



Insurance
Foundation
for Servicemen

| united for our soldiers

**INSURANCE FOUNDATION
FOR SERVICEMEN (IFS)
2022 Q2 REPORT**



DONATE

▶ **Fund Management and Financial Analysis**

IFS Brief History, Mission, Vision and Values

IFS Operations for Fiscal Year 2017 – 2022 Rolling Estimate (RE)

IFS Beneficiaries and Compensations 2022 YTD Q1-Q2

IFS Donations for FY 2017 – 2022 Q1-Q2

IFS Beneficiary Social Projects and Cooperation

IFS Development Path to Financial Independence

▶ **2021 Auditor's Report**

Independent Auditor's Report

IFS BRIEF HISTORY MISSION, VISION AND VALUES



The Insurance Foundation for Servicemen was founded in 2017 to provide stable, equitable compensation for the well-being of fallen, missing, and disabled soldiers and their families while defending the homeland and its borders for the peace and security of future generations. It is a unique foundation in the region where every working citizen in Armenia and Artsakh is required to make mandatory contributions. Diasporan Armenians also support the Foundation through voluntary contributions. In this way, the Foundation represents a pan-Armenian effort to provide for those who have sacrificed their lives for the security of Armenia.

The Foundation operates according to the **laws** of the Republic of Armenia. The Foundation's resources are generated from the mandatory monthly payments of taxpayers in Armenia and Artsakh (based on income level), from voluntary donations received from all over the world, as well as from the IFS asset management. IFS website provides information regarding both mandatory payments and donations, as well as the compensation payments made to IFS beneficiaries. The Foundation conducts an independent audit every year and the website reflects **those reports**, as well as IFS **director's report**.



MISSION

To provide stable, equitable compensation for the well-being of fallen, missing, and disabled soldiers and their families while defending the homeland via obligatory and voluntary payments.



VISION

To create a unique life insurance foundation model uniting the global Armenian community for the wellness and prosperity of our beneficiaries, in partnership with the Government of Armenia and key stakeholders from the Armenian Diaspora.



VALUES

TRANSPARENCY, ACCOUNTABILITY, JUSTICE FOR ALL

Today, it is our duty to stand by the families of the fallen, disabled, and missing soldiers.

IFS OPERATIONS FOR FY 2017 – 2022

ROLLING ESTIMATION



After the 2020 war, the year of 2021 was a year of crisis management for IFS both operationally and structurally. 2022 is a year of recovery in terms of buffering assets and making monthly regular compensations.

In 2022 it is estimated that IFS will record a decline in income of approximately -0.5%, due to the donations decline, as well as the Kamurj and Central Bank one-time contributions to the income mix in 2021 and despite the increase in the Mandatory Payments by 7%.

In 2022, the portion of Foundation income attributable to mandatory payments is estimated to increase to 92% compared to 85% in 2021.

In contrast, the portion of income attributable to donations is estimated to fall from 4% in 2021 to 1% in 2022 as per the rolling estimate.

The income from asset management is also estimated to exhibit a positive 2 pts growth from 5% in 2021 to 7% in 2022 and the income from the asset management is estimated to grow by 21%.

BIL, AMD	2017	2018	2019	2020	2021	2022RE	2022 Vs. PY	Contr. to Mix 2021	Contr. to Mix 2022
(AMD)									
Income Mandatory Payments	5.92	7.39	8.47	9.13	29.07	31.07	7%	85%	92%
Donations	0.09	0.09	0.12	6.98	1.29	0.46	-64%	4%	1%
Kamurj*	-	-	-	1.00	1.51	0.08	-95%	4%	0%
CBA**	-	-	-	-	0.30	-	-100%	1%	0%
Asset Management	0.15	0.80	1.59	2.42	1.84	2.23	21%	5%	7%
Other Income from Penalties	-	-	-	-	-	-		0%	0%
Total Income	6.17	8.28	10.18	19.53	34.01	33.85	-0.5%	100%	100%
Compensations	0.38	0.43	0.82	8.03	44.48	15.62	-65%	98%	98%
Admin Expenses	-	-	-	-	-	0.26		1.61%	1.61%
CapEx	-	-	-	-	0.11	0.00	-96%	0.03%	0.03%
OpEx	-	-	-	-	0.15	0.03	88%	0.16%	0.16%
Other	-	0.0002	0.0001	-	-	-			
Total Expenses	0.38	0.43	0.82	8.03	44.74	15.90	-64%	100%	100%

* - **Kamurj** – A program financed by the RA government to give compensation to servicemen who are severely injured or are missing in action before becoming IFS beneficiaries. For these veterans, compensation is provided for 15 months in the amount of 300,000 AMD.

