

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

FINANCIAL STATEMENTS

DECEMBER 31, 2020



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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, 2020, 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, 2020 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), and we have fulfilled our other ethical responsibilities in accordance with the 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 25, 2021
Ramallah, Palestine

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

Statement of Financial Position
As at December 31, 2020

	Notes	2020 U.S. \$	2019 U.S. \$
<u>Assets</u>			
Non - current assets			
Property and equipment	3	31,296	10,187
Right-of-use asset	4	79,969	106,626
		<u>111,265</u>	<u>116,813</u>
Current assets			
Contributions receivable	5	1,356,430	363,145
Other current assets	6	102,527	30,393
Cash and balances at banks	7	1,203,209	1,247,080
		<u>2,662,166</u>	<u>1,640,618</u>
Total Assets		<u>2,773,431</u>	<u>1,757,431</u>
<u>Net Assets and Liabilities</u>			
Net assets			
Unrestricted net assets			
Board of directors designated fund	8	376,295	263,191
Total net assets		<u>692,449</u>	<u>622,779</u>
Non - current liabilities			
Deferred revenues	9	31,296	10,187
Provision for employees' indemnity	10	204,296	168,045
Long term lease liabilities	4	60,950	83,697
		<u>296,542</u>	<u>261,929</u>
Current liabilities			
Accounts payable and accruals	11	137,578	107,728
Short term lease liabilities	4	32,876	30,413
Temporarily restricted contributions	12	1,613,986	734,582
		<u>1,784,440</u>	<u>872,723</u>
Total Liabilities		<u>2,080,982</u>	<u>1,134,652</u>
Total Net Assets and Liabilities		<u>2,773,431</u>	<u>1,757,431</u>

The attached notes 1 to 21 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, 2020

	<u>Notes</u>	<u>2020</u> U.S. \$	<u>2019</u> U.S. \$
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	12	1,179,020	1,060,019
Unrestricted contributions	13	102,156	116,574
Deferred revenues recognized	9	5,055	4,045
Currency differences		8,816	-
		<u>1,295,047</u>	<u>1,180,638</u>
<u>Expenses</u>			
Projects expenses	14	(1,223,834)	(1,060,019)
Depreciation of property and equipment	3	(5,055)	(4,045)
Currency differences		-	(5,871)
Other expenses	15	(6,373)	(7,484)
		<u>(1,235,262)</u>	<u>(1,077,419)</u>
Increase in net unrestricted assets		59,785	103,219
Unrestricted net assets, beginning of year		359,588	256,369
Transferred to Board of Directors designated fund	8	(103,219)	-
Unrestricted net assets, end of year		<u>316,154</u>	<u>359,588</u>

The attached notes 1 to 21 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, 2020

	Note	2020 U.S. \$	2019 U.S. \$
<u>Operating Activities:</u>			
Increase in net assets		59,785	103,219
<u>Adjustments:</u>			
Depreciation of right-of-use asset		26,657	26,657
Depreciation of property and equipment		5,055	4,045
Deferred revenues recognized		(5,055)	(4,045)
Finance costs		5,216	6,327
Provision for employees' indemnity		37,937	33,222
		<u>129,595</u>	<u>169,425</u>
Changes in working capital			
Contributions receivable		(993,285)	20,266
Other current assets		(72,134)	(1,203)
Temporarily restricted contributions		905,570	112,895
Accounts payable and accruals		29,850	(17,139)
Employees' indemnity paid		(1,686)	(13,127)
Net cash (used in) from operating activities		<u>(2,090)</u>	<u>271,117</u>
<u>Investing Activities:</u>			
Purchase of property and equipment		(26,166)	(3,577)
Interest on board of directors designated fund		9,885	7,444
Net cash (used in) from investing activities		<u>(16,281)</u>	<u>3,867</u>
<u>Financing activities:</u>			
Payments of long-term lease liabilities		(25,500)	(25,500)
Net cash used in financing activities		<u>(25,500)</u>	<u>(25,500)</u>
(Decrease) increase in cash and cash equivalent		(43,871)	249,484
Cash and cash equivalent, beginning of year		<u>1,247,080</u>	<u>997,596</u>
Cash and cash equivalent, end of year	7	<u><u>1,203,209</u></u>	<u><u>1,247,080</u></u>

The attached notes 1 to 21 form part of these financial statements

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

Notes to the Financial Statements
December 31, 2020

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, 2020 were approved by the General Assembly on May 6, 2021.

