

NGO DEVELOPMENT CENTER (NDC)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

AND INDEPENDENT AUDITOR'S REPORT

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GLOSSARY OF TERMS

NDC: NGO Development Center

IDA: International Development Association – World Bank Group

SIDA: Swedish International Development Cooperation Agency

USD: United States Dollars

NGO: Palestinian non-government organization

UNRWA: United Nations Relief and Works Agency for Palestine Refugees in the Near East

UN Women: United Nations Entity for Gender Equality and the Empowerment of Women



Independent auditor's report to the Board of Directors of NGO Development Center- Jerusalem, Palestine

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NGO Development Center (hereinafter "NDC") as at December 31, 2016, and its statement of activities and changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The NDC's financial statements comprise:

- the statement of financial position as at December 31, 2016;
- the statement of activities and changes in net assets for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the NDC in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises annual report of NDC but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Independent auditor's report to the Board of Directors of NGO Development Center- Jerusalem, Palestine (continued)

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

In preparing the financial statements, management is responsible for assessing the NDC'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 the NDC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the NDC'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 scepticism 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 the NDC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



*Independent auditor's report to the Board of Directors of
NGO Development Center- Jerusalem, Palestine (continued)*

- 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 the NDC'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 the NDC 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.

Monsr Biffali
PricewaterhouseCoopers Palestine Limited
Ramallah, Palestine
April 13, 2017

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

Statement of Financial Position

(All amounts in USD)

	Notes	As at December 31	
		2016	2015
Assets			
Non-current Assets			
Property and equipment	(3)	11,655	24,068
		11,655	24,068
Current Assets			
Contributions receivable	(4)	3,555,400	1,614,562
Other current assets	(5)	12,354	16,994
Cash and cash equivalents	(6)	2,563,206	1,311,516
		6,130,960	2,943,072
Total Assets		6,142,615	2,967,140
Net Assets and Liabilities			
Net Assets			
Net assets		1,060,252	1,073,871
Total Net Assets		1,060,252	1,073,871
Non-current Liabilities			
Provision for employees' indemnity	(7)	302,402	354,317
		302,402	354,317
Current Liabilities			
Temporarily restricted contributions	(8)	4,660,408	1,492,550
Accounts payable and accruals	(9)	119,553	46,402
		4,779,961	1,538,952
Total Liabilities		5,082,363	1,893,269
Total Net Assets and Liabilities		6,142,615	2,967,140

- The notes on pages 8 to 16 are an integral part of the financial statements.

- The financial statements on page 5 to 16 were authorized for issue by NDC Board of Directors on April 12, 2017 and were signed on its behalf.



Zahi Khouri
Chairman of the Board of
Directors



Varsen Aghabekian
Treasurer

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

Statement of Activities and Changes in Net Assets

(All amounts in USD)

	Notes	Year ended December 31	
		2016	2015
Revenues			
Temporarily restricted contributions released from restriction	(8)	1,649,191	3,138,424
Interest income		3,212	5,602
Other revenues		168,250	120,098
Foreign currency exchange (loss) gain		(46,892)	29,910
Total Revenues		1,773,761	3,294,034
Expenses			
Operating expenses	(10)	1,768,958	3,279,532
Depreciation	(3)	18,422	20,735
Total Expenses		1,787,380	3,300,267
Decrease in net assets		(13,619)	(6,233)
Net assets, beginning of the year		1,073,871	1,080,104
Net assets, end of the year		1,060,252	1,073,871

- The notes on pages 8 to 16 are an integral part of the financial statements.

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

Statement of Cash Flows

(All amounts in USD)

	Year ended December 31	
	2016	2015
Cash flows from operating activities		
(Decrease) in net assets	(13,619)	(6,233)
Adjustments		
Depreciation	18,422	20,735
Provision for employees' indemnity	51,021	72,303
	<u>55,824</u>	<u>86,805</u>
Changes in working capital		
Contributions receivable	(1,940,838)	2,577,037
Other current assets	4,640	(311)
Temporarily restricted contributions	3,167,858	(3,137,967)
Accounts payable and accruals	73,151	(8,650)
Employees' indemnity paid	(102,936)	(12,861)
Net cash flow from (used in) operating activities	<u>1,257,699</u>	<u>(495,947)</u>
Cash flows from investing activities		
Purchase of property and equipment	(6,009)	(4,066)
Net cash flow used in investing activities	<u>(6,009)</u>	<u>(4,066)</u>
Net change in cash and cash equivalent	1,251,690	(500,013)
Cash and cash equivalents, beginning of the year	<u>1,311,516</u>	<u>1,811,529</u>
Cash and cash equivalents, end of the year	<u><u>2,563,206</u></u>	<u><u>1,311,516</u></u>

- The notes on pages 8 to 16 are an integral part of the financial statements.

