



FUND FOR ARMENIAN RELIEF, INC. AND AFFILIATES
Consolidated Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Report

Fund for Armenian Relief, Inc. and Affiliates
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December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Fund for Armenian Relief, Inc.:

We have audited the accompanying consolidated financial statements of Fund for Armenian Relief, Inc. and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fund for Armenian Relief, Inc. and Affiliates as of December 31, 2020 and 2019 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

May 12, 2021

Fund for Armenian Relief, Inc. and Affiliates
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 4,316,372	\$ 2,881,750
Investments	4,170,509	3,874,116
Contributions and pledges receivable, net	2,742,740	4,330,183
Bequest receivable	500,000	-
Loan receivable	56,108	39,204
Prepaid expenses	2,660	1,860
Supplies and donated goods	850,762	195,469
Property and equipment, net	1,555,417	1,336,254
Beneficial interest in funds held by others	2,130,602	1,927,430
Pooled investments held by the Armenian Church Endowment Fund, Inc.	<u>4,176,579</u>	<u>3,451,399</u>
Total assets	<u>\$ 20,501,749</u>	<u>\$ 18,037,665</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 135,829	\$ 161,356
Paycheck Protection Program loan payable	57,100	-
Deferred revenue	<u>148,081</u>	<u>150,535</u>
Total liabilities	<u>341,010</u>	<u>311,891</u>
 Net assets		
Without donor restrictions	7,031,240	4,757,748
With donor restrictions	<u>13,129,499</u>	<u>12,968,026</u>
Total net assets	<u>20,160,739</u>	<u>17,725,774</u>
Total liabilities and net assets	<u>\$ 20,501,749</u>	<u>\$ 18,037,665</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Fund for Armenian Relief, Inc. and Affiliates
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues						
Contributions	\$ 1,402,590	\$ 3,812,160	\$ 5,214,750	\$ 1,120,639	\$ 3,178,813	\$ 4,299,452
Grants and contracts	180,230	-	180,230	260,541	-	260,541
Program fees	10,798	3,224	14,022	14,765	987	15,752
Donated equipment, supplies and services	770,908	-	770,908	52,842	-	52,842
Investment return, net	168,958	308,634	477,592	327,360	437,657	765,017
Change in value of beneficial interest	-	203,172	203,172	-	261,407	261,407
Other operating income	10,675	-	10,675	11,981	-	11,981
	<u>2,544,159</u>	<u>4,327,190</u>	<u>6,871,349</u>	<u>1,788,128</u>	<u>3,878,864</u>	<u>5,666,992</u>
Amounts released due to satisfaction of restrictions	<u>4,165,717</u>	<u>(4,165,717)</u>	<u>-</u>	<u>4,521,435</u>	<u>(4,521,435)</u>	<u>-</u>
	<u>6,709,876</u>	<u>161,473</u>	<u>6,871,349</u>	<u>6,309,563</u>	<u>(642,571)</u>	<u>5,666,992</u>
Expenses						
Program services	3,983,594	-	3,983,594	4,759,278	-	4,759,278
Management and general	328,332	-	328,332	330,327	-	330,327
Fundraising	124,458	-	124,458	188,760	-	188,760
	<u>4,436,384</u>	<u>-</u>	<u>4,436,384</u>	<u>5,278,365</u>	<u>-</u>	<u>5,278,365</u>
Changes in net assets	2,273,492	161,473	2,434,965	1,031,198	(642,571)	388,627
Net assets, beginning of year	<u>4,757,748</u>	<u>12,968,026</u>	<u>17,725,774</u>	<u>3,726,550</u>	<u>13,610,597</u>	<u>17,337,147</u>
Net assets, end of year	<u>\$ 7,031,240</u>	<u>\$ 13,129,499</u>	<u>\$ 20,160,739</u>	<u>\$ 4,757,748</u>	<u>\$ 12,968,026</u>	<u>\$ 17,725,774</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Fund for Armenian Relief, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ 2,434,965	\$ 388,627
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	60,786	59,789
Realized (gain) loss on investments	14,304	(36,424)
Unrealized (gain) loss on investments and pooled investments	(418,730)	(635,117)
Contributions with donor restrictions - endowments	601,050	(109,475)
Contributed securities	(534,688)	(437,169)
Change in value of beneficial interest	(203,172)	(261,407)
Loss on disposal of equipment	907	-
Net present value adjustment on pledges receivable	(122,948)	(160,485)
Changes in assets and liabilities		
Contributions and pledges receivable	1,710,391	809,480
Bequest receivable	(500,000)	-
Loan receivable	(16,904)	(17,998)
Prepaid expenses	(800)	(440)
Inventory of supplies and donated goods	(655,293)	192,355
Accounts payable and accrued expenses	(25,527)	26,948
Deferred revenue	<u>(2,454)</u>	<u>(36,593)</u>
Net cash provided by (used in) operating activities	<u>2,341,887</u>	<u>(217,909)</u>
Investing activities		
Property and equipment additions	(280,856)	(16,285)
Proceeds from sale of investments	537,158	1,137,404
Purchase of investments and pooled investments	<u>(619,617)</u>	<u>(979,406)</u>
Net cash provided by (used in) investing activities	<u>(363,315)</u>	<u>141,713</u>
Financing activities		
Contributions with donor restrictions - endowments	(601,050)	109,475
Paycheck Protection Program loan payable	<u>57,100</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>(543,950)</u>	<u>109,475</u>
Net change in cash and cash equivalents	1,434,622	33,279
Cash and cash equivalents		
Beginning of year	<u>2,881,750</u>	<u>2,848,471</u>
End of year	<u>\$ 4,316,372</u>	<u>\$ 2,881,750</u>
Supplemental disclosure of cash flow information		
Noncash investing and financing activities		
Donated assets, services and supplies	<u>\$ 770,908</u>	<u>\$ 52,842</u>

