

Suleiman & Co. Certified Public Accountants - License No. 205
Correspondent Firm of RSM International in Palestine

**Danish House In Palestine
(DHIP)**

**Financial Statements
And Independent Auditors' Report
For the Year Ended December 31, 2015**

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Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF DANISH HOUSE IN PALESTINE

We have audited the accompanying financial statements of Danish House In Palestine (herein after "DHIP") which comprise statement of financial position as of December 31, 2015 and the related statements of activities, changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of Financial statements – Not for Profit Entities. And for such internal control as management determines is necessary to enable the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of DHIP as of December 31, 2015 and of its activities, changes in net assets and its cash flows for the year then ended in accordance with reporting standards mentioned in note 2.

Suleiman & Co. - Certified Public Accountants

Ismail M. Suleiman

License number 131/2000



Ramallah, Palestine

February 28, 2016



Danish House In Palestine
Financial statements for the year ended December 31, 2015

Statement of Financial Position

(All amounts in US Dollar)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
Assets			
Cash and banks	3	102,480	72,120
Accounts receivable		15,424	-
Prepaid expenses	4	10,923	10,923
Fixed assets, Net	5	36,726	10,906
Total assets		<u>165,553</u>	<u>93,949</u>
Liabilities and net assets			
Liabilities			
Payables, accruals and deferred grants	6	60,891	60,744
Outstanding checks		11,455	-
Reserve for local staff benefits		23,886	10,733
Total liabilities		<u>96,232</u>	<u>71,477</u>
Net assets			
Unrestricted		11,222	4,425
Temporarily restricted		58,099	18,047
Total net assets		<u>69,321</u>	<u>22,472</u>
Total liabilities and net assets		<u>165,553</u>	<u>93,949</u>

The accompanying notes constitute an integral part of the financial statements

Danish House In Palestine
Financial statements for the year ended December 31, 2015

Statement of Activities and Changes in Net Assets

(All amounts in US Dollar)

	Note	2015			2014
		Unrestricted	Temporarily Restricted	Total	Total
<u>Revenues & Supports</u>					
Contributions received from Danish Ministry of Foreign Affairs	7	-	446,161	446,161	163,698
Contributions received from projects & programs	8	-	56,529	56,529	154,042
Other revenues & donations	9	15,674	-	15,674	24,308
		15,674	502,690	518,364	342,048
Releases from restrictions		462,638	(462,638)	-	-
Total revenues & support		478,312	40,052	518,364	342,048
<u>Expenses</u>					
Human resources		31,043	-	31,043	29,932
Running expenses		23,025	-	23,025	26,610
Programs expenses		408,570	-	408,570	292,620
Total expenses (schedule of Expenses)		462,638	-	462,638	349,162
Depreciation of fixed assets		3,852	-	3,852	3,077
Loss (gain) on currency differential		5,025	-	5,025	1,580
Total expenses		471,515	-	471,515	353,819
Excess (deficit) of revenues over expenses for the year		6,797	40,052	46,849	(11,771)
Net assets at beginning of year		4,425	18,047	22,472	34,243
Net assets at end of year		11,222	58,099	69,321	22,472

The accompanying notes constitute an integral part of the financial statements

Danish House In Palestine
Financial statements for the year ended December 31, 2015

Statement of Cash Flows

(All amounts in US Dollar)

	2015	2014
Cash flows from operating activities		
Grant received from contributions	502,690	317,740
Other revenues	15,674	24,308
Cash paid to employees & suppliers	(458,333)	(385,326)
Net cash provided from (used in) operating activities	60,031	(43,278)
Cash flows from investing activities		
Acquisition of fixed assets	(29,671)	(4,183)
	(29,671)	(4,183)
Increase (decrease) in cash and banks	30,360	(47,461)
Cash and banks at beginning of year	72,120	119,581
Cash and banks at end of year	102,480	72,120
Adjustments to reconcile changes in net assets to net cash (used in) operating activities		
Change in net assets	46,849	(11,771)
Depreciation	3,852	3,077
End of services benefits	13,152	3,708
(Increase) in accounts receivable	(15,424)	-
Increase (decrease) in payables and accruals	147	(38,292)
Increase in outstanding checks	11,455	-
Net cash provided by (used in) operating activities	60,031	(43,278)

The accompanying notes constitute an integral part of the financial statements.