** - **Central Bank of Armenia Contribution (CBA)** – All the expenses made during 2021 were financed by Central bank of Armenia. The funding is regulated by law and has been previously approved by CBA board.

IFS OPERATIONS FOR FY 2017 – 2022

ROLLING ESTIMATION



Year to date Q1-Q2 2022 recorded a growth in the portion of income to approximately 19%, attributable to mandatory payment increase to 26%, which is explained by the increase of the number of employed population – 681K which is 6% higher than the same period 2021. In contrast, the portion of donations declined to -62% which is an organic slowdown given that no investments were made to support the donor base.

In YTD Q1-Q2 2022 the portion of IFS income attributable to mandatory payments increased to 92%, compared to 87% in 2021 same period.

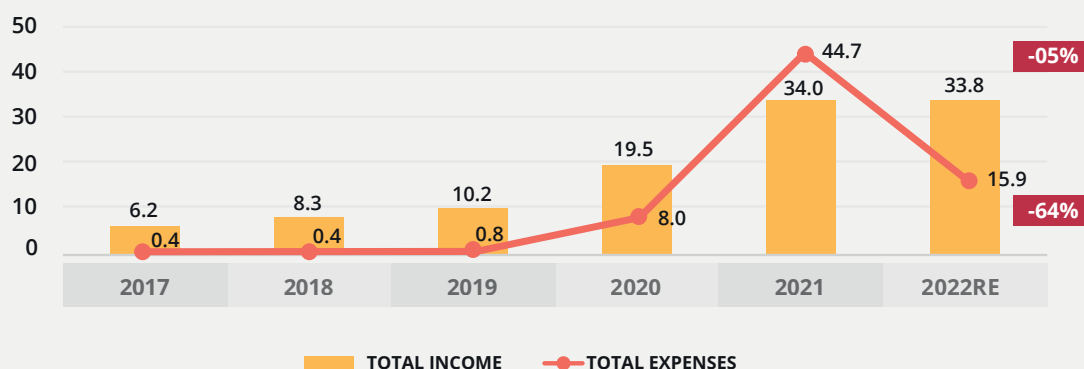
In contrast, the portion of income attributable to donations fell to 2% in 2022 half-year from 2021 5% same period, as donations recorded a -62% decline.

The income from asset management exhibited 7% growth in 2022 vs. 2021 YTD Q2.

The Compensations declined by -77% in Q1-Q2 2022, as the biggest portion of one-time payments were made in 2021 Q1-Q2, and in 2022 regular monthly liabilities are being compensated.

BIL, AMD	Q1 2021	Q2 2021	Q1 2022	Q2 2022	Q1-Q2 2021	Q1-Q2 2022	Q1-Q2 2022 vs 2021	Contr. to Mix 2021	Contr. to Mix 2022
(AMD)									
Income Mandatory Payments	5.28	7.48	8.88	7.25	12.76	16.13	26%	87%	92%
Donations	0.42	0.36	0.17	0.13	0.78	0.30	-62%	5%	2%
Kamurj*	-	-	-	0.08	-	0.08		0%	0%
CBA**	0.17	-	-	-	0.17	-	-100%	1%	0%
Asset Management	0.54	0.43	0.42	0.62	0.97	1.03	7%	7%	6%
Other Income from Penalties	-	-	-	-	-	-		0%	0%
Total Income	6.41	8.28	9.47	8.07	14.69	17.55	19%	100%	100%
Compensations	13.3	19.8	3.6	3.9	33.1	7.52	-77%	99.7%	98%
Admin Expenses	-	-	0.05	0.06	-	0.11		0.00%	1.42%
CapEx	0.02	0.02	0.00	0.00	0.04	0.00	-99%	0.12%	0.01%
OpEx	0.01	0.04	0.00	0.00	0.05	0.01	137%	0.15%	0.11%
Total Expenses	13.34	19.85	3.66	3.98	33.18	7.64	-77%	100%	100%