No amounts were paid for interest or income taxes during the years ended December 31, 2020 and 2019.

The Notes to Consolidated Financial Statements are an integral part of these statements.

Fund for Armenian Relief, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services					Supporting Services		
	Humanitarian Aid	Social and Educational Programs	Agriculture and Economic Development	Medical Projects	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 827,031	\$ 109,749	\$ 194,394	\$ 41,957	\$ 1,173,131	\$ 133,771	\$ 47,966	\$ 1,354,868
Payroll taxes/employee benefits	8,467	1,076	1,845	-	11,388	18,001	3,396	32,785
Occupancy	76,094	6,647	6,923	9,639	99,303	37,921	-	137,224
Telephone and fax	17,571	2,243	2,195	2,633	24,642	3,599	-	28,241
Insurance	2,048	96	509	95	2,748	24,862	-	27,610
Postage and mailings	1,317	906	-	69	2,292	2,271	21,082	25,645
Office expense	5,803	588	1,533	1,813	9,737	5,226	-	14,963
Printing	6,702	7	318	1,247	8,274	1,509	-	9,783
Auto expense	9,231	1,348	4,030	4,743	19,352	2,171	-	21,523
Travel and lodging	10,560	628	7,832	33	19,053	(3)	-	19,050
Professional and consultant fees	208,547	7,429	46,367	4,322	266,665	64,411	31,400	362,476
Grant expense	121,152	131,644	146,765	-	399,561	-	-	399,561
Contract labor	1,165	359,256	259,086	-	619,507	1,167	-	620,674
Transport	11,142	-	31	-	11,173	-	-	11,173
Equipment	15,759	1,837	3,694	-	21,290	8,713	-	30,003
Emergency relief	220,801	44,099	57,971	13,462	336,333	200	-	336,533
Project supplies	514,236	38,956	127,104	1,941	682,237	-	-	682,237
Monetary fees and taxes	14,499	6	1,075	781	16,361	2,705	-	19,066
Public relations	3,161	65	45	63	3,334	337	-	3,671
Scholarships	31,105	95,513	16,517	-	143,135	-	-	143,135
Donated supplies	68,592	1,569	4,602	-	74,763	-	-	74,763
Special events direct expenses	-	-	-	-	-	-	200	200
Rebranding expense	-	-	-	-	-	-	20,414	20,414
Depreciation expense	19,429	-	19,886	-	39,315	21,471	-	60,786
	<u>\$ 2,194,412</u>	<u>\$ 803,662</u>	<u>\$ 902,722</u>	<u>\$ 82,798</u>	<u>\$ 3,983,594</u>	<u>\$ 328,332</u>	<u>\$ 124,458</u>	<u>\$ 4,436,384</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

