

**CHILDREN OF ARMENIA FUND, INC.  
AND SUBSIDIARY**

Consolidating Financial Statements

December 31, 2021 and 2020



# RJSacco & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

300 Carnegie Center, Suite 240, Princeton, NJ 08540

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Children of Armenia Fund, Inc. and Subsidiary

### Opinion

We have audited the accompanying consolidating statements of Children of Armenia Fund, Inc. (a nonprofit corporation) and Subsidiary which comprise the statement of financial positions as of December 31, 2021 and 2020 and the related consolidating statements of activities and cash flows for the years then ended, and the related notes to the consolidating financial statements.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Children of Armenia Fund, Inc. and Subsidiary as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of COAF Armenia, a foreign wholly-owned subsidiary, which statements reflect total assets of \$7,803,315 and \$5,976,593 as of December 31, 2021 and 2020, respectively, and total support and revenues of \$3,941,605 and \$2,903,665 for the respective years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for COAF Armenia, is based solely on the reports of the other auditors.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 required to be independent of Children of Armenia Fund, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children of Armenia Fund, Inc. and Subsidiary's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect material misstatement when it exists. The risk of not detecting 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of Children of Armenia Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidating financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children of Armenia Fund, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*R J Sacco & Company LLP*

Princeton, NJ  
October 27, 2022

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

December 31, 2021 and 2020

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CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY  
Consolidating Statements of Financial Position  
December 31, 2021 and 2020

	2021				2020			
	COAF US	COAF Armenia	Eliminations	Consolidated	COAF US	COAF Armenia	Eliminations	Consolidated
<b>Assets</b>								
Cash and cash equivalents	\$ 5,474,554	\$ 91,148	\$ -	\$ 5,565,702	\$ 4,255,601	\$ 271,161	\$ -	\$ 4,526,762
Unconditional promises to give	6,418,391	-	-	6,418,391	3,418,219	-	-	3,418,219
Other current assets	-	445,116	-	445,116	-	85,470	-	85,470
<b>Total current assets</b>	<b>11,892,945</b>	<b>536,264</b>	<b>-</b>	<b>12,429,209</b>	<b>7,673,820</b>	<b>356,631</b>	<b>-</b>	<b>8,030,451</b>
Property and equipment - net	-	7,023,266	-	7,023,266	-	5,521,537	-	5,521,537
Long-term investments	1,991,709	221,746	-	2,213,455	961,419	78,143	-	1,039,562
Intangible assets - net	-	22,039	-	22,039	-	20,282	-	20,282
<b>Total other assets</b>	<b>1,991,709</b>	<b>243,785</b>	<b>-</b>	<b>2,235,494</b>	<b>961,419</b>	<b>98,425</b>	<b>-</b>	<b>1,059,844</b>
<b>Total assets</b>	<b>\$ 13,884,654</b>	<b>\$ 7,803,315</b>	<b>\$ -</b>	<b>\$ 21,687,969</b>	<b>\$ 8,635,239</b>	<b>\$ 5,976,593</b>	<b>\$ -</b>	<b>\$ 14,611,832</b>
<b>Liabilities and net assets</b>								
Accounts payable and accrued expenses	\$ 66,294	\$ 228,735	\$ -	\$ 295,029	\$ 34,976	\$ 71,226	\$ -	\$ 106,202
SBA EIDL Loan	150,000	-	-	150,000	150,000	-	-	150,000
Grants received and deferred income	-	7,574,580	-	7,574,580	-	5,905,367	-	5,905,367
<b>Total liabilities</b>	<b>216,294</b>	<b>7,803,315</b>	<b>-</b>	<b>8,019,609</b>	<b>184,976</b>	<b>5,976,593</b>	<b>-</b>	<b>6,161,569</b>
Net assets without restrictions	13,668,360	-	-	13,668,360	8,450,263	-	-	8,450,263
<b>Total net assets</b>	<b>13,668,360</b>	<b>-</b>	<b>-</b>	<b>13,668,360</b>	<b>8,450,263</b>	<b>-</b>	<b>-</b>	<b>8,450,263</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,884,654</b>	<b>\$ 7,803,315</b>	<b>\$ -</b>	<b>\$ 21,687,969</b>	<b>\$ 8,635,239</b>	<b>\$ 5,976,593</b>	<b>\$ -</b>	<b>\$ 14,611,832</b>