IFS 2017-2022 RE Income vs. Expenses, BIL AMD



2022 RE VS 2017-2021 PERIOD IN SUMMARY

As per the IFS estimations:

- ✓ **52%** of **mandatory payments** will be received in 2022
- ✓ **5%** of **donations** are expected to be received in 2022
- ✓ **33%** of the **asset management** income will be contributed in **2022**
- ✓ **29%** of **compensations** will be paid in 2022

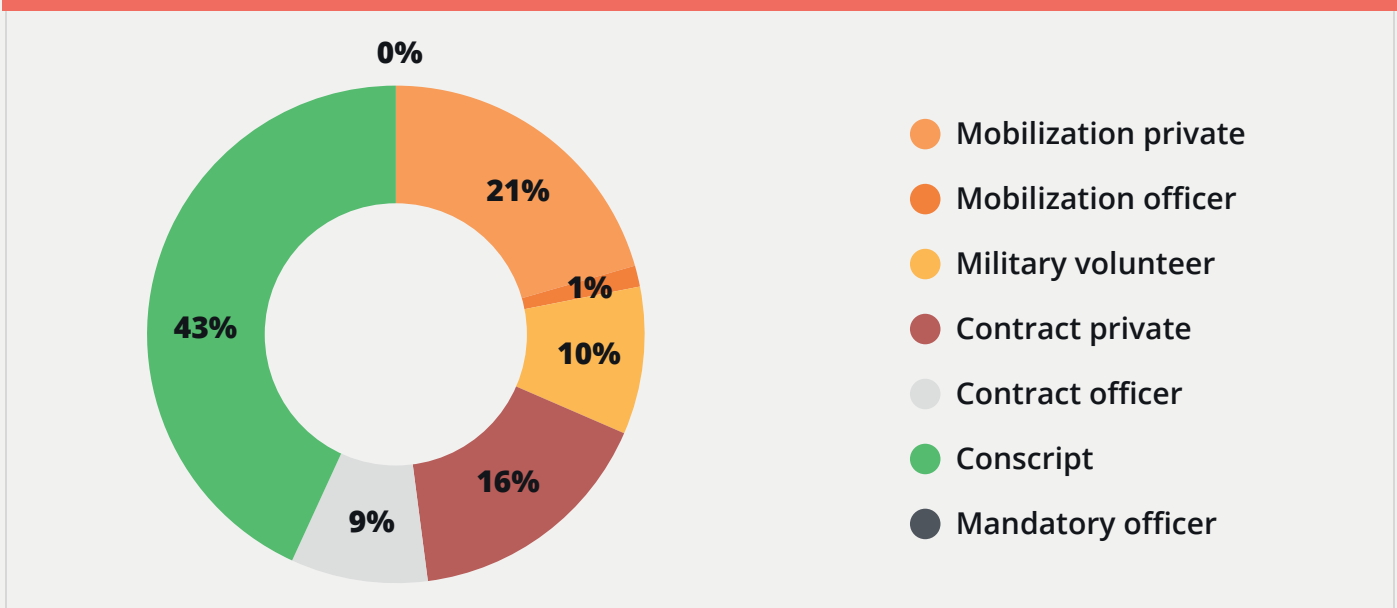
'000 000 AMD	YTD 2017-2022 Q2	2022 Q1-Q2	2022 RE	2017-2021	% of 2022 RE in 2017-2021
Mandatory Payments	76.12	16.13	31.07	59.99	52%
Donations	8.87	0.30	0.46	8.57	5%
Asset Management	7.85	1.03	2.23	6.81	33%
Compensation	61.67	7.52	15.62	54.15	29%