Fund for Armenian Relief, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services					Supporting Services		
	Humanitarian Aid	Social and Educational Programs	Agriculture and Economic Development	Medical Projects	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 862,919	\$ 110,585	\$ 175,829	\$ 37,229	\$ 1,186,562	\$ 120,590	\$ 47,783	\$ 1,354,935
Payroll taxes/employee benefits	8,506	1,078	1,851	-	11,435	17,787	3,394	32,616
Occupancy	100,102	7,642	18,958	10,175	136,877	49,225	-	186,102
Telephone and fax	10,266	1,705	2,012	2,664	16,647	3,723	-	20,370
Insurance	1,777	(83)	562	-	2,256	24,658	-	26,914
Postage and mailings	3,018	-	-	1	3,019	177	46,055	49,251
Office expense	7,596	6,368	10,647	9,298	33,909	19,303	-	53,212
Printing	3,872	676	2,073	1,171	7,792	107	-	7,899
Auto expense	10,596	1,554	3,448	2,619	18,217	1,850	-	20,067
Travel and lodging	39,826	16,024	11,285	1,852	68,987	4,030	-	73,017
Professional and consultant fees	181,828	17,863	61,469	4,277	265,437	65,249	31,400	362,086
Grant expense	319,291	158,506	157,199	13,862	648,858	-	-	648,858
Contract labor	26,422	609,762	172,468	105	808,757	1,831	-	810,588
Transport	14,019	593	4,402	-	19,014	63	-	19,077
Equipment	22,004	-	3,471	1,229	26,704	5,357	-	32,061
Emergency relief	197,013	55,644	108,306	28,670	389,633	-	-	389,633
Project supplies	351,778	173,819	157,618	1,305	684,520	-	-	684,520
Monetary fees and taxes	7,506	1,967	1,042	813	11,328	4,266	-	15,594
Public relations	3,557	3,323	91	67	7,038	1,292	-	8,330
Scholarships	8,386	138,663	15,642	-	162,691	-	-	162,691
Donated supplies	169,164	26,742	4,721	-	200,627	-	-	200,627
Special events direct expenses	-	-	-	-	-	-	36,239	36,239
Rebranding expense	-	-	-	-	-	-	23,889	23,889
Depreciation expense	36,780	2,129	8,083	1,978	48,970	10,819	-	59,789
	<u>\$ 2,386,226</u>	<u>\$ 1,334,560</u>	<u>\$ 921,177</u>	<u>\$ 117,315</u>	<u>\$ 4,759,278</u>	<u>\$ 330,327</u>	<u>\$ 188,760</u>	<u>\$ 5,278,365</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

Fund for Armenian Relief, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. NATURE OF ACTIVITY

Fund for Armenian Relief, Inc. ("FAR") is a New York based private, 501(c)(3) nonprofit corporation established in March 1993. Since then, FAR has implemented more than 290 projects valued at approximately \$360 million. FAR's programs address the critical needs of the vulnerable populations in Armenia including those Armenians leaving in Artsakh and Javakh regions in the following fields: medical, child protection, social, infrastructure rehabilitation, economic and job development opportunities, science and education, and emergency relief.

FAR has earned worldwide trust and made partners with such organizations as AmeriCares, Armenian American Chamber of Commerce, Armenian American Health Professionals Organization (AAHPO), Armenian Engineers & Scientists of America (AESAs), Birthright Armenia, HSBC, Armenia, Institute of Human Nutrition, Columbia University, Knights & Daughters of Vartan, Microsoft Innovation Center, Armenia, UNDP, UNHCR, UNICEF, USAID, World Food Program and others, which are reflective of its mission, integrity, outstanding performance and transparency. With the support of its global partners, FAR is shaping programs to deal with the evolving needs of its beneficiaries. Its mission has grown from a focus on immediate relief efforts to bringing economic and educational opportunities, sustainable development in rural areas, tools and guidance to people of Armenia, Artsakh and Javakh, empowering them to build a strong and self-sustaining future. FAR's mission is epitomized by such projects as "Breaking the Cycle of Poverty – Developing Thriving Communities" in one of the poorest areas where social programs and economic development are geared to sustainable economic development. Another transformational project is Vocational Training Center for Children and Youth with Disabilities, which is contributing to development of a new societal culture in dealing with disabled children. FAR's Children Center is widely recognized as a safe haven for the most vulnerable children in Armenia, and a strong vocal center advocating children's rights. FAR's significant sources of revenue are from contributions, investments and donated items from private sources.

Basis of Consolidation

FAR transferred the operations of three programs to three separate nonprofit organizations in Armenia in 2009. FAR, as the sole founder of the programs, will continue to provide management and funding to these entities described as follows:

The Children's Support Center ("CSC") is a nonprofit foundation organized in 2009 as a foundation in the Republic of Armenia to provide emergency health care and assistance to children at risk including providing short-term shelter. The Children's Support Center is an award-winning model as cited by the Government of Armenia.

The Gyumri Information Technology Center ("GITC") is a nonprofit foundation organized in 2009 in the Republic of Armenia to provide information technology career training and placement to young students. GITC is a multiplier for creating small business, entrepreneurship, and professional technological jobs.

The Vanadzor Old Age Home ("VOAH") is a nonprofit foundation organized in 2009 in the Republic of Armenia to operate a senior residence for poverty-stricken Armenian seniors and to service homebound seniors located in Vanadzor with a full range of medical assistance and program activities. VOAH exemplifies FAR's unwavering commitment to social services by providing dignity, food, medical services and housing to low income elderly.

