

Suleiman & Co. Certified Public Accountants - License No. 205
Correspondent Firm of RSM International in the West Bank, Gaza and East

The Danish House In Palestine
(DHIP)

Financial Statements
And Independent Auditors' Report
For the Year Ended December 31, 2017

Index

| | <u>Page No.</u> |
|---------------------------------------------------|------------------------|
| Independent Auditors' Report | 1 |
| Statement of Financial Position | 3 |
| Statement of Activities and Changes in Net Assets | 4 |
| Statement of Cash Flows | 5 |
| Schedule of Expenses | 6 |
| Notes to Financial Statements | 7 |

Independent Auditors' Report

To the Board of Directors of the Danish House in Palestine

Report on the audit of the financial statements

In our opinion, the financial statements taken as a whole present fairly, in all material respects, the financial position of **the Danish House in Palestine** (hereinafter "DHIP") as of December 31, 2017 and of its activities, changes in net assets and cash flows for the year then ended in accordance with the basis of accounting described in Note (2) to the financial statements.

We have audited the accompanying financial statements of **the Danish House in Palestine** which comprise the financial position as of December 31, 2017 and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related summary of significant accounting policies and other explanatory notes.

Basis for Opinion

We conduct our audit in accordance with International Standards on Auditing (ISA). 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 DHIP in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

We draw attention to Note (2) to the financial statements, which describe the basis of accounting. The financial statements are prepared to provide information to **DHIP**. As a result, the financial statements may not be suitable for another purpose.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance to standards set out in note (2), and for such internal control as management determines is necessary to enable the preparation of the statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing DHIP'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 the DHIP or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibility 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 with 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 DHIP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates 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 DHIP'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 statements 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 DHIP to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements represents the underlying transactions and events in a manner that achieves fair presentations.

We communicate with management 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.

Suleiman & Co. - Certified Public Accountants

Ismail M. Suleiman

License number 131/2000



Ramallah, Palestine

February 27, 2018

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The Danish House In Palestine
Financial statements for the year ended December 31, 2017

Statement of Financial Position

(All amounts in US Dollar)

| | <u>Note</u> | <u>2017</u> | <u>2016</u> |
|-----------------------------------------|-------------|-----------------------|-----------------------|
| Assets | | | |
| Cash and banks | 3 | 91,056 | 151,655 |
| Prepaid expenses | 4 | 14,873 | 11,667 |
| Fixed assets, Net | 5 | 34,273 | 45,834 |
| Total assets | | <u>140,202</u> | <u>209,156</u> |
| Liabilities and net assets | | | |
| Liabilities | | | |
| Payables, accruals and deferred grants | 6 | 53,407 | 108,567 |
| Outstanding checks | | 16,730 | 8,382 |
| Reserve for local staff benefits | | 6,601 | 16,663 |
| Total liabilities | | <u>76,738</u> | <u>133,612</u> |
| Net assets | | | |
| Unrestricted | | (4,183) | (2,489) |
| Temporarily restricted | | 67,647 | 78,033 |
| Total net assets | | <u>63,464</u> | <u>75,544</u> |
| Total liabilities and net assets | | <u>140,202</u> | <u>209,156</u> |

The accompanying notes constitute an integral part of the financial statements

The Danish House In Palestine
Financial statements for the year ended December 31, 2017

