

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

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Independent Auditor's Report to members of the General Assembly of The Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH)

Opinion

We have audited the 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, 2019, and the statement of activities and changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MIFTAH as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of MIFTAH in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing MIFTAH's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate MIFTAH or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing MIFTAH's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 MIFTAH's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MIFTAH's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MIFTAH to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young - Middle East

License # 206/2012

Abdelkarim Mahmoud

License # 101/2017

May 4, 2020

Ramallah, Palestine

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

Statement of Financial Position

As at December 31, 2019

| | <u>Notes</u> | <u>2019</u> <u>U.S. \$</u> | <u>2018</u> <u>U.S. \$</u> |
|---|--------------|-------------------------------|-------------------------------|
| Assets | | | |
| Non - current assets | | | |
| Property and equipment | 3 | 10,187 | 10,655 |
| Right-of-use asset | 2 | 106,626 | - |
| | | <u>116,813</u> | <u>10,655</u> |
| Current assets | | | |
| Contributions receivable | 4 | 363,145 | 383,411 |
| Other current assets | 5 | 30,393 | 29,190 |
| Cash and balances at banks | 6 | 1,247,080 | 997,596 |
| | | <u>1,640,618</u> | <u>1,410,197</u> |
| Total Assets | | <u><u>1,757,431</u></u> | <u><u>1,420,852</u></u> |
| Net Assets and Liabilities | | | |
| Net assets | | | |
| Unrestricted net assets | | 359,588 | 256,369 |
| Board of directors designated fund | 7 | 263,191 | 255,747 |
| Total net assets | | <u>622,779</u> | <u>512,116</u> |
| Non - current liabilities | | | |
| Deferred revenues | 8 | 10,187 | 10,655 |
| Provision for employees' indemnity | 9 | 168,045 | 147,950 |
| Long term lease liabilities | 2 | 83,697 | - |
| | | <u>261,929</u> | <u>158,605</u> |
| Current liabilities | | | |
| Accounts payable and accruals | 10 | 107,728 | 124,866 |
| Short term lease liabilities | 2 | 30,413 | - |
| Temporarily restricted contributions | 11 | 734,582 | 625,265 |
| | | <u>872,723</u> | <u>750,131</u> |
| Total Liabilities | | <u>1,134,652</u> | <u>908,736</u> |
| Total Net Assets and Liabilities | | <u><u>1,757,431</u></u> | <u><u>1,420,852</u></u> |

The attached notes 1 to 20 form part of these financial statements

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

Statement of Activities and Changes in Unrestricted Net Assets

Year ended December 31, 2019

| | | <u>2019</u> | <u>2018</u> |
|--|--------------|-----------------------|-----------------------|
| | <u>Notes</u> | <u>U.S. \$</u> | <u>U.S. \$</u> |
| Revenues | | | |
| Temporarily restricted contributions released from restriction | 11 | 1,060,019 | 1,013,210 |
| Unrestricted contributions | 12 | 116,574 | 8,935 |
| Deferred revenues recognized | 8 | 4,045 | 4,440 |
| | | <u>1,180,638</u> | <u>1,026,585</u> |
| Expenses | | | |
| Projects expenses | 13 | (1,060,019) | (1,013,210) |
| Depreciation of property and equipment | 3 | (4,045) | (4,440) |
| Currency differences | | (5,871) | (6,759) |
| Other expenses | 14 | (7,484) | - |
| | | <u>(1,077,419)</u> | <u>(1,024,409)</u> |
| Increase in net unrestricted assets | | 103,219 | 2,176 |
| Unrestricted net assets, beginning of year | | <u>256,369</u> | <u>254,193</u> |
| Unrestricted net assets, end of year | | <u><u>359,588</u></u> | <u><u>256,369</u></u> |