During May 2013, FAR registered a limited liability for profit company, Gortsarar HOF, LLC in the Republic of Armenia with FAR being the sole shareholder. The purpose of this company is to develop and establish sustainable agricultural entrepreneurship initially through a produce warehouse operation. The company had no activity during the years ended December 31, 2020 and 2019.

Fund for Armenian Relief, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

All of the above organizations have been consolidated in these financial statements due to financial interdependence, control and overlapping boards of directors and are collectively referred to as "FAR" in the notes to consolidated financial statements. All intercompany transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, FAR's resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions - includes expendable resources that are used to carry out FAR's operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by FAR or may be limited by contractual agreements with outside parties.

With donor restrictions – includes net assets subject to donor-imposed restrictions that will be met either by the actions of FAR or through the passage of time. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by FAR, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for programmatic uses.

Revenue and Support Recognition

FAR recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as support with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Expenses are reported as decreases in net assets without donor restrictions and are allocated to functional categories depending upon the ultimate purpose of the expenditure. Releases of net assets with donor restrictions which include either the satisfaction of a donor requirement or the passage of time are reported as net assets released from restrictions in the consolidated statements of activities and changes in net assets.

FAR accounts for those contract and grant revenues received under government grants which have been determined to be conditional contributions as revenue in the consolidated statements of activities and changes in net assets when the conditions have been substantially met. Conditional contributions received in advance of their recognition as revenue are classified as liabilities in the consolidated statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

FAR receives various medical services and supplies donated by American citizens and corporations interested in FAR's medical and surgical relief programs in Armenia. Donated equipment, services and supplies are recorded as contributions without donor restrictions at their estimated fair value at the time of donation. The same values are used for the value of the donations upon distribution due to the short time between receipt and distribution.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, FAR considers all highly liquid debt instruments purchased with a maturity of three months or less at the date of acquisition to be cash equivalents.

Fund for Armenian Relief, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Investments

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the consolidated statements of financial position. Mutual funds held are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price and are deemed to be actively traded. Donated investments are recorded at the fair value at the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Supplies and Donated Goods

Supplies and donated goods include clothing, personal products and other items received during the year that are distributed to organizations in Armenia. Amounts on hand at December 31, 2020 and 2019 that will be distributed in the subsequent year have been shown on the statement of financial position at their fair value, which approximates net realizable value.

Valuation of Long-Lived Assets

In accordance with the accounting pronouncement on impairment or disposal of long-lived assets, FAR reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. Management has determined that no impairment charge was required for the periods presented in these consolidated financial statements.

Property and Equipment

Property and equipment is capitalized and recorded at cost for all items over \$2,500. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. At the time of retirement or other disposition of assets, the cost and accumulated depreciation are removed from the accounts, and any gains or losses are reflected in the consolidated statements of activities and changes in net assets. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance and repairs are charged to operations as incurred. The principal rates for computing depreciation by major asset categories are as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Building	39.5
Building improvements	30
Office equipment and computers	5
Vehicles	5

Expense Allocation and Functional Classification

Salaries and wages and fringe benefits are allocated as direct costs among the programs and supporting services based on actual time spent for each program and supporting service activity. All other costs have been recorded as direct costs or allocated among the programs and supporting services based on the actual costs associated with each activity or a prorata share when benefiting more than one activity. Expenses are classified in the consolidated statements of functional expenses using the following classifications:

Fund for Armenian Relief, Inc. and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Humanitarian Aid - includes financial assistance to soup kitchens, nursing homes and senior centers providing hot and nutritious meals, housing and medical care to the most destitute seniors throughout Armenia. This program includes crisis intervention and rehabilitation for children by providing financial assistance, medical and psychological care, nutritious food, clothing, and educational and recreational materials as well as costs of renovating and furnishing the homeless children's center and orphanages in Armenia. This program provides immediate relief to those in need.

Social and Educational Programs - Provides scholarship, vocational training, financial assistance/living stipends, and housing to orphaned students and students from underprivileged families throughout Armenia.

Agriculture and Economic Development - includes expenses that will help stimulate Armenia's economy by building and renovating educational facilities and by assisting young Armenians in gaining marketable skills and in acquiring new jobs through innovative educational programs. FAR has developed a grants program to promote the implementation of research projects by scientists in Armenia. This program also includes one project designed to help a community business development and support center by building a facility for agricultural products collection and cool storage.

Medical Projects - includes expenses for medical, scientific and health care services and programs to Armenians. Programs include support to provide access to the latest medical technologies to improve the continued medical education of doctors and to enhance medical research throughout Armenia.

