

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

FINANCIAL STATEMENTS

DECEMBER 31, 2011

**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, 2011, 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**

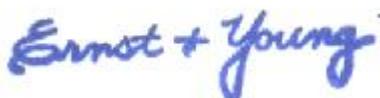
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 MIFTAH as at December 31, 2011 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'Ernst + Young'.

May 13, 2012  
Ramallah, Palestine

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

**Statement of Financial Position**  
As at December 31, 2011

	<u>Notes</u>	<u>2011</u> U.S. \$	<u>2010</u> U.S. \$
<b>Assets</b>			
<b>Non - current assets</b>			
Property and equipment	3	16,693	31,980
<b>Current assets</b>			
Contributions receivable	4	99,321	252,361
Due from Board of Trustees	5	45,000	45,000
Other current assets		9,726	28,018
Cash and cash equivalents	6	604,153	668,589
		<u>758,200</u>	<u>993,968</u>
<b>Total Assets</b>		<u>774,893</u>	<u>1,025,948</u>
<b>Net Assets and Liabilities</b>			
<b>Net assets</b>			
Unrestricted net assets		<u>207,188</u>	<u>186,938</u>
<b>Total net assets</b>		<u>207,188</u>	<u>186,938</u>
<b>Non - current liabilities</b>			
Deferred revenues	7	15,606	30,159
Provision for employees' indemnity	8	174,944	153,686
		<u>190,550</u>	<u>183,845</u>
<b>Current liabilities</b>			
Accounts payable and accruals	9	66,669	98,273
Temporarily restricted contributions	11	310,486	556,892
		<u>377,155</u>	<u>655,165</u>
<b>Total Liabilities</b>		<u>567,705</u>	<u>839,010</u>
<b>Total Net Assets and Liabilities</b>		<u>774,893</u>	<u>1,025,948</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, 2011

	<u>Notes</u>	<u>2011</u> U.S. \$	<u>2010</u> U.S. \$
<b>Revenues</b>			
Temporarily restricted contributions released from restriction	11	777,219	927,715
Unrestricted contributions	10	49,421	91,150
Deferred revenues recognized	7	16,697	15,556
Other revenues		2,116	4,351
Foreign exchange gain		7,740	-
		<u>853,193</u>	<u>1,038,772</u>
<b>Expenses</b>			
Projects' expenses	12	777,219	940,840
Administrative expenses	13	38,293	45,891
Depreciation of property and equipment	3	17,431	19,384
Foreign exchange loss		-	20,660
		<u>832,943</u>	<u>1,026,775</u>
<b>Increase in net assets</b>		20,250	11,997
Net assets, beginning of year		<u>186,938</u>	<u>174,941</u>
<b>Net assets, end of year</b>		<u>207,188</u>	<u>186,938</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)

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**Statement of Cash Flows**

Year ended December 31, 2011

	<u>Note</u>	<u>2011</u> <u>U.S. \$</u>	<u>2010</u> <u>U.S. \$</u>
<b>Operating Activities:</b>			
Increase in net assets		20,250	11,997
<b>Adjustments:</b>			
Depreciation of property and equipment		17,431	19,384
Deferred revenues recognized		(16,697)	(15,556)
Provision for employees' indemnity		27,130	33,268
		<u>48,114</u>	<u>49,093</u>
<b>Changes in working capital</b>			
Contributions receivable		153,040	(28,845)
Due from Board of Trustees		-	(20,000)
Other current assets		18,292	(23,510)
Temporarily restricted contributions		(246,406)	(159,682)
Accounts payable and accruals		(31,604)	33,860
Deferred revenues		2,144	2,762
Employees' indemnity paid		(5,872)	(4,213)
<b>Net cash used in operating activities</b>		<u>(62,292)</u>	<u>(150,535)</u>
<b>Investing Activities:</b>			
Purchase of property and equipment		(2,144)	(2,762)
<b>Net cash used in investing activities</b>		<u>(2,144)</u>	<u>(2,762)</u>
<b>Decrease in cash and cash equivalents</b>		(64,436)	(153,297)
Cash and cash equivalents, beginning of year		<u>668,589</u>	<u>821,886</u>
<b>Cash and cash equivalents, end of year</b>	6	<u><u>604,153</u></u>	<u><u>668,589</u></u>

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

**Notes to the Financial Statements**

December 31, 2011

**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, 2011 were approved by the Board of Trustees on May 13, 2012.

**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 except that MIFTAH has adopted the following new and amended IFRS during the year.