The attached notes 1 to 20 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, 2019

| | <u>Note</u> | <u>2019</u> <u>U.S. \$</u> | <u>2018</u> <u>U.S. \$</u> |
|--|-------------|-------------------------------|-------------------------------|
| <u>Operating Activities:</u> | | | |
| Increase in net assets | | 103,219 | 2,176 |
| <u>Adjustments:</u> | | | |
| Depreciation of right-of-use asset | | 26,657 | - |
| Depreciation of property and equipment | | 4,045 | 4,440 |
| Deferred revenues recognized | | (4,045) | (4,440) |
| Finance costs | | 6,327 | - |
| Interest on board of directors designated fund | | 7,444 | - |
| Provision for employees' indemnity | | 33,222 | 42,549 |
| | | <u>176,869</u> | <u>44,725</u> |
| <u>Changes in working capital</u> | | | |
| Contributions receivable | | 20,266 | (41,427) |
| Other current assets | | (1,203) | (21,784) |
| Temporarily restricted contributions | | 112,895 | 48,238 |
| Accounts payable and accruals | | (17,139) | 81,212 |
| Employees' indemnity paid | | (13,127) | (23,461) |
| Net cash from operating activities | | <u>278,561</u> | <u>87,503</u> |
| <u>Investing Activities:</u> | | | |
| Purchase of property and equipment | | (3,577) | (4,824) |
| Net cash used in investing activities | | <u>(3,577)</u> | <u>(4,824)</u> |
| <u>Financing activities:</u> | | | |
| Payments of long-term lease liabilities | | (25,500) | - |
| Net cash used in financing activities | | <u>(25,500)</u> | <u>-</u> |
| Increase in cash and cash equivalent | | 249,484 | 82,679 |
| Cash and cash equivalent, beginning of year | | <u>997,596</u> | <u>914,917</u> |
| Cash and cash equivalent, end of year | 6 | <u>1,247,080</u> | <u>997,596</u> |

The attached notes 1 to 20 form part of these financial statements

Notes to the Financial Statements

December 31, 2019

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, 2019 were approved by the General Assembly on April 30, 2020.

2. Accounting policies

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. Dollar, which is the functional currency of MIFTAH.

The financial statements have been prepared on a historical cost basis.

2.2 Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018, except for applying certain standards and amendments to the standards, which became effective for annual periods beginning on or after January 1, 2019. Except for IFRS 16, the adoption of these amended standards did not have any effect on the financial performance or position of MIFTAH.

IFRS (16) "Leases"

IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-consolidated balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where MIFTAH is the lessor.

MIFTAH adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Accordingly, no adjustments were made to prior year financial statements. MIFTAH elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Following is the effect of applying IFRS 16:

Following is the effect of the increase on the statement of financial position as at January 1, 2019:

| | |
|---------------------------|----------------|
| <u>Asset</u> | <u>U.S. \$</u> |
| Right-of-use asset | <u>133,283</u> |
| <u>Liabilities</u> | |
| Lease Liabilities | <u>133,283</u> |

a) Nature of the effect of adoption of IFRS (16)

MIFTAH has a lease contract for office rent before the adoption of IFRS 16, MIFTAH classified its lease (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to MIFTAH; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other receivables and other payables, respectively.

After the adoption of the new standard, MIFTAH applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific application requirements and practical solutions, which MIFTAH has used when applying the standard.

Leases previously accounted for as operating leases

MIFTAH recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

MIFTAH also applied the available practical expedients where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

b) Amounts recognised in the statement of financial position and statement of activities and changes in net assets.