Danish House In Palestine
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Schedule of Expenses

(All amounts in US Dollar)

	<u>2015</u>	<u>2014</u>
Human Resources		
General director	18,278	14,500
Consultant	-	2,041
Administrative assistant	2,850	3,089
Internal auditor	2,700	-
Accountant	-	2,448
Cleaner	2,265	2,454
Project coordinator	4,950	5,400
	<u>31,043</u>	<u>29,932</u>
Running Expenses		
Rent	5,732	5,618
Utilities (electricity, water, heating, etc)	755	931
Communication (telephone, internet, fax, mail)	810	698
Maintenance	533	635
Office supplies and stationary	739	127
Hospitality	519	655
Insurance (includes TPL)	986	1,786
International travel	1,649	1,389
Advertising	1,548	2,364
Web design/ upgrade	935	1,024
Auditing	3,000	2,282
End of service benefits (local staff)	-	3,708
Miscellaneous (bank charges, etc.)	426	632
Danish board expenses	4,586	3,274
Transportation	807	1,487
	<u>23,025</u>	<u>26,610</u>
Programs Expenses		
Living history	25,824	-
Music exchange	41,534	-
DHIP events and activities – Danida	27,508	-
Media partnerships	16,989	-
Volunteer program	677	7,187
DHIP activities	13,997	21,628
Palestine Photo Marathon Project	33,198	27,749
Design in context	42,144	90,067
Olive Harvest	-	18,343
Communication strategy	23,168	-
DHIP Press Centre	16,529	-
Strategy and org reform	105,255	-
Play Ground	-	29,479
Journalists Project	28,510	32,315
Writers Project	-	35,367
MS- Action Aid	25,733	8,748
Global School Project	-	3,338
Gardens in Palestine	-	1,440
Hand the Ball	-	16,959
Living history 2014	7,504	-
	<u>408,570</u>	<u>292,620</u>
Total	<u>462,638</u>	<u>349,162</u>

Notes to Financial Statements

(All amounts in US Dollar)

1- GENERAL

The Danish House in Palestine (DHIP) was registered as an international NGO in February 2010 with the Palestinian Authority, Ministry of Interior. The organization is located in Ramallah and serves as a platform for vocational and cultural exchange projects at grass-root level.

DHIP's mission is to create the opportunities for cultural, educational and professional exchange and cooperation between Danes and Palestinians on individual and institutional levels. Through projects and activities the ambition is to link people, facilitate interaction and engage a constantly expanding group of people in achieving the organizations vision.

The cultural exchange component of the efforts of DHIP is defined by a practical, hands-on approach allowing direct cooperation and sharing of ideas between Danish and Palestinian professionals: leading Danish and Palestinian journalists working in teams in Denmark and Palestine, Danish designers working cooperating with local women bringing together knowledge of appeal, marketing and traditional Palestinian handcraft, merging music allowing professional musicians from Denmark and Palestine to tour each-others countries and redefine their mutual musical traditions.

At the same time DHIP features a large number of concerts, film screenings and debates taking place in the organizations own venue or across the west Bank in refugee camps, villages or other external venues.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting and in conformity with International Financial Reporting Standards and the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of Financial statements – Not for Profit Entities.

Following are key accounting policies:

Net Assets:

Net assets of DHIP and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets whose use by DHIP, which is not subject to donor-imposed restrictions.
- Temporarily restricted net assets – Net assets whose use by DHIP is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of DHIP pursuant to those donor-imposed stipulations.
- Revenues include amounts received from donors and contributions received from project and programs are reported as increases in unrestricted net assets unless their use is limited by donor-imposed stipulations.

Contributions:

Grants and contributions are recognized as revenues when received.

Fixed Assets:

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 10-20%.

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Notes to Financial Statements - continued
(All amounts in US Dollar)

Local Staff Benefits:

DHIP provides for severance pay by accruing for one month compensation for each year of service based on the last salary paid during the year.

