

**Independent Auditors' Report on the Danish House in  
Palestine's Financial Statements as of December 31, 2018**

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# El Wafa Company

For Financial Consulting & Accounting Services

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## Independent Auditors' Report

**To: The Board of Directors  
The Danish House in Palestine  
Ramallah, Palestine**

### *Opinion*

We have audited the accompanying financial statements of the **Danish House in Palestine (DHIP)** which comprise the statement of financial position as at December 31, 2018, the statement of activities and cash flows statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of DHIP as of December 31, 2018, the results of its activities and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of 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 the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

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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.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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



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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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

El Wafa Company  
(Permit No. 203/2012)



Musa Abu Dieh  
(Permit No. 223/1993)

Ramallah, Palestine  
February 26, 2019

**The Danish House in Palestine**  
**Statement of Financial Position**  
**As at December 31, 2018**  
*(Currency: USD)*

	<u>Note</u>	<u>2018</u>	<u>2017</u>
<i>Assets</i>			
Current Assets			
Cash on hand and at bank	3	160,313	76,826
Prepayments and other current assets	4	17,780	25,838
<b>Total Current Assets</b>		<b>178,093</b>	<b>102,664</b>
Fixed assets, net	5	23,775	34,273
<b>Total Assets</b>		<b>201,868</b>	<b>136,937</b>
<i>Liabilities and Net Assets</i>			
Current Liabilities			
Accrued expenses and other current liabilities	6	22,288	22,547
<b>Total Current Liabilities</b>		<b>22,288</b>	<b>22,547</b>
Provision for severance pay	7	21,600	6,601
<b>Total Liabilities</b>		<b>43,888</b>	<b>29,148</b>
Net Assets			
Unrestricted		85,838	63,464
Restricted	8	72,142	44,325
<b>Total Net Assets</b>		<b>157,980</b>	<b>107,789</b>
<b>Total Liabilities and Net Assets</b>		<b>201,868</b>	<b>136,937</b>

*The accompanying notes form an integral part of these financial statements*

**The Danish House in Palestine**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**  
*(Currency: USD)*

		<b>2018</b>			
	<b>Note</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>	<b>2017</b>
<b>Revenues</b>					
Contributions received from Danish MoFA	<b>9</b>	-	579,648	579,648	514,295
Grants and donations	<b>10</b>	39,829	-	39,829	79,173
Other revenues	<b>11</b>	3,736	-	3,736	10,305
Net assets released from restriction	<b>8</b>	551,831	(551,831)	-	-
Currency differentials gain	<b>12</b>	10,016	-	10,016	1,276
<b>Total Revenues</b>		<b>605,412</b>	<b>27,817</b>	<b>633,229</b>	<b>605,049</b>
<b>Expenses</b>					
Human resources expenses	<b>13</b>	17,813	-	17,813	17,956
Running expenses	<b>14</b>	22,346	-	22,346	26,874
Program expenses	<b>15</b>	532,285	-	532,285	553,138
Depreciation	<b>5</b>	10,594	-	10,594	13,275
<b>Total Expenses</b>		<b>583,038</b>	<b>-</b>	<b>583,038</b>	<b>611,243</b>
<b>Change in net assets</b>		<b>22,374</b>	<b>27,817</b>	<b>50,191</b>	<b>(6,194)</b>
<b>Net assets, beginning of year</b>		<b>63,464</b>	<b>44,325</b>	<b>107,789</b>	<b>113,983</b>
<b>Net assets, end of year</b>		<b>85,838</b>	<b>72,142</b>	<b>157,980</b>	<b>107,789</b>

*The accompanying notes form an integral part of these financial statements*

**Danish House in Palestine**  
**Cash Flows Statement**  
**For the Year Ended December 31, 2018**  
*(Currency: USD)*

	<u>2018</u>	<u>2017</u>
<b>Cash Flow from Operating Activities</b>		
<b>Change in net assets</b>	<b>50,191</b>	<b>(6,194)</b>
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	10,594	13,275
Decrease (increase) in prepayments and other current assets	8,058	(14,171)
(Decrease) in accrued expenses and other current liabilities	(259)	(47,581)
Increase (decrease) in provision for severance pay	14,999	(10,062)
<b>Net cash flow from (used in) operating activities</b>	<b><u>83,583</u></b>	<b><u>(64,733)</u></b>
<b>Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(96)	(1,714)
<b>Net cash flow (used in) investing activities</b>	<b><u>(96)</u></b>	<b><u>(1,714)</u></b>
<b>Net increase (decrease) in cash on hand and at bank</b>	<b>83,487</b>	<b>(66,447)</b>
<b>Cash on hand and at bank, beginning of year</b>	<b><u>76,826</u></b>	<b><u>143,273</u></b>
<b>Cash on hand and at bank, end of year</b>	<b><u><u>160,313</u></u></b>	<b><u><u>76,826</u></u></b>

