

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF
GLOBAL DIALOGUE AND DEMOCRACY (MIFTAH)

FINANCIAL STATEMENTS

DECEMBER 31, 2010

**Independent Auditors' Report to the Board of Trustees of
The Palestinian Initiative for the Promotion of Global Dialogue and Democracy
(MIFTAH)**

We have audited the accompanying financial statements of the Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH), which comprise the statement of financial position as at December 31, 2010, and the statement of activities and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 for such internal control as management determines is necessary to enable the preparation of 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 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 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 auditors' 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 for 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 the Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH) as at December 31, 2010 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



April 26, 2011
Ramallah, Palestine

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL
DIALOGUE AND DEMOCRACY (MIFTAH)

Statement of Financial Position

As at December 31, 2010

	<u>Notes</u>	<u>2010</u> U.S. \$	<u>2009</u> U.S. \$
Assets			
Non - current assets			
Property and equipment	3	31,980	48,602
Current assets			
Contributions receivable	4	252,361	223,516
Due from Board of Trustees	5	45,000	25,000
Other current assets		28,018	4,508
Cash and cash equivalents	6	668,589	821,886
		<u>993,968</u>	<u>1,074,910</u>
Total Assets		<u>1,025,948</u>	<u>1,123,512</u>
Net Assets and Liabilities			
Net assets			
Unrestricted net assets		<u>186,938</u>	<u>174,941</u>
Total net assets		<u>186,938</u>	<u>174,941</u>
Non - current liabilities			
Deferred revenues	7	30,159	42,953
Provision for employees' indemnity	8	153,686	124,631
		<u>183,845</u>	<u>167,584</u>
Current liabilities			
Accounts payable and accruals	9	98,273	64,413
Temporarily restricted contributions	11	556,892	716,574
		<u>655,165</u>	<u>780,987</u>
Total Liabilities		<u>839,010</u>	<u>948,571</u>
Total Net Assets and Liabilities		<u>1,025,948</u>	<u>1,123,512</u>

The attached notes 1 to 17 form part of these financial statements

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL
DIALOGUE AND DEMOCRACY (MIFTAH)

Statement of Activities and Changes in Net Assets

Year ended December 31, 2010

	<u>Notes</u>	<u>2010</u> U.S. \$	<u>2009</u> U.S. \$
Revenues			
Temporarily restricted contributions released from restriction	11	927,715	799,119
Unrestricted contributions	10	91,150	65,000
Deferred revenues recognized	7	15,556	20,101
Other revenues		4,351	6,688
Foreign exchange gain		-	787
		<u>1,038,772</u>	<u>891,695</u>
Expenses			
Projects' expenses	12	940,840	801,770
Administrative expenses	13	45,891	177,526
Depreciation expense	3	19,384	21,517
Foreign exchange loss		20,660	-
		<u>1,026,775</u>	<u>1,000,813</u>
Increase (decrease) in net assets		11,997	(109,118)
Net assets, beginning of year		<u>174,941</u>	<u>284,059</u>
Net assets, end of year		<u><u>186,938</u></u>	<u><u>174,941</u></u>

The attached notes 1 to 17 form part of these financial statements

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL
DIALOGUE AND DEMOCRACY (MIFTAH)

Statement of Cash Flows

Year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Operating Activities:		
Increase (decrease) in net assets	11,997	(109,118)
Adjustments:		
Depreciation of property and equipment	19,384	21,517
Deferred revenues recognized	(15,556)	(20,101)
Provision for employees' indemnity	33,268	36,771
	<u>49,093</u>	<u>(70,931)</u>
Changes in working capital		
Contributions receivable	(28,845)	(91,560)
Due from Board of Trustees	(20,000)	60,000
Other current assets	(23,510)	(975)
Temporarily restricted contributions	(159,682)	284,613
Accounts payable and accruals	33,860	4,006
Deferred revenues	2,762	9,176
Employees' indemnity paid	(4,213)	(16,872)
Net cash flows (used in) from operating activities	<u>(150,535)</u>	<u>177,457</u>
Investing Activities:		
Purchase of property and equipment	(2,762)	(9,263)
Net cash used in investing activities	<u>(2,762)</u>	<u>(9,263)</u>
(Decrease) increase in cash and cash equivalents	(153,297)	168,194
Cash and cash equivalents, beginning of year	<u>821,886</u>	<u>653,692</u>
Cash and cash equivalents, end of year	<u><u>668,589</u></u>	<u><u>821,886</u></u>

