

**ARMENIAN ASSEMBLY OF AMERICA, INC.
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

December 31, 2020 and 2019

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STRENGTH IN NUMBERS

ASSURANCE | TAX | ADVISORY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Armenian Assembly of America

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Armenian Assembly of America, Inc. and Affiliate (collectively referred to as the Assembly), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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 do not express 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.



Member, American Institute of Certified Public Accountants

Opinion

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, Armenian Assembly of America, Inc. and Affiliate adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, during the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rubino & Company". The signature is written in a cursive, flowing style. The word "Rubino" is written in a large, elegant script, followed by an ampersand "&" and the word "Company" in a similar but slightly smaller script.

January 20, 2023
Bethesda, Maryland

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 1,208,707 | \$ 319,655 |
| Prepaid expenses and other current assets | 3,748 | 32,690 |
| Contributions receivable, net | - | 80,063 |
| Investments | 386,630 | 1,032 |
| Advances | 132,930 | 6,467 |
| Total current assets | <u>1,732,015</u> | <u>439,907</u> |
| Non-current assets | | |
| Investments | 13,614,372 | 13,077,732 |
| Deposits | 13,795 | 13,795 |
| Property and equipment, net | 475,798 | 437,652 |
| Total non-current assets | <u>14,103,965</u> | <u>13,529,179</u> |
| Total assets | <u>\$ 15,835,980</u> | <u>\$ 13,969,086</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|----------------------|----------------------|
| Current liabilities | | |
| Note payable, Paycheck Protection Program | \$ 269,043 | \$ - |
| Accounts payable and accrued expenses | 73,181 | 40,533 |
| Accrued salaries and related expenses | 74,956 | 79,150 |
| Board member notes payable | - | 145,000 |
| Deferred rent, current portion | 28,096 | 26,041 |
| Total current liabilities | <u>445,276</u> | <u>290,724</u> |
| Deferred rent | - | 28,096 |
| Note payable, Economic Injury Disaster Loan Program (EIDL) | 160,000 | - |
| Total liabilities | <u>605,276</u> | <u>318,820</u> |
| Net assets | | |
| Without donor restrictions | (3,126,666) | (3,313,633) |
| With donor restrictions | | |
| Purpose restricted | 4,560,705 | 3,217,234 |
| Endowment funds | 13,796,665 | 13,746,665 |
| Total net assets | <u>15,230,704</u> | <u>13,650,266</u> |
| Total liabilities and net assets | <u>\$ 15,835,980</u> | <u>\$ 13,969,086</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

| | <u>Without Donor</u> | <u>With Donor Restrictions</u> | | <u>Total</u> |
|---------------------------------------|-----------------------|--------------------------------|------------------------|----------------------|
| | <u>Restrictions</u> | <u>Purpose Restricted</u> | <u>Endowment Funds</u> | |
| Revenue and support | | | | |
| Contributions | \$ 817,792 | \$ 3,990,309 | \$ - | \$ 4,808,101 |
| Trustees | 203,085 | - | 50,000 | 253,085 |
| Other | 10,000 | - | - | 10,000 |
| Net assets released from restrictions | <u>3,567,793</u> | <u>(3,567,793)</u> | <u>-</u> | <u>-</u> |
| Total revenue and support | <u>4,598,670</u> | <u>422,516</u> | <u>50,000</u> | <u>5,071,186</u> |
| Program services | | | | |
| Armenian tree project | 1,590,075 | - | - | 1,590,075 |
| Armenia fund | 1,522,671 | - | - | 1,522,671 |
| Armenian Genocide Museum & Memorial | 3,648 | - | - | 3,648 |
| Public affairs | 182,179 | - | - | 182,179 |
| Government affairs & lobbying | 73,624 | - | - | 73,624 |
| Grassroots lobbying | 92,279 | - | - | 92,279 |
| Intern - Washington | 32,388 | - | - | 32,388 |
| ANI - Research | 44,234 | - | - | 44,234 |
| ANI - Outreach | 46,716 | - | - | 46,716 |
| ANI - Education | <u>46,708</u> | <u>-</u> | <u>-</u> | <u>46,708</u> |
| Total program services | <u>3,634,522</u> | <u>-</u> | <u>-</u> | <u>3,634,522</u> |
| Supporting services | | | | |
| Management & general | 387,849 | - | - | 387,849 |
| Yerevan central office | 136,048 | - | - | 136,048 |
| California office | 147,845 | - | - | 147,845 |
| Board of Trustees | 408 | - | - | 408 |
| Trustee affairs | 49,801 | - | - | 49,801 |
| Trustee development | <u>55,230</u> | <u>-</u> | <u>-</u> | <u>55,230</u> |
| Total supporting services | <u>777,181</u> | <u>-</u> | <u>-</u> | <u>777,181</u> |
| Total expenses | <u>4,411,703</u> | <u>-</u> | <u>-</u> | <u>4,411,703</u> |
| Change in net operating assets | 186,967 | 422,516 | 50,000 | 659,483 |
| Non-operating activity | | | | |
| Investment income | <u>-</u> | <u>920,955</u> | <u>-</u> | <u>920,955</u> |
| Change in net assets | 186,967 | 1,343,471 | 50,000 | 1,580,438 |
| Net assets, beginning of year | <u>(3,313,633)</u> | <u>3,217,234</u> | <u>13,746,665</u> | <u>13,650,266</u> |
| Net (deficit) assets, end of year | <u>\$ (3,126,666)</u> | <u>\$ 4,560,705</u> | <u>\$ 13,796,665</u> | <u>\$ 15,230,704</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