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

| | Note | 2017 | | | 2016 |
|----------------------------------------------------------------|------|----------------|------------------------|----------------|----------------|
| | | Unrestricted | Temporarily Restricted | Total | Total |
| <u>Revenues & Supports</u> | | | | | |
| Contributions received from Danish Ministry of Foreign Affairs | 7 | - | 508,409 | 508,409 | 583,844 |
| Contributions received from projects & programs | 8 | - | 79,173 | 79,173 | 60,404 |
| Other revenues & donations | 9 | 10,305 | - | 10,305 | 4,791 |
| | | 10,305 | 587,582 | 597,887 | 649,039 |
| Releases from restrictions | | 597,968 | (597,968) | - | - |
| Total revenues & support | | 608,273 | (10,386) | 597,887 | 649,039 |
| <u>Expenses</u> | | | | | |
| Human resources | | 17,956 | - | 17,956 | 14,043 |
| Running expenses | | 26,874 | - | 26,874 | 20,172 |
| Programs expenses | | 553,138 | - | 553,138 | 589,902 |
| Total expenses (schedule of Expenses) | | 597,968 | - | 597,968 | 624,117 |
| Depreciation of fixed assets | | 13,275 | - | 13,275 | 11,713 |
| (Gain) loss on currency differential | | (1,276) | - | (1,276) | 6,986 |
| Total expenses | | 609,967 | - | 609,967 | 642,816 |
| (Deficit) excess of revenues over expenses for the year | | (1,694) | (10,386) | (12,080) | 6,223 |
| Net assets at beginning of year | | (2,489) | 78,033 | 75,544 | 69,321 |
| Net assets at end of year | | (4,183) | 67,647 | 63,464 | 75,544 |

The accompanying notes constitute an integral part of the financial statements

The Danish House In Palestine
Financial statements for the year ended December 31, 2017

Statement of Cash Flows
(All amounts in US Dollar)

| | 2017 | 2016 |
|--------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Cash flows from operating activities | | |
| Grant received from contributions | 587,582 | 644,248 |
| Other revenues | 10,305 | 4,791 |
| Cash paid to employees & suppliers | (656,772) | (579,043) |
| Net cash (used in) provided from operating activities | (58,885) | 69,996 |
| Cash flows from investing activities | | |
| Acquisition of fixed assets | (1,714) | (20,821) |
| | (1,714) | (20,821) |
| (Decrease) increase in cash and banks | (60,599) | 49,175 |
| Cash and banks at beginning of year | 151,655 | 102,480 |
| Cash and banks at end of year | 91,056 | 151,655 |
| Adjustments to reconcile changes in net assets to net cash (used in) operating activities | | |
| Change in net assets | (12,080) | 6,223 |
| Depreciation | 13,275 | 11,713 |
| End of services benefits | (10,062) | (7,223) |
| Decrease in accounts receivable | - | 15,425 |
| (Increase) in prepaid expenses | (3,206) | (744) |
| (Decrease) increase in payables and accruals | (55,160) | 47,675 |
| Increase (decrease) in outstanding checks | 8,348 | (3,073) |
| Net cash (used in) provided by operating activities | (58,885) | 69,996 |

The accompanying notes constitute an integral part of the financial statements

The Danish House In Palestine
Financial statements for the year ended December 31, 2017

Schedule of Expenses

(All amounts in US Dollar)

| | <u>2017</u> | <u>2016</u> |
|-----------------------------------------------------|----------------|----------------|
| Human Resources | | |
| General director | 9,491 | 7,349 |
| Consultant | 2,158 | 1,747 |
| Admin Manager & prog. coordinator | 6,307 | 4,947 |
| | <u>17,956</u> | <u>14,043</u> |
| Running Expenses | | |
| Rent | 5,000 | 5,000 |
| Utilities (electricity, water, heating, etc) | 994 | 1,325 |
| Communication (telephone, internet, fax, mail) | 914 | 649 |
| Maintenance | 358 | 1,000 |
| Hospitality | 2,409 | 1,000 |
| International travel | 5,908 | 2,290 |
| Auditing & evaluation | 9,520 | - |
| Income tax expenses | - | 331 |
| Miscellaneous (bank charges, etc.) | - | 2,248 |
| Danish board expenses | - | 5,026 |
| Transportation | 1,771 | 1,303 |
| | <u>26,874</u> | <u>20,172</u> |
| Programs Expenses | | |
| Music exchange | - | 21,050 |
| Design in context 2016 | - | 35,980 |
| Merging music 2016 | 13,470 | 38,473 |
| Palestinian/ Danish academic institution 2016 | 11,494 | 26,419 |
| Training & workshops 2016 | - | 35,254 |
| Archives & libraries 2016 | - | 24,612 |
| Oral history 2016 & 2017 | 80,887 | 33,154 |
| Re-invented design in context 2016 | - | 15,370 |
| Cultural productions 2016 | - | 26,811 |
| Couch talk, small events, Palestinian & Danish film | 17,522 | 24,761 |
| Merged investigative journalism | - | 59,623 |
| Organizational reform & staff training | 48,361 | 60,847 |
| Children literature illustration | 49,396 | 56,422 |
| IMS journalist exchange 2016 | - | 18,955 |
| Circus exchange | 42,990 | - |
| Theatre for children & youth | 49,836 | - |
| Volunteer program | - | 2,759 |
| DHIP activities | 11,987 | 12,547 |
| Palestine Photo Marathon Project | 48,346 | 40,586 |
| Design in context | 22,244 | 5,547 |
| Communication strategy | - | 32,667 |
| Film literacy for children & youth | 32,118 | - |
| Film festival (days of cinema) | 27,031 | - |
| MS- Action Aid | 34,105 | 12,638 |
| Reserve for unforeseen opportunities | - | 5,427 |
| Recycling and art | 22,721 | - |
| Sports | 17,386 | - |
| PPAN collaboration | 23,244 | - |
| | <u>553,138</u> | <u>589,902</u> |
| Total | <u>597,968</u> | <u>624,117</u> |

