

The Danish House in Palestine

Financial Statements

December 31, 2020



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## Independent Auditor's Report

To Members of the Board of Directors of the Danish House in Palestine

### Opinion

We have audited the financial statements of the Danish House in Palestine (DHIP), which comprise the statement of financial position as at December 31, 2020, 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 as at December 31, 2020 and for the year then ended are prepared, in all material respects, in accordance with basis of accounting described in note (2).

### Basis for Opinion

We conducted 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 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.

### Emphasis of Matter - Basis of Accounting and restrictions on distribution

We draw attention to note (2) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist management to provide information to DHIP. Our report is intended solely for DHIP and should not be distributed to or used by parties other than DHIP. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### Other Matters

The financial statements of DHIP as at December 31, 2019 were audited by another auditor who issued unqualified report on the financial statements, dated March 18, 2020.

### Responsibility of Management and those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting described in note (2), 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 DHIP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate DHIP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing DHIP's financial reporting process.



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### 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 ISA 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 ISA, 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.

We communicate with those charged with governance 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.

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A handwritten signature in blue ink, appearing to read 'Abdelkarim M.'.

The logo for Ernst &amp; Young, featuring the company name in a stylized, blue, cursive font.

Abdelkarim Mahmoud  
License # 101/2017

Ramallah - Palestine  
June 3, 2021

The Danish House in Palestine (DHIP)

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Statement of Financial Position  
As at December 31, 2020

	<u>Notes</u>	<u>2020</u> U.S. \$	<u>2019</u> U.S. \$
<u>Assets</u>			
Non-current assets			
Property and equipment	3	13,311	17,635
		<u>13,311</u>	<u>17,635</u>
Current assets			
Other current assets	4	22,537	22,393
Cash and balances at banks	5	134,727	189,296
		<u>157,264</u>	<u>211,689</u>
Total assets		<u>170,575</u>	<u>229,324</u>
<u>Net assets and liabilities</u>			
Net Assets		112,003	138,740
Non-Current Liabilities			
Employees' end of service provision	6	12,394	13,131
		<u>12,394</u>	<u>13,131</u>
Current liabilities			
Temporarily restricted contribution	7	19,879	62,622
Other current liabilities	8	26,299	14,831
		<u>46,178</u>	<u>77,453</u>
Total liabilities		<u>58,572</u>	<u>90,584</u>
Total net assets and liabilities		<u>170,575</u>	<u>229,324</u>

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The attached notes from 1 to 16 form part of these financial statements

The Danish House in Palestine (DHIP)

Statement of Activities and Changes in Net Assets  
For the year ended December 31, 2020

	Notes	2020 U.S. \$	2019 U.S. \$
<u>Contributions and revenues</u>			
Temporarily restricted contributions released from restriction	7	477,057	457,540
Grants and donations	9	-	45,340
Other revenues	10	9,520	19,028
Total contributions and other revenues		<u>486,577</u>	<u>521,908</u>
<u>Expenses</u>			
<u>Activity outcome expenses</u>			
Outcome 1- The world we live in, our collective memory and roots of identity	11	112,261	118,297
Outcome 2- Children, young people, learning and creativity	11	214,704	167,387
Outcome 3- Public/popular engagement and awareness	11	153,203	175,735
Total Outcome expenses		<u>480,168</u>	<u>461,419</u>
Other			
Depreciation		5,344	6,252
Foreign currency exchange differences		1,177	1,335
Refundable to donors	12	26,625	-
Total expenses		<u>513,314</u>	<u>469,006</u>
(Decrease) Increase in net assets		(26,737)	52,902
Net assets, beginning of the year		<u>138,740</u>	<u>85,838</u>
Net assets, end of the year		<u><u>112,003</u></u>	<u><u>138,740</u></u>

The attached notes from 1 to 16 form part of these financial statements

The Danish House in Palestine (DHIP)