IAS 24 - Related Party Disclosures (Revised).

Furthermore, several standards and interpretations have been issued but are not yet mandatory. MIFTAH believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

**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:

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

Any 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

	Office equipment	Office furniture	Leasehold improvements	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Cost:</b>				
At January 1, 2011	198,884	64,507	28,495	291,886
Additions	2,144	-	-	2,144
At December 31, 2011	<u>201,028</u>	<u>64,507</u>	<u>28,495</u>	<u>294,030</u>
<b>Depreciation:</b>				
At January 1, 2011	177,156	60,901	21,849	259,906
Depreciation charge for the year	11,126	1,315	4,990	17,431
At December 31, 2011	<u>188,282</u>	<u>62,216</u>	<u>26,839</u>	<u>277,337</u>
<b>Net carrying value:</b>				
At December 31, 2011	<u>12,746</u>	<u>2,291</u>	<u>1,656</u>	<u>16,693</u>
At December 31, 2010	<u>21,728</u>	<u>3,606</u>	<u>6,646</u>	<u>31,980</u>

Property and equipment include U.S. \$ 220,184 and U.S. \$ 199,925 of fully depreciated assets that are still being used in MIFATH's activities as at December 31, 2011 and 2010, respectively.

#### 4. Contributions receivable

	Balance, beginning of year	Additions	Cash received	Written- off	Currency difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
The Anna Lindh Foundation (ALF)	78,618	-	(42,133)	-	3,392	39,877
NGO Development Centre (NDC)	65,000	-	(59,000)	-	-	6,000
OXFAM GB	38,916	154	(41,203)	-	2,133	-
The United Nations Educational, Scientific and Cultural Organization (UNESCO)	25,000	-	(25,000)	-	-	-
National Endowment for Democracy (NED)	22,000	-	(22,000)	-	-	-
Consulate General of Italy	3,944	5,679	(9,623)	-	-	-
EU+ Henrich Boell Zivic	2,466	495	(3,138)	-	177	-
The OPIC Fund for International Development (OFID)	-	100,000	(63,982)	-	-	36,018
Austrian Development Agency (ADA)	16,417	-	(17,596)	-	1,179	-
Henrich Boell Stiftung (HBS)	-	24,416	(12,288)	-	(999)	11,129
United Nations Population Fund (UNFPA)	-	74,495	(66,382)	(1,790)	(26)	6,297
Konrad Adenauer Stiftung in the Palestinian Autonomous Territories (KAS)	-	48,167	(47,302)	-	(865)	-
The Ministry for Foreign Affairs of Ireland (MFAI)	-	66,680	(66,680)	-	-	-
Jerusalem Fund	-	4,000	(4,000)	-	-	-
Representative Office of Norway	-	133,868	(133,868)	-	-	-
International Republic Institute (IRI)	-	74,000	(74,000)	-	-	-
	<u>252,361</u>	<u>531,954</u>	<u>(688,195)</u>	<u>(1,790)</u>	<u>4,991</u>	<u>99,321</u>

#### 5. Due from Board of Trustees

During 2011 and 2010, a number of MIFTAH's members of Board of Trustees made commitments to donate unrestricted contributions of U.S. \$ 45,000 and U.S. \$ 90,000, respectively. As at December 31, 2011 unrestricted contributions of U.S. \$ 45,000 were still uncollected.

#### 6. Cash and cash equivalents

	2011 U.S. \$	2010 U.S. \$
Cash in hand and at banks	146,578	246,841
Short-term deposits	457,575	421,748
	<u>604,153</u>	<u>668,589</u>

Short term deposits in U.S. \$ are due within three months after the financial statements date with an average interest rate of 0.80% and 0.68% , during the years ended December 31, 2011 and 2010, respectively.

