

The Danish House In Palestine
(DHIP)

Financial Statements
And Independent Auditors' Report
For the Year Ended December 31, 2016

Index

	<u>Page No.</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Schedule of Expenses	5
Notes to Financial Statements	6

Independent Auditors' Report

TO THE BOARD OF DIRECTORS OF The DANISH HOUSE IN PALESTINE

We have audited the accompanying financial statements of The Danish House In Palestine (herein after "DHIP") which comprise statement of financial position as of December 31, 2016 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, 2016 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
March 22, 2017



The Danish House In Palestine
Financial statements for the year ended December 31, 2016

Statement of Financial Position
(All amounts in US Dollar)

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Assets			
Cash and banks	3	151,655	102,480
Accounts receivable		-	15,424
Prepaid expenses	4	11,667	10,923
Fixed assets, Net	5	45,834	36,726
Total assets		<u>209,156</u>	<u>165,553</u>
Liabilities and net assets			
Liabilities			
Payables, accruals and deferred grants	6	108,567	60,891
Outstanding checks		8,382	11,455
Reserve for local staff benefits		16,663	23,886
Total liabilities		<u>133,612</u>	<u>96,232</u>
Net assets			
Unrestricted		(2,489)	11,222
Temporarily restricted		78,033	58,099
Total net assets		<u>75,544</u>	<u>69,321</u>
Total liabilities and net assets		<u>209,156</u>	<u>165,553</u>

The accompanying notes constitute an integral part of the financial statements

The Danish House In Palestine
Financial statements for the year ended December 31, 2016

Statement of Activities and Changes in Net Assets
(All amounts in US Dollar)

	Note	2016			2015
		Unrestricted	Temporarily Restricted	Total	Total
<u>Revenues & Supports</u>					
Contributions received from Danish Ministry of Foreign Affairs	7	-	583,844	583,844	446,161
Contributions received from projects & programs	8	-	60,404	60,404	56,529
Other revenues & donations	9	4,791	-	4,791	15,674
		4,791	644,248	649,039	518,364
Releases from restrictions		624,314	(624,314)	-	-
Total revenues & support		629,105	19,934	649,039	518,364
<u>Expenses</u>					
Human resources		14,043	-	14,043	31,043
Running expenses		20,172	-	20,172	23,025
Programs expenses		589,902	-	589,902	408,570
Total expenses (schedule of Expenses)		624,117	-	624,117	462,638
Depreciation of fixed assets		11,713	-	11,713	3,852
Loss (gain) on currency differential		6,986	-	6,986	5,025
Total expenses		642,816	-	642,816	471,515
Excess (deficit) of revenues over expenses for the year		(13,711)	19,934	6,223	46,849
Net assets at beginning of year		11,222	58,099	69,321	22,472
Net assets at end of year		(2,489)	78,033	75,544	69,321

The accompanying notes constitute an integral part of the financial statements

The Danish House In Palestine
Financial statements for the year ended December 31, 2016

Statement of Cash Flows
(All amounts in US Dollar)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Grant received from contributions	644,248	502,690
Other revenues	4,791	15,674
Cash paid to employees & suppliers	(579,043)	(458,333)
Net cash provided from operating activities	<u>69,996</u>	<u>60,031</u>
Cash flows from investing activities		
Acquisition of fixed assets	(20,821)	(29,671)
	<u>(20,821)</u>	<u>(29,671)</u>
Increase in cash and banks	49,175	30,360
Cash and banks at beginning of year	102,480	72,120
Cash and banks at end of year	<u>151,655</u>	<u>102,480</u>
Adjustments to reconcile changes in net assets to net cash (used in) operating activities		
Change in net assets	6,026	46,849
Depreciation	11,713	3,852
End of services benefits	(7,223)	13,152
Decrease (increase) in accounts receivable	1,967	(15,424)
(Increase) in prepaid expenses	(744)	-
Increase in payables and accruals	61,330	147
(Decrease) increase in outstanding checks	(3,073)	11,455
Net cash provided by operating activities	<u>69,996</u>	<u>60,031</u>

The accompanying notes constitute an integral part of the financial statements

The Danish House In Palestine
Financial statements for the year ended December 31, 2016

Schedule of Expenses

(All amounts in US Dollar)