IFS BENEFICIARIES AND COMPENSATIONS 2022 Q1-Q2 YTD

- ✓ From **2017-2022 Q2 YTD** IFS has provided compensation to **4,825** beneficiaries
- ✓ In **2022 Q2 YTD** there were **146 new cases**, below broken down by cases and beneficiary classification:



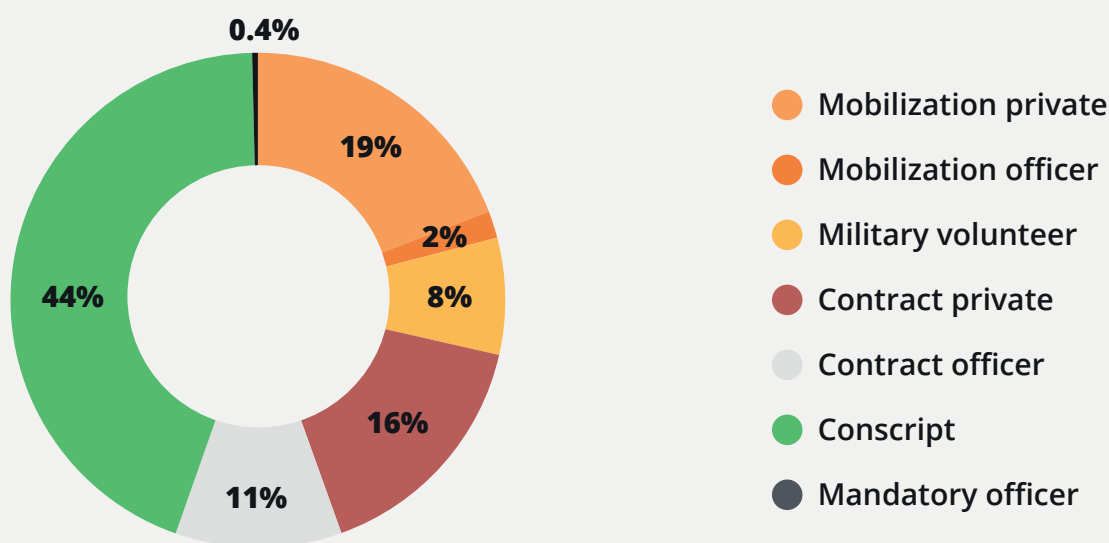
2022 YTD IFS Compensation based on Personnel Classification



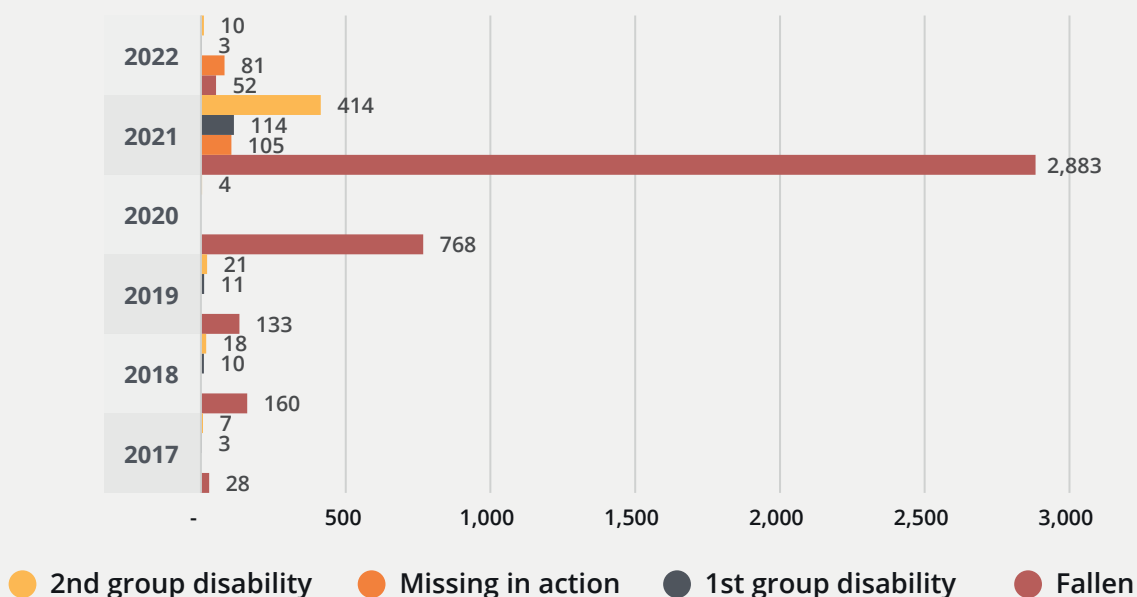
IFS BENEFICIARIES AND COMPENSATIONS 2022 Q1-Q2 YTD