*The accompanying notes form an integral part of these financial statements*



**The Danish House in Palestine**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2018**  
*(Currency: USD)*

**1. DHIP and Its Activities**

The Danish House in Palestine (DHIP) is an international not for profit organization registered at Palestinian Ministry of Interior in Ramallah as of February 3, 2010 under registration number QR-0137-P.

DHIP serves as a platform for vocational and cultural exchange projects at a grass-roots 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.

**2. Summary of Significant Accounting Policies**

The financial statements have been prepared under the historical cost convention, the significant accounting policies follow: -

**- General**

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as unrestricted and restricted. Unrestricted net assets are those whose use by DHIP is not subject to donor-imposed stipulations. Restricted net assets are those whose use by DHIP has been limited by donors for specific time period or purpose.

**- Donors' Contributions**

Restricted and unrestricted donors' contributions are recorded as revenues at the fair market value at the date contribution is received. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

**- Other Revenues**

Other revenues including guest house income are recorded by DHIP when received, in accordance with the cash basis of accounting.

**- Expenses**

Expenses are recorded by DHIP when incurred in accordance with the accrual basis of accounting.

**- Provision for Severance Pay**

DHIP provides for the severance pay of its employees in conformity with local labor law (law number 7 of the year 2000).

### - Fixed Assets

Fixed assets are recorded at cost and depreciated over their estimated useful lives using the straight-line method, at the following annual rates:

	%
Office equipment	20
Computers	33.33
Office furniture	10

### - Foreign Currencies

DHIP's basic functional currency is the United States Dollar (USD). Transactions which are expressed or denominated in other currencies were translated to USD using exchange rates in effect at the time of each transaction. Assets and liabilities which are denominated in other currencies are translated to USD using exchange rates prevailing at the date of the statement of financial position. Gains and losses arising from translation are reflected in the statement of activities.

Foreign currency exchange rates against USD at December 31, 2018 and 2017 were as follows:

	One USD	
	2018	2017
New Israeli Shekel (ILS)	3.758	3.509
Danish krone (DKK)	6.032	6.999

## 3. Cash on Hand and at Bank

Cash on hand and at bank comprises:

	2018	2017
Cash on hands in USD	246	363
Cash at bank in USD	116,591	25,785
Cash at bank in ILS	8,635	(1,820)
Cash at bank in DKK	32,341	49,998
Internet shopping card	2,500	2,500
	<b>160,313</b>	<b>76,826</b>

## 4. Prepayments and Other Current Assets

Prepayments and other current assets comprises:

	2018	2017
Prepaid expenses	17,538	14,873
Advances to partners	242	10,100
Other	-	865
	<b>17,780</b>	<b>25,838</b>

## 5. Fixed Assets, Net

Components of fixed assets costs and related accumulated depreciation as of December 31, 2018 and movement thereon during the year follow:

	<b>Balance, Beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance, End of year</b>
<b>Costs</b>				
Office equipment	37,646	-	-	37,646
Computers	18,515	-	-	18,515
Office furniture	17,632	96	-	17,728
	<b>73,793</b>	<b>96</b>	<b>-</b>	<b>73,889</b>
<b>Accumulated Depreciation</b>				
Office equipment	17,305	4,665	-	21,970
Computers	13,078	5,272	-	18,350
Office furniture	9,137	657	-	9,794
	<b>39,520</b>	<b>10,594</b>	<b>-</b>	<b>50,114</b>
<b>Net Book Value</b>	<b>34,273</b>			<b>23,775</b>

## 6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise:

	<b>2018</b>	<b>2017</b>
Due to partners	12,816	14,763
Accrued audit fees	3,646	3,520
Legal fees	2,000	2,000
Due to employees	1,669	1,377
Due to suppliers	1,185	-
Withheld income tax	972	887
	<b>22,288</b>	<b>22,547</b>

## 7. Provision for Severance Pay

The movement on the provision for severance pay during 2018 and 2017 follows:

	<b>2018</b>	<b>2017</b>
<b>Balance, beginning of year</b>	<b>6,601</b>	<b>16,663</b>
Additions during the year	39,148	11,964
Payments during the year	(24,149)	(22,026)
<b>Balance, end of year</b>	<b>21,600</b>	<b>6,601</b>