See notes to consolidating financial statements.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY  
Consolidating Statements of Activities  
Years Ended December 31, 2021 and 2010

	2021				2020			
	Changes in Net Assets Without Restrictions				Changes in Net Assets Without Restrictions			
	COAF US	COAF Armenia	Eliminations	Consolidated	COAF US	COAF Armenia	Eliminations	Consolidated
Changes in net assets								
Support and revenue								
Contributions	\$ 10,208,619	\$ 3,911,161	\$ (4,535,961)	\$ 9,583,819	\$ 6,730,287	\$ 2,894,875	\$ (3,050,180)	\$ 6,574,982
Interest & other income	136	30,444	-	30,580	5,518	8,790	-	14,308
Gain (loss) on investments	401,614	-	-	401,614	(291,713)	-	-	(291,713)
Total support and revenue	<u>10,610,369</u>	<u>3,941,605</u>	<u>(4,535,961)</u>	<u>10,016,013</u>	<u>6,444,092</u>	<u>2,903,665</u>	<u>(3,050,180)</u>	<u>6,297,577</u>
Expenses								
Program services								
Educational	314,485	468,006	(314,485)	468,006	220,360	395,339	(220,360)	395,339
Health	92,129	153,369	(92,129)	153,369	230,439	399,405	(230,439)	399,405
General	1,210,369	-	(1,210,369)	-	1,291,012	-	(1,291,012)	-
COAF SMART initiatives	1,851,999	1,468,887	(1,851,999)	1,468,887	884,874	1,294,810	(884,874)	1,294,810
Social programs	246,675	365,555	(246,675)	365,555	249,305	391,605	(249,305)	391,605
Infrastructure	9,000	785,113	(9,000)	785,113	-	55,842	-	55,842
Economic development	811,304	316,350	(811,304)	316,350	174,190	92,150	(174,190)	92,150
Staffing	87,458	-	-	87,458	79,570	-	-	79,570
Other program administrative expenses	43,655	-	-	43,655	21,869	-	-	21,869
Professional and consulting	32,036	-	-	32,036	36,978	-	-	36,978
Agricultural programs	-	-	-	-	-	18,576	-	18,576
Total program services	<u>4,699,110</u>	<u>3,557,280</u>	<u>(4,535,961)</u>	<u>3,720,429</u>	<u>3,188,597</u>	<u>2,647,727</u>	<u>(3,050,180)</u>	<u>2,786,144</u>
Supporting services								
Management and general								
Direct costs of programs	-	143,933	-	143,933	-	123,483	-	123,483
Professional and consulting	60,889	3,092	-	63,981	59,721	12,533	-	72,254
Staffing & employee benefits	131,113	68,820	-	199,933	79,570	67,006	-	146,576
Lease & utility	-	15,387	-	15,387	-	10,664	-	10,664
Service & depreciation	-	18,563	-	18,563	-	11,652	-	11,652
Travel	3,179	14	-	3,193	7,415	114	-	7,529
Other management and general expenses	34,113	134,516	-	168,629	28,810	30,486	-	59,296
Total management and general	<u>229,294</u>	<u>384,325</u>	<u>-</u>	<u>613,619</u>	<u>175,516</u>	<u>255,938</u>	<u>-</u>	<u>431,454</u>
Fundraising								
Indirect event costs	95,192	-	-	95,192	174,347	-	-	174,347
Media and program costs	60,105	-	-	60,105	27,650	-	-	27,650
Staffing & employee benefits	146,825	-	-	146,825	79,570	-	-	79,570
Outsourced fundraising administration	11,200	-	-	11,200	51,940	-	-	51,940
Travel	3,179	-	-	3,179	7,415	-	-	7,415
Other fundraising and general expenses	71,567	-	-	71,567	38,093	-	-	38,093
Total fundraising	<u>388,068</u>	<u>-</u>	<u>-</u>	<u>388,068</u>	<u>379,015</u>	<u>-</u>	<u>-</u>	<u>379,015</u>
Total supporting services	<u>617,362</u>	<u>384,325</u>	<u>-</u>	<u>1,001,687</u>	<u>554,531</u>	<u>255,938</u>	<u>-</u>	<u>810,469</u>
Bad debts	<u>75,800</u>	<u>-</u>	<u>-</u>	<u>75,800</u>	<u>1,087,400</u>	<u>-</u>	<u>-</u>	<u>1,087,400</u>
Total expenses	<u>5,392,272</u>	<u>3,941,605</u>	<u>(4,535,961)</u>	<u>4,797,916</u>	<u>4,830,528</u>	<u>2,903,665</u>	<u>(3,050,180)</u>	<u>4,684,013</u>
Increase (Decrease) in net assets without restrictions	5,218,097	-	-	5,218,097	1,613,564	-	-	1,613,564
Net assets without restrictions - beginning of year	8,450,263	-	-	8,450,263	6,836,699	-	-	6,836,699
Net assets without restrictions - end of year	<u>\$ 13,668,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,668,360</u>	<u>\$ 8,450,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,450,263</u>