The **4,825** beneficiaries from **2017-2022 YTD** are broken down by personnel classification in the pie chart below. Notably, **44%** are conscripts, while **39%** are mobilized recruits, officers and volunteers.

2017-2022 YTD Q2 IFS Compensation based on Personnel Classification



IFS Beneficiaries 2017-2022 Q1-Q2 YTD



IFS BENEFICIARIES AND COMPENSATIONS 2022 Q1-Q2 YTD

2017-2022 Q2
period in Summary

146

Beneficiary new cases by YTD Q2 2022 period and 4,825 cases from 2017 YTD 2022 Q2

7.5 billion AMD compensation as of Q2 2022 and 61.7 billion AMD since 2017-2022 Q2 to those fallen, missing or eligible for disability insurance

26%

Stamp Payment growth as of Q2 2022 compared to Q2 2021

DONATIONS TO IFS FOR FY 2017 – 2022 Q1-Q2

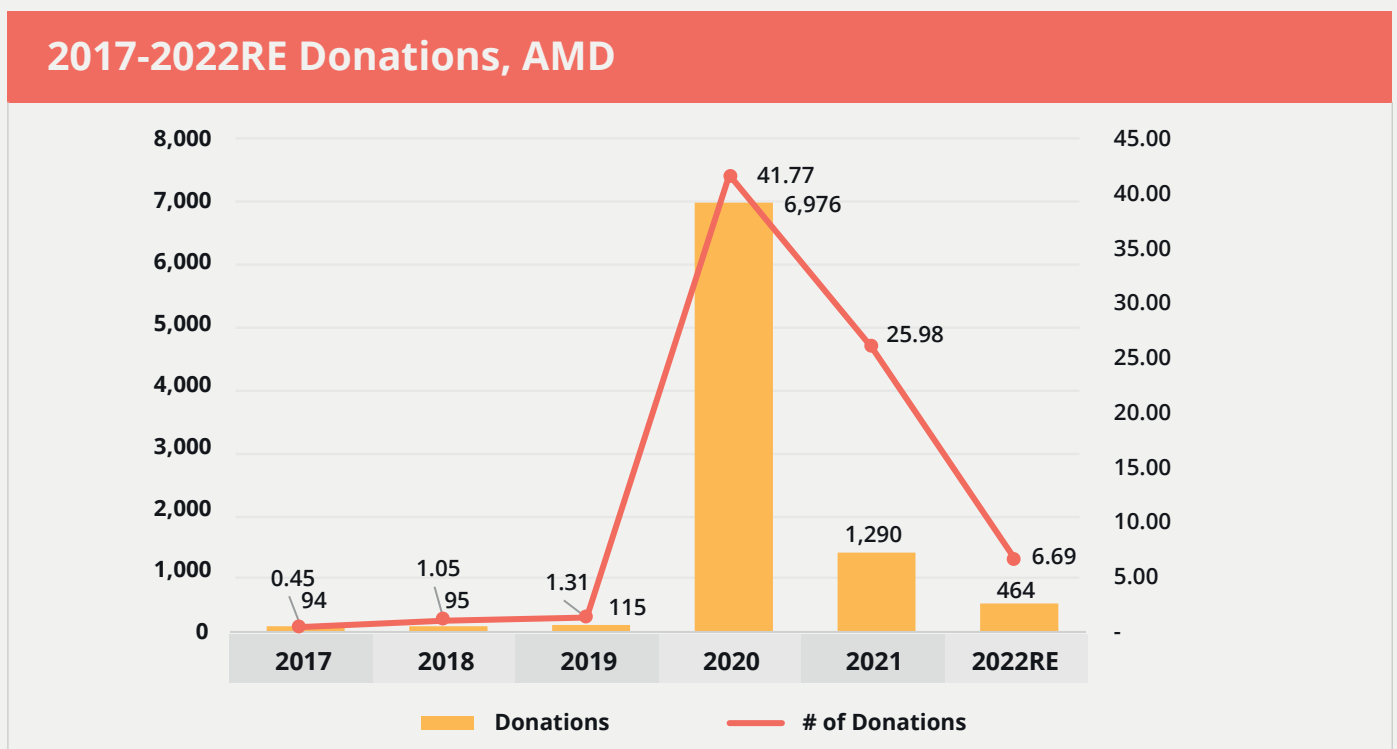


Since 2017 to Q2 2022 IFS Donations have totaled around 8.9 billion AMD. From 2017 to YTD Q2 2022 the total number of donations is almost 77K with an average size of 115,000 AMD. The greatest number of donations were made during and after the 2020 war. Donations come from 70 countries. In the table below the contributions are shown by currency.

Compared with the YTD Q2 2021 the current donations have decreased by -62%. The number of donations and average size also showed a decline by -56% and -13% respectively. It is explained by the post-war syndrome, as during the war the donations usually show a drastic increase which is reflected in the 2020 results.

The donations were made via bank transfers as well as via the IFS website www.1000plus.am.

2021-2022 Donations by Currency									
Currency, '000 000	2017	2018	2019	2020	2021	YTD Q2 2021	YTD Q2 2022	2017-2022 Q2	YTD Q2 2022 vs Q1 2021
AMD	94	89	113	4,380	752	482	131	5,559	-73%
USD		0.002	0.005	4.83	0.88	0	0.28	6	-40%
RR		0.08	0.08	115	7	4	0.44	122	-89%
EUR		0.0008	0.0004	0.80	0.12	0.08	0.02	1	-72%
2017-2022 Donations Converted to AMD									
# of Donations	94	95	115	6,976	1,290	784	299	8,870	-62%
Donations Average size	445	1,050	1,312	41,769	25,976	7,694	6,691	77,243	-13%
	0.212	0.090	0.088	0.167	0.050	0.102	0.045	0.115	-56%



IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

IFS cooperates with various foundations, and non-governmental and charitable organizations to support our heroes and their families for their further development of their physical, psychological and educational well-being.

Considering the importance of maintaining a connection with beneficiaries, the IFS team has taken steps to further development and social integration programs for its beneficiaries.

To the latter end, a memorandum of understanding was signed with the "Heroes' Recovery City" NGO. The NGO is a mental health center, and it provides psychological, mental and social rehabilitation services to the participants of the war.



A memorandum of understanding was signed with **French-Armenian Professional Development Center** foundation, which will provide free short-term secondary professional courses to IFS beneficiaries.



IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

On 9 June 2022 a memorandum of understanding was signed with "reArmenia" charitable foundation, which is a unique platform where individuals, public and private organizations can raise funds for development projects.



«ռեԱրմենիա»-ի և մեր միջև կնքվեց համագործակցության հուշագիր՝ ի նշան փոխադարձ վստահության և համագործակցության պատրաստակամության



«Հավերժական Ազգ» բարեգործական հիմնադրամի և մեր միջև կնքվեց համագործակցության հուշագիր՝ ի նշան փոխադարձ վստահության և համագործակցության պատրաստակամության:



On 23 June 2022 a memorandum of understanding was signed with "Eternal Nation Foundation Armenia". The Foundation aims to rebuild the lives of injured Armenians through restorative healthcare services. It provides high-quality prostheses to the servicemen who were affected by the war, as well as provides rehabilitation treatments.

IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

Visit to Artsakh - 16-19 June 2022

The IFS Management Team visited Artsakh in June to meet with the IFS beneficiaries on the ground to identify their needs, as well as to meet with the Government of Artsakh for cooperation opportunities.