| | <u>Without Donor</u> | <u>With Donor Restrictions</u> | | <u>Total</u> |
|--|-----------------------|--------------------------------|------------------------|----------------------|
| | <u>Restrictions</u> | <u>Purpose Restricted</u> | <u>Endowment Funds</u> | |
| Revenue and support | | | | |
| Contributions | \$ 475,353 | \$ 2,298,701 | \$ - | \$ 2,774,054 |
| Trustees | 241,117 | - | 10,000 | 251,117 |
| Other | 156,153 | - | - | 156,153 |
| Net assets released from restrictions | <u>3,060,221</u> | <u>(2,890,255)</u> | <u>(169,966)</u> | <u>-</u> |
| Total revenue and support | <u>3,932,844</u> | <u>(591,554)</u> | <u>(159,966)</u> | <u>3,181,324</u> |
| Program services | | | | |
| Armenian tree project | 2,021,260 | - | - | 2,021,260 |
| Public affairs | 118,334 | - | - | 118,334 |
| Government lobbying | 108,008 | - | - | 108,008 |
| Grassroots lobbying | 95,967 | - | - | 95,967 |
| Intern - Washington | 83,383 | - | - | 83,383 |
| ANI - Research | 41,384 | - | - | 41,384 |
| ANI - Outreach | 44,333 | - | - | 44,333 |
| ANI - Education | 44,333 | - | - | 44,333 |
| ArmComm | 141,944 | - | - | 141,944 |
| Total program services | <u>2,698,946</u> | <u>-</u> | <u>-</u> | <u>2,698,946</u> |
| Supporting services | | | | |
| Management & general | 525,906 | - | - | 525,906 |
| Yerevan central office | 305,450 | - | - | 305,450 |
| California office | 175,695 | - | - | 175,695 |
| Board of Trustees | 1,894 | - | - | 1,894 |
| Trustee affairs | 125,126 | - | - | 125,126 |
| Trustee development | 45,589 | - | - | 45,589 |
| Total supporting services | <u>1,179,660</u> | <u>-</u> | <u>-</u> | <u>1,179,660</u> |
| Total expenses | <u>3,878,606</u> | <u>-</u> | <u>-</u> | <u>3,878,606</u> |
| Change in net operating assets | 54,238 | (591,554) | (159,966) | (697,282) |
| Non-operating activity | | | | |
| Investment income | <u>-</u> | <u>2,356,979</u> | <u>-</u> | <u>2,356,979</u> |
| Change in net assets | 54,238 | 1,765,425 | (159,966) | 1,659,697 |
| Net assets, beginning of year | <u>(3,367,871)</u> | <u>1,451,809</u> | <u>13,906,631</u> | <u>11,990,569</u> |
| Net (deficit) assets, end of year restated | <u>\$ (3,313,633)</u> | <u>\$ 3,217,234</u> | <u>\$ 13,746,665</u> | <u>\$ 13,650,266</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ARMENIAN ASSEMBLY OF AMERICAN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

| | Program Services | | | | | | | | | | Subtotal |
|-----------------------------------|--------------------------|---------------------|--|-------------------|-------------------------------------|------------------------|------------------------|------------------|------------------|------------------|---------------------|
| | Armenian Tree Project | Armenian Fund | Armenian Genocide Museum & Memorial | Public Affairs | Government Affairs & Lobbying | Grassroots Lobbying | Intern - Washington | ANI Research | ANI Outreach | ANI Education | |
| Salaries | \$ 857,408 | \$ - | \$ - | \$ 96,287 | \$ 44,609 | \$ 59,799 | \$ 27,051 | \$ 32,157 | \$ 32,157 | \$ 32,157 | \$ 1,181,625 |
| Consultants and temporary workers | 113,988 | - | - | 64,190 | 11,515 | - | - | - | - | - | 189,693 |
| Rent | 49,478 | - | - | - | - | - | - | - | - | - | 49,478 |
| Payroll taxes | 175,661 | - | - | 7,978 | 3,696 | 4,954 | 2,241 | 2,746 | 2,746 | 2,746 | 202,768 |
| Depreciation | 27,953 | - | - | - | - | - | - | - | - | - | 27,953 |
| Employee benefits | 21,436 | - | - | 10,677 | 4,947 | 6,631 | 3,000 | 8,075 | 8,075 | 8,075 | 70,916 |
| Accounting fees | - | - | - | - | - | - | - | - | - | - | - |
| Professional fees | - | - | - | - | - | - | - | 334 | 334 | 334 | 1,002 |
| Contributions | 19,973 | 1,522,671 | 3,648 | - | - | - | - | - | - | - | 1,546,292 |
| Supplies/small tools | 63,673 | - | - | - | - | - | - | 129 | 129 | 129 | 64,060 |
| Events | 38,039 | - | - | - | 1,505 | 284 | - | - | - | - | 39,828 |
| Travel | 15,746 | - | - | 62 | 1,491 | 9,195 | - | 235 | 235 | 221 | 27,185 |
| Insurance | 13,434 | - | - | - | - | - | - | - | - | - | 13,434 |
| Office supplies and materials | 49,127 | - | - | - | - | 204 | - | - | - | - | 49,331 |
| Printing and publications | 29,057 | - | - | - | - | - | - | - | - | - | 29,057 |
| Postage and shipping | 13,242 | - | - | - | - | 501 | - | - | - | - | 13,743 |
| Taxes & licenses | 572 | - | - | - | - | - | - | - | - | - | 572 |
| Telephone | 8,882 | - | - | - | - | - | - | 362 | 362 | 362 | 9,968 |
| Computer and related expenses | 12,001 | - | - | - | - | - | - | - | - | - | 12,001 |
| Cloud Services | 4,833 | - | - | - | 5,341 | 6,930 | - | - | - | - | 17,104 |
| Website Services | - | - | - | - | - | - | - | - | 2,482 | 2,482 | 4,964 |
| Equipment expense | 18,132 | - | - | - | - | - | - | - | - | - | 18,132 |
| Meals & entertainment | 3,073 | - | - | - | 151 | 345 | - | - | - | - | 3,569 |
| Legal fees | 6,385 | - | - | - | - | - | - | - | - | - | 6,385 |
| Fuel | 13,016 | - | - | - | - | - | - | - | - | - | 13,016 |
| Bank charges & fees | 9,977 | - | - | - | - | - | - | - | - | - | 9,977 |
| Affirmations | - | - | - | - | - | - | - | - | - | - | - |
| Utilities | 12,910 | - | - | - | - | - | - | - | - | - | 12,910 |
| Currency translation expense | 6,398 | - | - | - | - | - | - | - | - | - | 6,398 |
| Employee recruitment | 489 | - | - | 299 | - | - | 96 | - | - | - | 884 |
| Subscriptions & dues | 1,981 | - | - | - | 344 | 29 | - | 196 | 196 | 202 | 2,948 |
| Payroll service fees | - | - | - | - | - | - | - | - | - | - | - |
| Recognition | 1,176 | - | - | - | - | - | - | - | - | - | 1,176 |
| Maintenance and repairs | - | - | - | - | - | - | - | - | - | - | - |
| Information services | - | - | - | 1,885 | 25 | 3,387 | - | - | - | - | 5,297 |
| Interest | - | - | - | 801 | - | - | - | - | - | - | 801 |
| Miscellaneous | 2,035 | - | - | - | - | 20 | - | - | - | - | 2,055 |
| | <u>\$ 1,590,075</u> | <u>\$ 1,522,671</u> | <u>\$ 3,648</u> | <u>\$ 182,179</u> | <u>\$ 73,624</u> | <u>\$ 92,279</u> | <u>\$ 32,388</u> | <u>\$ 44,234</u> | <u>\$ 46,716</u> | <u>\$ 46,708</u> | <u>\$ 3,634,522</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ARMENIAN ASSEMBLY OF AMERICAN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