Notes to Financial Statements

(All amounts in US Dollar)

1- GENERAL

The Danish House in Palestine (hereinafter “DHIP”) was registered as an international NGO in February 2010 with the Palestinian Authority, Ministry of Interior. The organization is located in Ramallah and serves as a platform for vocational and cultural exchange projects at grass-root level. DHIP’s mission is to create the opportunities for cultural, educational and professional exchange and cooperation between Danes and Palestinians on individual and institutional levels. Through projects and activities the ambition is to link people, facilitate interaction and engage a constantly expanding group of people in achieving the organizations vision.

The cultural exchange component of the efforts of DHIP is defined by a practical, hands-on approach allowing direct cooperation and sharing of ideas between Danish and Palestinian professionals: leading Danish and Palestinian journalists working in teams in Denmark and Palestine, Danish designers working cooperating with local women bringing together knowledge of appeal, marketing and traditional Palestinian handcraft, merging music allowing professional musicians from Denmark and Palestine to tour each-others countries and redefine their mutual musical traditions.

At the same time DHIP features a large number of concerts, film screenings and debates taking place in the organizations own venue or across the west Bank in refugee camps, villages or other external venues.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis of accounting and in conformity with International Financial Reporting Standards and the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of Financial statements – Not for Profit Entities.

Following are key accounting policies:

Net Assets:

Net assets of DHIP and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets whose use by DHIP, which is not subject to donor-imposed restrictions.
- Temporarily restricted net assets – Net assets whose use by DHIP is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of DHIP pursuant to those donor-imposed stipulations.
- Revenues include amounts received from donors and contributions received from project and programs are reported as increases in unrestricted net assets unless their use is limited by donor-imposed stipulations.

Contributions:

Grants and contributions are recognized as revenues when received.

Fixed Assets:

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 10-20%.

The Danish House In Palestine
Financial statements for the year ended December 31, 2017

Notes to Financial Statements - continued

(All amounts in US Dollar)

Foreign Currency Transactions:

The books of accounts are maintained in U.S. Dollar. Transactions which are denominated in local currency (Israeli Shekel) and other currencies are converted into U.S. Dollar equivalent as follows:

- Transactions which are expressed or denominated in currencies other than U.S. Dollar are converted to U.S. Dollar equivalent at the rate of exchange prevailing at the date of the transaction.
- Monetary assets and liabilities which are denominated or expressed in currencies other than U.S. Dollar are presented at their U.S. Dollar equivalent using the exchange rate prevailing on Dec 31, 2017 of 3.509 NIS per U.S. Dollar and DKK 6.999 per U.S. Dollar.
- All other assets and liabilities are presented in U.S. Dollar equivalent at their historical values.
- Exchange differences arising from the translation of local currency balances is charged to the statement of activities and changes in net assets.