The Team had a meeting with Mr. Araik Harutyunyan, President of the Republic of Artsakh, Mr. Artak Beglaryan, State Minister of the Republic of Artskh, as well as with Ms. Armine Petrosyan, Minister of Social Development and Migration and Mr. Mkayel, Hayriyan, Minister of Health. The both the President and the State Minister highly appreciated the IFS mission and the important roles the IFS plays in the post war reality, mainly ensuring the financial stability of its beneficiaries. It was also discussed to engage the IFS to coordinate the socio-economic engagement projects for its beneficiaries.

The team visited Red Market (Martuni), Khnapat (Askera), Khnatsakh (Askera), Sarushen (Martuni), Chartar (Martuni), Stepanakert and met with its beneficiaries. The main issues the beneficiaries are facing are employment, absence of workplaces, lack of kids' entertainment and development centers, as well as psychological support centers.

IFS will undertake actions to coordinate the various NGOs, Foundations, private sector initiatives to focus their activities to the right direction for a sustainable development of its beneficiaries and the communities impacted by the war.



IFS BENEFICIARY SOCIAL PROJECTS AND COOPERATION

Guardians of Dreams Musical with Participation of 80 IFS Beneficiaries' Kids

On 1 June 2022, on the occasion of International Children's Day, the Tovmasyan Foundation organized a charity event, which was attended by IFS beneficiaries' 80 children. The kids were invited to a premiere of the musical Guardians of Dreams which took place in the Dvin Music Hall, which made it unique and memorable for the little guests. The charity event had an entertainment part - a concert, which was specially designed by the psychologists to heal and calm down the kids. The children enjoyed the show along with various games and entertainment programs.



International Children's Day in Yerevan Park

On 2 June 2022, on International Children's Day, with the support of IFS and in cooperation with Vache Vardanyan, about 120 IFS beneficiary kids spent an unforgettable day at Yerevan Park. Kids were from Artsakh region who have lost their parent, as well as their homes. The kids really enjoyed the day which was full of joy and happiness...



IFS DEVELOPMENT PATH TO INDEPENDENCE

At its founding in 2017, the IFS was managed by the Central Bank of Armenia on a volunteer basis. The IFS did not have a dedicated team or office space. The 2020 Artsakh demonstrated that IFS needed to become an independent entity. Accordingly, a dedicated team was formed, and a professional Board of Trustees was elected to provide oversight and governance. Dedicated office space was also rented and renovated, and all the required infrastructure was built out.

Work in progress by YTD Q2 2022:



TEAM

- 16 People
- 5 Board Members were re-elected



IT INFRASTRUCTURE for

- Compensation
- IT Security



OFFICE SPACE

- Rental, Renovation
- Technical Refurbishment



SERVICES OUTSOURCING

- HR
- Accounting
- Hot Line
- IT Security



LEGISLATIVE AMENDMENTS

- Simplification on beneficiary application process
- Beneficiary base extension
- Organizational Handbook

AUDIT 2021 – STATEMENT OF FINANCIAL POSITION

The IFS Audit 2021 was carried out by **Grant Thornton** CJSC, and the financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared under the assumption that the foundation operates on a going concern basis. Please find the full report below:

In thousand drams	Note	As of 31 December 2021	As of 31 December 2020
Assets			
Non-current assets			
Property and equipment		156,733	-
Intangible assets		3,436	-
Investments in government debt securities	4	1,402,309	3,342,575
Funds placed in banks	5	7,303,869	4,721,415
		8,866,347	8,063,990
Current assets			
Accounts receivables		6,974	-
Investments in government debt securities	4	1,884,276	50,198
Funds placed in banks	5	10,497,727	16,732,791
Cash and cash equivalents	6	2,470,298	9,460,069
		14,859,275	26,243,058
Total assets		23,725,622	34,307,048
Liabilities			
Non-current liabilities			
Liabilities on compensations	7	102,912,893	23,694,770
Lease liabilities		33,651	-
		102,946,544	23,694,770
Current liabilities			
Liabilities on compensations	7	12,176,620	3,309,737
Lease liabilities		40,343	-
Accounts payables		9,129	-
		12,226,092	3,309,737
Net assets			
Revaluation reserve on securities measured at fair value through other comprehensive income	8	(29,979)	67,349
(Accumulated loss)/retained earnings		(91,417,035)	7,235,192
		(91,447,014)	7,302,541
Total liabilities and net assets		23,725,622	34,307,048