The attached notes 1 to 17 form part of these financial statements

Notes to the Financial Statements

December 31, 2010

1. General

The Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH) was established in December 1998 as a non-governmental non-partisan Jerusalem-based institution dedicated to fostering democracy and good governance within the Palestinian society through promoting public accountability, transparency, the free flow of information and ideas, and challenging of stereotyping at home and abroad. MIFTAH's aim is to serve as a Palestinian platform for global dialogue and cooperation guided by the principles of democracy, human rights, gender equity, and participatory governance. To this end, MIFTAH undertakes the pro-active generation and presentation of policy proposals and the focused dissemination of reliable information. Since its establishment, MIFTAH has established the cogency of its positions in Palestine and in the region, and has formulated long and short-term policies and strategies to deal with particular pressing issues. Through networking with like-minded organizations locally, regionally and internationally, and with Palestinian expatriate communities, MIFTAH maintains lasting relationships and partnerships in pursuit of a common vision of dialogue and democracy.

MIFTAH's financial statements as at December 31, 2010 were approved by the Board of Trustees on April 26, 2011.

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The financial statements have been presented in U.S. Dollars, which is the functional currency of MIFTAH.

The financial statements have been prepared under the historical cost convention.

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The following IFRS and IFRIC interpretations have been issued but are not yet mandatory, and have not been adopted by MIFTAH:

IAS 24 - Related Party Disclosures (Revised)

Significant accounting judgments, estimates and assumptions

Donation revenues

Donors' unconditional pledges are those pledges where donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follows:

- Unconditional pledges that are not restricted for a specific purpose or time are recognized when the pledge is obtained.
- Unconditional pledges that are temporarily restricted by donor for a specific purpose or time are recognized when such purpose or time is satisfied.

Deferred revenues

Donations related to property and equipment are measured at fair value, recorded as deferred revenues and recognized as revenue in the statement of activities and changes in Net assets on a systematic basis over the useful life of the asset.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

Impairment and uncollectibility of financial assets

An assessment is at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, any impairment loss is recognized in the statement of activities and changes in net assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less.

Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full unconditional pledge is no longer probable.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Useful life (years)</u>
Office equipment	4-5
Office furniture	6-7
Leasehold improvements	5

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Income taxes

MIFTAH is a not-for-profit organization; accordingly, it is not subject to income tax.

Provision for employees' indemnity

Provision for employees' indemnity is calculated in accordance with the labour law prevailing in Palestine, and MIFTAH's internal policies, based on one-month indemnity for each year of employment.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Judgements and estimation uncertainty

MIFTAH's financial position and results of activities are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the financial statements. MIFTAH bases its estimates on its past experience and on various other assumptions deemed reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Due to different assumptions and situations, the actual results may differ significantly from these estimates.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are recognized in the statement of activities and changes in net assets.

3. Property and Equipment

	<u>Office equipment</u> U.S. \$	<u>Office furniture</u> U.S. \$	<u>Leasehold improvements</u> U.S. \$	<u>Total</u> U.S. \$
Cost:				
At January 1, 2010	196,122	64,507	28,495	289,124
Additions	<u>2,762</u>	<u>-</u>	<u>-</u>	<u>2,762</u>
At December 31, 2010	<u>198,884</u>	<u>64,507</u>	<u>28,495</u>	<u>291,886</u>
Depreciation:				
At January 1, 2010	164,474	59,351	16,697	240,522
Depreciation charge for the year	<u>12,682</u>	<u>1,550</u>	<u>5,152</u>	<u>19,384</u>
At December 31, 2010	<u>177,156</u>	<u>60,901</u>	<u>21,849</u>	<u>259,906</u>
Net carrying value:				
At December 31, 2010	<u>21,728</u>	<u>3,606</u>	<u>6,646</u>	<u>31,980</u>
At December 31, 2009	<u>31,648</u>	<u>5,156</u>	<u>11,798</u>	<u>48,602</u>

Property and equipment include U.S. \$ 199,925 and U.S. \$ 192,340 of fully depreciated assets that are still being used in MIFATH's activities as at December 31, 2010 and 2009, respectively.