Foreign Currency Transactions:

The books of accounts are maintained in U.S. Dollar. Transactions which are denominated in local currency (Israeli Shekel) and other currencies are converted into U.S. Dollar equivalent as follows:

- Transactions which are expressed or denominated in currencies other than U.S. Dollar are converted to U.S. Dollar equivalent at the rate of exchange prevailing at the date of the transaction.
- Monetary assets and liabilities which are denominated or expressed in currencies other than U.S. Dollar are presented at their U.S. Dollar equivalent using the exchange rate prevailing on Dec 31, 2015 of 3.898 NIS per U.S. Dollar and DKK 6.828 per U.S. Dollar.
- All other assets and liabilities are presented in U.S. Dollar equivalent at their historical values.
- Exchange differences arising from the translation of local currency balances is charged to the statement of activity.

3- CASH AND BANKS

	<u>2015</u>	<u>2014</u>
Cash in hand	159	-
Deposits with banks in NIS	5,056	1,026
Deposits with banks in USD	83,341	46,904
Deposits with banks in DKK	13,924	24,190
	<u>102,480</u>	<u>72,120</u>

4- PREPAID EXPENSES

	<u>2015</u>	<u>2014</u>
Prepaid expenses	10,923	10,923
	<u>10,923</u>	<u>10,923</u>

Danish House In Palestine
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Notes to Financial Statements - continued
 (All amounts in US Dollar)

5- FIXED ASSETS, NET

	<u>Office Furniture</u>	<u>Office Equipment</u>	<u>Computer</u>	<u>Total</u>
Cost:	11,096	10,491	-	21,587
Additions	1,424	10,219	18,028	29,671
Ending balance	<u>12,520</u>	<u>20,710</u>	<u>18,028</u>	<u>51,258</u>
<u>Accumulated depreciation:</u>	(4,587)	(6,093)	-	(10,680)
Additions	(1,149)	(1,819)	(884)	(3,852)
Ending balance	<u>(5,736)</u>	<u>(7,912)</u>	<u>(884)</u>	<u>(14,532)</u>
<u>Net book value:</u>				
At December 31, 2015	<u>6,784</u>	<u>12,798</u>	<u>17,144</u>	<u>36,726</u>
At December 31, 2014	<u>6,509</u>	<u>4,398</u>	<u>-</u>	<u>10,906</u>

6- PAYABLES, ACCRUALS AND DEFERRED GRANTS

	<u>2015</u>	<u>2014</u>
<u>Deferred grants</u>		
Due to Danish MOFA	32,381	54,327
<u>Payables and accruals</u>		
Accrued audit fees	3000	4,060
Salaries payable and withheld income tax	22,596	2,357
Income tax accrued	2,914	-
	<u>60,891</u>	<u>60,744</u>

7- CONTRIBUTIONS RECEIVED FROM DANISH MINISTRY OF FOREIGN AFFAIRS

	<u>2015</u>	<u>2014</u>
Grant received during the year	424,215	163,698
Add: unspent grant from 2014	54,327	-
Less: Unspent grant as of December 31, 2015	32,381	-
	<u>446,161</u>	<u>163,698</u>

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Notes to the Financial Statements - continued
(All amounts in US Dollar)

8- CONTRIBUTION RECEIVED FROM PROJECTS AND PROGRAMS

	<u>2015</u>	<u>2014</u>
Volunteer Program	8,104	4,352
KVINFO	-	58,028
IMS	-	35,224
CKU	-	12,031
Olive Harvest	-	5,229
MS- Action Aid	32,523	31,208
DHIP Activities	15,902	-
Follow the Women	-	7,970
	<u>56,529</u>	<u>154,042</u>

9- OTHER REVENUES & DONATIONS

	<u>2015</u>	<u>2014</u>
Guest house income	8,764	9,698
Other donations and revenues	6,910	14,610
	<u>15,674</u>	<u>24,308</u>

10- RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. DHIP is subject to fluctuations in interest rates on its interest bearing assets and liabilities, if any.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. At the statement of financial position date, no significant concentrations of credit risk were identified by DHIP's management.

Currency risk

DHIP is subject to fluctuations in foreign exchange rates in the normal course of its operation. DHIP did not undertake significant transactions in currencies other than New Israel Shekel during the year.

Other risk factors

DHIP is located in Palestine and operates in a high risk political and economic area, which may increase the operational risk of DHIP and consequently such risk may impact DHIP's operation in a negative manner.

11- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial assets and financial liabilities.

The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.