

The Danish House in Palestine

Financial Statements

December 31, 2022



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Independent Auditor's Report To 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, 2022, 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, 2022 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
May 24, 2023

The Danish House in Palestine (DHIP)

Statement of Financial Position

As at December 31, 2022

	<u>Notes</u>	<u>2022</u> U.S. \$	<u>2021</u> U.S. \$
<u>Assets</u>			
Non-current assets			
Property and equipment	3	10,202	11,390
		<u>10,202</u>	<u>11,390</u>
Current assets			
Other current assets	4	17,418	24,115
Cash and balances at banks	5	241,535	132,378
		<u>258,953</u>	<u>156,493</u>
Total assets		<u>269,155</u>	<u>167,883</u>
<u>Net assets and liabilities</u>			
Net Assets		<u>99,113</u>	<u>95,187</u>
Non-Current Liabilities			
Employees' end of service provision	6	37,323	30,740
		<u>37,323</u>	<u>30,740</u>
Current liabilities			
Temporarily restricted contributions	7	121,266	21,706
Other current liabilities	8	11,453	20,250
		<u>132,719</u>	<u>41,956</u>
Total liabilities		<u>170,042</u>	<u>72,696</u>
Total net assets and liabilities		<u>269,155</u>	<u>167,883</u>

The attached notes from 1 to 15 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, 2022

		<u>2022</u>	<u>2021</u>
	<u>Notes</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Contributions and revenues</u>			
Temporarily restricted contributions released from restriction	7	515,127	502,812
Unrestricted contributions		7,505	-
Other revenues	9	-	880
Total contributions and other revenues		<u>522,632</u>	<u>503,692</u>
<u>Expenses</u>			
Activity outcome expenses	10	516,516	501,241
Depreciation	3	3,154	4,151
Foreign currency exchange differences		(964)	588
Refunds to donors	11	-	14,528
Total expenses		<u>518,706</u>	<u>520,508</u>
Increases (decrease) in net assets		3,926	(16,816)
Net assets, beginning of the year		<u>95,187</u>	<u>112,003</u>
Net assets, end of the year		<u><u>99,113</u></u>	<u><u>95,187</u></u>

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

The Danish House in Palestine (DHIP)

Statement of Cash Flows
For the year ended December 31, 2022

	<u>Notes</u>	<u>2022</u> U.S. \$	<u>2021</u> U.S. \$
<u>Operating activities:</u>			
Increases (decrease) in net assets		3,926	(16,816)
<u>Adjustments:</u>			
Depreciation		3,154	4,151
End of service expense		14,552	18,346
Other non-cash items		1,913	6,898
		<u>23,545</u>	<u>12,579</u>
<u>Changes in working capital:</u>			
Other current assets		6,697	(8,476)
Temporarily restricted contributions		98,596	1,827
Other current liabilities		(8,797)	(6,049)
Payments on employees end of service provision		(7,969)	-
Net Cash from (used in) operating activities		<u>112,072</u>	<u>(119)</u>
<u>Investing activities:</u>			
Purchase of Property and equipment		(2,915)	(2,230)
Cash used in investing activities		<u>(2,915)</u>	<u>(2,230)</u>
Increases (decrease) in cash and balances at banks		109,157	(2,349)
Cash and balances at banks, beginning of the year		<u>132,378</u>	<u>134,727</u>
Cash and balances at banks, end of year	5	<u>241,535</u>	<u>132,378</u>

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

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, 2022 had been approved by DHIP management on May 22, 2023.

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.

Employees' end of service provision

The allocation for end-of-service provision is provided for in accordance with the applicable labor law in Palestine.

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.

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.

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.

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 ,2022:

Currency	Closing exchange rate as of December 31 ,2022
New Israeli Shekel	3.51
The Danish krone	6.96

3. Property and equipment

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

	Office equipment	Computers	Office furniture	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>December 31, 2022</u>				
<u>Cost:</u>				
At January 1, 2022	35,802	21,765	17,496	75,063
Additions	-	-	2,915	2,915
Disposals	(13,070)	-	(3,723)	(16,793)
At December 31, 2022	<u>22,732</u>	<u>21,765</u>	<u>16,688</u>	<u>61,185</u>
<u>Accumulated depreciation:</u>				
At January 1, 2022	32,220	19,409	12,044	63,673
Depreciation for the year	935	1,084	1,135	3,154
Disposals	(12,873)	-	(2,971)	(15,844)
At December 31, 2022	<u>20,282</u>	<u>20,493</u>	<u>10,208</u>	<u>50,983</u>
<u>Net book value:</u>				
At December 31, 2022	<u>2,450</u>	<u>1,272</u>	<u>6,480</u>	<u>10,202</u>
At December 31, 2021	<u>3,582</u>	<u>2,356</u>	<u>5,452</u>	<u>11,390</u>

4. Other current assets

	2022	2021
	U.S. \$	U.S. \$
Prepaid expenses	4,749	15,970
Advances to partners/suppliers	12,669	8,145
	<u>17,418</u>	<u>24,115</u>

5. Cash and balances at banks

	2022	2021
	U.S. \$	U.S. \$
Cash on hand	964	559
Current accounts at banks	240,571	131,819
	<u>241,535</u>	<u>132,378</u>

6. Employees' end of service provision

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

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	30,740	12,394
Additions	14,552	18,346
Payments	(7,969)	-
Balance, end of year	<u>37,323</u>	<u>30,740</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	2022	2021
Balance, beginning of the year	13,580	8,126	21,706	19,879
Refunds to donors	(5,495)	-	(5,495)	-
Additions during the year	419,760	200,422	620,182	504,639
Released from restrictions	(364,230)	(150,897)	(515,127)	(502,812)
Balance, end of the year	<u>63,615</u>	<u>57,651</u>	<u>121,266</u>	<u>21,706</u>

8. Other current liabilities

	2022	2021
	U.S. \$	U.S. \$
Accrued professional fees	5,450	5,220
Due to suppliers/partners	4,261	939
Withheld income tax	1,742	2,171
Outstanding checks	-	11,920
	<u>11,453</u>	<u>20,250</u>

9. Other revenues

	2022	2021
	U.S. \$	U.S. \$
Guest house income	-	651
Other	-	229
	<u>-</u>	<u>880</u>

10. Activity Outcome expenses

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

	<u>2022</u>
	<u>U.S. \$</u>
Outcome- An increasing number of Palestinians and Danes are engaged in and actively supporting the programmes of the Danish House and its partners	100,600
Outcome- The resilience of girls, and boys, young women and men strengthened in vulnerable communities targeted by the Danish House and its partners	150,500
Outcome- Educational opportunities for selected young Palestinians in the creative film and design industries enhanced	75,000
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	41,400
Outcome- Palestinian civil society organizations working with art and culture further strengthened to contribute to freedom of expression and cultural life in Palestine.	78,200
Outcome- The Danish House in Palestine has transitioned into an NGO with a more solid and diverse funding base	<u>70,816</u>
Grand Total	<u><u>516,516</u></u>
	<u>2021</u>
	<u>U.S. \$</u>
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
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	<u>62,425</u>
Grand Total	<u><u>501,241</u></u>

11. Refunds 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.

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:

	Relation	<u>2022</u> U.S. \$	<u>2021</u> U.S. \$
Key managements salaries and benefits	Key Management	<u>61,328</u>	<u>101,961</u>

13. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of other current assets and cash and balances at banks. 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. Comparative figures

Certain comparative figures of the prior year financial statements were reclassified to conform to the current year presentation for the year ended December 31, 2022. These reclassifications had no effect on the net income and equity of prior years.

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.