## 8. Restricted Net Assets

Restricted net assets as of December 31, 2018 and movement thereon during the year follow:

	<b>Beginning balance</b>	<b>Additions</b>	<b>Net assets released from restriction/ Project expenses</b>	<b>Ending balance</b>
Danish MoFA	44,325	579,648	(551,831)	72,142
	<b>44,325</b>	<b>579,648</b>	<b>(551,831)</b>	<b>72,142</b>

## 9. Contributions Received from Danish MoFA

This item represents contribution received from Danish MoFA to support implementation of DHIP's strategy and program plan under grant agreement No. 104.Pal.54-01.

## 10. Grants and Donations

Grants and donations comprise:

	2018	2017
Action Aid Denmark	25,493	46,778
Danish Film Institute	3,269	11,269
University College Capital Campus Carlsberg (UCC)	2,728	-
Volunteer contributions	8,339	4,274
International Media Support (IMS)	-	3,836
Ulla group	-	1,184
The Danish Centre for Culture and Development (CKU)	-	10,687
DHIP activities	-	1,145
	<b>39,829</b>	<b>79,173</b>

## 11. Other Revenues

Other revenues comprises:

	2018	2017
Guest house income	3,736	3,021
Other	-	7,284
	<b>3,736</b>	<b>10,305</b>

## 12. Currency Differentials Gain

Currency differentials have resulted from the revaluation of DHIP monetary assets and liabilities in foreign currencies to USD using the exchange rates prevailing at the date of the statement of financial position. The fluctuations in the exchange rates against USD resulted in a gain of USD 10,016 and USD 1,276 as of December 31, 2018 and 2017 respectively.

## 13. Human Resources Expenses

This item comprises:

	2018	2017
General Director	6,150	9,491
Admin Manager and Program Coordinator	7,436	6,307
Consultant	4,227	2,158
	<b>17,813</b>	<b>17,956</b>

## 14. Running Expenses

This item comprises:

	2018	2017
International travel	6,141	5,908
Rent	5,000	5000
Auditing and evaluation	3,480	9,520
Hospitality	3,173	2,409
Transportation	1,933	1,771
Communication (telephone, internet, fax and mail)	1,106	914
Utilities (electricity, water, heating, etc.)	992	994
Maintenance	521	358
	<b>22,346</b>	<b>26,874</b>

## 15. Programs Expenses

This item comprises:

	2018	2017
Circus exchange	66,365	42,990
Boxing exchange	64,631	17,386
Film festival (days of cinema)	60,869	27,031
Theatre for children and youth	57,732	49,836
Investigative journalism	48,923	-
When past meets future	43,887	-
Academic exchange	40,155	11,494
Recycling and art	38,036	22,721
Couch talk, small events, Palestinian and Danish film	22,651	17,522
Palestine photo marathon project	21,911	48,346
Palestinian Performing Arts Network (PPAN) collaboration	20,930	23,244
Organizational reform and staff training	18,589	48,361
Action Aid Denmark	15,681	34,105
Children and youth literature illustration	10,817	49,396
Museum skills training	976	-
DHIP activities	132	11,987
Oral history 2016 and 2017	-	80,887
Film literacy for children and youth	-	32,118
Design in context	-	22,244
Merging music 2016	-	13,470
	<b>532,285</b>	<b>553,138</b>

## 16. Prior Year Comparatives

The financial statements for the year ended December 31, 2017 have been audited by a Firm of Accountants other than El Wafa Company for Financial Consulting and Accounting Services. The Auditor's report on these financial statements dated February 27, 2018 expressed an unqualified opinion.

Certain prior year balances had been reclassified to conform with the current year presentation. Reclassifications on year 2017 balances follow: -

	<b>Balance, as previously reported</b>	<b>Reclassification</b>	<b>Balance, as reclassified</b>	<b>Current Presentation</b>
Cash on hand and at bank	91,056	(16,730) 2,500	76,826	
Prepaid expenses	14,873	10,965	25,838	Prepayments and other current assets
Payables and accruals	9,082	2,500 10,965	22,547	Accrued expenses and other current liabilities
Outstanding cheques	16,730	(16,730)	-	Cash on hand and at bank
Deferred grants	44,325	(44,325)	-	Restricted net assets
Unrestricted net assets	(4,183)	67,647	63,464	
Restricted net assets	67,647	(67,647) 44,325	44,325	
Contributions received from Danish MoFA	508,409	5,886	514,295	