| | Supporting Services | | | | | | | |
|-----------------------------------|-------------------------|---------------------------|----------------------|----------------------|--------------------|------------------------|-------------------|---------------------|
| | Management & General | Yerevan Central Office | California Office | Board of Trustees | Trustee Affairs | Trustee Development | Subtotal | Total All |
| Salaries | \$ 105,469 | \$ 121,211 | \$ 106,736 | \$ - | \$ 37,978 | \$ 25,855 | \$ 397,249 | \$ 1,578,874 |
| Consultants and temporary workers | 9,918 | - | - | - | - | - | 9,918 | 199,611 |
| Rent | 55,726 | - | 14,693 | - | - | - | 70,419 | 119,897 |
| Payroll taxes | 8,765 | 4,857 | 8,843 | - | 3,147 | 2,142 | 27,754 | 230,522 |
| Depreciation | 8,044 | - | - | - | - | - | 8,044 | 35,997 |
| Employee benefits | 15,312 | 6,501 | 11,836 | - | 4,211 | 2,867 | 40,727 | 111,643 |
| Accounting fees | 52,373 | - | - | - | - | - | 52,373 | 52,373 |
| Professional fees | 111 | - | - | - | - | - | 111 | 1,113 |
| Contributions | - | - | - | - | - | - | - | 1,546,292 |
| Supplies/small tools | 129 | - | - | - | - | - | 129 | 64,189 |
| Events | - | 661 | - | - | - | - | 661 | 40,489 |
| Travel | 1,253 | 122 | 2,905 | 280 | 217 | 48 | 4,825 | 32,010 |
| Insurance | 35,588 | - | - | - | - | - | 35,588 | 49,022 |
| Office supplies and materials | 1,140 | 612 | 68 | - | - | - | 1,820 | 51,151 |
| Printing and publications | 1,850 | - | - | - | - | 491 | 2,341 | 31,398 |
| Postage and shipping | 9,680 | 21 | 106 | - | - | 2,786 | 12,593 | 26,336 |
| Taxes & licenses | 7,059 | - | - | - | - | - | 7,059 | 7,631 |
| Telephone | 12,993 | 1,112 | 1,639 | 128 | - | - | 15,872 | 25,840 |
| Computer and related expenses | 757 | 167 | - | - | - | - | 924 | 12,925 |
| Cloud Services | 5,396 | - | - | - | - | 21,041 | 26,437 | 43,541 |
| Website Services | - | - | - | - | - | - | - | 4,964 |
| Equipment expense | 5,421 | 81 | - | - | - | - | 5,502 | 23,634 |
| Meals & entertainment | 63 | 110 | 218 | - | - | - | 391 | 3,960 |
| Legal fees | 4,238 | - | - | - | - | - | 4,238 | 10,623 |
| Fuel | - | - | - | - | - | - | - | 13,016 |
| Bank charges & fees | 28,500 | 108 | - | - | - | - | 28,608 | 38,585 |
| Affirmations | 7,875 | - | - | - | - | - | 7,875 | 7,875 |
| Utilities | - | - | - | - | - | - | - | 12,910 |
| Currency translation expense | - | (96) | - | - | - | - | (96) | 6,302 |
| Employee recruitment | - | - | - | - | - | - | - | 884 |
| Subscriptions & dues | 773 | - | - | - | - | - | 773 | 3,721 |
| Payroll service fees | 4,028 | - | - | - | - | - | 4,028 | 4,028 |
| Recognition | - | - | - | - | - | - | - | 1,176 |
| Maintenance and repairs | 2,715 | 544 | - | - | - | - | 3,259 | 3,259 |
| Information services | - | - | - | - | - | - | - | 5,297 |
| Interest | 2,406 | - | 801 | - | - | - | 3,207 | 4,008 |
| Miscellaneous | 267 | 37 | - | - | 4,248 | - | 4,552 | 6,607 |
| | <u>\$ 387,849</u> | <u>\$ 136,048</u> | <u>\$ 147,845</u> | <u>\$ 408</u> | <u>\$ 49,801</u> | <u>\$ 55,230</u> | <u>\$ 777,181</u> | <u>\$ 4,411,703</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ARMENIAN ASSEMBLY OF AMERICAN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

| | Program Services | | | | | | | | | |
|-----------------------------------|--------------------------|-------------------|-------------------------------------|------------------------|------------------------|------------------|------------------|------------------|------------------------|---------------------|
| | Armenian Tree Project | Public Affairs | Government Affairs & Lobbying | Grassroots Lobbying | Intern - Washington | ANI Research | ANI Outreach | ANI Education | Advocacy Conference | Subtotal |
| Salaries | \$ 930,207 | \$ 95,965 | \$ 73,809 | \$ 59,217 | \$ 50,049 | \$ 30,000 | \$ 30,000 | \$ 30,000 | \$ 43,194 | \$ 1,342,441 |
| Consultants and temporary workers | 182,688 | - | - | - | 5,000 | - | - | - | - | 187,688 |
| Rent | 46,148 | - | - | - | - | - | - | - | - | 46,148 |
| Payroll taxes | 194,746 | 7,357 | 5,658 | 4,540 | 3,837 | 2,430 | 2,430 | 2,430 | 3,311 | 226,739 |
| Depreciation | 20,276 | - | - | - | - | - | - | - | - | 20,276 |
| Employee benefits | 29,833 | 9,206 | 7,080 | 5,680 | 4,801 | 7,040 | 7,040 | 7,040 | 4,143 | 81,863 |
| Accounting fees | 4,570 | - | - | - | - | - | - | - | - | 4,570 |
| Professional fees | - | - | - | - | - | 522 | 522 | 522 | - | 1,566 |
| Contributions | - | - | - | - | - | - | - | - | - | - |
| Supplies/small tools | 59,095 | - | - | - | - | 142 | 142 | 142 | - | 59,521 |
| Events | 140,797 | - | - | 15,794 | - | - | - | - | - | 156,591 |
| Travel | 52,558 | 504 | 3,312 | 7,159 | 142 | 662 | 662 | 662 | 5,731 | 71,392 |
| Insurance | 15,728 | - | - | - | - | - | - | - | - | 15,728 |
| Office supplies and materials | 51,597 | 79 | - | 33 | - | - | - | - | 492 | 52,201 |
| Printing and publications | 114,378 | 18 | - | - | - | - | - | - | 8,235 | 122,631 |
| Postage and shipping | 20,876 | - | - | - | - | - | - | - | 1,430 | 22,306 |
| Taxes & licenses | 1,970 | - | - | - | - | - | - | - | - | 1,970 |
| Housing | - | - | - | - | 19,014 | - | - | - | - | 19,014 |
| Telephone | 13,011 | - | - | - | - | 348 | 348 | 348 | - | 14,055 |
| Computer and related expenses | 13,580 | - | - | - | 32 | - | - | - | 193 | 13,805 |
| Cloud Services | - | - | 17,070 | 969 | - | - | - | - | - | 18,039 |
| Website Services | - | - | - | - | - | - | 2,152 | 2,152 | - | 4,304 |
| Equipment expense | 24,996 | - | - | - | - | - | - | - | - | 24,996 |
| Meals & entertainment | 19,483 | 56 | 873 | 145 | 388 | - | - | - | 266 | 21,211 |
| Legal fees | 2,083 | - | - | - | - | - | - | - | - | 2,083 |
| Fuel | 19,806 | - | - | - | - | - | - | - | - | 19,806 |
| Bank charges & fees | 10,686 | - | - | - | - | - | - | - | - | 10,686 |
| Meetings | - | - | - | 440 | - | - | - | - | 60,216 | 60,656 |
| Photographs/film | 364 | - | - | - | - | - | - | - | 14,070 | 14,434 |
| Affirmations | - | 3,000 | - | 1,559 | - | - | - | - | - | 4,559 |
| Utilities | 14,365 | - | - | - | - | - | - | - | - | 14,365 |
| Currency translation expense | 3,522 | - | - | - | - | - | - | - | - | 3,522 |
| Employee recruitment | 5,364 | - | - | - | 120 | - | - | - | 574 | 6,058 |
| Subscriptions & dues | 4,016 | 18 | - | 317 | - | 240 | 233 | 233 | - | 5,057 |
| Payroll service fees | 86 | - | - | - | - | - | - | - | - | 86 |
| Recognition | 1,728 | - | - | - | - | - | - | - | 89 | 1,817 |
| Maintenance and repairs | - | - | - | - | - | - | - | - | - | - |
| Information services | - | 2,131 | 206 | 114 | - | - | - | - | - | 2,451 |
| Training | - | - | - | - | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 22,703 | - | - | - | - | - | 804 | 804 | - | 24,311 |
| | <u>\$ 2,021,260</u> | <u>\$ 118,334</u> | <u>\$ 108,008</u> | <u>\$ 95,967</u> | <u>\$ 83,383</u> | <u>\$ 41,384</u> | <u>\$ 44,333</u> | <u>\$ 44,333</u> | <u>\$ 141,944</u> | <u>\$ 2,698,946</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ARMENIAN ASSEMBLY OF AMERICAN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

