

The Danish House in Palestine

Financial Statements

December 31, 2021



Ernst & Young
P.O. Box 1373
7th Floor,
PADICO House Bldg.
Al-Masyoun
Ramallah-Palestine

Tel: +972 22421011
Fax: +972 22422324
www.ey.com

Independent Auditor's Report To The Management 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, 2021, 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, 2021 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) together with the ethical requirements that are relevant to our audit of the financial statements in Palestine, 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.

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.

Ernst & Young - Middle East

License # 206/2012

Abdelkarim Mahmoud

License # 101/2017

Ramallah - Palestine

April 21, 2022

Statement of Financial Position

As at December 31, 2021

	Notes	<u>2021</u> U.S. \$	<u>2020</u> U.S. \$
Assets			
Non-current assets			
Property and equipment	3	11,390	13,311
		<u>11,390</u>	<u>13,311</u>
Current assets			
Other current assets	4	24,115	22,537
Cash and balances at banks	5	132,378	134,727
		<u>156,493</u>	<u>157,264</u>
Total assets		<u><u>167,883</u></u>	<u><u>170,575</u></u>
Net assets and liabilities			
Net Assets		<u>95,187</u>	<u>112,003</u>
Non-Current Liabilities			
Employees' end of service provision	6	30,740	12,394
		<u>30,740</u>	<u>12,394</u>
Current liabilities			
Temporarily restricted contribution	7	21,706	19,879
Other current liabilities	8	20,250	26,299
		<u>41,956</u>	<u>46,178</u>
Total liabilities		<u>72,696</u>	<u>58,572</u>
Total net assets and liabilities		<u><u>167,883</u></u>	<u><u>170,575</u></u>

The Danish House in Palestine (DHIP)

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2021

	Notes	2021 U.S. \$	2020 U.S. \$
Contributions and revenues			
Temporarily restricted contributions released from restriction	7	502,812	477,057
Other revenues	9	880	9,520
Total contributions and other revenues		<u>503,692</u>	<u>486,577</u>
Expenses			
Activity outcome expenses	10	501,241	480,168
Depreciation	3	4,151	5,344
Foreign currency exchange differences		588	1,177
Refunds to donors	11	14,528	26,625
Total expenses		<u>520,508</u>	<u>513,314</u>
Decrease in net assets		(16,816)	(26,737)
Net assets, beginning of the year		<u>112,003</u>	<u>138,740</u>
Net assets, end of the year		<u><u>95,187</u></u>	<u><u>112,003</u></u>

The attached notes from 1 to 15 form part of these financial statements

Statement of Cash Flows

For the year ended December 31, 2021

	<u>Notes</u>	<u>2021</u> U.S. \$	<u>2020</u> U.S. \$
Operating activities:			
Decrease in net assets		(16,816)	(26,737)
Adjustments:			
Depreciation		4,151	5,344
End of service expense		18,346	1,471
Other non-cash items		<u>6,898</u>	<u>(6,898)</u>
		12,579	(26,820)
Changes in working capital:			
Other current assets		(8,476)	6,754
Temporarily restricted contributions		1827	(42,743)
Other current liabilities		(6,049)	11,468
Employees end of service provision paid		-	(2,208)
Net Cash used in operating activities		<u>(12,698)</u>	<u>(53,549)</u>
Investing activities:			
Purchase of Property and equipment		<u>(2,230)</u>	<u>(1,020)</u>
Cash used in investing activities		<u>(2,230)</u>	<u>(1,020)</u>
Decrease in cash and balances at banks		(2,349)	(54,569)
Cash and balances at banks, beginning of the year		<u>134,727</u>	<u>189,296</u>
Cash and balances at banks, end of year	5	<u><u>132,378</u></u>	<u><u>134,727</u></u>

Notes to the Financial Statements

December 31, 2021

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, 2021 had been approved by DHIP management on April 19, 2022.

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 activities and changes in net assets 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 activities and changes in net assets when the asset is derecognized.

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

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.

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.

The following table summarizes the closing exchange rate as of December 31 ,2021:

<u>Currency</u>	<u>Closing exchange rate as of December 31 ,2021</u>
New Israeli Shekel	3.10585
The Danish krone	6.567

3. Property and equipment

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

	<u>Office equipment</u>	<u>Computers</u>	<u>Office furniture</u>	<u>Total</u>
<u>December 31, 2021</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cost:				
At January 1, 2021	35,802	19,535	17,496	72,833
Additions		2,230	-	2,230
At December 31, 2021	<u>35,802</u>	<u>21,765</u>	<u>17,496</u>	<u>75,063</u>
Accumulated depreciation:				
At January 1, 2021	29,816	18,548	11,158	59,522
Depreciation for the year	2,404	861	886	4,151
At December 31, 2021	<u>32,220</u>	<u>19,409</u>	<u>12,044</u>	<u>63,673</u>
Net book value:				
At December 31, 2021	<u>3,582</u>	<u>2,356</u>	<u>5,452</u>	<u>11,390</u>
At December 31, 2020	<u>5,986</u>	<u>987</u>	<u>6,338</u>	<u>13,311</u>