Set out below, are the carrying amounts of MIFTAH's right-of-use asset and lease liabilities and the movements for the period ended December 31, 2019:

| | Right of Use U.S. \$ | Liabilities U.S. \$ |
|-----------------------|-------------------------|------------------------|
| As of January 1, 2019 | 133,283 | 133,283 |
| Depreciation | (26,657) | - |
| Finance cost | - | 6,327 |
| Payments | - | (25,500) |
| Total | <u>106,626</u> | <u>114,110</u> |

c) Set out below are the new accounting policies of MIFTAH upon adoption of IFRS16:

Right-of-Use assets

MIFTAH recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless MIFTAH is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities

At the commencement date of the lease, MIFTAH recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by MIFTAH and payments of penalties for terminating a lease, if the lease terms reflect MIFTAH's intentions to exercise the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, MIFTAH uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

MIFTAH applies the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

MIFTAH determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. MIFTAH has the option, under some of its leases to lease the assets for additional terms. MIFTAH applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, MIFTAH reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). MIFTAH included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases are considered to have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

2.3 Estimates and assumptions

MIFTAH's financial position and performance 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.

The key areas involving a higher degree of judgment or complexity are described below:

Useful lives of property and equipment

MIFTAH's management reassesses the useful lives of property and equipment assets, and makes adjustments if applicable, at each financial year end.

2.4 Summary of significant accounting policies

Revenue Recognition

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.

Current versus non-current classification

MIFTAH presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading IAS
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Contributions receivable

Contributions receivable are classified as financial assets at amortised cost, and are stated at the original amount of the unconditional pledges less amounts received and expected credit losses.

Impairment of financial assets

Financial assets are evaluated for impairment based on their credit factors and maturities. In determining impairment of financial assets, MIFTAH uses judgement to estimate the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses.

Fair value of financial instruments

The fair value of financial assets and financial liabilities recorded in the statement of financial position approximate their carrying amounts largely due to the short-term maturities of these instruments. Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Cash and balances at banks

For the purpose of the statement of cash flow, cash and cash equivalent comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

Property and equipment

Property and equipment are 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 unrestricted 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 | 4-5 |
| 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 unrestricted 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.

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.

Foreign currencies

Transactions in foreign currencies are presented in U.S. \$ at the average rate of the month. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial statements 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. \$ |
| Cost: | | | | |
| At January 1, 2019 | 234,841 | 69,670 | 28,495 | 333,006 |
| Additions | 2,024 | 1,553 | - | 3,577 |
| At December 31, 2019 | <u>236,865</u> | <u>71,223</u> | <u>28,495</u> | <u>336,583</u> |
| Depreciation: | | | | |
| At January 1, 2019 | 226,399 | 67,457 | 28,495 | 322,351 |
| Depreciation charge for the year | 3,304 | 741 | - | 4,045 |
| At December 31, 2019 | <u>229,703</u> | <u>68,198</u> | <u>28,495</u> | <u>326,396</u> |
| Net carrying value: | | | | |
| At December 31, 2019 | <u>7,162</u> | <u>3,025</u> | - | <u>10,187</u> |
| At December 31, 2018 | <u>8,442</u> | <u>2,213</u> | - | <u>10,655</u> |

Property and equipment include U.S. \$ 317,314 and U.S. \$ 309,219 of fully depreciated assets that are still being used in MIFTAH's activities as at December 31, 2019 and 2018, respectively.