Income Taxes

FAR is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the consolidated financial statements do not reflect a provision for federal or state income taxes. There were no uncertain tax positions at December 31, 2020 and 2019. In addition, no income tax related penalties or interest have been recorded for the years ended December 31, 2020 and 2019.

New Accounting Pronouncements Issued Not Yet Effective

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the company's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2020, requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from other contributions of cash or financial assets, along with expanded disclosure requirements.

FAR is currently evaluating the effect that these pronouncements will have on its consolidated financial statements and related disclosures.

Fund for Armenian Relief, Inc. and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Significant estimates include the valuation of the donated goods and the net present value on pledges receivable.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, the current portion of receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

3. CONTRIBUTIONS AND PLEDGES RECEIVABLE

At December 31, contributions and pledges receivable were as follows:

	<u>2020</u>	<u>2019</u>
Total contributions and pledges receivable	\$ 2,800,835	\$ 4,511,226
Less: Discount to net present value	(58,095)	(181,043)
Net contributions and pledges receivable	2,742,740	4,330,183
Current portion	<u>1,580,835</u>	<u>1,871,226</u>
Contribution and pledges receivable, long-term	<u>\$ 1,161,905</u>	<u>\$ 2,458,957</u>

Maturities of contributions and pledges receivable are as follows: 2021 - \$1,580,835; 2022 - \$1,220,000.

4. INVESTMENTS

Investments maintained by an investment manager at December 31, were as follows:

	<u>2020</u> <u>Fair Value</u>	<u>2019</u> <u>Fair Value</u>
Mutual funds		
Small cap growth	\$ 64,132	\$ 48,615
Global large cap equity	859,957	632,558
Developing markets equity	57,559	46,315
Short-term bonds	2,445,712	2,420,307
Global real estate	18,155	20,935
US Government bond funds	228,577	225,745
Corporate bond fund	496,417	479,641
	<u>\$ 4,170,509</u>	<u>\$ 3,874,116</u>

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Investment return, net related to these investments and the pooled investments below as reported on the consolidated statements of activities and changes in net assets for the years ended December 31, 2020 and 2019 and 2019 was comprised of the following:

	<u>2020</u>	<u>2019</u>
Dividend and interest income	\$ 116,614	\$ 121,812
Realized (loss) gain	(14,304)	36,424
Unrealized gain	84,293	152,991
Investment expenses	<u>(43,448)</u>	<u>(28,336)</u>
	143,155	282,891
Unrealized gain on pooled investments	<u>334,437</u>	<u>482,126</u>
Investment return, net	<u>\$ 477,592</u>	<u>\$ 765,017</u>

5. POOLED INVESTMENTS HELD BY ARMENIAN CHURCH ENDOWMENT FUND, INC.

FAR holds investments in pooled funds of \$4,176,579 and \$3,451,399 at December 31, 2020 and 2019, respectively, which are invested with the Armenian Church Endowment Fund, Inc. ("ACEF"). ACEF is the investment arm of the Diocese of the Armenian Church and accepts endowments and other funds for investment from donors and fund beneficiaries. As a participant in the pooled funds, FAR's ownership interest is based on the allocation of the fair value of FAR's units to the total fair value of the investment pool. The pool is revalued quarterly and income and gains or losses are allocated to the participants based on their units. All investments are measured at fair value in the consolidated statements of financial position. The change in fair value of pooled funds invested with ACEF from earnings is included in investment income as net assets without donor restrictions or net assets with donor restrictions when restricted by donor or law. Investment income, net of expenses on these pooled investments amounted to \$334,437 and \$482,126 for the years ended December 31, 2020 and 2019, respectively.

6. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general operating expenses were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 4,316,372	\$ 2,881,750
Investments	4,170,509	3,874,116
Contributions receivable	2,742,740	4,330,183
Bequest receivable	500,000	-
Loan receivable	<u>56,108</u>	<u>39,204</u>
	<u>11,785,729</u>	<u>11,125,253</u>
Less: Financial assets unavailable for general expenditure		
Net assets restricted for long-term endowment	(3,676,555)	(2,587,628)
Net assets - beneficial interest in funds held in trusts	(2,130,602)	(1,927,430)
Pledges receivable due in greater than one year	<u>(1,161,905)</u>	<u>(2,458,957)</u>
	<u>(6,969,062)</u>	<u>(6,974,015)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 4,816,667</u>	<u>\$ 4,151,238</u>

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The financial assets above are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the consolidated statement of financial position date. Management monitors cash flow needs monthly to ensure that financial assets are available as its general expenditures, liabilities and other obligations come due. FAR operates with a balanced budget, and program activities are generally funded with contributions that cover the expenditures.