4. Contributions receivable

	Balance, beginning of year	Additions	Cash received	Currency difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
The Anna Lindh Foundation (ALF)	-	134,450	(53,753)	(2,079)	78,618
NGO Development Centre (NDC)	-	110,000	(45,000)	-	65,000
OXFAM GB	-	64,201	(24,176)	(1,109)	38,916
The United Nations Educational, Scientific and Cultural Organization (UNESCO)	-	31,180	(6,180)	-	25,000
National Endowment for Democracy (NED)	14,000	33,000	(25,000)	-	22,000
Creative Associates International (CAII)	75,000	36,724	(111,724)	-	-
Consulate General of Italy	-	3,944	-	-	3,944
The Institute for Foreign Cultural Relations (IFA)	-	15,467	(13,001)	-	2,466
Arab Fund for Economic and Social Development (OFID)	12,176	-	(12,176)	-	-
Ford Foundation (FF) and Anna Lindh Foundation (ALF) through KESHEV	1,491	481	(1,972)	-	-
Danish Representative Office (DRO)	28,077	-	(28,077)	-	-
Henrich Boell Stiftung (HBS)	-	31,264	(29,833)	(1,431)	-
United Nations Population Fund (UNFPA)	-	127,312	(128,916)	1,604	-
Konrad Adenauer Stiftung in the Palestinian Autonomous Territories (KAS)	-	42,693	(46,344)	3,651	-
Austrian Development Agency (ADA)	92,772	-	(60,624)	(15,731)	16,417
The Ministry for Foreign Affairs of Ireland(MFAI)	-	78,876	(78,876)	-	-
EU+ Henrich Boell	-	88,255	(79,906)	(8,349)	-
The Institute for Inclusive Security, Hunt Alternatives Fund	-	10,000	(10,000)	-	-
	<u>223,516</u>	<u>807,847</u>	<u>(755,558)</u>	<u>(23,444)</u>	<u>252,361</u>

5. Due from Board of Trustees

During 2010 and 2009, a number of MIFTAH's members of Board of Trustees made commitments to donate unrestricted contributions of U.S. \$ 90,000 and U.S. \$ 65,000, respectively. As at December 31, 2010 unrestricted contributions of U.S. \$ 45,000 were still uncollected.

6. Cash and cash equivalents

	2010 U.S. \$	2009 U.S. \$
Cash in hand and at banks	246,841	435,980
Short-term deposits	421,748	385,906
	<u>668,589</u>	<u>821,886</u>

Short term deposits in U.S. \$ are due within three months after the financial statements date with an average interest rate of 0.68% and 0.5 %, during the years ended December 31, 2010 and 2009, respectively.

Short-term deposits as at December 31, 2010 and 2009 include U.S. \$ 152,751 and U.S. \$ 124,631, respectively as restricted deposits against employees' indemnity.

7. Deferred revenues

This item represents the value of property and equipment acquired during the year using the temporarily restricted contributions. Such property and equipment are recorded as deferred revenues and recognized as revenues on a systematic basis over the useful lives of the property and equipment. Movement on deferred

revenues during the year was as follows:

	<u>2010</u>	<u>2009</u>
	U.S. \$	U.S. \$
Balance, beginning of year	42,953	53,878
Additions (Note 11)	2,762	9,176
Deferred revenues recognized	<u>(15,556)</u>	<u>(20,101)</u>
Balance, end of year	<u><u>30,159</u></u>	<u><u>42,953</u></u>

8. Provision for employees' indemnity

Following is a summary of the movement on the provision for severance pay during the year:

	<u>2010</u>	<u>2009</u>
	U.S. \$	U.S. \$
Balance, beginning of year	124,631	104,732
Additions during the year	33,268	36,771
Payments during the year	<u>(4,213)</u>	<u>(16,872)</u>
Balance, end of year	<u><u>153,686</u></u>	<u><u>124,631</u></u>

9. Accounts payable and accruals

	<u>2010</u>	<u>2009</u>
	U.S. \$	U.S. \$
Post-dated checks	59,129	38,975
Accrued expenses	24,194	10,628
Accounts payable	<u>14,950</u>	<u>14,810</u>
	<u><u>98,273</u></u>	<u><u>64,413</u></u>

10. Unrestricted contributions

	<u>2010</u>	<u>2009</u>
	U.S. \$	U.S. \$
Board of Trustees	90,000	65,000
Other	<u>1,150</u>	<u>-</u>
	<u><u>91,150</u></u>	<u><u>65,000</u></u>