4. Contributions receivable

| | Balance, beginning of year | Additions | Cash received | Write Off | Currency differences | Balance, end of year |
|--|----------------------------------|------------------|--------------------|----------------|-------------------------|----------------------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Arab Fund | 58,167 | - | (57,105) | - | (1,062) | - |
| United Nations Population Fund (UNFPA) | 5,651 | 143,557 | (138,465) | - | 1,436 | 12,179 |
| OXFAM - Conflict and Fragility Project (contract 04861) Year 3 | 5,454 | - | (5,320) | - | (134) | - |
| OXFAM - Conflict and Fragility Project (contract 05797) Year 4 | - | 127,887 | (89,184) | - | (1,760) | 36,943 |
| OXFAM - Finance for Development Project (contract 04854) Year 3 | 9,426 | - | (9,194) | - | (232) | - |
| OXFAM - Finance for Development Project (contract 05784) Year 4 | - | 187,956 | (69,457) | - | (5,654) | 112,845 |
| Swiss Cooperation Office Gaza & West Bank - Core fund | 36,000 | 180,000 | (180,000) | - | - | 36,000 |
| EU- Youth as HR Defenders | 239,455 | - | (112,447) | - | (6,154) | 120,854 |
| Representative Office of Norway (NRO)- Project | - | 330,846 | (325,071) | - | (5,775) | - |
| Representative Office of Ireland (IRO) - Core fund | - | 91,671 | (89,268) | - | (2,403) | - |
| Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) | 7,003 | - | - | (2,444) | (235) | 4,324 |
| Arab Palestinian Investment Company (APIC) | 20,000 | 35,000 | (55,000) | - | - | - |
| Women Media and Development (TAM)/ KARAMA | 2,255 | 4,000 | (6,255) | - | - | - |
| UNDP | - | 95,000 | (75,000) | - | - | 20,000 |
| International Rescue Committee (IRC) | - | 5,000 | (5,000) | - | - | - |
| Palestinian Private Sector-unrestricted contributions | - | 107,250 | (87,250) | - | - | 20,000 |
| | <u>383,411</u> | <u>1,308,167</u> | <u>(1,304,016)</u> | <u>(2,444)</u> | <u>(21,973)</u> | <u>363,145</u> |

5. Other current assets

| | <u>2019</u> | <u>2018</u> |
|---------------------|---------------|---------------|
| | U.S. \$ | U.S. \$ |
| Employee advances | 10,038 | 10,858 |
| Interest receivable | 13,170 | 9,398 |
| Other | 7,185 | 8,934 |
| | <u>30,393</u> | <u>29,190</u> |

6. Cash and cash equivalent

| | <u>2019</u> | <u>2018</u> |
|---------------------------|------------------|----------------|
| | U.S. \$ | U.S. \$ |
| Cash in hand and at banks | 673,191 | 471,946 |
| Short-term deposits | 573,889 | 525,650 |
| | <u>1,247,080</u> | <u>997,596</u> |

The average interest rate on the short-term deposits is 3.1% and 2.5%, during the years 2019 and 2018, respectively.

Short-term deposits as at December 31, 2019 and 2018 include U.S. \$ 168,045 and U.S. \$ 147,950, respectively as deposits designated for employees' indemnity (note 9).

7. Board of directors designated fund

This item represents unrestricted resources, designated by MIFTAH Board of Directors to contribute to the long-term sustainability of MIFTAH or for any other purpose to be set by the Board of Directors. This amount is deposited in US Dollar with an original maturity of twelve months. The average interest rate was 2.9% and 2.5% during 2019 and 2018, respectively.

8. Deferred revenues

This item represents the value of property and equipment acquired during the year using the temporarily restricted contributions. It is recorded as deferred revenues and recognized regularly based on the expected useful life of an asset.

Movement on deferred revenues during the year was as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|---------------|---------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of year | 10,655 | 10,271 |
| Additions (Note 11) | 3,577 | 4,824 |
| Deferred revenues recognized | (4,045) | (4,440) |
| Balance, end of year | <u>10,187</u> | <u>10,655</u> |

9. Provision for employees' indemnity

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

| | <u>2019</u> | <u>2018</u> |
|----------------------------|----------------|----------------|
| | U.S. \$ | U.S. \$ |
| Balance, beginning of year | 147,950 | 128,862 |
| Additions during the year | 33,222 | 42,549 |
| Payments during the year | (13,127) | (23,461) |
| Balance, end of year* | <u>168,045</u> | <u>147,950</u> |

* This balance includes termination benefits amounting to USD 3,848 related to the lawsuit filed against MIFTAH.