3- CASH AND BANKS

| | <u>2017</u> | <u>2016</u> |
|----------------------------|----------------------|-----------------------|
| Cash in hand | 363 | 263 |
| Deposits with banks in NIS | - | 587 |
| Deposits with banks in USD | 40,695 | 119,530 |
| Deposits with banks in DKK | 49,998 | 31,275 |
| | <u>91,056</u> | <u>151,655</u> |

4- PREPAID EXPENSES

| | <u>2017</u> | <u>2016</u> |
|------------------|----------------------|----------------------|
| Prepaid expenses | 14,873 | 11,667 |
| | <u>14,873</u> | <u>11,667</u> |

The Danish House In Palestine
Financial statements for the year ended December 31, 2017

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

5- FIXED ASSETS, NET

| | <u>Office Furniture</u> | <u>Office Equipment</u> | <u>Computer</u> | <u>Total</u> |
|-----------------------------------------|-----------------------------|-----------------------------|------------------------|------------------------|
| <u>Cost:</u> | 17,632 | 36,419 | 18,028 | 72,079 |
| Additions | - | 1,227 | 487 | 1,714 |
| Ending balance | <u>17,632</u> | <u>37,646</u> | <u>18,515</u> | <u>73,793</u> |
| | | | | |
| <u>Accumulated depreciation:</u> | (7,374) | (11,962) | (6,909) | (26,245) |
| Additions | (1,763) | (5,343) | (6,169) | (13,275) |
| Ending balance | <u>(9,137)</u> | <u>(17,305)</u> | <u>(13,078)</u> | <u>(39,520)</u> |
| | | | | |
| <u>Net book value:</u> | | | | |
| At December 31, 2017 | <u>8,495</u> | <u>20,341</u> | <u>5,437</u> | <u>34,273</u> |
| At December 31, 2016 | <u>10,258</u> | <u>24,457</u> | <u>11,119</u> | <u>45,834</u> |

6- PAYABLES, ACCRUALS AND DEFERRED GRANTS

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|----------------------|-----------------------|
| <u>Deferred grants</u> | | |
| Due to Danish MOFA | 44,325 | 38,439 |
| | | |
| <u>Payables and accruals</u> | | |
| Accrued audit fees | 3,520 | 5,020 |
| Accounts payable | 4,675 | 60,673 |
| Income tax accrued | 887 | 4,435 |
| | <u>53,407</u> | <u>108,567</u> |

7- CONTRIBUTIONS RECEIVED FROM DANISH MINISTRY OF FOREIGN AFFAIRS

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------------|-----------------------|-----------------------|
| Grant received during the year | 514,295 | 589,902 |
| Add: unspent grant from 2016 | 38,439 | 32,381 |
| Less: Unspent grant as of December 31, 2017 | 44,325 | 38,439 |
| | <u>508,409</u> | <u>583,844</u> |

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

8- CONTRIBUTION RECEIVED FROM PROJECTS AND PROGRAMS

| | <u>2017</u> | <u>2016</u> |
|----------------------|----------------------|----------------------|
| Volunteer Program | 4,274 | 11,307 |
| DFI project | 11,269 | - |
| IMS | 3,836 | 14,248 |
| Ulla group | 1,184 | 4,697 |
| CKU admin | 10,687 | - |
| MS- Action Aid | 46,778 | 27,119 |
| DHIP Activities | 1,145 | 2,254 |
| Support Women of DIC | - | 779 |
| | <u>79,173</u> | <u>60,404</u> |

9- OTHER REVENUES & DONATIONS

| | <u>2017</u> | <u>2016</u> |
|------------------------------|----------------------|---------------------|
| Guest house income | 3,021 | 4,654 |
| Other donations and revenues | 7,284 | 137 |
| | <u>10,305</u> | <u>4,791</u> |

10- RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. DHIP is subject to fluctuations in interest rates on its interest bearing assets and liabilities, if any.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. At the statement of financial position date, no significant concentrations of credit risk were identified by DHIP's management.

Currency risk

DHIP is subject to fluctuations in foreign exchange rates in the normal course of its operation. DHIP did not undertake significant transactions in currencies other than New Israel Shekel during the year.

Other risk factors

DHIP is located in Palestine and operates in a high risk political and economic area, which may increase the operational risk of DHIP and consequently such risk may impact DHIP's operation in a negative manner.

11- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise financial assets and financial liabilities.

The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.