| | Supporting Services | | | | | | | |
|-----------------------------------|-------------------------|---------------------------|----------------------|----------------------|--------------------|------------------------|---------------------|---------------------|
| | Management & General | Yerevan Central Office | California Office | Board of Trustees | Trustee Affairs | Trustee Development | Subtotal | Total All |
| Salaries | \$ 141,666 | \$ 254,984 | \$ 99,035 | \$ - | \$ 85,103 | \$ 29,556 | \$ 610,344 | \$ 1,952,785 |
| Consultants and temporary workers | 12,291 | - | - | - | - | - | 12,291 | 199,979 |
| Rent | 158,457 | - | 40,594 | - | - | - | 199,051 | 245,199 |
| Payroll taxes | 10,991 | 10,092 | 7,592 | - | 6,524 | 2,266 | 37,465 | 264,204 |
| Depreciation | 7,587 | - | - | - | - | - | 7,587 | 27,863 |
| Employee benefits | 19,826 | 12,628 | 9,500 | - | 8,164 | 2,835 | 52,953 | 134,816 |
| Accounting fees | 8,924 | - | - | - | - | - | 8,924 | 13,494 |
| Professional fees | 522 | - | - | - | - | - | 522 | 2,088 |
| Contributions | - | 450 | - | - | - | - | 450 | 450 |
| Supplies/small tools | 142 | - | - | - | - | - | 142 | 59,663 |
| Events | - | 8,431 | 48 | - | 7,495 | - | 15,974 | 172,565 |
| Travel | 16,475 | 7,723 | 9,843 | 1,417 | 1,837 | - | 37,295 | 108,687 |
| Insurance | 36,927 | - | - | - | - | - | 36,927 | 52,655 |
| Office supplies and materials | 3,377 | 3,732 | 351 | - | - | - | 7,460 | 59,661 |
| Printing and publications | 12,575 | 74 | 684 | - | - | 1,256 | 14,589 | 137,220 |
| Postage and shipping | 8,813 | 24 | 346 | - | 2,386 | 4,500 | 16,069 | 38,375 |
| Taxes & licenses | 2,221 | (188) | - | - | - | - | 2,033 | 4,003 |
| Housing | - | - | - | - | - | - | - | 19,014 |
| Telephone | 14,542 | 1,971 | 1,629 | 477 | - | - | 18,619 | 32,674 |
| Computer and related expenses | 251 | 869 | 223 | - | - | - | 1,343 | 15,148 |
| Cloud Services | 7,300 | - | - | - | 13,562 | 5,176 | 26,038 | 44,077 |
| Website Services | - | - | - | - | - | - | - | 4,304 |
| Equipment expense | 7,220 | 1,093 | - | - | - | - | 8,313 | 33,309 |
| Meals & entertainment | 349 | 1,244 | 1,539 | - | - | - | 3,132 | 24,343 |
| Legal fees | - | 288 | - | - | - | - | 288 | 2,371 |
| Fuel | - | 4 | - | - | - | - | 4 | 19,810 |
| Bank charges & fees | 16,316 | 324 | - | - | 55 | - | 16,695 | 27,381 |
| Meetings | - | - | 55 | - | - | - | 55 | 60,711 |
| Photographs/film | - | - | - | - | - | - | - | 14,434 |
| Affirmations | 828 | - | 3,800 | - | - | - | 4,628 | 9,187 |
| Utilities | - | - | - | - | - | - | - | 14,365 |
| Currency translation expense | - | - | - | - | - | - | - | 3,522 |
| Employee recruitment | - | - | - | - | - | - | - | 6,058 |
| Subscriptions & dues | 488 | 395 | 456 | - | - | - | 1,339 | 6,396 |
| Payroll service fees | 5,563 | - | - | - | - | - | 5,563 | 5,649 |
| Recognition | - | - | - | - | - | - | - | 1,817 |
| Maintenance and repairs | 2,468 | 1,270 | - | - | - | - | 3,738 | 3,738 |
| Information services | - | - | - | - | - | - | - | 2,451 |
| Training | 16,000 | 42 | - | - | - | - | 16,042 | 16,042 |
| Interest | 3,382 | - | - | - | - | - | 3,382 | 3,382 |
| Miscellaneous | 10,405 | - | - | - | - | - | 10,405 | 34,716 |
| | <u>\$ 525,906</u> | <u>\$ 305,450</u> | <u>\$ 175,695</u> | <u>\$ 1,894</u> | <u>\$ 125,126</u> | <u>\$ 45,589</u> | <u>\$ 1,179,660</u> | <u>\$ 3,878,606</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|--------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,580,438 | \$ 1,659,697 |
| Reconciling adjustments | | |
| Depreciation and amortization | 35,997 | 27,863 |
| Board member note payable converted to contribution | (145,000) | (306,400) |
| Non-cash stock donations | (27,482) | (15,535) |
| Realized and unrealized (gains) losses | (932,376) | (2,356,979) |
| Pledge discount | - | (7,322) |
| Changes in operating assets and liabilities | | |
| Contributions receivable | 80,063 | 3,825 |
| Advances | (126,463) | 9,148 |
| Prepaid expenses and other current assets | 28,942 | 7,798 |
| Accounts payable | 32,648 | (15,245) |
| Accrued salaries and related expenses | (4,194) | (93,306) |
| Related party payable, net | | (169,966) |
| Deferred rent | (26,041) | (6,558) |
| Net cash provided (used) by operating activities | <u>496,532</u> | <u>(1,262,980)</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (74,143) | (130,811) |
| Purchase of investments | (6,235,968) | (467,975) |
| Sales of investments | 6,273,588 | 1,767,145 |
| Net cash (used) provided by investing activities | <u>(36,523)</u> | <u>1,168,359</u> |
| Cash flows from financing activities | | |
| Issuance of board member note payable | - | 220,000 |
| Proceeds from Paycheck Protection Program note payable | 269,043 | - |
| Proceeds from EIDL note payable | 160,000 | - |
| Net cash provided by financing activities | <u>429,043</u> | <u>220,000</u> |
| Net change in cash and cash equivalents | 889,052 | 125,379 |
| Cash and cash equivalents, beginning of year | <u>319,655</u> | <u>194,276</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,208,707</u> | <u>\$ 319,655</u> |