Statement of Cash Flows  
For the year ended December 31, 2020

	Notes	2020 U.S. \$	2019 U.S. \$
<u>Operating activities:</u>			
(Decrease) Increase in net assets		(26,737)	52,902
<u>Adjustments:</u>			
Depreciation		5,344	6,252
End of service expense		1,471	11,531
Other non-cash items		(6,898)	56
		<u>(26,820)</u>	<u>70,741</u>
<u>Changes in working capital:</u>			
Other current assets		6,754	(4,613)
Temporarily restricted contributions		(42,743)	(9,520)
Other current liabilities		11,468	(7,457)
Employees end of service provision paid		(2,208)	(20,000)
Net Cash (used in) from operating activities		<u>(53,549)</u>	<u>29,151</u>
<u>Investing activities:</u>			
Purchase of Property and equipment		(1,020)	(168)
Cash used in investing activities		<u>(1,020)</u>	<u>(168)</u>
(Decrease) Increase in cash and balances at banks		(54,569)	28,983
Cash and balances at banks, beginning of the year		<u>189,296</u>	<u>160,313</u>
Cash and balances at banks, end of year	5	<u><u>134,727</u></u>	<u><u>189,296</u></u>

The attached notes from 1 to 16 form part of these financial statements

Notes to the Financial Statements  
December 31, 2020

1. General

The Danish House in Palestine (DHIP) is established and operated as a separate unit by The Association of Friends of the Danish House in Palestine (the Association). DHIP is an international not for profit organization registered at the Palestinian Ministry of Interior in Ramallah as of February 3, 2010 under registration number QR-0137-P in accordance with the law of charitable and community organization No. 1 for the year 2000.

The Danish House in Palestine is an independent civil society organisation with the vision to strengthen the mutual understanding and appreciation between Danish and Palestinian cultures, as well as encourage values of diverse, open, and tolerant societies.

The financial statements for the year ended December 31, 2020 had been approved by DHIP management on June 3, 2021.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared on the accrual basis of accounting.

The financial statements have been presented in United States Dollars (U.S. \$), which is the functional currency of DHIP.

2.2 Changes in accounting policies

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

2.3 Judgements and estimation uncertainty

DHIP's financial position and results of activities are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the financial statements. DHIP 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 tangible assets

DHIP's management reassesses the useful lives of tangible assets, and makes adjustments if applicable, at each financial year-end.

Allocation of expenses

Expenses are allocated among programs based DHIP management best estimate allocation basis.

## 2.4 Summary of significant accounting policies

### Contribution revenues

Conditional contribution is a pledge to give, which depends on the occurrence of a specified future and uncertain event to bind a donor and shall be recognized when the conditions on which they depend are substantially met.

Unconditional contribution is a pledge where donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund. Contributions revenues from unconditional pledges are recorded at their fair value as follow:

- Revenues from restricted contributions where donors impose restrictions for a specific purpose and/or time are initially recognized as liabilities under “Deferred Contributions” and are recognized as revenues in line with the expenditures incurred for the purpose restricted by the donor.
- Revenues from unrestricted contributions (where donors do not impose restrictions for specific purpose or time) are recognized when the pledge is obtained.

### Expenses recognition

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

### Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and 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. Land is not depreciated. All other repair and maintenance costs are recognized in the statement of income and comprehensive income as incurred. Depreciation is calculated on a straight-line basis. The depreciation rates of the assets as shown in the table follow:

	Useful Life (Years)
Office equipment	5-10
Computers	3
Office furniture	10

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

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

### Current and non-current classification

DHIP presents its assets and liabilities in the statement of financial position based on current or 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
- Cash or balances at banks 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 within normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- 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.

Cash and balance at banks

Cash and balance at banks comprise cash in hand and current accounts at banks.

Income taxes

DHIP is a not-for-profit organization; accordingly, it is not subject to income tax as long as it meets the Palestinian Income Tax Law condition.

Employees' end of service provision

Provision for employee's end of service is provided for in accordance with the labor law prevailing in Palestine and DHIP's internal policies based on one-month salary for each year of service and is paid on year by year basis.