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (1) GENERAL

NGO Development Center (NDC) was registered with the Ministry of Interior on March 4, 2006 under registration no. (QR 286-B), as a Palestinian non-governmental organization (NGO). NDC started its normal activities on July 1, 2006.

NDC is working hand-in-hand with Palestinian NGOs and community development organizations to enhance their service delivery and build more capable and representative Palestinian civil society. NDC programs and grants empower Palestinians by providing NGOs the skills, tools and funds they require to address social needs and promote self-reliance in adversity. The organization advocates greater transparency and accountability for NGOs through the adoption of professional financial and management practices, and promotes sector-wide coordination and sharing of best practice experiences.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to entities reporting under IFRS. Currently, international financial reporting standards do not include any specific requirements regarding not-for-profit organization in connection with the accounting policies or the presentation of the financial statements. As per International Accounting Standard number 8, paragraphs 10, in the absence of a standard and interpretation that specifically applies to a transaction, other event or condition, management can use its judgment in developing and applying an accounting policy that results in information that is relevant and reliable. In doing so management can consider the standards set by other standard-setting bodies. Accordingly, the NDC management has elected to record temporarily restricted contributions as liability until restrictions are met and when donors' restrictions expire, temporarily restricted contributions are reclassified to unrestricted net assets and reported in the statement of activities as temporarily restricted contributions released from restrictions.

2.2 Changes in accounting policies and disclosures

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

There are no standards, amendments or interpretations which are effective for the financial year beginning on 1 January 2016, or that are not yet mandatory, that would be expected to have a material impact on the NDC's financial statements. NDC believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires NDC's management to exercise its judgment in the process of applying the accounting policies. NDC's management continually evaluates its estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

2.4 Contributions revenues

Donor's unconditional pledges are those pledges where donor does not specify prerequisites that have to be carried out by the NDC before obtaining the fund.

Contributions revenues from pledges/grants are recognized as follows:

- Unconditional pledges that are not restricted by donor for a specific purpose or time are recognized as revenue when the pledge is obtained.
- Conditional restricted pledges that are temporarily restricted by donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

2.5 Expenses recognition

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

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of activities and changes in net assets. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value;
- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2.7 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the NDC and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of activities and changes in net assets during the financial period in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
Office Furniture	5-7
Office Equipment	5-7
Motor Vehicles	7
Computers	3-5
Software	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within the statement of activities and changes in net assets.

2.8 Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount (written-off) is made when the collection of full unconditional pledge is no longer probable.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less.

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.10 Fair values**

The fair value of financial assets and financial liabilities recorded in the statement of financial position approximate their carrying amounts largely due to the short-term maturities of these instruments. Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

2.11 Income taxes

NDC is a not-for-profit organization; accordingly, it is not subject to income tax.

2.12 Accounts payable 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.

2.13 Foreign currency

The accompanying financial statements are presented in USD, the functional currency of NDC. Transactions denominated in foreign currencies are translated into USD using the prevailing exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into USD using the exchange rates prevailing at the financial statements date. Currency exchange gains or losses that arise from the above mentioned transactions are reflected in the statement of activities and changes in net assets.

2.14 Provision for employees' indemnity

End of service benefits payable to the employees of NDC at the end of their services are provided for in accordance with the guidelines set by the local labor laws, by accruing one month compensation for each year of service based on the last salary paid.

2.15 Net assets

Net assets whose use by the NDC is not subject to restrictions.

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (3) PROPERTY AND EQUIPMENT

Cost:	Office Furniture	Office Equipment	Motor Vehicles*	Computers	Software	Total
As at January 1, 2015	22,425	87,042	28,570	107,301	138,875	384,213
Additions	-	3,596	-	470	-	4,066
Disposals	-	(1,947)	-	(6,254)	-	(8,201)
As at December 31, 2015	22,425	88,691	28,570	101,517	138,875	380,078
Accumulated Depreciation:						
As at January 1, 2015	21,528	68,769	27,331	86,973	138,875	343,476
Additions	565	8,291	1,239	10,640	-	20,735
Disposals	-	(1,546)	-	(6,655)	-	(8,201)
As at December 31, 2015	22,093	75,514	28,570	90,958	138,875	356,010
Net Book value as at December 31, 2015	332	13,177	-	10,559	-	24,068

*NDC has two vehicles included in motor vehicles under property and equipment, where one vehicle, located in Gaza, was received as a donation from Welfare Association in November 2006, and is still registered in the name of the Welfare Association. The other vehicle was acquired in August 2008, and is registered in Jerusalem under the name of NDC Director.