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, 2019, except for applying certain standards and amendments to the standards, which became effective for annual periods beginning on or after January 1, 2020.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. These amendments had no impact on the financial statements of MIFTAH, nor is there expected to be any future impact to MIFTAH.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

MIFTAH did not have any leases impacted by the amendment.

Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the MIFTAH's financial statements are disclosed below. MIFTAH intends to adopt these standards, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement,
- the right to defer must exist at the end of the reporting period,
- that classification is unaffected by the likelihood,
- that an entity will exercise its deferral right,
- and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on MIFTAH.

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.

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 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.

3. Property and equipment

	Office equipment	Office furniture	Leasehold improvements	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>Cost:</u>				
At January 1, 2020	236,865	71,223	28,495	336,583
Additions	25,433	731	-	26,164
At December 31, 2020	<u>262,298</u>	<u>71,954</u>	<u>28,495</u>	<u>362,747</u>
 <u>Depreciation:</u>				
At January 1, 2020	229,703	68,198	28,495	326,396
Depreciation charge for the year	4,225	830	-	5,055
At December 31, 2020	<u>233,928</u>	<u>69,028</u>	<u>28,495</u>	<u>331,451</u>
 <u>Net carrying value:</u>				
At December 31, 2020	<u>28,370</u>	<u>2,926</u>	<u>-</u>	<u>31,296</u>
At December 31, 2019	<u>7,162</u>	<u>3,025</u>	<u>-</u>	<u>10,187</u>

Property and equipment include U.S. \$ 358,568 and U.S. \$ 317,314 of fully depreciated assets that are still being used in MIFTAH's activities as at December 31, 2020 and 2019, respectively.

4. Right of use assets and Lease liabilities

MIFTAH has one lease contract for a rent of office.

The interest on the lease has been computed based on the average interest rate which equals 5.87%.

Set out below are the carrying amounts of right of use asset and lease liabilities recognized and the movements during the year:

	Right of use asset	Lease liabilities*
	<u>U.S. \$</u>	<u>U.S. \$</u>
At 1 January 2020	106,626	114,110
Depreciation (notes 14 and 15)	(26,657)	-
Interest expense on lease liabilities (note 15)	-	5,216
Lease payments	-	(25,500)
At 31 December 2020	<u>79,969</u>	<u>93,826</u>
	Right of use asset	Lease liabilities*
	<u>U.S. \$</u>	<u>U.S. \$</u>
At 1 January 2019	133,283	133,283
Depreciation (notes 14 and 15)	(26,657)	-
Interest expense on lease liabilities (note 15)	-	6,327
Lease payments	-	(25,500)
At 31 December 2019	<u>106,626</u>	<u>114,110</u>

MIFTAH recognized rent expense from short-term leases of U.S. \$ zero for the year ended 31 December 2020 and 2019.

* Detailed lease liabilities as of 31 December 2020 and 2019 are shown as below:

	2020	2019
	<u>U.S. \$</u>	<u>U.S. \$</u>
Short term	32,876	30,413
Long term	60,950	83,697
Total	<u>93,826</u>	<u>114,110</u>