The accompanying notes are an integral part of these consolidated financial statements.

**ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

1. Organization

The Armenian Assembly of America was initially founded as a charitable trust in 1972, and organized in 1989 under the District of Columbia Nonprofit Corporation Act as the Armenian Assembly of America Relief Fund (the Fund). In 1994, the Fund legally changed its name to the Armenian Assembly of America (the Assembly) and succeeded to the charitable trust's operations. The Assembly is organized exclusively for charitable and educational purposes, including, but not limited to providing aid, relief, and humanitarian assistance to alleviate human suffering in Armenia and Armenians worldwide, educating the public about Armenian culture and history, and other issues of concern to the Armenian community. The Assembly's programs include the Armenian Tree Project (ATP), which since its beginning in 1994, has planted more than 7 million trees, established four nurseries and two environmental education centers, and has greened villages, churches, parks, and open spaces throughout Armenia. In the process, the organization has provided employment for hundreds of people and provided vital resources to thousands of villagers.

During 1996, the Board of the Assembly approved the creation of the Armenian National Institute (ANI) a non-profit, non-partisan organization related to the Assembly through certain common Board members. ANI is dedicated to the study, research, affirmation and worldwide recognition of the Armenian Genocide. The Assembly receives contributions on behalf of ANI and deposits the funds in its investment account. Investment return is allocated proportionately, based on the percentage of ANI contributions to total portfolio value.

"ATP" Charitable Foundation was founded in 2003 in accordance with the Legislation of the Republic of Armenia. The aim of the Foundation is to promote development of agriculture, perception of nature protection importance, development of policy, improvement of nature of the country. The Foundation has four nurseries, where seedlings are cultivated and then distributed freely for community tree planting and reforestation projects. The ATP charitable foundation is audited separately in the Republic of Armenia.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Assembly and ANI. All significant intercompany transactions have been eliminated.

Basis of Presentation

The financial statements of the Assembly have been prepared in accordance with U.S. generally accepted accounting principles, which requires the Assembly to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Assembly. The Assembly's Board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Assembly or by the passage of time. Some restrictions are permanent in nature and relate to the endowment funds established for the perpetuity of the Assembly.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Assembly's ongoing services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of interest checking and money market accounts held with federally-insured financial institutions. Account balances often exceed insured limits. However, management does not consider this to be a significant concentration of credit risk.

Money market funds and other cash included as part of the investment pool (see Note 5) are excluded from cash equivalents and reported separately.

Investments

The Assembly reports investments at estimated fair values based on quoted market prices provided by investment managers. Investment transactions are recorded on a trade-date basis. All of the Assembly's investment income or loss, including unrealized holding gains and losses, is included in the Statement of Activities as increases or decreases in restricted net assets, due to the restrictions determined by donors.

Endowments

Endowment gifts are recognized as support when received. The principal amount of the gift is maintained intact while the income earned is used for the purpose(s) stated by the donor. The remaining investment income on endowments is recognized as an increase in restricted net assets, unless the income is restricted by donor or law and such restrictions have not been met in the same fiscal year. The Assembly follows the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) reporting. The required expanded disclosures are included in Note 12.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Amortization of the discount is included in donation revenue. An allowance for uncollectible pledges, if necessary, is provided based on management's evaluation of potential uncollectible contributions receivable at year-end.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, ranging from 5 to 30 years. Leasehold improvements are amortized over the life of the lease or the estimated useful life of the asset, whichever is less. The cost and related accumulated depreciation are removed from the accounts when assets are disposed of, with any gain or loss recognized in the current period. The cost of maintenance and repairs is recorded as expenses are incurred. The Assembly's policy is to capitalize property and equipment with costs exceeding \$1,000.

Advances

Advances consist of amounts paid to foreign offices to fund operations. The Assembly recognizes all revenue and expenses, and related receivables and payables, arising from overseas activities in U.S. dollars, its functional currency. The Assembly recognizes all transactional gains or losses arising from foreign currency transactions in accordance with U.S. generally accepted accounting principles, and they are included in consolidated net income and cash flows for the period in which they arise.

Functional Expenses

The cost of providing programs and other activities has been summarized on a functional basis, that is, by program or activity, in the Statement of Activities. The costs of providing the programs and other activities are allocated based upon the functions they directly benefit or upon management's estimate of the proportion of costs applicable to each function.

Revenue Recognition

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Earned Revenue

Conference revenue and other program service fees are collected by the Assembly in exchange for providing professional development opportunities through conferences, meetings, events and other activities for the benefit of members. Revenue is recognized as the conferences, meetings, and events occur. Amounts received in advance are deferred and recognized in the period when the event occurs.

Income Taxes

The Assembly and ANI are subject to income tax regulations dependent on their respective tax status as determined by the Internal Revenue Code (IRC) or applicable foreign authority.