NDC owned property and equipment include fully depreciated assets in the amount of USD 301,360 that are still in operation as of December 31, 2015.

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (3) PROPERTY AND EQUIPMENT (continued)

Cost:	Office Furniture	Office Equipment	Motor Vehicles	Computers	Software	Total
As at January 1, 2016	22,425	88,691	28,570	101,517	138,875	380,078
Additions	-	430	-	5,579	-	6,009
Disposals	-	-	-	(920)	-	(920)
As at December 31, 2016	22,425	89,121	28,570	106,176	138,875	385,167
Accumulated Depreciation:						
As at January 1, 2016	22,093	75,514	28,570	90,958	138,875	356,010
Additions	332	7,434	-	10,656	-	18,422
Disposals	-	-	-	(920)	-	(920)
As at December 31, 2016	22,425	82,948	28,570	100,694	138,875	373,512
Net Book value as at December 31, 2016	-	6,173	-	5,482	-	11,655

NDC owned property and equipment include fully depreciated assets in the amount of USD 355,041 that are still in operation as of December 31, 2016.

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (4) CONTRIBUTIONS RECEIVABLE

	Balance January 1, 2016	Additions	Cash received	Currency exchange variance	Balance December 31, 2016
International Development Association (IDA)					
– Additional Financing	1,548,061	-	(1,548,061)	-	-
Care International in Egypt	-	100,000	(100,000)	-	-
Stars Foundation	-	9,669	(9,669)	-	-
United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)	-	29,095	(14,548)	-	14,547
United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)	66,501	82,725	(56,174)	2,331	95,383
Swedish International Development Cooperation Agency (SIDA)	-	4,554,480	(1,125,495)	16,485	3,445,470
	<u>1,614,562</u>	<u>4,775,969</u>	<u>(2,853,947)</u>	<u>18,816</u>	<u>3,555,400</u>

NOTE (5) OTHER CURRENT ASSETS

	2016	2015
Prepaid expenses	12,000	13,334
Others	354	3,660
	<u>12,354</u>	<u>16,994</u>

NOTE (6) CASH AND CASH EQUIVALENTS

	2016	2015
Cash on hand and at banks	633,233	495,254
Deposits at bank	1,929,973	816,262
	<u>2,563,206</u>	<u>1,311,516</u>

NOTE (7) PROVISION FOR EMPLOYEES' INDEMNITY

Following is a summary of the movements on the provision for employees' indemnity during the years ended December 31, 2015 and December 31, 2016:

	January 1, 2015	Additions	Payments	December 31, 2015
December 31, 2015				
End of service benefits	294,371	33,856	(9,668)	318,559
Employees' saving fund	504	38,447	(3,193)	35,758
	<u>294,875</u>	<u>72,303</u>	<u>(12,861)</u>	<u>354,317</u>
	January 1, 2016	Additions	Payments	December 31, 2016
December 31, 2016				
End of service benefits	318,559	32,081	(88,300)	262,340
Employees' saving fund	35,758	18,940	(14,636)	40,062
	<u>354,317</u>	<u>51,021</u>	<u>(102,936)</u>	<u>302,402</u>

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (8) TEMPORARILY RESTRICTED CONTRIBUTIONS

This item represents the temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of donations pledged over the expenditures made out to satisfy the purposes stipulated by the donors. The movement on the temporarily restricted contributions is as follows:

	Balance January 1, 2016	Additions	Operational expenses released from restriction	Property and equipment released from restriction	Currency exchange variance	Balance, December 31, 2016
International Development Association (IDA)	1,418,124	-	(1,412,934)	(5,190)	-	-
Care International in Egypt	-	100,000	(100,000)	-	-	-
Stars Foundation	-	9,669	(9,669)	-	-	-
UNRWA	-	29,095	(29,095)	-	-	-
UN Women	74,426	82,725	(92,303)	-	1,600	66,448
Sida	-	4,554,480	-	-	39,480	4,593,960
	1,492,550	4,775,969	(1,644,001)	(5,190)	41,080	4,660,408

NOTE (9) ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
Staff vacation provision	25,136	28,325
Accounts payable	54,872	3,363
Accrued expenses	24,626	11,424
Outstanding checks	14,638	-
Others	281	3,290
	119,553	46,402