NOTE: Eliminations reflect payments made to or on behalf of COAF Armenia from COAF US.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY  
Consolidating Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

	2021				2020			
	COAF US	COAF Armenia	Eliminations	Consolidated	COAF US	COAF Armenia	Eliminations	Consolidated
Cash flows from operating activities								
Increase (decrease) in net assets	\$ 5,218,097	\$ -	\$ -	\$ 5,218,097	\$ 1,613,564	\$ -	\$ -	\$ 1,613,564
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities								
Depreciation and amortization	-	478,164	-	478,164	-	404,702	-	404,702
Unrealized loss (gain) on investments	(401,614)	-	-	(401,614)	291,713	-	-	291,713
Loss on disposal of property and equipment	-	17,552	-	17,552	-	8,312	-	8,312
Currency gain (loss)	-	(1,636)	-	(1,636)	-	2,643	-	2,643
(Increase) decrease in								
Unconditional promises to give	(3,000,172)	-	-	(3,000,172)	624,861	-	-	624,861
Other current assets	-	(277,041)	-	(277,041)	7,798	(34,256)	-	(26,458)
Increase (decrease) in								
Grants received and deferred income	-	1,093,216	-	1,093,216	-	550,348	-	550,348
Accounts payable	31,318	144,499	-	175,817	3,819	(89,025)	-	(85,206)
Net cash (used in) provided by operating activities	1,847,629	1,454,754	-	3,302,383	2,541,755	842,724	-	3,384,479
Cash flows from investing activities								
Securities received for contributions	(1,519,200)	-	-	(1,519,200)	-	-	-	-
Sale (purchases) of long-term investments	890,524	-	-	890,524	2,314	-	-	2,314
Purchase of property and equipment	-	(1,634,767)	-	(1,634,767)	-	(665,538)	-	(665,538)
Net cash provided by (used in) investing activities	(628,676)	(1,634,767)	-	(2,263,443)	2,314	(665,538)	-	(663,224)
Cash flows from financing activities								
Proceeds from SBA EIDL loan	-	-	-	-	150,000	-	-	150,000
Net cash provided by financing activities	-	-	-	-	150,000	-	-	150,000
Net (decrease) increase in cash and cash equivalents	1,218,953	(180,013)	-	1,038,940	2,694,069	177,186	-	2,871,255
Cash and cash equivalents - beginning of year	4,255,601	271,161	-	4,526,762	1,561,532	93,975	-	1,655,507
Cash and cash equivalents - end of year	<u>\$ 5,474,554</u>	<u>\$ 91,148</u>	<u>\$ -</u>	<u>\$ 5,565,702</u>	<u>\$ 4,255,601</u>	<u>\$ 271,161</u>	<u>\$ -</u>	<u>\$ 4,526,762</u>

See notes to consolidating financial statements.