Short-term deposits as at December 31, 2011 and 2010 include U.S. \$ 175,541 and U.S. \$ 152,751, 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:

	2011 U.S. \$	2010 U.S. \$
Balance, beginning of year	30,159	42,953
Additions (Note 11)	2,144	2,762
Deferred revenues recognized	(16,697)	(15,556)
Balance, end of year	<u>15,606</u>	<u>30,159</u>

## 8. Provision for employees' indemnity

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

	<u>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	153,686	124,631
Additions during the year	27,130	33,268
Payments during the year	<u>(5,872)</u>	<u>(4,213)</u>
Balance, end of year	<u><u>174,944</u></u>	<u><u>153,686</u></u>

## 9. Accounts payable and accruals

	<u>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Post-dated checks	29,680	59,129
Accounts payable	29,108	14,950
Accrued expenses	7,881	24,194
	<u><u>66,669</u></u>	<u><u>98,273</u></u>

## 10. Unrestricted contributions

	<u>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Board of Trustees	45,000	90,000
Others	4,421	1,150
	<u><u>49,421</u></u>	<u><u>91,150</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	Returned to donor	Written- off	Currency difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
The Anna Lindh Foundation (ALF)	75,386	-	(77,855)	-	-	-	-	2,469	-
NGO Development Centre (NDC)	74,614	-	(74,614)	-	-	-	-	-	-
Oxfam GB	39,634	154	(42,256)	-	-	-	-	2,468	-
The United nations Educational, Scientific and Cultural Organization (UNESCO)	25,000	-	(25,000)	-	-	-	-	-	-
National Endowment for Democracy (NED)	19,134	-	(19,134)	-	-	-	-	-	-
Consulate General of Italy	-	5,679	(5,580)	-	-	-	-	(99)	-
EU+ Henrich Boell Zivic (HBF)	5,535	495	(4,931)	-	-	(1,966)	-	867	-
The OPIC Fund for International Development (OFID)	-	100,000	(85,953)	(1,076)	-	-	-	-	12,971
Austrian Development Agency (ADA)	13,215	-	(13,269)	-	-	-	-	54	-
Henrich Boeil Stiftung(HBS)	-	24,416	(23,379)	-	-	-	-	(1,037)	-
United Nations Population Fund (UNFPA)	-	74,495	(71,487)	-	-	-	(1,790)	(1,218)	-
Konrad Adenauer Stiftung in the Palestinian Autonomous Territories (KAS)	-	48,167	(47,915)	-	-	-	-	(252)	-
The Ministry for Foreign Affairs of Ireland (MFAI)	69,297	66,680	(68,323)	(974)	-	-	-	-	66,680
Jerusalem Fund	-	4,000	(4,000)	-	-	-	-	-	-
Representative Office of Norway (NRO)	-	133,868	(133,868)	-	-	-	-	-	-
International Republic Institute (IRI)	-	74,000	(73,906)	(94)	-	-	-	-	-
The Institute for Inclusive Security, Hunt Alternatives Fund (Inclusive Security)	5,749	-	(5,749)	-	-	-	-	-	-
Special donations	229,328	-	-	-	1,507	-	-	-	230,835
	<u>556,892</u>	<u>531,954</u>	<u>(777,219)</u>	<u>(2,144)</u>	<u>1,507</u>	<u>(1,966)</u>	<u>(1,790)</u>	<u>3,252</u>	<u>310,486</u>

## 12. Projects expenses

Components of projects expenses are as follows:

	<u>          </u> HBF	<u>          </u> ALF	<u>          </u> OFID	<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> Grants for Income Generating	<u>          </u> Gender Equality and Protection	<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. \$
Salaries and related expenses	4,335	319	39,350	23,767	874	4,435	13,398	40,822	7,358	134,658
Office, equipment and hall rental	-	-	2,411	859	150	400	250	345	950	5,365
Utilities	288	400	1,120	416	57	228	21	-	1,069	3,599
Postage, telephone and fax	165	186	906	135	-	83	336	-	727	2,538
Travel and accommodation	143	3,463	3,971	1,597	-	264	704	385	131	10,658
Information, IT and publications	-	69,522	28,520	27,872	5,019	298	1,273	5,332	4,431	142,267
Training expenses	-	1,184	4,338	9,192	200	-	4,870	44	1,301	21,129
Hosting delegations and meetings	-	2,505	5,057	7,496	515	41	4,134	987	2,542	23,277
Professional fees	-	-	-	-	7,808	-	-	-	360	8,168
Others	-	276	280	153	-	-	14	-	265	988
<b>Total</b>	<u>          </u> <u>4,931</u>	<u>          </u> <u>77,855</u>	<u>          </u> <u>85,953</u>	<u>          </u> <u>71,487</u>	<u>          </u> <u>14,623</u>	<u>          </u> <u>5,749</u>	<u>          </u> <u>25,000</u>	<u>          </u> <u>47,915</u>	<u>          </u> <u>19,134</u>	<u>          </u> <u>352,647</u>

\* During the year, U.S \$ 13,269 were expensed from the program's budget and accordingly released from restriction. The remaining amount of U.S. \$ 1,354 was financed by MIFTAH core fund (MFAI).

Projects expenses - continued

	<u>NDC</u>	<u>MFAI</u>	<u>NRO</u>	<u>Jerusalem Fund</u>	<u>IRI</u>	<u>Consulate General of Italy</u>	<u>HBS</u>	<u>OXFAM</u>			
		<u>Core Fund</u>									
	<u>Subtotal</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	134,658	32,312	46,143	101,484	600	48,257	3,421	6,272	8,358	381,505	420,752
Office equipment and hall rental	5,365	5,700	5,250	7,135	-	5,500	-	-	-	28,950	38,109
Utilities	3,599	3,468	2,198	3,413	-	1,357	244	-	41	14,320	17,624
Postage, telephone and fax	2,538	1,023	689	1,531	117	1,797	158	-	1,083	8,936	9,835
Travel and accommodation	10,658	1,202	2,282	3,236	259	1,883	215	1,238	884	21,857	60,816
Information, IT and publications	142,267	24,430	1,307	8,612	3,004	4,714	818	13,664	13,560	212,376	226,746
Training expenses	21,129	761	-	1,002	-	3,295	16	120	8,230	34,553	61,250
Hosting delegations and meetings	23,277	2,478	252	1,060	-	6,519	708	2,085	10,100	46,479	85,653
Professional fees	8,168	2,000	6,780	4,320	-	-	-	-	-	21,268	18,470
Others	988	1,240	2,068	2,075	20	584	-	-	-	6,975	1,585
<b>Total</b>	<b>352,647</b>	<b>74,614</b>	<b>66,969</b>	<b>133,868</b>	<b>4,000</b>	<b>73,906</b>	<b>5,580</b>	<b>23,379</b>	<b>42,256</b>	<b>777,219</b>	<b>940,840</b>

### 13. Administrative expenses

	<u>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Salaries and related expenses	38,157	34,896
Office rent	-	5,591
Professional fees	-	1,500
Hosting delegations and meetings	-	1,139
Travel and accommodation	-	450
Utilities	-	-
Others	136	2,315
	<u>38,293</u>	<u>45,891</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>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Due from Board of Trustees	<u>45,000</u>	<u>45,000</u>

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

	<u>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Unrestricted contributions	<u>45,000</u>	<u>90,000</u>
Key management personnel compensation		
Short-term benefits	<u>47,412</u>	<u>46,690</u>
Termination benefits	<u>3,964</u>	<u>3,894</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:

	Increase in basis points	Effect on results of activities U.S.\$
<u>2011</u>		
U.S. \$	+20	915
<u>2010</u>		
U.S. \$	+20	843

### 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.

	Increase in ILS rate to U.S. \$ %	Effect on results of activities U.S. \$	Increase in Euro rate to U.S. \$ %	Effect on results of activities U.S. \$
<u>2011</u>				
U.S. \$	+5	61	+5	5,032
<u>2010</u>				
U.S. \$	+5	788	+5	6,368

## 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.