

**Independent Auditors' Report on the Danish House in
Palestine's Financial Statements as of December 31, 2019**

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Independent Auditors' Report

**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, 2019, 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, 2019, 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.

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- 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, 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. 223/1994)

Ramallah, Palestine
March 18, 2020

The Danish House in Palestine
Statement of Financial Position
As at December 31, 2019
(Currency: USD)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<i>Assets</i>			
Current Assets			
Cash on hand and at bank	3	189,296	160,313
Prepayments and other current assets	4	22,393	17,780
Total Current Assets		211,689	178,093
Fixed assets, net	5	17,635	23,775
Total Assets		229,324	201,868
<i>Liabilities and Net Assets</i>			
Current Liabilities			
Accrued expenses and other current liabilities	6	14,831	22,288
Total Current Liabilities		14,831	22,288
Provision for severance pay	7	13,131	21,600
Total Liabilities		27,962	43,888
Net Assets			
Unrestricted		138,740	85,838
Restricted	8	62,622	72,142
Total Net Assets		201,362	157,980
Total Liabilities and Net Assets		229,324	201,868

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, 2019
(Currency: USD)

		2019			
	Note	Unrestricted	Restricted	Total	2018
Revenues					
Contributions received from Danish MoFA	9	-	448,020	448,020	579,648
Grants and donations	10	58,591	-	58,591	39,829
Other revenues	11	5,777	-	5,777	3,736
Net assets released from restriction	8	457,540	(457,540)	-	-
Total Revenues		521,908	(9,520)	512,388	623,213
Expenses					
Human resources expenses	13	19,534	-	19,534	17,813
Running expenses	14	40,525	-	40,525	22,346
Program expenses	15	401,360	-	401,360	532,285
Depreciation	5	6,252	-	6,252	10,594
Currency differentials loss (gain)	16	1,335	-	1,335	(10,016)
Total Expenses		469,006	-	469,006	573,022
Change in net assets		52,902	(9,520)	43,382	50,191
Net assets, beginning of year		85,838	72,142	157,980	107,789
Net assets, end of year		138,740	62,622	201,362	157,980

The accompanying notes form an integral part of these financial statements

Danish House in Palestine
Cash Flows Statement
For the Year Ended December 31, 2019
(Currency: USD)

	<u>2019</u>	<u>2018</u>
Cash Flow from Operating Activities		
Change in net assets	43,382	50,191
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	6,252	10,594
(Increase) decrease in prepayments and other current assets	(4,613)	8,058
(Decrease) in accrued expenses and other current liabilities	(7,457)	(259)
(Decrease) increase in provision for severance pay	(8,469)	14,999
Net cash flow from operating activities	<u>29,095</u>	<u>83,583</u>
Cash Flow from Investing Activities		
Purchase of fixed assets	(168)	(96)
Donated assets	56	-
Net cash flow (used in) investing activities	<u>(112)</u>	<u>(96)</u>
Net increase in cash on hand and at bank	28,983	83,487
Cash on hand and at bank, beginning of year	<u>160,313</u>	<u>76,826</u>
Cash on hand and at bank, end of year	<u><u>189,296</u></u>	<u><u>160,313</u></u>

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, 2019
(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 or permanently.

- 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, 2019 and 2018 were as follows:

	One USD	
	2019	2018
New Israeli Shekel (ILS)	3.455	3.758
Danish krone (DKK)	6.696	6.032

3. Cash on Hand and at Bank

Cash on hand and at bank comprises:

	2019	2018
Cash on hands in USD	49	246
Cash at bank in USD	82,417	116,591
Cash at bank in ILS	2,006	8,635
Cash at bank in DKK	102,324	32,341
Internet shopping card	2,500	2,500
	189,296	160,313

4. Prepayments and Other Current Assets

Prepayments and other current assets comprises:

	2019	2018
Prepaid expenses	17,334	17,538
Advances to partners	4,509	242
Advances to employees	550	-
	22,393	17,780