7. RECURRING FAIR VALUE MEASUREMENTS

FAR has provided fair value disclosure information for relevant assets and liabilities in these consolidated financial statements, which have been accounted for at fair value on a recurring basis. FAR values such assets and liabilities using quoted market prices in active markets (Level 1) for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, FAR values such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, FAR develops measurement criteria based on the best information available (Level 3). There were no changes in methodologies for the periods presented or transfers between levels 1, 2 and 3.

The fair value as of December 31, 2020 and 2019, along with the basis for the determination of fair value are as follows:

	2020			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Mutual funds				
Small cap growth	\$ 64,132	\$ 64,132	\$ -	\$ -
Global equity	859,957	859,957	-	-
Developing markets fund	57,559	57,559	-	-
Ultra short-term bonds	630,271	630,271	-	-
Short-term income fund	1,815,441	1,815,441	-	-
Corporate bond funds	496,417	496,417	-	-
Government bonds	228,577	228,577	-	-
Global real estate fund	<u>18,155</u>	<u>18,155</u>	<u>-</u>	<u>-</u>
	4,170,509	<u>\$ 4,170,509</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (a)	<u>4,176,579</u>			
	<u>\$ 8,347,088</u>			

(a) This class includes funds held and managed by the Armenian Church Endowment Fund, Inc. FAR has an ownership share interest in the investment pool, which is re-valued on a quarterly basis to market. Withdrawals are made based on the ownership interest shares times the per share market value of the pool at every valuation date and are not subject to any significant withdrawal limitations. In accordance with FASB Accounting Standards Codification (“ASC”) 820-10, the fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

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	2019			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Mutual funds				
Small cap growth	\$ 48,615	\$ 48,615	\$ -	\$ -
Global equity	632,558	632,558	-	-
Developing markets fund	46,315	46,315	-	-
Ultra short-term bonds	623,469	623,469	-	-
Short-term income fund	1,796,831	1,796,831	-	-
Corporate bond funds	479,641	479,641	-	-
Government bonds	225,745	225,745	-	-
Global real estate fund	<u>20,942</u>	<u>20,942</u>	<u>-</u>	<u>-</u>
	3,874,116	<u>\$ 3,874,116</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value (a)	<u>3,451,399</u>			
	<u>\$ 7,325,515</u>			

8. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

FAR holds interests in four charitable trusts which are to be held in perpetuity by outside trustees. Distributions are received annually and are included in contribution income on the consolidated statements of activities and changes in net assets to be utilized for educational and unrestricted purposes. The value of the beneficial interest in four separate trusts was \$2,130,602 and \$1,927,430 at December 31, 2020 and 2019, respectively. The change in value of the beneficial interest of \$203,172 and \$261,407 has been recorded in the consolidated statements of activities and changes in net assets for the years ended December 31, 2020 and 2019, respectively.

9. PROPERTY AND EQUIPMENT

At December 31, the components of property and equipment were as follows:

	2020	2019
Buildings and land	\$ 1,545,602	\$ 1,295,517
Building improvement - Yerevan Office	117,513	117,513
Office equipment and computers	353,270	380,844
Vehicles	<u>95,276</u>	<u>95,276</u>
	2,111,661	1,889,150
Less: Accumulated depreciation	<u>(556,244)</u>	<u>(552,896)</u>
	<u>\$ 1,555,417</u>	<u>\$ 1,336,254</u>

Depreciation expense for 2020 and 2019 was \$60,786 and \$59,789, respectively.

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 were comprised of the following:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions		
ANSEF	\$ 129,203	\$ 80,600
Antinzian Seniors	33,203	10,969
BCPP - Save the Generation	741,339	999,329
C.A.R.S. - Kayan School	1,892	3,170
CASP Project	9,471	-
Child Malnutrition	172,141	141,709
Children's Center	240,976	241,435
Children's Fund	361,200	565,327
Children's Summer Camp	41,792	43,026
CVT-SNC	-	205,196
Dilijan Music School	21,064	11,126
Dr. Housepian Medical Education Fund	104,675	129,748
Emergency Relief	582,188	1,029
Emil Artin Prize Fund	10,642	8,871
Garabed and Armine Zambak Scholarship Fund	67,626	52,546
Gavar Special School	12,025	10,001
Georgian Armenian Relief	300	700
Gulamerian Fund	1,696	-
Gumri IT Center	63,500	86,411
Humanitarian assistance - Armenia	511,091	484,964
Javakhk Relief	10,000	10,000
Kevork and Sirvart Karamanuk Foundation	577,341	632,012
Mathevosian Scholarship Fund	189,056	114,796
Medical CME	383,408	282,349
Medical General	19,714	23,704
Oktet Music School	2,298	-
Piano Forte	22,415	23,342
Sayan Scholarship Fund	18,786	16,779
Scholarship Funds	221,769	237,687
Schools Project	912	-
Soup Kitchens	362,230	337,326
Vazgen - I School	3,493	2,904
Young Professionals	-	987
Zangakatun Kindergarten and Development Center	13,079	6,211
Net assets with donor restrictions - purpose restrictions	4,930,525	4,764,254
Net assets with donor restrictions - time restrictions	2,391,817	3,688,715
	<u>7,322,342</u>	<u>8,452,969</u>
Principal required to be held in perpetuity by donor	3,676,555	2,587,627
Beneficial interest in funds held by ACEF	2,130,602	1,927,430
	<u>\$ 13,129,499</u>	<u>\$ 12,968,026</u>