5. 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 for Economic and Social Development	-	163,240	-	-	-	163,240
United Nations Population Fund (UNFPA)	12,179	-	(12,197)	-	18	-
OXFAM - Conflict and Fragility Project (contract 05797) Years 4 and 5	36,943	34,449	(5,863)	(7,546)	14,390	72,373
OXFAM - Beijing +25	-	21,928	-	-	1,916	23,844
OXFAM - Finance for Development Project (contract 04854) Years 4 and 5	112,845	-	(97,540)	(3,751)	2,444	13,998
Swiss Cooperation Office Gaza & West Bank - Core fund	36,000	180,000	(180,000)	-	-	36,000
EU- Youth as HR Defenders	120,854	-	(76,483)	-	5,746	50,117
Representative Office of Norway (NRO)	-	475,959	(270,050)	-	3,909	209,818
Representative Office of Ireland (IRO) - Core fund	-	94,678	(96,065)	-	1,387	-
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	4,324	82,500	(4,333)	-	9	82,500
Arab Palestinian Investment Company (APIC)	-	60,000	(20,000)	-	-	40,000
United Nations Development Programme (UNDP)	20,000	26,000	(46,000)	-	-	-
EU-Jerusalem Fund	-	521,290	(126,358)	-	23,109	418,041
Central Elections Commission (CEC)	-	17,873	(8,777)	-	(154)	8,942
EU- WCLAC	-	251,401	(62,263)	-	311	189,449
IM Sweden	-	89,971	(41,863)	-	-	48,108
Palestinian Private Sector-unrestricted contributions	20,000	-	(20,000)	-	-	-
	<u>363,145</u>	<u>2,019,289</u>	<u>(1,067,792)</u>	<u>(11,297)</u>	<u>53,085</u>	<u>1,356,430</u>

6. Other current assets

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Advance payments to partner organizations	66,243	-
Employee advances	18,309	10,038
Interest receivable	15,564	13,170
Other	2,411	7,185
	<u>102,527</u>	<u>30,393</u>

7. Cash and cash equivalent

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Current accounts	521,137	673,191
Short-term deposits	682,072	573,889
	<u>1,203,209</u>	<u>1,247,080</u>

The average interest rate on the short-term deposits is 3.1% during the years 2020 and 2019.

Short-term deposits as at December 31, 2020 and 2019 include U.S. \$ 204,296 and U.S. \$ 168,045, respectively as deposits designated for employees' indemnity (note 10).

8. 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 3% and 2.9% during 2020 and 2019, respectively. During the year, the board has decided to transfer an amount of U.S. \$ 103,219 from unrestricted net assets balance to this account. The new balance of this fund is deposited in bank with an average interest rate of 3%.

9. 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>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Balance, beginning of year	10,187	10,655
Additions (note 12)	26,164	3,577
Deferred revenues recognized	(5,055)	(4,045)
Balance, end of year	<u>31,296</u>	<u>10,187</u>

10. Provision for employees' indemnity

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

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Balance, beginning of year	168,045	147,950
Additions during the year	37,937	33,222
Payments during the year	(1,686)	(13,127)
Balance, end of year*	<u>204,296</u>	<u>168,045</u>

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

11. Accounts payable and accruals

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Accounts payable	106,229	51,648
Outstanding checks	16,536	41,334
Legal case provision	8,020	8,020
Accrued expenses	6,793	6,726
	<u>137,578</u>	<u>107,728</u>

12. 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 2020 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 for Economic and Social Development	-	163,240	-	-	-	-	163,240
Representative Office of Ireland (IRO)	-	94,678	(84,054)	(10,838)	-	214	-
OXFAM - Conflict and Fragility Project (contract 05797) Years 4 and 5	70,377	34,449	(111,544)	-	(7,546)	14,264	-
OXFAM - Finance for Development Project (contract 05784) Year 4	107,487	-	(106,834)	-	(3,751)	3,098	-
OXFAM - Beijing +25	-	21,928	(23,400)	-	-	1,472	-
Representative Office of Norway (NRO)	296,569	475,959	(372,541)	(4,331)	-	7,680	403,336
Swiss Cooperation Office Gaza & West Bank	-	180,000	(171,774)	(8,226)	-	-	-
EU	201,936	-	(78,245)	-	-	12,244	135,935
EU- Jerusalem Fund	-	521,290	(46,709)	(1,384)	-	33,578	506,775
Kayan	-	1,731	(1,731)	-	-	-	-
EU- WCLAC	-	251,401	(57,050)	(1,385)	-	2,385	195,351
Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ)	-	82,500	(8,478)	-	-	(30)	73,992
Arab Palestinian Investment Company (APIC)	35,000	60,000	(20,000)	-	-	-	75,000
United Nations Development Programme (UNDP)	18,213	26,000	(44,213)	-	-	-	-
International Rescue Committee (IRC)	5,000	-	(5,000)	-	-	-	-
Central Elections Commission (CEC)	-	17,873	(5,584)	-	-	(40)	12,249
IM Sweden	-	89,971	(41,863)	-	-	-	48,108
	<u>734,582</u>	<u>2,021,020</u>	<u>(1,179,020)</u>	<u>(26,164)</u>	<u>(11,297)</u>	<u>74,865</u>	<u>1,613,986</u>