AUDIT 2021 – STATEMENT OF COMPREHENSIVE INCOME

In thousand drams	Note	Year ended 31 December 2021	Year ended 31 December 2020
Income			
Income from mandatory payments and donations	9	32,173,532	17,110,134
Finance income	10	1,841,151	2,424,133
Other income		240	650
		34,014,923	19,534,917
Expenses			
Compensation expenses		(123,280,125)	(28,233,882)
Employee benefits		(76,326)	-
Depreciation and amortization		(18,050)	-
Gain/(loss) from remeasurement of allowance on expected credit losses	11	51,881	(62,898)
Finance cost	12	(9,292,770)	(775,810)
Other expenses		(51,497)	(16)
Net loss from exchange differences		(263)	-
		(132,667,150)	(29,072,606)
		(98,652,227)	(9,537,689)
Result for the year			
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net loss from changes in fair value of securities measured at fair value through other comprehensive income		(89,886)	(91,086)
Changes in allowance on expected credit losses of securities measured at fair value through other comprehensive income		(7,442)	9,963
Other comprehensive loss for the year		(97,328)	(81,123)
Total comprehensive loss for the year		(98,749,555)	(9,618,812)

AUDIT 2021 – STATEMENT OF CHANGES IN NET ASSETS

In thousand drams	Revaluation reserve on securities measured at fair value through other comprehensive income	Retained earnings/ (accumulated loss)	Total
As of 1 January 2020	148,472	16,772,881	16,921,353
Result for the year	-	(9,537,689)	(9,537,689)
Other comprehensive loss for the year	(81,123)	-	(81,123)
Total comprehensive loss for the year	(81,123)	(9,537,689)	(9,618,812)
As of 31 December 2020	67,349	7,235,192	7,302,541
Result for the year	-	(98,652,227)	(98,652,227)
Other comprehensive loss for the year	(97,328)	-	(97,328)
Total comprehensive loss for the year	(97,328)	(98,652,227)	(98,749,555)
As of 31 December 2021	(29,979)	(91,417,035)	(91,447,014)

AUDIT 2021 - STATEMENT OF CASH FLOW

In thousand drams	Year ended 31 December 2021	Year ended 31 December 2021
Cash flows from operating activities		
Received mandatory payments and donations	32,173,532	17,110,134
Provided compensations	(44,483,704)	(8,029,925)
Labor expenses	(50,870)	-
Other income	88	650
Other expenses	(95,041)	(16)
Net cash from/(used in) operating activities	(12,455,995)	9,080,843
Cash flows from investing activities		
Acquisition of property and equipment	(88,455)	-
Funds placed in banks	(12,825,000)	(14,345,914)
Investments in government debt securities	-	(198,346)
Repayment of funds placed in banks	15,770,000	12,447,777
Proceeds from redemption of investments in government debt securities.	-	300,000
Interest received from funds placed in banks and other financial institutions	2,323,286	1,886,366
Interest received from investments in government debt securities	285,500	290,500
Net cash from investing activities	5,465,331	380,383
Net increase/(decrease) in cash and cash equivalents	(6,990,664)	9,461,226
Foreign exchange effect on cash	(264)	-
Expected credit loss effect on cash and cash equivalents	1,157	(1,157)
Cash and cash equivalents at the beginning of the year	9,460,069	-
Cash and cash equivalents at the end of the year	2,470,298	9,460,069



**Insurance
Foundation
for Servicemen**

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SPREAD THE WORD ABOUT US

Spread the word about our mission and the work carried out.



SUPPORT US

Make your donation and support the soldiers and their families who made the ultimate sacrifice for Homeland.



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