Organizations exempt from income tax pursuant to IRC Section 501(c)(3) are subject to income tax only on unrelated business income. The financial statement impact of a tax position is recognized when it is more-likely-than-not that the position will be sustained upon examination.

Management has performed an evaluation of uncertain tax positions and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The tax returns of the Assembly and ANI are subject to periodic examination by taxing authorities; however, there are currently no examinations in progress. Management believes the Assembly and ANI are no longer subject to income tax examinations for years prior to 2017.

Fair Value Measurements

Certain assets are recorded based on fair value on a recurring basis. Accounting and reporting standards establish a framework for measuring fair value and define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standards emphasize that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

As a basis for considering market participant assumptions in fair value measurements, the standard establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified as Level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified as Level 3 of the hierarchy).

The fair value levels are as follows:

- Level 1: Inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Assembly has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Inputs that are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset's 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.

Following is a description of the valuation methodologies used for investments measured at fair value and their classification in the valuation hierarchy:

- Investments in *money market funds* are valued at the net asset value (generally \$1) of shares held by the Foundation at year-end reported in the listing of the applicable major exchanges. Such securities are classified within Level 1 of the valuation hierarchy.
- Investments in *equities* are valued at the quoted market price held by the Foundation at year-end as reported in the listing of the applicable major stock exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

**ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

- Investments in *mutual funds* are valued at net asset value, reported daily in the active exchanges, of shares held by the Assembly at year-end. Such securities are classified within Level 1 of the valuation hierarchy.
- Investments in *fixed income securities* are valued using the latest bid prices and significant inputs including benchmark yields, broker-dealer quotes, issuer spreads, and measures of volatility provided by independent pricing services. Such securities are classified within Level 2 of the valuation hierarchy.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the years ended December 31, 2020 and 2019, there were no significant transfers in or out of levels 1, 2 or 3.

New Accounting Pronouncements – Adopted

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU provides guidance for recognizing revenue under contractual arrangements. The overall objective is to recognize revenue as promised goods and services are transferred to customers and involves employing a five-step determination process.

Analysis of various provisions of these standards resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

New Accounting Pronouncements – Future Periods

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use (“ROU”) assets and lease liability on the balance sheet for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The standard will be effective for the Assembly beginning January 1, 2022. The Assembly is currently evaluating the impact of the new standard on the financial statements.

**ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

2. Summary of Significant Accounting Policies (continued)

Distribution of Financial Information

Trustees are granted the right to inspect and copy any of the corporate records required to be maintained by the corporation under law upon written request, and in circumstances upon a showing of proper and relevant purpose. Board Members receive a Statement of Activity, Form 990, audits and annual budgets. Any additional requests for financial information not already made available should be made to the Co-Chairs and tied to a specific Board duty. Requests need to be in writing, specify the duty, and how the materials are related in furtherance of that duty.

Subsequent Events

Management has evaluated subsequent events through January 23, 2023, which is the date the financial statements were available to be issued.

Effective January 1, 2022, the following bylaw amendments were made:

- **Board Elections** – consolidated the voting process for board members by all voting members, putting all nominees on one ballot.
- **Endowment Fund** – authorizing the establishment of a separate endowment fund entity which would manage all or part of the endowment and where donors in the current Life Trustee category would be represented. It is expected that the creation of this separate entity will be completed by the end of 2022.
- **Term Limits** – Term limits are reestablished for board members to be two consecutive four-year terms with a right to be reelected after at least a one-year break.
- **Bylaw amendment process** - Amendments to the bylaws must be approved by the Board and the Trustees by two votes separated by at least twelve months, unless special circumstances apply as determined by a three-quarters vote of the Board and of the Trustees.

On October 11, 2022, the Assembly completed its acquisition of the third-floor space located at 1016 16th Street, NW, Washington, DC at a purchase price of \$1,830,000 to serve as the permanent headquarters for the Armenian Assembly. The property also includes space for the Armenian National Institute and library collection, research and collaborative areas for year-round and Terjenian-Thomas DC summer interns, meeting spaces, and office accommodations for staff, the Legate of the Armenian Diocese, the permanent Nagorno-Karabakh Representative, visiting members and guests.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

3. Contributions Receivable

Contributions receivable expected to be collected more than one year from the date of the pledge are discounted to present value using a risk-free rate of return, which is the applicable federal rate at the time the unconditional promise is received. At December 31, 2020 and 2019, there were no contributions receivable expected to be collected more than one year beyond contribution date.

The ending balance of \$80,063 at December 31, 2019 was collected during the year ended December 31, 2020. The Assembly has no outstanding pledges at December 31, 2020.

4. Availability and Liquidity

The following reflects the Assembly's financial assets at December 31, 2020 and 2019. financial position date because of donor imposed restrictions and internal board designations. There are amounts not available that include amounts set aside for long-term investing in the endowment funds.

| | 2020 | 2019 |
|---|----------------|----------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 1,208,707 | \$ 319,655 |
| Contributions receivable, net | - | 80,063 |
| Investments | 14,001,002 | 13,078,764 |
| Total financial assets | 15,209,709 | 13,478,482 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | | |
| Purpose restricted | 4,560,705 | 3,217,234 |
| Endowment funds | 13,796,665 | 13,746,665 |
| | 18,357,370 | 16,963,899 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ (3,147,661) | \$ (3,485,417) |

As noted above, the Assembly has no assets available to meet immediate cash needs and is reliant on current contributions and other sources of revenue to meet general operating cash requirements.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

5. Investments

Investment securities are exposed to market risks and fluctuations. The values of investment securities will, therefore, change in the near term, and such changes could materially affect amounts reported in the financial statements. Additionally, the fair value method described in Note 2 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

While the Assembly 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 estimate of fair value at the reporting date. The Assembly has a diversified investment allocation policy to minimize effects caused by undue concentrations of risk.

Investments are comprised of the following as December 31, 2020 and 2019:

| | <u>Fair Value Levels</u> | <u>2020</u> | <u>2019</u> |
|--------------------|--------------------------|----------------------|----------------------|
| Money market funds | 1 | \$ 1,440,946 | \$ 646,962 |
| Equities | 1 | 4,348,212 | 4,652,412 |
| Mutual funds | 1 | 6,842,650 | 6,109,379 |
| Fixed income | 2 | <u>1,369,194</u> | <u>1,670,011</u> |
| Total investments | | <u>\$ 14,001,002</u> | <u>\$ 13,078,764</u> |

6. Property and Equipment

Property and equipment consist of the following at December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-------------------|-------------------|
| Property and equipment | \$ 849,206 | \$ 775,065 |
| Less: accumulated depreciation | <u>(373,408)</u> | <u>(337,413)</u> |
| Property and equipment, net | <u>\$ 475,798</u> | <u>\$ 437,652</u> |

Depreciation expense for the years ended December 31, 2020 and 2019, was \$35,997 and \$27,863, respectively.

**ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

7. Net Assets with Restrictions

Net assets with restrictions consist of the following:

| | <u>2020</u> | <u>2019</u> |
|--|----------------------|----------------------|
| Purpose restricted | | |
| Investment income (endowment) | \$ 3,052,264 | \$ 2,581,309 |
| Armenian Tree Project | 1,508,441 | 631,875 |
| Other purpose restricted contributions | <u>-</u> | <u>4,050</u> |
| Total purpose restricted | <u>4,560,705</u> | <u>3,217,234</u> |
| Endowment funds | | |
| Endowment funds- donor restricted held in perpetuity | <u>13,796,665</u> | <u>13,746,665</u> |
| Net assets with restrictions | <u>\$ 18,357,370</u> | <u>\$ 16,963,899</u> |

Investment income represents earnings from endowment net assets and is to be used to fund program activities as determined by the Board of Trustees. Amounts are released for use in years subsequent to when the income is earned.

8. Lease Commitments

The Assembly currently leases office space in Washington, D.C. and Woburn, Massachusetts, through long term leases, both of which commenced during 2016. The leases include both rent abatements and stepped increases in the base rent. Rent expense is recognized on a straight-line basis over the life of the leases resulting in a deferred rent liability of \$28,096 and \$54,137 at December 31, 2020 and 2019, respectively. Rent expense for the years ended December 31, 2020 and 2019, was \$119,897 and \$245,199, respectively.

Effective March 30, 2021, the Assembly terminated its lease agreement in Washington D.C. The lease ends May 1, 2021, with a termination payment owed of \$36,000. Future minimum lease commitments for all leases for the year ended December 31, 2021, were \$75,325.

The Assembly retains office space (the Office) within a building sold to the Hirair and Anna Hovnanian Foundation (the Foundation) in 2017 with the right of quiet enjoyment and other customary rights within the property. The approximate value of the Office is \$600,000. The Assembly shall only be responsible for the costs associated with maintaining its own office (e.g. telephone, internet, and electricity) within the four walls of its office. The Foundation shall be responsible for all other costs, including but not limited to management fees, building operational costs, common areas and any taxes, excluding taxes directly related to the Assembly's operations within the Office.

**ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

8. Lease Commitments (continued)

As part of the sale agreement the Foundation grants the Assembly a 99-year lease for the Office. The lease shall be renewable at the Assembly's option for an additional 99-year term upon the same term and costs as in the first 99-year lease. A lease agreement to comply with the Armenian law has been prepared and has been forwarded to the Foundation. Although currently under negotiation, it has not yet been finalized as of August 29, 2022.

9. Pension Plan

The Assembly has a 403(b) pension plan in effect for eligible employees who have completed a year of employment and have been credited with at least 1,000 hours of service. Each eligible participant can defer a portion of their salary in accordance with IRS guidelines. The Assembly may contribute matching non-elective contributions at its discretion. The Assembly did not contribute to the plan during 2020 and 2019.

10. Related Party Transactions

Armenian Genocide Museum and Memorial Project (AGMM)

At December 31, 2003, the Armenian Assembly of America, Inc., spun off its Armenian Genocide Museum and Memorial project. AGMM commenced operations as a separate entity with its own tax-exempt status. As part of its ongoing commitment to facilitate an Armenian Genocide museum in Washington, DC, the Assembly has provided support to AGMM, both by paying expenses on behalf of AGMM and providing advances to support AGMM's operations. Prior to 2018, \$3,085,074 of expenses incurred on behalf of AGMM were deemed uncollectible and expensed in accordance with generally accepted accounting principles. During the years ended December 31, 2020 and 2019, \$3,648 and \$0 were recorded as expenses, respectively. The Assembly expenses these support amounts as incurred but AGMM is liable for their repayment.

The Assembly will continue to pursue collection of these amounts to the fullest extent possible, as a portion of the amounts is secured by the non-building assets and intellectual property of AGMM.

The Assembly held investments on behalf of AGMM previous to 2019. During fiscal year 2019, the restricted funds were released as the restrictions had been satisfied. At December 31, 2020 and 2019, the Assembly does not hold any investments on behalf of AGMM.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
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11. Notes Payable

Board Member Notes Payable

The Assembly holds several promissory notes executed by the current board President in connection with the activities of the Armenian Tree Project program of the Assembly. During 2020, \$145,000 of the promissory notes were forgiven and converted into contributions. During 2019, a total of \$306,400 were forgiven and converted into contributions. No loan balances were outstanding at December 31, 2020.

Paycheck Protection Program

On May 22, 2020, the Assembly received loan proceeds in the amount of \$269,043 through the Paycheck Protection Program (PPP), as established by the CARES Act, which allows qualifying businesses to obtain federal funding for amounts not to exceed two and a half times average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

On July 8, 2021, the Organization met the forgiveness requirements for the PPP note payable and was legally released from the obligation. The forgiveness of the PPP note payable, totaling \$269,043 will be recognized during the year ending December 31, 2021, the year the forgiveness was received.

Subsequent to year-end, on January 15, 2021, the Assembly received a second PPP loan of \$269,043 through the Small Business Administration. On January 7, 2022, the Assembly received forgiveness for the second PPP loan. The loan forgiveness will be recorded in the year that the notice of forgiveness is received.

Economic Injury Disaster Loan

On June 16, 2020, the Organization executed a secured loan with the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan program (EIDL) in the amount \$150,000 with proceeds to be used for working capital purposes. The loan is secured by all tangible and intangible assets of the Organization and is payable over 30 years at an interest rate of 2.75%. Interest accrues on the unpaid balance until payments begin in June 2021, with interest only payments through May 2022 with regular principal payments beginning in June 2022. At December 31, 2020, accrued interest of \$2,406 is included with accounts payable and accrued expenses on the statement of financial position. The total proceeds of \$150,000 are reported as a note payable on the statements of financial position.

**ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

11. Notes Payable (continued)

Future payments required under the note payable are as follows:

| | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|-------------------------------|------------------|------------------|------------------|
| | <u>Payments</u> | | |
| Year ending December 31, 2021 | \$ 4,487 | \$ - | \$ 4,487 |
| 2022 | 7,692 | 1,907 | 5,785 |
| 2023 | 7,692 | 3,665 | 4,027 |
| 2024 | 7,692 | 3,767 | 3,925 |
| 2025 | 7,692 | 3,872 | 3,820 |
| 2026 and thereafter | <u>188,028</u> | <u>136,789</u> | <u>51,239</u> |
| | <u>\$223,283</u> | <u>\$150,000</u> | <u>\$ 73,283</u> |

In addition, the Assembly received \$10,000 from the SBA during 2020, repayment terms and interest accruals are undefined. The balance is included in the loan balance of the statement of financial position.