13. Unrestricted contributions

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Donations from private sector	93,000	107,250
Interest income	8,598	8,568
Subscriptions from general assembly members	558	531
Others	-	225
	<u>102,156</u>	<u>116,574</u>

14. Projects expenses

Components of projects expenses are as follows:

	APIC	GIZ	OXFAM Novib	OXFAM Novib	OXFAM Novib	
	Youth Program	Towards Enhancing Palestinian Women and Youth Protection and Participation	Conflict and Fragility (Y4)	Finance for Development Project (Y4)	Beijing +25	Subtotal
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Program personnel salaries and benefits	8,113	2,897	27,544	36,419	8,911	83,884
Consultants, researchers, trainers and facilitators	3,080	-	26,871	19,539	5,942	55,432
Editing and translation	-	-	5,941	2,046	2,777	10,764
International travel and per diems	-	-	347	-	-	347
Field coordinators' expenses	557	-	6,013	-	1,268	7,838
Paid internships and shadowing	723	-	-	-	-	723
Information, printings and publications	-	-	10,418	4,693	-	15,111
Workshops, seminars and training sessions	593	-	3,303	121	495	4,512
Transportation and accommodation	1,159	-	1,316	283	29	2,787
Media campaign and activities	5,700	-	17,837	27,812	3,898	55,247
Supplies and materials	16	-	918	-	80	1,014
Food parcels and hygiene supplies	-	-	-	3,264	-	3,264
Staff and institutional capacity development	-	4,650	-	-	-	4,650
Program direct cost	<u>11,828</u>	<u>4,650</u>	<u>72,964</u>	<u>57,758</u>	<u>14,489</u>	<u>161,689</u>
Admin staff salaries and benefits	-	-	200	100	-	300
Professional fees	-	-	1,044	-	-	1,044
Monitoring and evaluation salaries and related benefits	-	525	3,866	4,773	-	9,164
Overall management	-	525	5,110	4,873	-	10,508
Depreciation of right-of-use asset (office rental)	-	-	3,571	4,424	-	7,995
Utilities	-	306	1,045	1,979	-	3,330
Communication	59	100	1,108	814	-	2,081
Stationery and supplies	-	-	162	458	-	620
Bank charges and other expenses	-	-	40	109	-	149
Other admin costs	59	406	5,926	7,784	-	14,175
Total	<u>20,000</u>	<u>8,478</u>	<u>111,544</u>	<u>106,834</u>	<u>23,400</u>	<u>270,256</u>

Projects expenses (continued)

	IRC		Swiss Cooperation Office Gaza & West Bank	IM Sweden	IRO	NRO	NRO	Subtotal			
	Subtotal	GBV	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$				
	U.S. \$	Programming							Core Fund	Advancing Women Peace and Security Agenda in Palestine	U.S. \$
		U.S. \$							U.S. \$	U.S. \$	
Program personnel salaries and benefits	83,884	100	30,452	14,370	20,476	73,019	46,448	268,749			
Consultants, researchers, trainers and facilitators	55,432	2,210	2,753	2,800	2,753	-	26,921	92,869			
Editing and translation	10,764	-	1,354	-	15	381	2,734	15,248			
International travel and per diems	347	-	26	-	-	-	-	373			
Field coordinators' expenses	7,838	345	27,801	-	5,862	10,126	20,320	72,292			
Paid internships and shadowing	723	-	-	-	-	-	-	723			
Information, printings and publications	15,111	200	348	468	-	-	480	16,607			
Workshops, seminars and training sessions	4,512	495	76	-	45	-	7,349	12,477			
Transportation and accommodation	2,787	328	783	-	491	262	4,386	9,037			
Media campaign and activities	55,247	1,172	42,907	2,800	14,879	-	4,273	121,278			
Membership fees	-	-	100	-	-	1,000	-	1,100			
Supplies and materials	1,014	-	455	120	209	1,004	459	3,261			
Food parcels and hygiene supplies	3,264	-	684	-	3,961	-	93,882	101,791			
Staff and institutional capacity development	4,650	-	-	-	2,500	-	-	7,150			
Other program direct costs	-	-	745	-	83	40	-	868			
Program direct cost	161,689	4,750	78,032	6,188	30,798	12,813	160,804	455,074			
Admin staff salaries and benefits	300	50	11,987	13,106	24,374	50,569	50	100,436			
Professional fees	1,044	-	6,393	1,044	2,637	2,034	-	13,152			
Monitoring and evaluation salaries and related benefits	9,164	-	3,939	800	1,200	8,115	6,624	29,842			
Overall management	10,508	50	22,319	14,950	28,211	60,718	6,674	143,430			
Depreciation of right-of-use asset (office rental)	7,995	100	4,731	4,662	-	4,762	100	22,350			
Utilities	3,330	-	3,085	864	2,286	3,540	-	13,105			
Communication	2,081	-	614	252	385	590	63	3,985			
Transportation	-	-	1,218	502	1,318	697	-	3,735			
Stationery and supplies	620	-	2,156	75	368	1,235	-	4,454			
Hospitality	-	-	354	-	-	736	-	1,090			
Advertising	-	-	-	-	58	61	112	231			
Bank charges and other expenses	149	-	307	-	154	33	136	779			
Other admin costs	14,175	100	12,465	6,355	4,569	11,654	411	49,729			
Total	270,256	5,000	143,268	41,863	84,054	158,204	214,337	916,982			

