks	AMD	2021	7%	-	85,270
				256,340	175,503

7. Cash and cash equivalents

	31.12.21 AMD'000	31.12.2020 AMD'000
Bank accounts AMD	10,151	10,245
Bank accounts Currency	36,512	34,296
Total	46,663	44,541

8. Grants related to assets

	31.12.21 AMD'000	31.12.2020 AMD'000
Balance as at January 1, 2021	548	747
Grants reclassification	1,080	146
Income recognized from grants	(376)	(345)
Balance as at December 31, 2021	1,252	548

9. Trade and other payables

	31.12.21 AMD'000	31.12.2020 AMD'000
Payables on acquisitions	19,858	16,422
Payables on property and equipment	-	7
Payables on financial support	1,460	2,215
Taxes and liabilities payable	1,160	2,647
Unused leave provision		1,805
	2,910	
Payables to employees	43	37
Total	25,431	23,133

10. Grants related to income

	2021 AMD'000	2020 AMD'000
Balance as at January 1, 2021	197,113	436,566
Grants received	381,360	277,168
Reclassification to grants related to assets	(1,080)	(146)
Income recognized from grants	(304,587)	(544,339)
Currency exchange difference	-	28,116
Adjustment	-	(252)
Balance as at December 31, 2021	<u>272,806</u>	<u>197,113</u>

11. Income for grants related

	2021 AMD'000	2020 AMD'000
Grants related to income	304,588	544,339
Grants related to assets	376	345
	<u>304,964</u>	<u>544,684</u>

12. Project expenses

	2021 AMD'000	2020 AMD'000
Medical care provided to cancer patients	128,892	217,991
Palliative care unit renovation works	71,451	99,118
Medicines	17,726	66,968
Catering	6,514	22,891
	<u>224,583</u>	<u>406,968</u>

13. Transactions with Related Parties

13.1 Control Relationship

The Foundation is not controlled by any organization. The highest governing body of the Foundation is the Board of Trustees.

13.2 Key Management Personnel Compensation

The compensation of key management staff of the Foundation is listed below:

	2021 AMD'000	2020 AMD'000
Salary and other compensations	<u>11,737</u>	<u>11,484</u>

14. Approaches to Financial Risk Management

The Foundation is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk.

In common with all other businesses, the Foundation is exposed to risks that arise from its use of financial instruments. This note describes the Foundation's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Foundation's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

The principal financial instruments used by the Foundation, from which financial instrument risk arises, are as follows:

- Bank deposits
- Cash and cash equivalents
- Trade payables

<i>Financial assets</i>	<i>Financial assets at amortized cost</i>	
	2021 AMD'000	2020 AMD'000
Bank deposits	256,341	175,503
Cash and cash equivalents	46,663	44,541
	303,004	220,044

<i>Financial liabilities</i>	<i>Financial liabilities at amortized cost</i>	
	2021 AMD'000	2020 AMD'000
Trade payables	19,858	16,429
	19,858	16,429

Credit risk

Credit risk is the risk of financial loss to the Foundation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Foundation is mainly exposed to credit risk from receivables on mandatory contributions and cash in bank.

Liquidity risk

Liquidity risk arises from the Foundation's management of working capital. It is the risk that the Foundation will encounter difficulty in meeting its financial obligations as they fall due.

The Foundation's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. In that context, the Foundation aims to keep sufficient cash to meet its obligations.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities of the Foundation:

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
At 31 December 2021	19,858				
Payables		-	-	-	-
	19,858				

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
At 31 December 2020	16,429				
Payables		-	-	-	-
	16,429				

Market Risk

Market risk is the risk that refers to changes in market prices, such as exchange rates and prevailing interest rates, that may affect the Foundation's profit or loss as well as the value of its financial instruments. The purpose of market risk management is to maintain the exposure to market risk within acceptable levels, optimizing risk returns at the same time.

a) Exchange Risk

The Foundation carries out transactions denominated in foreign currency, which in turn result in exposure to exchange rate fluctuations. Exposures to exchange risk are not managed by the Foundations.

Official exchange rates published by the Central Bank at year's end were as follows: USD 1.0 = AMD 480.14, EUR 1.0 = AMD 542.61, RUB 1.0 = AMD 6,42 (31 December 2020: USD 1.0 = AMD 522.59, EUR 1.0 = AMD 641.11, RUB 1.0 = AMD 7.02).

15. Estimation of Fair Value

The purpose of the fair value measurement is to obtain an approximate value of the amount that would be received from the sale of an asset in a regular transaction between market participants or would be paid for the transfer of liabilities as of at the measurement date. The fair values of financial assets and financial liabilities are determined by discounting all cash inflows and outflows generated from them at appropriate market interest rates.

Management believes that the carrying amounts of financial assets and financial liabilities recognized in the financial statements are approximately equal to their fair values.

16. Conditional Events

Litigation

As at 31.12.2021 and the date of issuance of these financial statements there were no litigations initiated against the Foundation, or lawsuits filed by the Foundation.

Third Party Guarantee Payments

As at 31.12.2021 the Foundation has no third party guarantee payments.

Insurance

Insurance in Armenia is relatively new and is still in its development stage, so many of the insurance schemes are not available yet. The Foundation is not fully insured against the interruption of or significant reductions in its activity, and against liabilities to third parties related to property, environmental or health damage resulting from possible incidents. As long as the Foundation does not have an appropriate insurance to protect itself, there is a risk that the damages to certain assets or the resulting liabilities may have a material adverse effect on the Foundation's activity and financial condition.

Tax Uncertainties

Tax system in the Republic of Armenia is distinguished by frequent legislative changes, official interpretations, which are sometimes vague, contradictory or misleading. Tax authorities can check the tax calculations and declarations of the Foundation and have the right to impose fines and penalties.

These circumstances can lead to significant tax risks. Management of the Foundation is sure that it has calculated its tax liabilities properly, based on its interpretation of the tax legislation of the Republic of Armenia, and other legal acts regulating tax relations. However, interpretations issued by tax authorities may differ from the interpretations on which the preparation of these financial statements is based, and, if tax authorities become able to impose their interpretations, their effect might be significant.