12. Endowment Funds

The Assembly may from time to time establish, hold, invest and administer such endowment fund or funds to be collectively designated the "Armenian Assembly of America Endowment Fund," upon such terms and conditions as the Board of Trustees may from time to time deem advisable. Except as otherwise required under the Internal Revenue Code as amended, only the "net income" therefrom as hereafter defined shall be applied to the programs and activities of the Assembly and the principal of such funds shall be preserved. As used herein, "net income" shall mean net income as determined by sound accounting principles then generally applied. Any such endowment fund or funds may be given such designations as the Board of Trustees may from time to time determine, including, without implied limitation, a designation which will commemorate any donor or person, place, event, or entity designated by any donor. As of December 31, 2020 and 2019, the Assembly's endowment fund principal is \$13,796,665 and \$13,746,665, respectively.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Endowment Funds (continued)

Interpretation of Relevant Law

The Assembly has interpreted the State Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Assembly classifies as endowment net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as endowment net assets is classified as net assets with restrictions until those amounts are appropriated for expenditure by the Assembly in a manner consistent with the standard of prudence described by the Act.

In accordance with the Act, the Assembly considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Assembly's and 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 the investments;
- (6) Other resources of the Assembly; and
- (7) The investment policies of the Assembly.

Investment Policy

The Assembly 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 the donor-restricted funds that the Assembly must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Trustees, the endowment assets are invested in a manner that is intended to provide growth and to preserve or increase the real value of the endowment to meet the future needs of the Assembly. Investments are made with the objective of selecting investment vehicles that are at an appropriate level of risk for a non-profit organization. Actual returns in any given year may vary.

ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Endowment Funds (continued)

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 or the Act requires the Assembly to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with restrictions. These deficiencies have resulted from unfavorable market conditions and continued appropriation for certain programs that were deemed prudent by the Board of Directors. At December 31, 2020 and 2019, there were \$182,293 and \$588,945, respectively, of deficiencies in the Assembly's funds.

Spending Policy

Investment income from the endowment fund is used for restricted and unrestricted activities in accordance with donor stipulations based upon the demand for these purposes and on the availability of funds during the particular year. Five percent of the average fair market value of the prior year of the unrestricted portion of the Endowment Fund as long as at no time is the fair market value of the fund, after distributions, to drop below the total initial principal of unrestricted contributions within the Fund. Restricted funds shall continue to be distributed as directed by the donors in writing.

The net composition of the endowment is as follows:

| | <u>2020</u> | | <u>2019</u> | |
|---|-------------------------------------|----------------------|-------------------------------------|----------------------|
| | <u>Purpose</u> <u>Restricted</u> | <u>Endowment</u> | <u>Purpose</u> <u>Restricted</u> | <u>Endowment</u> |
| Endowment fund | \$3,052,264 | \$ 12,006,223 | \$ 2,581,309 | \$ 11,956,223 |
| The Edward and Grace Alexanian Fund | - | 50,000 | - | 50,000 |
| Terjenian-Thomas Family Internship Program | - | 1,680,442 | - | 1,680,442 |
| Armenian Renaissance Fund | - | 60,000 | - | 60,000 |
| Total | <u>\$3,052,264</u> | <u>\$ 13,796,665</u> | <u>\$ 2,581,309</u> | <u>\$ 13,746,665</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Endowment Funds (continued)

Endowment activity for the years ended December 31, 2020 and 2019 is as follows:

| | Purpose | | Total |
|--------------------------------------|---------------------|----------------------|----------------------|
| | Restricted | Endowment | |
| Endowment assets, December 31, 2018 | \$ 1,087,330 | \$ 13,906,631 | \$ 14,993,961 |
| Investment return, net | 2,356,979 | - | 2,356,979 |
| Contributions | - | 10,000 | 10,000 |
| Amounts appropriated for expenditure | <u>(863,000)</u> | <u>(169,966)</u> | <u>(1,032,966)</u> |
| Endowment assets, December 31, 2019 | 2,581,309 | 13,746,665 | 16,327,974 |
| Investment return, net | 920,955 | - | 920,955 |
| Contributions | - | 50,000 | 50,000 |
| Amounts appropriated for expenditure | <u>(450,000)</u> | <u>-</u> | <u>(450,000)</u> |
| Endowment assets, December 31, 2020 | <u>\$ 3,052,264</u> | <u>\$ 13,796,665</u> | <u>\$ 16,848,929</u> |

Endowment funds consist of the following:

- An endowment fund was established to provide resources for the Assembly to use to mobilize its efforts as an advocacy group, create new programs and projects, such as ANI, and provide assistance to the citizens of Armenia and Nagorno-Karabakh. Assembly endowment contributions are invested in perpetuity, and income generated by the endowment is to be used for programs so designated by the Board, in accordance with the bylaws.
- The Edward and Grace Alexanian Fund was established in 1993. The yearly interest of the fund is used to lobby for the recognition of the Armenian Genocide of 1915, as well as the critical work of the Armenian National Institute.
- Contributions to The Terjenian-Thomas Family Internship Program that are to be invested in perpetuity. The investment income earned on these funds is to be used to support the internship program. Restricted funds also include the following endowed internships: The Richard Tufenkian Memorial Fund, The John Hanessian Scholarship Fund, The Armen Astarjian Scholarship Fund, The Ohanian Memorial Fund, and major gifts from Ann Hintlian, Ann Nahigian, James and Connie Melikian, The Knights of Vartan, The Estate of Haig J. Boyadjian, and The Estate of George Judge Karabedian (George Kay), as well as generous contributions in memory of Dr. Lionel Galstaun, Peter Kezirian, and John O'Connor.

**ARMENIAN ASSEMBLY OF AMERICA, INC. AND AFFILIATE
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12. Endowment Funds (continued)

- The Armenian Renaissance Fund was established in 1999 to help the children in Armenia by supplementing the salaries of school teachers. The interest earned on the original contribution is distributed to the teachers of the Toumanyen School on an annual basis.

13. Armenia Fund Campaign

In response to the egregious attacks against Nagorno-Karabakh which began in September 2020, the Assembly initiated a fundraising campaign to aid in humanitarian relief to the people of Armenia and Nagorno-Karabakh. Direct contributions to the Assembly of \$1,522,671 were received and forwarded to the Armenia Fund for distribution to Armenia. Contributions up to \$1,000,000 to the Assembly's campaign were matched dollar for dollar by an anonymous donor directly to Armenia Fund. In total, \$2,522,671 was raised for this campaign for humanitarian relief.