# Children of Armenia Fund, Inc. and Subsidiary

## Notes to Consolidating Financial Statements

December 31, 2021 and 2020

### Note 1 - Nature of activities and significant accounting policies

#### Nature of activities

Since its founding in 2000, Children of Armenia Fund, Inc. (“COAF”) and Subsidiary (collectively, the “Fund”) has worked to improve education, health care, community life and economic conditions for children in Armenia’s impoverished rural villages. At their core, the Fund’s programs create and sustain opportunities for growth and progress. Partnerships with the United Nations Development Programs (UNDP), United States Agency for International Development (USAID), the World Bank and the US Embassy in Armenia, along with other local and international organizations, have allowed the Fund to further leverage its resources and contribute to the development of one of the most economically disadvantaged regions of the world.

Over the course of several years, the Fund's regional cluster has grown from one to forty-four villages as the model has evolved and become more effective. Programs are broad and include strategic activity in the areas of Education, Health, Child and Family Services, Community Engagement, Economic Development and Infrastructure Rehabilitation. The Fund's approach to development is holistic and comprehensive, rooted in the belief that long-term results can only be achieved through programs that address the unique issues facing each and every community. Each challenge is addressed from the ground up, working closely with local communities every step of the way.

In May of 2018, the Fund’s first SMART Center opened in Lori Province. SMART is an innovative initiative for the advancement of rural communities by providing village youth with resources and opportunities that enable them to pursue their education. SMART will take the experiences working in the villages over the course of several years and spread it out across the Armenian countryside to all 900+ villages.

While the Fund's programs are currently concentrated in rural Armenia, its innovative approach of addressing rural poverty can be applied in any impoverished region of the world. The Fund aspires to form alliances with organizations operating in other regions and to share its methodology in order to eradicate poverty, paving the way for peaceful resolutions to many of the regional conflicts that exist today.

In addition to managing its operations from its headquarters in New York City, the Fund operates through a local entity, Children of Armenia Fund ("COAF Armenia") in order to carry out the implementation of its programs directly on the ground in Armenia.

#### Principles of consolidation

The accompanying consolidating financial statements include the accounts of COAF and COAF Armenia. All significant intercompany balances and transactions have been eliminated in consolidation.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 1 - Nature of activities and significant accounting policies - continued

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and have original maturities of three months or less that present insignificant risk of changes in value because of changes in interest rates.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidating statements of financial position. Gains and losses on investments are reflected in the consolidating statements of activities. Long-term investments consist of marketable securities not available for sale. Gifts in kind consists of gifts of collectible items and are reported at their donor designated values, which the organization believes is representative of fair values.

Promises to Give

Contributions are recognized when a donor makes a promise to give to the Fund that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Fund uses the allowance method to reserve for uncollectible promises to give. Based on historical experience and analysis of specific promises made, management has determined that a reserve is not needed at December 31, 2021 and 2020. As a result of the ongoing COVID-19 pandemic and a certain changes to programs in Armenia, management determined that \$75,800 and \$1,087,400 of receivables are no longer collectible as of December 31, 2021 and 2020, respectively. Management believes the related losses are nonrecurring and all remaining receivables are fully collectible.