Projects expenses (continued)

	Subtotal	Swiss Cooperation Office Gaza & West Bank	EU - Jerusalem Fund*	EU - WCLAC	Swiss Cooperation Office Gaza & West Bank	CEC	Swiss Cooperation Office West Bank & Gaza	Subtotal
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Program personnel salaries and benefits	268,749	-	19,769	20,706	-	2,356	1,413	312,993
Consultants, researchers, trainers and facilitators	92,869	3,673	5,978	8,872	2,835	-	-	114,227
Editing and translation	15,248	-	-	445	-	-	-	15,693
International travel and per diems	373	-	-	-	-	-	-	373
Field coordinators' expenses	72,292	-	945	4,613	-	2,194	-	80,044
Paid internships and shadowing	723	-	-	-	-	-	-	723
Information, printings and publications	16,607	-	-	-	-	-	-	16,607
Workshops, seminars and training sessions	12,477	-	-	13,312	-	900	-	26,689
Transportation and accommodation	9,037	-	-	2,947	-	112	-	12,096
Media campaign and activities	121,278	-	-	-	-	-	-	121,278
Membership fees	1,100	-	-	-	-	-	-	1,100
Supplies and materials	3,261	-	120	1,046	-	22	-	4,449
Food parcels and hygiene supplies	101,791	-	-	-	-	-	-	101,791
Staff and institutional capacity development	7,150	-	-	-	-	-	-	7,150
Other program direct costs	868	-	17,313	-	-	-	-	18,181
Program direct cost	455,074	3,673	24,356	31,235	2,835	3,228	-	520,401
Admin staff salaries and benefits	100,436	-	-	-	-	-	-	100,436
Professional fees	13,152	-	-	-	-	-	-	13,152
Monitoring and evaluation salaries and related benefits	29,842	-	2,059	1,602	-	-	-	33,503
Overall management	143,430	-	2,059	1,602	-	-	-	147,091
Depreciation of right-of-use asset (office rental)	22,350	-	709	1,708	292	-	-	25,059
Utilities	13,105	-	1,026	1,128	-	-	-	15,259
Communication	3,985	-	356	619	-	-	-	4,960
Transportation	3,735	-	-	-	-	-	-	3,735
Stationery and supplies	4,454	-	43	43	-	-	-	4,540
Hospitality	1,090	-	-	-	-	-	-	1,090
Advertising	231	-	58	-	-	-	-	289
Bank charges and other expenses	779	-	64	9	-	-	-	852
Other admin costs	49,729	-	2,256	3,507	292	-	-	55,784
Total	916,982	3,673	48,440	57,050	3,127	5,584	1,413	1,036,269

* This amount includes in kind contribution from project Coapplicant, Kayan for U.S. \$ 1,731 (10% of project direct expenses).