11. Temporarily restricted contributions

This item comprises temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of donations received over the expenditures made out to satisfy the purposes stipulated by the donors. The movement on the temporarily restricted contributions is as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Interest revenue	Currency difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
The Anna Lindh Foundation (ALF)	-	134,450	(53,498)	-	-	(5,566)	75,386
NGO Development Centre (NDC)	-	110,000	(35,386)	-	-	-	74,614
The Ministry for Foreign Affairs of Ireland (MFAI)	75,702	78,876	(75,641)	-	-	(9,640)	69,297
Oxfam GB	-	64,201	(25,222)	-	-	655	39,634
The United nations Educational, Scientific and Cultural Organization (UNESCO)	-	31,180	(6,180)	-	-	-	25,000
National Endowment for Democracy (NED)	-	33,000	(13,866)	-	-	-	19,134
Austrian Development Agency (ADA)	158,603	-	(127,372)	(1,422)	-	(16,594)	13,215
The Institute for Inclusive Security, Hunt Alternatives Fund	-	10,000	(4,251)	-	-	-	5,749
The Henrich Boell Foundation (HBF)	12,572	88,255	(82,642)	-	-	(12,650)	5,535
Ford Foundation (FF) and Anna Lindh Foundation (ALF) through KESHEV	5,507	481	(5,988)	-	-	-	-
Danish Representative Office (DRO)	24,897	-	(24,897)	-	-	-	-
United Nations Population Fund (UNFPA)	4,639	127,312	(132,627)	-	-	676	-
National Endowment for Democracy (NED)	11,249	-	(11,249)	-	-	-	-
Representative Office of Norway (NRO)	108,903	-	(108,903)	-	-	-	-
Konrad Adenauer Stiftung in the Palestinian Autonomous Territories (KAS)	-	42,693	(45,645)	-	-	2,952	-
Henrich Boell Stiftung (HBS)	-	31,264	(29,806)	-	-	(1,458)	-
The Institute for Foreign Cultural Relations (IFA)	-	15,467	(15,799)	-	-	332	-
Creative Associates International (CAII)	89,273	36,724	(124,657)	(1,340)	-	-	-
Consulate General of Italy	-	3,944	(4,086)	-	-	142	-
Special donations	225,229	-	-	-	4,099	-	229,328
	<u>716,574</u>	<u>807,847</u>	<u>(927,715)</u>	<u>(2,762)</u>	<u>4,099</u>	<u>(41,151)</u>	<u>556,892</u>

12. Projects' expenses

Components of projects expenses are as follows:

	<u>HBF</u>	<u>ALF</u>	<u>IFA</u>	<u>UNFPA</u>	<u>ADA*</u>	<u>Inclusive Security</u>	<u>UNESCO</u>	<u>KAS</u>	<u>NED</u>	<u>Subtotal</u>
	<u>Social Transformation in Conflict</u>			<u>Gender Equality and Women Empowerment</u>	<u>Combating Violence against Palestinian Women through the Empowerment of CBOs</u>	<u>Women's Participation in Peace</u>	<u>Ensuring the Legislative Environment Supporting the Reduction of GBV through Working on MDG3</u>	<u>Critical Reading of Print Media</u>	<u>Active Youth for Social Change</u>	
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Salaries and related expenses	27,462	8,728	5,069	36,495	54,372	3,089	2,700	36,768	10,321	185,004
Office, equipment and hall rental	300	3,600	300	400	6,850	200	1,100	150	1,000	13,900
Utilities	634	-	-	85	5,827	101	58	89	1,071	7,865
Postage, telephone and fax	146	53	-	54	1,937	97	76	-	936	3,299
Travel and accommodation	26,613	3,626	2,814	1,069	3,098	99	88	421	581	38,409
Information Technology and publications	180	27,758	170	89,820	43,941	-	703	6,281	6,974	175,827
Training expenses	9,891	-	2,704	182	12,456	-	920	-	1,151	27,304
Hosting delegations and meetings	17,396	-	4,742	4,257	9,566	57	535	1,936	3,040	41,529
Professional fees	-	9,545	-	-	2,425	600	-	-	-	12,570
Sundry	20	188	-	265	25	8	-	-	41	547
Total	82,642	53,498	15,799	132,627	140,497	4,251	6,180	45,645	25,115	506,254

* During the year, U.S \$ 127,372 were expensed from the program's budget and accordingly released from restriction. The remaining amount of U.S. \$ 13,125 was self-financed by MIFTAH.