Property and equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives as follows:

Buildings and improvements	20-30 years
Automobiles	5-10 years
Computers & equipment	3 - 5 years

Intangible assets

Intangible assets are recorded at cost and amortized using the straight-line method over the estimated useful life of the related asset of 10 years. Amortization expense included in the consolidating statements of activities for the years ended December 31, 2021 and 2020 was \$9,029 and \$968, respectively.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 1 - Nature of activities and significant accounting policies - continued

Contributed services

No amounts have been reflected in the consolidating financial statements for donated services or for the use of the Fund's headquarters in New York City. Several individuals volunteer their time and perform a variety of tasks that assist the Fund. These services do not meet the criteria for recognition as contributed services. In addition, management has determined that the incidental use of space is deemed to be immaterial.

Revenue recognition

The Fund generally has three main sources of revenue: promises to give, direct contributions and event attendance. When promises or funds are received, the Fund identifies any potential contract, restriction, etc., with the donor in order to determine performance obligations, contract price and any need to allocate any amounts across amount to be recognized. Revenue is generally recognized once performance obligations have been met as detailed below.

Promises to give to date do not have a formal contract and are not legally binding. Accordingly with no performance obligations, revenue is recognized at the time the promise is made as either with or without restrictions as appropriate. Likewise, direct contributions to date have not been subject to performance obligations and are recognized as additions to net assets with or without restrictions as applicable.

The Fund generally recognizes revenue for event attendance at the time of the event when the performance obligation has been satisfied. During 2020 and 2021, the Fund did not hold any live events.

Tax status

COAF is exempt from federal income taxes as an organization qualifying under Section 501(c) (3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. In accordance with ASC 740, "Income Taxes", the Fund has evaluated all uncertain tax positions and deems that more likely than not all positions would be sustained should an examination occur by a taxing authority. The years 2017 through 2021 remain open to examination by the Internal Revenue Service.

COAF Armenia is subject to the laws of Armenia and has various information reporting requirements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 1 - Nature of activities and significant accounting policies - continued

Cost Allocation

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

Reclassifications

The 2020 consolidating financial statements have been reclassified to conform to the 2021 presentation. Management believes that the current reporting system is more representative of actual operations and any differences with prior years' presentations is not significant.

Note 2 - Restriction on net assets

Net assets with restrictions are donor imposed conditions that funds be utilized for specific projects, expenses, etc. As of December 31, 2021 and 2020, the Fund had no net assets with restrictions.

Note 3 - Concentrations

The Fund maintains its cash balances and investments in financial institutions located in the United States and Armenia. The cash and investment balances maintained in the United States, at times, may exceed federally insured limits. The Fund has not experienced any losses on these balances. The Majority of fundraising is derived from the annual gala. The annual gala accounted for approximately 83% and 72% of the organization's revenue in 2021 and 2020, respectively.

Note 4 - Unconditional promises to give

Unconditional promises to give are contributions that are receivable in less than one year and may include promises to give with or without restriction. Generally, promises to give are without restrictions and earned at a year-end fundraising event to fund future projects. Approximately 72% and 45% of all promises to give were less than 30 days outstanding as of December 31, 2021 and 2020, respectively, and management believes that all promises to give are collectible.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 5 - Investments

At December 31, 2021 and 2020, long-term investments consist of shares of publicly traded securities and a certificate of deposit.

A summary of changes in fair value of the Fund's investments for the years ended December 31, 2021 and 2020 follows:

	Long-term Investments
Balance - December 31, 2019	\$ 1,330,493
Disposition of investments	(2,314)
Unrealized gains (losses)	(288,617)
Balance - December 31, 2020	1,039,562
Purchase and contribution of investments	1,632,971
Disposition of investments	(890,524)
Unrealized gains (losses)	431,446
Balance - December 31, 2021	\$ 2,213,455

Note 6 - Property and equipment

At December 31, 2021 and 2020, property and equipment consist of the following:

	2021	2020
Land, building and improvements	\$ 7,419,072	\$ 5,702,610
Automobiles	284,619	133,516
Computers and office equipment	807,529	664,682
	8,511,220	6,500,808
Accumulated depreciation	(1,487,954)	(979,271)
Property & equipment - net	\$ 7,023,266	\$ 5,521,537