	<u>2016</u>	<u>2015</u>
Human Resources		
General director	7,349	18,278
Consultant	1,747	-
Admin Manager & prog. coordinator	4,947	4,950
Programs assistant	-	2,850
Internal auditor	-	2,700
Cleaner	-	2,265
	<u>14,043</u>	<u>31,043</u>
Running Expenses		
Rent	5,000	5,732
Utilities (electricity, water, heating, etc)	1,325	755
Communication (telephone, internet, fax, mail)	649	810
Maintenance	1,000	533
Office supplies and stationary	-	739
Hospitality	1,000	519
Insurance (includes TPL)	-	986
International travel	2,290	1,649
Advertising	-	1,548
Web design/ upgrade	-	935
Auditing	-	3,000
Income tax expenses	331	-
Miscellaneous (bank charges, etc.)	2,248	426
Danish board expenses	5,026	4,586
Transportation	1,303	807
	<u>20,172</u>	<u>23,025</u>
Programs Expenses		
Living history	-	25,824
Music exchange	21,050	41,534
Design in context 2016	35,980	-
Merging music 2016	38,473	-
Palestinian/ Danish academic institution 2016	26,419	-
Training & workshops 2016	35,254	-
Archives & libraries 2016	24,612	-
Oral history 2016	33,154	-
Re-invented design in context 2016	15,370	-
Cultural productions 2016	26,811	-
Couch talk, small events, Palestinian & Danish film	24,761	-
Merged investigative journalism	59,623	-
Organizational reform & staff training 2016	60,847	105,255
Children literature illustration 2016	56,422	-
IMS journalist exchange 2016	18,955	-
DHIP events and activities – Danida	-	27,508
Media partnerships	-	16,989
Volunteer program	2,759	677
DHIP activities	12,547	13,997
Palestine Photo Marathon Project	40,586	33,198
Design in context	5,547	42,144
Communication strategy	32,667	23,168
DHIP Press Centre	-	16,529
Journalists Project	-	28,510
MS- Action Aid	12,638	25,733
Reserve for unforeseen opportunities	5,427	-
Living history 2014	-	7,504
	<u>589,902</u>	<u>408,570</u>
Total	<u>624,117</u>	<u>462,638</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%.

The Danish House In Palestine
Financial statements for the year ended December 31, 2016

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, 2016 of 3.841 NIS per U.S. Dollar and DKK 6.679 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>2016</u>	<u>2015</u>
Cash in hand	263	159
Deposits with banks in NIS	587	5,056
Deposits with banks in USD	119,530	83,341
Deposits with banks in DKK	31,275	13,924
	<u>151,655</u>	<u>102,480</u>

4- PREPAID EXPENSES

	<u>2016</u>	<u>2015</u>
Prepaid expenses	11,667	10,923
	<u>11,667</u>	<u>10,923</u>

The Danish House In Palestine
Financial statements for the year ended December 31, 2016

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:	12,520	20,710	18,028	51,258
Additions	<u>5,112</u>	<u>15,709</u>	<u>-</u>	<u>20,821</u>
Ending balance	<u>17,632</u>	<u>36,419</u>	<u>18,028</u>	<u>72,079</u>
Accumulated depreciation:	(5,736)	(7,912)	(884)	(14,532)
Additions	<u>(1,638)</u>	<u>(4,050)</u>	<u>(6,025)</u>	<u>(11,713)</u>
Ending balance	<u>(7,374)</u>	<u>(11,962)</u>	<u>(6,909)</u>	<u>(26,245)</u>
Net book value:				
At December 31, 2016	<u>10,258</u>	<u>24,457</u>	<u>11,119</u>	<u>45,834</u>
At December 31, 2015	<u>6,784</u>	<u>12,798</u>	<u>17,144</u>	<u>36,726</u>

6- PAYABLES, ACCRUALS AND DEFERRED GRANTS

	<u>2016</u>	<u>2015</u>
<u>Deferred grants</u>		
Due to Danish MOFA	38,439	32,381
<u>Payables and accruals</u>		
Accrued audit fees	5,020	3,000
Salaries payable and withheld income tax	-	22,596
Accounts payable	60,673	-
Income tax accrued	<u>4,435</u>	<u>2,914</u>
	<u>108,567</u>	<u>60,891</u>

7- CONTRIBUTIONS RECEIVED FROM DANISH MINISTRY OF FOREIGN AFFAIRS

	<u>2016</u>	<u>2015</u>
Grant received during the year	589,902	424,215
Add: unspent grant from 2015	32,381	54,327
Less: Unspent grant as of December 31, 2016	<u>38,439</u>	<u>32,381</u>
	<u>583,844</u>	<u>446,161</u>

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

8- CONTRIBUTION RECEIVED FROM PROJECTS AND PROGRAMS

	<u>2016</u>	<u>2015</u>
Volunteer Program	11,307	8,104
IMS	14,248	-
Ulla group	4,697	-
MS- Action Aid	27,119	32,523
DHIP Activities	2,254	15,902
Support Women of DIC	779	-
	<u>60,404</u>	<u>56,529</u>

9- OTHER REVENUES & DONATIONS

	<u>2016</u>	<u>2015</u>
Guest house income	4,654	8,764
Other donations and revenues	137	6,910
	<u>4,791</u>	<u>15,674</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.

12- OTHER MATTERS

During year 2016, DHIP received the sum of DKK 2,120,214 from The Centre for Culture & Development (USD equivalent 317,962). The amount were received in two installment for the benefits of various partners (11 partners) and handover budget, the undisbursed balance as of December 31, 2016 amounted to USD 50,741, which is reflected in (note 3) to the financial statements.