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (10) OPERATING EXPENSES

	IDA- PNGO IV AF	UN Women	Care International	UNRWA	Stars Foundation	Sub total	NDC Core fund	2016	2015
Grants to recipients	838,449	-	-	-	-	838,449	-	838,449	2,327,190
Salaries and related expenses	280,853	31,430	40,063	25,045	8,977	386,368	63,467	449,835	563,304
Consultation - Capacity building	189,164	10,032	55,500	2,000	-	256,696	30,038	286,734	-
Professional fees	17,145	-	-	-	-	17,145	-	17,145	199,118
Transportation and									
Accommodation expenses	7,359	30,667	4,067	848	524	43,465	1,340	44,805	11,084
Network support expense	1,955	-	-	-	-	1,955	299	2,254	28,766
Utilities	6,816	3,871	-	-	-	10,687	6,623	17,310	16,537
Rent expenses	13,914	2,665	-	-	-	16,579	8,740	25,319	24,310
Communication expense	12,368	1,511	150	-	-	14,029	2,590	16,619	15,649
Maintenance	9,584	745	-	-	-	10,329	1,229	11,558	15,083
Hospitality and meetings	6,049	8,903	-	-	-	14,952	550	15,502	8,240
Media advertising	843	1,154	-	-	-	1,997	512	2,509	1,281
Vehicle expenses	9,850	593	-	1,202	145	11,790	1,461	13,251	15,739
Stationery and office supplies	9,201	732	-	-	-	9,933	4,675	14,608	12,847
Insurance	2,616	-	-	-	-	2,616	-	2,616	1,818
Printings and brochures	6,251	-	-	-	-	6,251	198	6,449	37,526
Bank charges	517	-	220	-	23	760	370	1,130	1,040
Other	-	-	-	-	-	-	2,865	2,865	-
	1,412,934	92,303	100,000	29,095	9,669	1,644,001	124,957	1,768,958	3,279,532

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

NOTE (11) RELATED PARTY TRANSACTIONS

This item represents transactions with related parties, i.e., trustees, directors, NDC's senior management and organizations, over which they exercise control during 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Key management personnel compensation	210,561	206,864

NOTE (12) FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of contributions receivable, some other current assets, and cash and cash equivalents. Financial liabilities consist of accounts payable and accruals and temporarily restricted contributions.

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

NOTE (13) RISK MANAGEMENT

The NDC's activities are exposed to a variety of financial risks, mainly: credit risk, liquidity risk and foreign currency risk. NDC overall risk management program focuses on unpredictability of financial markets and seeks to minimize potential adverse effect on the NDC financial performance.

13.1 Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The risk is divided into the following categories:

Fully performing assets:

	<u>Carrying Amount</u>	
	<u>2016</u>	<u>2015</u>
Contributions receivable	3,555,400	1,614,562
Cash and cash equivalents	2,563,206	1,311,516

To confront these risks, the following actions are taken:

- 1. Cash and cash equivalents:** NDC maintains its cash in banks with good reputation.
- 2. Contribution receivable:** this represents amounts receivable from donors according to signed agreements. NDC limits its credit risk through obtaining funds from several reputable donors such as IDA, UN Women, and SIDA.

13.2 Liquidity risk

The risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. NDC limits its liquidity risk by maintaining adequate cash balances and funds from multiple donors to meet its current obligations and to finance its operating activities. NDC expect to pay an amount of USD 94,063 of current liabilities as of December 31, 2016 within six months from that date.

<u>Item</u>	<u>Carrying amounts</u>	<u>0 to 6</u>	<u>7 to 12</u>
	<u>2012</u>	<u>Month</u>	<u>Months</u>
Staff vacation provision	25,136	-	25,136
Accounts payable	54,872	54,872	-
Accrued expenses	24,626	24,626	-
Outstanding checks	14,638	14,638	-
Others	281	281	-

NGO Development Center (NDC)

Financial statements for the year ended December 31, 2016

NOTES TO THE FINANCIAL STATEMENT

(All amounts in USD)

13.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

The main market risk faced by NDC is currency risk. Currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The main currencies that are used by NDC are the New Israeli Shekel (NIS), United States Dollar (USD) and the Euro. The fluctuations in the exchange rates resulted in a currency loss of USD 46,891 during the year ended December 31, 2016 (and gain of USD 29,910 during the year ended December 31, 2015).