10. Accounts payable and accruals

| | <u>2019</u> | <u>2018</u> |
|----------------------|----------------|----------------|
| | U.S. \$ | U.S. \$ |
| Accounts payable | 51,648 | 72,671 |
| Outstanding checks | 41,334 | 45,612 |
| Legal case provision | 8,020 | - |
| Accrued expenses | 6,726 | 6,583 |
| | <u>107,728</u> | <u>124,866</u> |

11. Temporarily restricted contributions

This item comprises temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of donations over the expenditures made out to satisfy the purposes stipulated by the donors. The movement on the temporarily restricted contributions during 2019 is as follows:

| | Balance, beginning of year | Additions | Temporarily restricted contributions released from restriction | Deferred revenues | Write-off | Currency difference | Balance, end of year |
|---|----------------------------------|------------------|--|----------------------|----------------|------------------------|----------------------------|
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Arab Fund | 44,377 | - | (44,261) | - | - | (116) | - |
| United Nations Population Fund (UNFPA) | - | 143,557 | (146,290) | - | - | 2,733 | - |
| Representative Office of Ireland (IRO) | 79,709 | 91,671 | (166,488) | (919) | - | (3,973) | - |
| OXFAM - Conflict and Fragility Project (contract 05797) Year 4 | - | 127,887 | (53,503) | - | - | (4,007) | 70,377 |
| OXFAM - Finance for Development Project (contract 05784) Year 4 | - | 187,956 | (74,479) | - | - | (5,990) | 107,487 |
| Representative Office of Norway (NRO) | 143,535 | 330,846 | (171,077) | (960) | - | (5,775) | 296,569 |
| Swiss Cooperation Office Gaza & West Bank | - | 180,000 | (178,690) | (1,310) | - | - | - |
| EU | 276,189 | - | (65,954) | - | - | (8,299) | 201,936 |
| Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) | 61,455 | 388 | (58,490) | (388) | (2,448) | (517) | - |
| Arab Palestinian Investment Company (APIC) | 20,000 | 35,000 | (20,000) | - | - | - | 35,000 |
| Women Media and Development (TAM)/ KARAMA | - | 4,000 | (4,000) | - | - | - | - |
| UNDP | - | 95,000 | (76,787) | - | - | - | 18,213 |
| International Rescue Committee (IRC) | - | 5,000 | - | - | - | - | 5,000 |
| | <u>625,265</u> | <u>1,201,305</u> | <u>(1,060,019)</u> | <u>(3,577)</u> | <u>(2,448)</u> | <u>(25,944)</u> | <u>734,582</u> |

12. Unrestricted contributions

| | 2019 | 2018 |
|---|----------------|--------------|
| | U.S. \$ | U.S. \$ |
| Donations from private sector | 107,250 | - |
| Interest income | 8,568 | 8,354 |
| Subscriptions from general assembly members | 531 | 431 |
| Others | 225 | 150 |
| | <u>116,574</u> | <u>8,935</u> |

13. Projects expenses

Components of projects expenses are as follows:

| | Arab Fund | APIC | GIZ | OXFAM Novib | OXFAM Novib | UNDP | |
|---|--|------------------|---|--------------------------------|--|---|----------------|
| | Grants for Income Generating Projects | Youth Program | Empowerment of Women Participation in LGUs | Conflict and Fragility (Y4) | Finance for Development Project (Y4) | Shufuna "Women in Reconciliation" Project | Subtotal |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Program personnel salaries and benefits | 7,433 | 705 | 11,067 | 26,581 | 36,683 | 17,340 | 99,809 |
| Consultants, researchers, trainers and facilitators | 1,520 | 3,670 | 12,858 | 6,925 | 16,741 | 13,680 | 55,394 |
| Public opinion polls/surveys | - | - | 8,386 | - | - | - | 8,386 |
| Editing and translation | - | - | 693 | 261 | 386 | - | 1,340 |
| International travel and per diems | - | 342 | - | 1,145 | - | - | 1,487 |
| Field coordinators' expenses | 65 | - | 1,477 | 4,693 | - | 6,691 | 12,926 |
| Paid internships and shadowing | - | 307 | - | - | - | - | 307 |
| Information, printings and publications | - | - | 5,653 | 27 | 3,002 | - | 8,682 |
| Workshops, seminars and training sessions | 72 | 8,684 | 4,945 | 3,236 | 2,481 | 17,091 | 36,509 |
| Transportation and accommodation | 2,161 | 3,683 | 4,076 | 1,800 | 1,136 | 16,200 | 29,056 |
| Media campaign and activities | 13,530 | 1,290 | - | 996 | 3,403 | - | 19,219 |
| Supplies and materials | 128 | 32 | 300 | 309 | - | 773 | 1,542 |
| Other program direct costs | 12,134 | - | - | - | - | - | 12,134 |
| Program direct cost | 29,610 | 18,008 | 38,388 | 19,392 | 27,149 | 54,435 | 186,982 |
| Admin staff salaries and benefits | 5,367 | 350 | 4,893 | 550 | 400 | 50 | 11,610 |
| Professional fees | - | - | - | - | - | - | - |
| Monitoring and evaluation salaries and related benefits | - | - | 1,097 | 3,298 | 4,947 | 2,610 | 11,952 |
| Overall management | 5,367 | 350 | 5,990 | 3,848 | 5,347 | 2,660 | 23,562 |
| Depreciation of right-of-use asset | 600 | 882 | 1,916 | 1,300 | 2,841 | 1,720 | 9,259 |
| Utilities | 569 | - | 658 | 1,129 | 1,485 | 354 | 4,195 |
| Communication | 400 | 39 | 286 | 811 | 821 | 201 | 2,558 |
| Stationery and supplies | 282 | - | 179 | 366 | 79 | 74 | 980 |
| Bank charges and other expenses | - | 16 | 6 | 76 | 74 | 3 | 175 |
| Annual board meetings | - | - | - | - | - | - | - |
| Other admin costs | 1,851 | 937 | 3,045 | 3,682 | 5,300 | 2,352 | 17,167 |
| Total | 44,261 | 20,000 | 58,490 | 53,503 | 74,479 | 76,787 | 327,520 |

Projects expenses (continued)