Projects' expenses - continued

		NDC	MFAI	OXFAM	DRO	FF and ALF through KESHEV	CAII	Consulate General of Italy	HBS	NRO	Total Project Expenses 2010	Total Project Expenses 2009
	Subtotal	Core Fund			Community Development in oPt	Instituting a Gender Responsive National Budget	Monitoring Incitement in Palestinian Media, Phase II	Empowerment of Women in Elections	Strengthening the Palestinian Electoral Participation	Gender Responsive Budget in Local Councils	Supporting Young Palestinian Political Leaders	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	185,004	20,109	57,902	9,250	9,857	4,556	63,772	1,140	11,175	57,987	420,752	348,622
Office, equipment and hall rental	13,900	3,900	3,500	-	300	-	12,824	265	-	3,420	38,109	37,964
Utilities	7,865	2,244	844	-	964	-	1,939	153	-	3,615	17,624	20,560
Postage, telephone and fax	3,299	308	238	477	1,409	-	1,774	78	43	2,209	9,835	11,084
Travel and accommodation	38,409	1,152	2,599	2,352	290	174	7,623	171	717	7,329	60,816	44,658
Information Technology and publications	175,827	5,104	7,372	637	11,258	1,258	3,286	389	14,599	7,016	226,746	224,918
Training expenses	27,304	200	-	4,817	-	-	15,548	669	367	12,345	61,250	54,915
Hosting delegations and meetings	41,529	366	531	7,670	819	-	17,594	821	2,905	13,418	85,653	53,747
Professional fees	12,570	2,000	2,000	-	-	-	-	400	-	1,500	18,470	4,260
Sundry	547	3	655	19	-	-	297	-	-	64	1,585	1,042
Total	506,254	35,386	75,641	25,222	24,897	5,988	124,657	4,086	29,806	108,903	940,840	801,770

13. Administrative expenses

	<u>2010</u>	<u>2009</u>
	U.S. \$	U.S. \$
Salaries and related expenses	34,896	142,740
Office rent	5,591	10,084
Professional fees	1,500	4,740
Hosting delegations and meetings	1,139	1,202
Travel and accommodation	450	5,479
Utilities	-	12,465
Sundry	2,315	816
	<u>45,891</u>	<u>177,526</u>

14. Related party transactions

Related parties represent members of the Board of Trustees and key management personnel of MIFTAH. Pricing policies and terms of these transactions are approved by MIFTAH's management.

Balances with related parties included in the statement of financial position are as follows:

	<u>2010</u>	<u>2009</u>
	U.S. \$	U.S. \$
Due from Board of Trustees	<u>45,000</u>	<u>25,000</u>

Transactions with related parties included in the statement of activities and changes in net assets are as follows:

	<u>2010</u>	<u>2009</u>
	U.S. \$	U.S. \$
Unrestricted contributions	<u>90,000</u>	<u>65,000</u>
Key management personnel compensation		
Short-term benefits	<u>46,690</u>	<u>46,480</u>
Termination benefits	<u>3,894</u>	<u>3,785</u>

15. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of contributions receivable, due from Board of Trustees and cash and cash equivalents. Financial liabilities consist of accounts payable and accruals.

The fair values of financial instruments are not materially different from their carrying values.

16. Risk management

Interest rate risk

MIFTAH is exposed to interest rate risk on its short-term deposit.

The following table demonstrates the sensitivity of the statement of activities and changes in net assets to reasonably possible changes in interest rates, with all other variables held constant, the effect of decreases in interest rate is expected to be equal and opposite to the effect of the increase shown:

	<u>Increase in basis points</u>	<u>Effect on results of activities U.S.\$</u>
<u>2010</u>		
U.S. \$	+20	843
<u>2009</u>		
U.S. \$	+20	772

Liquidity risk

MIFTAH limits its liquidity risk by maintaining adequate cash balances to meet its current obligations and to finance its operating activities. In addition, the activities of MIFTAH are financed by multiple donors.

Most of MIFTAH`s financial liabilities are due within a period of three months.

Foreign currency risk

The table below indicates MIFTAH's foreign currency exposure, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the U.S. \$ currency rate against the Israeli Sheqel (ILS) and European Monetary Unit (Euro) with all other variables held constant, on the statement of activities and changes in net assets. The effect of decrease in foreign currency exchange rate is expected to be equal and opposite to the effect of the increase shown.

	<u>Increase in ILS rate to U.S. \$</u>	<u>Effect on results of activities U.S. \$</u>	<u>Increase in Euro rate to U.S. \$</u>	<u>Effect on results of activities U.S. \$</u>
	<u>%</u>		<u>%</u>	
<u>2010</u>				
U.S. \$	+5	788	+5	6,368
<u>2009</u>				
U.S. \$	+5	76	+5	11,986

17. Concentration of risk in geographic area

MIFTAH is carrying out all of its activities in Palestine. The political and economic situation in the area increases the risk of carrying out these activities and may adversely affect MIFTAH's performance.