Depreciation expense included in the consolidating statements of activities for the years ended December 31, 2021 and 2020 was \$469,135 and \$403,734, respectively.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 7 - Fair value measurements

The Financial Accounting Standards Board established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models; discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments in publicly traded marketable securities are classified within Level 1 and are reported at fair value on a recurring basis determined by reference to quoted market prices as published by the applicable stock exchanges for similar investments and other relevant information generated by market

Certificates of deposit are classified within Level 2 and are reported at fair value on a recurring basis determined by reference to the face value of the instrument and reference to applicable interest rates and quoted market prices for similar assets.

The Fund's receipt of gifts in kind is classified within Level 3 of the fair value hierarchy because the items trade infrequently (or not at all) and, therefore, have little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability and such adjustments are generally based on available market information. In the absence of such evidence, management's best estimate is used. As of December 31, 2021 and 2020, the Fund did not have any gifts in kind.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 7 - Fair value measurements - continued

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2021 and 2020 are as follows:

<u>Description</u>	<u>Type</u>	<u>2021</u>	<u>2020</u>
Long-term investments			
Marketable securities	Level 1	\$ 1,991,709	\$ 961,419
Certificate of deposit	Level 2	221,746	78,143
Total long-term investments		<u>\$ 2,213,455</u>	<u>\$ 1,039,562</u>

The organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2021 and 2020.

Note 8 – Long-term debt

On September 3, 2020, the Organization obtained financing through the Small Business Association’s Economic Injury Disaster Loan program in the amount of \$150,000 to aid against negative impacts against the Organization’s administrative operations as a result of the COVID-19 pandemic. Under the terms of the program, all payments due are deferred for 12 months from the date of the promissory note. The loan is an installment note payable requiring monthly installments of \$641, including interest at 2.75% per annum, beginning October 3, 2021 with the unpaid balance due at maturity on September 3, 2050. The loan is secured by virtually all assets of the Organization, primarily deposit accounts and pledges receivable.

Future principal payments on long-term debt for the years ended December 31 follow:

2022	\$ 3,567
2023	3,622
2024	3,723
2025	3,826
2026	3,933
Thereafter	<u>131,329</u>
Total long-term debt	<u>\$ 150,000</u>

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 9 – Liquidity and availability of financial assets

The Organization has an operating capital that had a balance of \$14.2 million and \$8.98 million at December 31, 2021 and 2020, respectively. The governing board has not set a designated reserve as of the balance sheet date to draw upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The Organization plans to set a target for this reserve during the 2021 fiscal year to be determined based on management’s judgement about the appropriate amount of funds to have set aside in addition to working capital. The current operating capital funds are held in lower-risk cash while investments are comprised of one common stock security.

The following chart reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designation. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action. There were no such amounts not available for use as of December 31, 2021 and 2020.

At December 31, 2021 and 2020, financial assets available to meet cash needs for general expenditure follow:

	2021	2020
Cash	\$ 5,565,702	\$ 4,526,762
Investments	2,213,455	1,039,562
Receivables	6,418,391	3,418,219
Total financial assets	<u>14,197,548</u>	<u>8,984,543</u>
Donor & board restrictions	<u>-</u>	<u>-</u>
Total financial assets available	<u>\$ 14,197,548</u>	<u>\$ 8,984,543</u>

Children of Armenia Fund, Inc. and Subsidiary

Notes to Consolidating Financial Statements – Continued

December 31, 2021 and 2020

Note 10 – Risks and uncertainties

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the organization's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The organization is exposed to currency risk to the extent that there is a mismatch between currencies in which cash and cash equivalent and grants related to income are denominated and the functional currency of the organization. The currency in which these transactions are primarily denominated is USD.

Note 12 - Subsequent events

The Organization has evaluated subsequent events through October 27, 2022, the date that the consolidating financial statements were available to be issued.