4. Other current assets

	2021	2020
	U.S. \$	U.S. \$
Prepaid expenses	15,970	15,089
Advances to partners/suppliers	8,145	550
Due from employees	-	6,898
	<u>24,115</u>	<u>22,537</u>

5. Cash and balances at banks

	2021	2020
	U.S. \$	U.S. \$
Cash on hand	559	56
Current accounts at banks	131,819	134,671
	<u>132,378</u>	<u>134,727</u>

6. Employees' end of service provision

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

	2021	2020
	U.S. \$	U.S. \$
Balance, beginning of the year	12,394	13,131
Additions	18,346	1,471
Payments	-	(2,208)
Balance, end of year	<u>30,740</u>	<u>12,394</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) and other donors. These amounts represent the excess of donations pledged over the expenditures made out to satisfy the purposes stipulated by MoFA and other donors. The movement on the temporarily restricted contributions is as follows:

	U.S \$		U.S \$	
	Donor			
	MoFA	Other donors	2021	2020
Balance, beginning of the year	19,879	-	19,879	62,622
Additions during the year*	479,536	25,103	504,639	434,314
Released from restrictions**	(485,835)	(16,977)	(502,812)	(477,057)
Balance, end of the year	<u>13,580</u>	<u>8,126</u>	<u>21,706</u>	<u>19,879</u>

* MoFA fund received in payments during the year as per the below:

	2021
	U.S. \$
Additions during the period from January 2021 to July 2021	277,269
Additions during the period from August 2021 to December 2021	202,267
Total additions during the year	<u>479,536</u>

** MoFA fund was released from restriction and recognized as revenues in line with the expenditures incurred during the following periods:

	<u>2021</u>
	<u>U.S. \$</u>
Release from restriction during the period from January 2021 to July 2021	291,654
Release from restriction the period from August 2021 to December 2021	194,181
Released from restriction	<u><u>485,835</u></u>

8. Other current liabilities

	<u>2021</u>	<u>2020</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Outstanding checks	11,920	-
Accrued professional fees	5,220	5,386
Withheld income tax	2,171	976
Due to suppliers/partners	939	18,268
Due to employees	-	1,669
	<u><u>20,250</u></u>	<u><u>26,299</u></u>

9. Other revenues

	<u>2021</u>	<u>2020</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Guest house income	651	315
Recovery of unneeded provisions	-	8,898
Other	229	307
	<u><u>880</u></u>	<u><u>9,520</u></u>

10. Activity Outcome expenses

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

	<u>2021</u>
	<u>U.S. \$</u>
January-July 2021	
Outcome-The world we live in, our collective memory and roots of identity joint production	110,500
Outcome- Children, young people, learning and creativity	161,075
Outcome- Public/popular engagement and awareness	23,817
August-December 2021	
Outcome- An increasing number of Palestinians and Danes are engaged in and actively supporting the programmes of the Danish House and its partners	45,606
Outcome- The resilience of girls, and boys, young women and men strengthened in vulnerable communities targeted by the Danish House and its partners	47,044
Outcome- Educational opportunities for selected young Palestinians in the creative film and design industries enhanced	21,717
Outcome- The range of artistic expressions amongst Danish House and partners supported artists which address, unfold and challenge the world we live in, our collective memory and roots of identity expanded	12,382
Outcome- Palestinian civil society organizations working with art and culture further strengthened to contribute to freedom of expression and cultural life in Palestine.	16,675
Outcome- The Danish House in Palestine has transitioned into an NGO with a more solid and diverse funding base	62,425
Grand Total	<u><u>501,241</u></u>

	<u>2020</u>
	<u>U.S. \$</u>
The world we live in, our collective memory and roots of identity	112,261
Children, young people, learning and creativity	214,704
Public/popular engagement and awareness	153,203
Grand Total	<u>480,168</u>

11. Refundable to donors

During 2019, DHIP obtained funding from Lottery fund in the amount of U.S. \$ 14,528 for the purpose of executing "Cross Culture Film Production Denmark Palestine" Project. The Project was not implemented due to Covid-19 pandemic, and the full balance of U.S. \$ 14,528 was refunded to the donor during 2021.

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 utilized an amount of U.S. \$ 2,162 and the remaining balance amounted to U.S. \$ 26,625 was refunded to the donor during 2020.

12. Related party transactions

This item represents transactions with related parties. Related parties represent DHIP board of directors' members and key managements. 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:

	<u>Relation</u>	<u>2021</u> <u>U.S. \$</u>	<u>2020</u> <u>U.S. \$</u>
Key managements salaries and benefits	Key Management	<u>101,961</u>	<u>96,881</u>
Consulting expenses	Board of directors	<u>-</u>	<u>18,300</u>

13. 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.

14. 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.

15. Risks associated with Coronavirus (COVID-19)

In light of the continuing impact of the Coronavirus (Covid-19) on the global economy and various business sectors and the accompanying restrictions and measures imposed by the Palestinian government, neighbouring countries and the rest of the world, the public sector and NGOs have been affected by international travel restrictions, widespread quarantine, and government actions other.

DHIP management believes that COVID-19 did not have significant impact on DHIP operations and financial performance, as DHIP mainly depend on funding received from MoFA to finance its operations which covers the years up to 2025.