| | EU | Swiss Cooperation Office Gaza & West Bank | Swiss Cooperation Office Gaza & West Bank | IRO | NRO | NRO | | |
|---|-----------------------------------|--|--|----------------|----------------|--|----------------|----------------|
| | Youth as HR Defenders (80%) | Youth as HR Defenders (20%) | | Core Fund | | Enhancing Women Participation in Public Life | | Subtotal |
| | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ | U.S. \$ |
| Program personnel salaries and benefits | 99,809 | 32,794 | - | 56,230 | 50,002 | 14,842 | 30,414 | 284,091 |
| Consultants, researchers, trainers and facilitators | 55,394 | 5,502 | 1,829 | 1,690 | 1,690 | - | 7,240 | 73,345 |
| Public opinion polls/surveys | 8,386 | - | - | - | - | - | - | 8,386 |
| Editing and translation | 1,340 | - | - | 498 | - | - | 2,216 | 4,054 |
| International travel and per diems | 1,487 | 108 | - | 98 | 440 | 25 | 980 | 3,138 |
| Field coordinators' expenses | 12,926 | 8,779 | 642 | 9,235 | 8,329 | 1,884 | 18,155 | 59,950 |
| Paid internships and shadowing | 307 | 5,150 | - | - | 1,500 | 900 | - | 7,857 |
| Information, printings and publications | 8,682 | 136 | - | 186 | 188 | 114 | 69 | 9,375 |
| Workshops, seminars and training sessions | 36,509 | 895 | - | 374 | 1,025 | 38 | 15,462 | 54,303 |
| Transportation and accommodation | 29,056 | 2,989 | 23 | 1,081 | 1,073 | 508 | 8,560 | 43,290 |
| Media campaign and activities | 19,219 | 96 | - | 47,485 | 48,689 | - | 15,114 | 130,603 |
| Membership fees | - | - | - | 300 | 100 | - | - | 400 |
| Supplies and materials | 1,542 | 224 | - | 83 | 218 | 26 | 899 | 2,992 |
| Staff and institutional capacity development | - | - | - | - | 2,780 | 3,360 | - | 6,140 |
| Other program direct costs | 12,134 | 1,078 | 13,719 | - | - | - | - | 26,931 |
| Program direct cost | 186,982 | 24,957 | 16,213 | 61,030 | 66,032 | 6,855 | 68,695 | 430,764 |
| Admin staff salaries and benefits | 11,610 | 100 | - | 15,619 | 20,821 | 24,566 | 3,943 | 76,659 |
| Professional fees | - | - | - | 10,465 | 10,465 | 3,400 | - | 24,330 |
| Monitoring and evaluation salaries and related benefits | 11,952 | 3,449 | - | 7,546 | 5,143 | 1,000 | 6,288 | 35,378 |
| Overall management | 23,562 | 3,549 | - | 33,630 | 36,429 | 28,966 | 10,231 | 136,367 |
| Depreciation of right-of-use asset | 9,259 | 1,055 | 445 | 4,061 | 4,500 | 3,600 | 1,400 | 24,320 |
| Utilities | 4,195 | 1,999 | - | 3,007 | 4,214 | 3,909 | - | 17,324 |
| Communication | 2,558 | 971 | - | 1,110 | 567 | 246 | - | 5,452 |
| Transportation | - | - | - | 1,408 | 2,173 | 995 | - | 4,576 |
| Stationery and supplies | 980 | 469 | - | 698 | 1,790 | 420 | 84 | 4,441 |
| Hospitality | - | - | - | 492 | 3 | 87 | 89 | 671 |
| Advertising | - | 58 | - | - | 176 | 232 | - | 466 |
| Bank charges and other expenses | 175 | 102 | - | 172 | 121 | 12 | - | 582 |
| Annual board meetings | - | - | - | 194 | 481 | - | - | 675 |
| Other admin costs | 17,167 | 4,654 | 445 | 11,142 | 14,025 | 9,501 | 1,573 | 58,507 |
| Total | 327,520 | 65,954 | 16,658 | 162,032 | 166,488 | 60,164 | 110,913 | 909,729 |

Projects expenses (continued)

| | Subtotal | UNFPA | KARAMA | Total Project | Total Project |
|---|----------|---|---|--------------------------|--------------------------|
| | U.S. \$ | GBV Response to Vulnerable Communities U.S. \$ | Adolescent Girls Initiative U.S. \$ | Expenses 2019 U.S. \$ | Expenses 2018 U.S. \$ |
| Program personnel salaries and benefits | 284,091 | 21,823 | 2,424 | 308,338 | 289,421 |
| Consultants, researchers, trainers and facilitators | 73,345 | 9,768 | 444 | 83,557 | 132,269 |
| Public opinion polls/surveys | 8,386 | - | - | 8,386 | 3,747 |
| Editing and translation | 4,054 | 475 | - | 4,529 | 13,669 |
| International travel and per diems | 3,138 | - | - | 3,138 | 39,550 |
| Field coordinators' expenses | 59,950 | 3,170 | - | 63,120 | 60,940 |
| Paid internships and shadowing | 7,857 | 3,982 | - | 11,839 | 3,749 |
| Information, printings and publications | 9,375 | 519 | - | 9,894 | 38,735 |
| Workshops, seminars and training sessions | 54,303 | 4,251 | 698 | 59,252 | 64,945 |
| Transportation and accommodation | 43,290 | 2,304 | 284 | 45,878 | 60,734 |
| Media campaign and activities | 130,603 | 10,290 | - | 140,893 | 16,099 |
| Membership fees | 400 | - | - | 400 | 400 |
| Supplies and materials | 2,992 | 2,482 | - | 5,474 | 6,049 |
| Staff and institutional capacity development | 6,140 | - | - | 6,140 | 946 |
| Other program direct costs | 26,931 | 78,008 | - | 104,939 | 58,760 |
| Program direct cost | 430,764 | 115,249 | 1,426 | 547,439 | 500,592 |
| Admin staff salaries and benefits | 76,659 | 4,225 | 50 | 80,934 | 114,939 |
| Professional fees | 24,330 | 390 | - | 24,720 | 12,215 |
| Monitoring and evaluation salaries and related benefits | 35,378 | 1,000 | - | 36,378 | 34,114 |
| Overall management | 136,367 | 5,615 | 50 | 142,032 | 161,268 |
| Depreciation of right-of-use asset | 24,320 | 1,080 | 100 | 25,500 | 25,500 |
| Utilities | 17,324 | 1,453 | - | 18,777 | 17,829 |
| Communication | 5,452 | 690 | - | 6,142 | 7,350 |
| Transportation | 4,576 | - | - | 4,576 | 4,223 |
| Stationery and supplies | 4,441 | 359 | - | 4,800 | 4,693 |
| Hospitality | 671 | - | - | 671 | 674 |
| Advertising | 466 | - | - | 466 | 221 |
| Bank charges and other expenses | 582 | 21 | - | 603 | 866 |
| Annual board meetings | 675 | - | - | 675 | 573 |
| Other admin costs | 58,507 | 3,603 | 100 | 62,210 | 61,929 |
| Total | 909,729 | 146,290 | 4,000 | 1,060,019 | 1,013,210 |