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

### 3. Property and equipment

Following is the movement of property and equipment during the year:

	Office equipment	Computers	Office furniture	Total
<u>December 31, 2020</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Cost:</u>				
At January 1, 2020	35,802	18,515	17,496	71,813
Additions	-	1,020	-	1,020
At December 31, 2020	<u>35,802</u>	<u>19,535</u>	<u>17,496</u>	<u>72,833</u>
<u>Accumulated depreciation:</u>				
At January 1, 2020	25,334	18,512	10,332	54,178
Depreciation for the year	4,482	36	826	5,344
At December 31, 2020	<u>29,816</u>	<u>18,548</u>	<u>11,158</u>	<u>59,522</u>
<u>Net book value:</u>				
At December 31, 2020	<u>5,986</u>	<u>987</u>	<u>6,338</u>	<u>13,311</u>
At December 31, 2019	<u>10,468</u>	<u>3</u>	<u>7,164</u>	<u>17,635</u>

### 4. Other current assets

	<u>2020</u>	<u>2019</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Prepaid expenses	15,089	17,334
Due from employees	6,898	-
Advances to suppliers	550	550
Advances to partners	-	4,509
	<u>22,537</u>	<u>22,393</u>

### 5. Cash and balances at banks

	<u>2020</u>	<u>2019</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on hand	56	49
Current accounts at banks	134,671	189,247
	<u>134,727</u>	<u>189,296</u>

### 6. Employees' end of service provision

Following is the movement on employees' end of service provision during the year:

	<u>2020</u>	<u>2019</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	13,131	21,600
Additions	1,471	11,531
Payments	(2,208)	(20,000)
Balance, end of year	<u>12,394</u>	<u>13,131</u>

- Provision for employee's end of service is provided for in accordance with the labor law prevailing in Palestine and DHIP's internal policies based on one-month salary for each year of service.

## 7. Temporarily restricted contributions

This item comprises temporary restricted contributions subject to purpose restriction by Danish Ministry of Foreign Affairs (MoFA). These amounts represent the excess of donations pledged over the expenditures made out to satisfy the purposes stipulated by MoFA. The movement on the temporarily restricted contributions is as follows:

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	62,622	72,142
Additions during the year	434,314	448,020
Released from restrictions	(477,057)	(457,540)
Balance, end of the year	<u>19,879</u>	<u>62,622</u>

## 8. Other current liabilities

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Due to partners	13,803	6,404
Accrued professional fees	5,386	3,066
Due to suppliers	4,465	816
Due to employees	1,669	1,669
Withheld income tax	976	876
Legal fees	-	2,000
	<u>26,299</u>	<u>14,831</u>

## 9. Grants and donations

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Erik Thunes Legat	-	28,787
Danish Lottery Fund	-	14,528
University College Capital Campus Carlsberg (UCC)	-	2,025
	<u>-</u>	<u>45,340</u>

## 10. Other revenues

	<u>2020</u>	<u>2019</u>
	U.S. \$	U.S. \$
Recovery of unneeded provisions	8,898	-
Guest house income	315	5,607
Volunteer Contributions	-	13,251
Other	307	170
	<u>9,520</u>	<u>19,028</u>

## 11. Activity Outcome expenses

This item represents costs incurred during the year under the following activity outcomes:

	<u>2020</u> <u>U.S. \$</u>
Outcome 1- The world we live in, our collective memory and roots of identity	
Project expenses	
Film lab, the Cinema Days	15,000
Tamer, Palestinian folk tales	8,751
The Ones Who Walked Away	8,218
The Why Foundation - six documentaries	8,014
The Cinema Days - the Danes, media coverage activity	3,623
Palestine Living Memories	<u>3,149</u>
Total outcome projects expenses	46,755
Engagement and Program Team	29,079
Program Support Team	27,952
Communication and transport (travel, transport, internet, phone, website)	2,067
Premises and other operation (maintenance, utilities, hospitality, office supplies, bank commissions)	<u>6,408</u>
Outcome 1- Total	<u>112,261</u>
Outcome 2- Children, young people, learning and creativity	
Project expenses	
Child friendly communication and education on Covid	32,172
Filmlab, The Next Generation	26,012
Social Circus United for Freedom Festival - Local	12,498
Tamer, Children's Literature	8,368
Tamer, seminars in literacy criticism	6,051
A Distinctive Creative Palestinian Design Community	5,846
Al Harah, Covid-19 response - Children and Youth E	5,571
Al Harah, Covid-19 response - Theatre Series	5,400
Film lab, Living in the time of Corona	4,007
Danish House productions offered to young artists	2,520
Tamer, The Young Debutants	<u>2,162</u>
Total outcome projects expenses	110,607
Engagement and Program Team	53,272
Program Support Team	40,567
Premises and other operation (maintenance, utilities, hospitality, office supplies, bank commissions)	7,996
Communication and transport (travel, transport, internet, phone, website)	<u>2,262</u>
Outcome 2- Total	<u>214,704</u>
Outcome 3- Public/popular engagement and awareness	
Project expenses	
Communication	10,005
Cultural encounters and events	6,445
Residency	5,993
DHIP Activities	<u>2,054</u>
Total outcome projects expenses	24,497
Engagement and Program Team	64,914
Program Support Team	44,401
Premises and other operation (maintenance, utilities, hospitality, office supplies, bank commissions)	8,376
Communication and transport (travel, transport, internet, phone, website)	5,795
Audit and evaluation fees	<u>5,220</u>
Outcome 3- Total	<u>153,203</u>
Grand Total	<u><u>480,168</u></u>