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Net assets released from restrictions at December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Ambarian-Mangoian Soup Kitchens	\$ 95,100	\$ 97,724
ANSEF	136,257	140,828
Atinizian Seniors Center	78,571	83,171
AYO! Challenges	101,889	101,051
BCPP - Save the Generation	1,071,300	815,601
Bedikian Educational Fund	39,911	24,249
C.A.R.S. - Kayan School	36,279	34,336
CASP Project	176,216	192,884
Child Malnutrition	30,939	57,731
Children's Center	329,504	341,537
Children's Fund	224,874	339,817
Children's Summer Camp	6,226	46,672
CVT-SNC	440,881	316,170
Dilijian Music School	1,063	420,616
Dr. Housepian Medical Education Fund	25,172	137,247
Emergency Relief	420,496	631
Emil Artin Prize Fund	1,404	1,998
Garabed and Armine Zambak Scholarship Fund	6,459	5,937
Gavar Special School	126	31,540
Georgian Armenian Relief	5,400	24,300
Gulmerian Fund	109,304	132,063
Gumri IT Center	165,644	170,465
Humanitarian assistance - Armenia	80,987	277,612
Kevork and Sirvart Karamanuk Foundation	93,328	99,547
Mathevosian Scholarship Fund	63,830	101,069
Medical CME	75,367	98,139
Medical General	6,670	22,560
Nishanian Scholarship Fund	50,385	52,360
Oktet Music School	8,126	941
Piano Forte	428	7,898
Sayan Scholarship Fund	3,049	4,112
Scholarship Funds	74,356	77,355
Schools Project	463	345
Soup Kitchens	109,866	110,630
University Linkages	-	12,625
Vazgen - I School	744	1,714
Zangakatun Development Center	6,175	900
Zangakatun Kindergarten	1,078	7,666
	<u>4,077,867</u>	<u>4,392,041</u>
Satisfaction of time restrictions	87,850	129,394
	<u>\$ 4,165,717</u>	<u>\$ 4,521,435</u>

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11. ENDOWMENT FUNDS

Interpretation of Relevant Law

The Board of Directors of FAR has interpreted New York state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FAR classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are designated for expenditure by FAR in a manner consistent with the standard of prudence prescribed by state law.

The permanent endowments of FAR are subject to written instruments in which the donor's intent as to purpose and spending policies are explicitly indicated. FAR considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) The investment policies of the organization

The following table provides information regarding the change in endowment net assets for the years ended December 31:

	With Donor Restrictions	
	2020	2019
Endowment net assets, beginning of year	\$ 3,451,400	\$ 3,064,083
Investment return, net	334,436	482,127
Contributions received	426,050	109,475
Appropriated for expenditures	<u>(210,307)</u>	<u>(204,285)</u>
Endowment net assets, end of year	<u>\$ 4,001,579</u>	<u>\$ 3,451,400</u>
Donor restricted endowment funds		
Historical gift value	\$ 2,963,678	\$ 2,537,628
Appreciation	<u>1,037,901</u>	<u>913,772</u>
	<u>\$ 4,001,579</u>	<u>\$ 3,451,400</u>

Return Objectives and Risk Parameters

FAR has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FAR must hold in perpetuity. FAR has invested endowment assets with the Armenian Church Endowment Fund, Inc.

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Under FAR’s policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that match or exceed a blended benchmark of domestic and international equities, cash, hedge funds and inflation hedging investments while assuming a moderate level of investment risk. FAR expects its endowment funds, over time, to provide an average rate of return of approximately 6% to 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, FAR relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FAR targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the investments held with the Armenian Church Endowment Fund, Inc., there is a policy in place that FAR will receive an annual distribution of 4.5% of its endowment fund’s average fair value over the prior 12 quarters through the calendar year-end of the preceding fiscal year in which the distribution is planned. Over the long term, FAR expects the current distribution policy to allow its endowment to grow at an average of 1% to 3% annually. This is consistent with FAR’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires FAR to retain as a fund of perpetual duration. Deficiencies of this nature approximated \$11,000 at December 31, 2020 with two individual donor funds having a historical basis of \$211,000 with a corresponding fair value of \$200,000. At December 31, 2019, there were four individual donor funds having a historical basis of approximately \$521,000 with a corresponding fair value of \$502,000 as of December 31, 2019. These deficiencies resulted from unfavorable market fluctuations that occurred during the last fiscal year and continued distributions for certain programs that were deemed prudent by the Board of Directors.

12. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On May 5, 2020, FAR issued an unsecured promissory note (the “PPP Loan”) for \$57,100 through the Paycheck Protection Program (“PPP”) established under the CARES Act and administered by the U.S. Small Business Administration (“SBA”). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if FAR was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed (“Covered Period”), and otherwise satisfied PPP requirements. The PPP Loan was made through TD Bank, N.A. (the “Lender”), has a two-year term, bears interest at 1.00% per annum, and matures on May 5, 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until seven months after the end of the Covered Period. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. Accordingly, FAR has reflected the PPP Loan as debt in the accompanying consolidated statement of financial position.

Loan payable at December 31, 2020	\$ 57,100
Less: current portion	<u>28,548</u>
Loan payable, net of current portion	<u>\$ 28,552</u>

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Current and long-term maturities of the PPP loan payable are as follows:

2021	\$ 28,548
2022	<u>28,552</u>
	<u>\$ 57,100</u>

13. CONCENTRATIONS

Financial instruments which potentially subject FAR to concentrations of credit risk consist of cash in foreign banks, investments, contributions receivables and grant revenues. As of December 31, 2020 and 2019, FAR maintained approximately \$300,200 and \$259,000, respectively, in foreign banks which are not insured by the FDIC or any federal or state agency. FAR places all other funds with high-credit-quality financial institutions. Although subject to market fluctuation, this investment policy limits FAR's exposure to concentration of credit risk.

Contributions and bequests receivable at December 31, 2020 include approximately \$2,580,000 from two donors, which represents 88% of total receivables. At December 31, 2019, contributions receivable of approximately \$3,965,000 from two donors represent 91% of total receivables. FAR has a long-standing history of collecting its contributions and bequests receivable, which are from various individuals, corporations and foundations. During the year ended December 31, 2020, four donors made contributions of \$2,304,632, which represents approximately 32% of total revenues. During the year ended December 31, 2019, two donors made contributions of \$5,091,454, which represents approximately 53% of total revenues.

As of December 31, 2020 and 2019, FAR has cash, buildings, equipment and vehicles located in Armenia, with a net book value totaling \$1,779,302 and \$1,336,254, respectively. Translation gains (losses) of \$(791) and \$633 were recorded at December 31, 2020 and 2019, respectively, and were included in monetary fees and taxes expense in the consolidated statements of functional expenses. For the years ended December 31, 2020 and 2019, FAR incurred expenses in Armenia of \$3,997,416 and \$4,393,077, respectively.

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

FAR rents office space from the Diocese of the Armenian Church of America in New York, New York. The lease is renewable on a yearly basis. Rent expense was \$36,000 for each of the years ended December 31, 2020 and 2019. Future minimum annual rentals on this lease at December 31, 2020 are \$36,000.

FAR rents warehouse space in Yerevan, Armenia on a monthly basis. Rent expense for the warehouse amounted to \$7,459 and \$8,237 at December 31, 2020 and 2019, respectively.

FAR rents facilities for program operations in Gyumri, Berd and Yerevan Armenia under month-to-month leases. Total rent expense was \$24,032 and \$28,474 for the years ended December 31, 2020 and 2019, respectively.

15. RISKS AND UNCERTAINTIES

The global pandemic related to the outbreak of a novel strain of Coronavirus ("COVID-19") that was declared in March 2020 by the World Health Organization has continued into 2021. Management has concluded that while it is reasonably possible that the virus could have a negative effect on FAR's overall financial condition and result of operations, the specific impact is not readily determinable as of the date of these consolidated financial statements.

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16. RELATED PARTY TRANSACTIONS

Contributions of approximately \$1,900,000 and \$2,010,000 were received from several board members and/or their families during the years ended December 31, 2020 and 2019, respectively, and have been included as unrestricted and temporarily restricted contributions in the consolidated statements of activities and changes in net assets. Receivables of approximately \$2,580,000 and \$3,980,000 are recorded from 2 and 3 board members at December 31, 2020 and 2019, respectively.

17. SUBSEQUENT EVENTS

FAR has evaluated subsequent events occurring after the consolidated statement of financial position date through the date of May 12, 2021, which is the date the consolidated financial statements were available to be issued, and no events require recognition or disclosure.