14. Other expenses

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|--------------|-------------|
| | U.S. \$ | U.S. \$ |
| Finance costs | 6,327 | - |
| Depreciation of right-of-use asset | 1,157 | - |
| | <u>7,484</u> | <u>-</u> |

15. Related party transactions

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

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

| | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|
| | U.S. \$ | U.S. \$ |
| <u>Key management personnel compensation:</u> | | |
| Short-term benefits | 14,850 | 51,871 |
| Termination benefits | 11,035 | 4,516 |

16. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of contributions receivable, cash on hand and balances with banks and some other current assets. Financial liabilities consist of some accounts payable, accruals and temporarily restricted contributions.

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

17. Risk management

Interest rate risk

Interest rate risk results mainly from changes in interest rates on financial assets subject to changing interest rate. MIFTAH's financial assets are subject to fixed interest rate and therefore, there is no change of interest rate risk exposure on such assets.

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.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or a contract, leading to a financial loss. MIFTAH is exposed to credit risk from its operating activities primarily on contributions receivable as disclosed in note (4).

MIFTAH limits its credit risk through obtaining funds from several reputable donors.

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 foreign currencies with all other variables held constant, on the statement of activities and changes in unrestricted 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 currency exchange rate to U.S. \$ | Effect on statement of activities and changes in unrestricted net assets |
|--------------------|--|---|
| | <u>%</u> | <u>U.S. \$</u> |
| <u>2019</u> | | |
| EURO | 20 | 36,577 |
| ILS | 20 | (8,765) |
| <u>2018</u> | | |
| EURO | 20 | 27,812 |
| ILS | 20 | (9,940) |

18. 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.

19. Contingent liabilities

Due to a work dispute based on a contractual disagreement, there is a lawsuit against MIFTAH in the Palestinian courts which amounted to USD 131,864 as of December 31, 2019. MIFTAH's management, Board of Directors and legal counsel believe that this case has no legal merit or standing. The legal counsel is handling the case completely and believes that there will be no financial commitments against this litigation, except for what has been provided in the financial statements. Hence, the case has not affected MIFTAH's work at all.

20. Subsequent events

Subsequent to the financial statements date, the coronavirus (COVID-19) outbreak has impacted the global and local economy and caused significant disruption in different sectors. Accordingly, these conditions could have impacts on MIFTAH operations and activities.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorization of these financial statements for issuance. These developments could impact MIFTAH's future financial condition and cash flows.