Projects expenses (continued)

	UNDP		Swiss Cooperation Office Gaza & West Bank	EU	MIFTAH**	Total Project Expenses 2020	Total Project Expenses 2019
	Shufuna "Women in Reconciliation" Project	Youth as HR Defenders (20%)	Youth as HR Defenders (80%)			U.S. \$	U.S. \$
	U.S. \$	U.S. \$	U.S. \$	U.S. \$		U.S. \$	U.S. \$
Program personnel salaries and benefits	312,993	9,845	-	36,685	-	359,523	308,338
Consultants, researchers, trainers and facilitators	114,227	5,160	-	2,933	-	122,320	83,557
Public opinion polls/surveys	-	-	-	-	-	-	8,386
Editing and translation	15,693	762	-	3,222	-	19,677	4,529
International travel and per diems	373	-	-	224	-	597	3,138
Field coordinators' expenses	80,044	3,757	27	10,055	-	93,883	63,120
Paid internships and shadowing	723	-	14,601	2,081	-	17,405	11,839
Information, printings and publications	16,607	-	-	-	-	16,607	9,894
Workshops, seminars and training sessions	26,689	2,782	-	1,325	-	30,796	59,252
Transportation and accommodation	12,096	3,846	-	1,039	-	16,981	45,878
Media campaign and activities	121,278	14,059	-	348	44,814	180,499	140,893
Membership fees	1,100	-	-	-	-	1,100	400
Supplies and materials	4,449	1,771	-	686	-	6,906	5,474
Food parcels and hygiene supplies	101,791	-	-	-	-	101,791	-
Staff and institutional capacity development	7,150	-	-	-	-	7,150	6,140
Other program direct costs	18,181	-	5,476	11,191	-	34,848	104,939
Program direct cost	520,401	32,137	20,104	33,104	44,814	650,560	547,439
Admin staff salaries and benefits	100,436	-	-	253	-	100,689	80,934
Professional fees	13,152	-	-	1,044	-	14,196	24,720
Monitoring and evaluation salaries and related benefits	33,503	1,617	-	3,486	-	38,606	36,378
Overall management	147,091	1,617	-	4,783	-	153,491	142,032
Depreciation of right-of-use asset (office rental)	25,059	-	-	441	-	25,500	25,500
Utilities	15,259	73	189	1,662	-	17,183	18,777
Communication	4,960	490	-	912	-	6,362	6,142
Transportation	3,735	-	-	-	-	3,735	4,576
Stationery and supplies	4,540	32	-	490	-	5,062	4,800
Hospitality	1,090	-	-	-	-	1,090	671
Advertising	289	-	-	-	-	289	466
Bank charges and other expenses	852	19	-	168	-	1,039	603
Annual board meetings	-	-	-	-	-	-	675
Other admin costs	55,784	614	189	3,673	-	60,260	62,210
Total	1,036,269	44,213	20,293	78,245	44,814	1,223,834	1,060,019

** An amount of U.S.\$ 44,814 out of the total media campaigns and activities expense was financed by MIFTAH unrestricted available funds.

15. Other expenses

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Finance costs	5,216	6,327
Depreciation of right-of-use asset	1,157	1,157
	<u>6,373</u>	<u>7,484</u>

16. 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>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
<u>Key management personnel compensation:</u>		
Short-term benefits	39,913	14,850
Termination benefits	3,150	11,035

17. 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.

18. 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 (5).

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>2020</u>		
EURO	20	41,932
ILS	20	(7,872)
<u>2019</u>		
EURO	20	36,577
ILS	20	(8,765)

19. 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.

20. 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, 2020. 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.

21. The impact of Coronavirus (Covid-19) on the Financials

Within the continued impact of the Coronavirus (Covid-19) on the global economy and various business sectors and the accompanying restrictions and procedures imposed by the Palestinian government, neighbouring countries and the rest of the world, the public sector and NGOs programs have been affected by international travel restrictions, large-scale quarantines, and governments' procedures.

MIFTAH management believes that COVID 19 have no significant impact on MIFTAH operations and financial performance. The extent and impact of these global and local conditions remains unclear and depends on future developments that are not predictable now, and therefore these changes may have an impact on future financial results, cash flows and MIFTAH's financial position.