## Activity Outcome expenses (Cont'd)

	2019
	U.S. \$
Outcome 1- The world we live in, our collective memory and roots of identity	
Project expenses	
Academic, Ancient History of Palestine	20,564
Film lab, the Cinema Days	15,000
Publishing of a collection of Palestinian Folktale	6,600
An appraisal mission, Al Hara and Opgang 2	5,190
Space for co-production and expression	3,276
Total outcome projects expenses	50,630
Engagement and Program Team	30,674
Program Support Team	28,348
Premises and other operation (maintenance, utilities, hospitality, office supplies, bank commissions)	5,176
Communication and transport (travel, transport, internet, phone, website)	3,469
Outcome 1- Total	118,297
Outcome 2- Children, young people, learning and creativity	
Project expenses	
Program with librarians	16,745
Meramieh Tour	12,000
Book launch at Palestinian Museum	10,863
Translation children's literature	7,500
Children and youth film literacy	5,429
Danish House productions offered to young artists	3,966
Seminars in literacy criticism	3,626
Total outcome projects expenses	60,129
Engagement and Program Team	55,979
Program Support Team	40,821
Premises and other operation (maintenance, utilities, hospitality, office supplies, bank commissions)	6,469
Communication and transport (travel, transport, internet, phone, website)	3,989
Outcome 2- Total	167,387
Outcome 3- Public/popular engagement and awareness	
Project expenses	
Couch talk, small events, Palestinian & Danish film	14,050
DHIP activities	5,960
Investigative journalism / IMS	3,380
Total outcome projects expenses	23,390
Engagement and Program Team	66,715
Program Support Team	44,223
Audit and evaluation fees	24,682
Communication and transport (travel, transport, internet, phone, website)	9,886
Premises and other operation (maintenance, utilities, hospitality, office supplies, bank commissions)	6,839
Outcome 3- Total	175,735
Grand Total	461,419

## 12. Refundable to Donors

During 2019, DHIP obtained funding from Erik Thunes Legat in the amount of U.S. \$ 28,787 for the purpose of executing "The Young Book Debutants" Project. DHIP expensed an amount of U.S. \$ 2,162; the remaining balance amounted to U.S \$ 26,625 was refunded to the donor during 2020.

## 13. Related party transactions

This item represents transactions with related parties. Related parties represent DHIP board of directors' members and key managements, and entities controlled, jointly controlled or significantly influenced by such parties. Policies and conditions related to the related party transactions are adopted by DHIP's board of directors. The financial statements include the following related party transactions in the statement of activities and changes in net assets:

	Relation	<u>2020</u> U.S. \$	<u>2019</u> U.S. \$
Key managements salaries and benefits	Key Management	<u>96,881</u>	<u>95,914</u>
Travel expenses	Board of directors	<u>-</u>	<u>4,863</u>
Consulting expenses	Board of directors	<u>18,300</u>	<u>-</u>

## 14. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and balances at banks and other current assets. Financial liabilities consist of temporarily restricted contributions and other current liabilities.

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

## 15. Concentration of risk in geographic area

DHIP is carrying out its activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out activities and could adversely affect DHIP's performance.

## 16. Risks associated with Coronavirus (COVID-19)

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 these conditions.

DHIP management believes that COVID-19 did not have significant impact on DHIP 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 DHIP's financial position.