5. Fixed Assets, Net

Components of fixed assets costs and related accumulated depreciation as of December 31, 2019 and movement thereon during the year follow:

	Balance, Beginning of year	Additions	Disposals	Balance, End of year
Costs				
Office equipment	37,646	168	(2,012)	35,802
Computers	18,515	-	-	18,515
Office furniture	17,728	-	*(232)	17,496
	73,889	168	(2,244)	71,813
Accumulated Depreciation				
Office equipment	21,970	5,376	(2,012)	25,334
Computers	18,350	162	-	18,512
Office furniture	9,794	714	*(176)	10,332
	50,114	6,252	(2,188)	54,178
Net Book Value	23,775			17,635

* These items had been donated to a partner entity.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise:

	2019	2018
Due to partners	6,404	12,816
Accrued audit fees	3,066	3,646
Legal fees	2,000	2,000
Due to employees	1,669	1,669
Withheld income tax	876	972
Due to suppliers	816	1,185
	14,831	22,288

7. Provision for Severance Pay

The movement on the provision for severance pay during 2019 and 2018 follows:

	2019	2018
Balance, beginning of year	21,600	6,601
Additions during the year	11,531	39,148
Payments during the year	(20,000)	(24,149)
Balance, end of year	13,131	21,600

8. Restricted Net Assets

Restricted net assets as of December 31, 2019 and movement thereon during the year follow:

	Beginning balance	Additions	Released from restriction/ Project expenses	Ending balance
Danish MoFA	72,142	448,020	(457,540)	62,622
	72,142	448,020	(457,540)	62,622

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:

	2019	2018
Erik Thunes Legat	28,787	-
Danish Lottery Fund	14,528	-
Volunteer contributions	13,251	8,339
University College Capital Campus Carlsberg (UCC)	2,025	2,728
Danish Film Institute	-	3,269
Action Aid Denmark	-	25,493
	58,591	39,829

11. Other Revenues

Other revenues comprises:

	2019	2018
Guest house income	5,607	3,736
Other	170	-
	5,777	3,736

12. Human Resources Expenses

This item comprises:

	2019	2018
General Director	9,591	6,150
Admin Manager and Program Coordinator	8,386	7,436
Consultant	1,557	4,227
	19,534	17,813

13. Running Expenses

This item comprises:

	2019	2018
Auditing and evaluation	24,683	3,480
International travel	5,192	6,141
Rent	5,000	5,000
Transportation	1,568	1,933
Communication (telephone, internet, fax and mail)	1,210	1,106
Hospitality	1,130	3,173
Maintenance	896	521
Utilities (electricity, water, heating, etc.)	846	992
	40,525	22,346

14. Programs Expenses

This item comprises:

	2019	2018
Film festival (Days of Cinema)	46,258	60,869
Meramieh tour	43,258	-
Book launch at Palestinian Museum etc.	48,372	-
Translation of lectures	48,010	-
Publishing of a collection of Pal. Folk	34,607	-
Translation children's literature	32,507	10,817
An appraisal mission, Al Hara and Opgang 2	23,129	-
Couch talk, small events, Palestinian & Danish film	21,881	22,651
Organizational reform and staff training	21,880	18,589
Program with librarians	21,221	-
Children and youth film literacy	20,981	-
Space for co-production and expression	12,655	-
DHIP activities	15,629	132
Danish House productions offered to young artists	3,966	-
Seminars in literacy criticism	3,626	-
Investigative journalism / IMS	3,380	-
Circus Exchange	-	66,365
Boxing Exchange	-	64,631
Theatre for Children & Youth	-	57,732
Investigative Journalism	-	48,923
When past meets future	-	43,887
Academic Exchange	-	40,155
Recycling and Art	-	38,037
Palestine Photo Marathon Project	-	21,912
PPAN Collaboration	-	20,930
MS - Action Aid	-	15,681
Museum Skills training	-	976
	401,360	532,285

15. Currency Differentials Loss (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 loss of USD 1,335 and gain of USD 10,016 as of December 31, 2019 and 2018 respectively.