NOTE (14) CONCENTRATION OF RISK IN GEOGRAPHIC AREA

NDC is carrying out all of its activities in Palestine. The political and economic situation in the area increases the risk of carrying out its activities and might adversely affect NDC's performance

Appendices

The following appendices do not form part of the audited financial statements of the NGO Development Center (NDC)



**To the Board of Directors of NGO Development Center (NDC)
Jerusalem - Palestine**

Dear Sir/Madam,

Our audit of the financial statements of the NGO Development Center (NDC) for the year ended December 31, 2016, has been made primarily for the purpose of expressing an opinion on the financial statements taken as a whole. The following appendices that include the schedules of Budget Versus Actual, and the detailed schedules of the grants made to the recipients, as set out on page (21 to 23), are presented for information purposes only and are not considered necessary to fairly present the financial statements of the NDC for the year ended December 31, 2016. Accordingly, we do not express any opinion thereon.


PricewaterhouseCoopers Palestine Limited
April 13, 2017
Ramallah, Palestine

(All amounts in USD)

APPENDIX I - THE SCHEDULES OF BUDGET VERSUS ACTUAL

The following table illustrates the actual expenditures versus the budget for the following two donors, DAI and UN Women:

1- INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) – PNGO IV – ADDITIONAL FINANCING

Budget Item	Budget	For the year ended December 31, 2016	Cumulative From August 26, 2013 to December 31, 2016	Remaining
Goods, consultants' services, including audit and training	358,100	209,585	343,567	14,533
Sub-grants for NGOs	3,420,000	838,449	3,415,402	4,598
Incremental operating costs	1,221,900	370,090	1,241,031	(19,131)
	5,000,000	1,418,124	5,000,000	-

2- UN Women

Budget Item	Budget	For the year ended December 31, 2016	Cumulative From Inception until December 31, 2016	Remaining
Mapping Component	20,543	17,912	21,679	(1,136)
Capacity building and mentoring component	140,752	74,390	74,390	66,362
Currency exchange variance	-	(1,599)	(1,222)	1,222
	161,295	90,703	94,847	66,448

NGO Development Center (NDC)
 Appendices to the financial statements

(All amounts in USD)

APPENDIX II – LIST OF SUB - GRANTS

The grants made by NDC to the recipients are listed below, per donor:

Grants funded by IDA:

Project #	Sub-grantee Name	Approved Budget	For the year ended December 31, 2016	From Inception to December 31, 2015	Cumulative From August 26, 2013 to December 31, 2016	Remaining
CSCC.14.001	Land Research Center	179,395	39,351	140,044	179,395	-
CSCC.14.001A	Environmental Education Center	95,550	38,220	57,330	95,550	-
CSCC.14.001B	Beit Ula Cultural Center	56,040	2,802	53,238	56,040	-
CSCC.14.002	Mother School Society	147,469	62,674	84,795	147,469	-
CSCC.14.002A	The Palestinian Health care committees	149,641	63,598	86,043	149,641	-
CSCC.14.003	QADER for Community Development	144,259	7,213	137,046	144,259	-
CSCC.14.003A	Psycho Social Counseling Center for Women	146,588	62,270	84,318	146,588	-
CSCC.14.003B	Palestinian Family Planning and protection Association (PPPPA)	128,711	38,686	90,025	128,711	-
CSCC.14.004	Burj Al Luqluq Social Center Society	142,615	60,611	82,004	142,615	-
CSCC.14.004A	Palestinian Vision Organization	138,540	6,927	131,613	138,540	-
CSCC.14.004B	Al-Saraya Center for community Services	126,870	6,344	120,526	126,870	-
CSCC.AF.15.005	Public Aid Society	110,000	24,000	86,000	110,000	-
CSCC.AF.15.005A	Sawaed for Relief & Development	149,950	95,632	54,318	149,950	-
EMG.AF.14.001	Palestine Hydrology Group	89,700	36,760	52,940	89,700	-
EMG.AF.14.002	East Jerusalem YMCA Rehabilitation Program	87,744	4,387	83,357	87,744	-
EMG.AF.14.003	Partners for Sustainable Development - PSD	79,408	33,424	45,984	79,408	-
EMG.AF.14.004	Palestinian Consultative Staff for Developing NGOs	96,866	4,843	92,023	96,866	-
EMG.AF.14.005	Health work committees	63,000	3,150	59,850	63,000	-
EMG.AF.14.006	Youth Development Department/Arab Studies Society	97,050	4,853	92,197	97,050	-
EMG.AF.14.007	PYALARA/Palestinian Youth Association for Leadership and Rights Activation	86,452	34,162	52,290	86,452	-
EMG.AF.14.008	Women Center of Shu fat Refugee Camp	53,000	22,400	30,600	53,000	-
EMG.AF.14.009	Palestine Save the Children Foundation	65,850	10,350	55,500	65,850	-
EMG.AF.14.010	Gaza Culture and Development Group	91,100	4,600	86,500	91,100	-
EMG.AF.14.011	Association Of Alrowad For Palestinian Youth	20,000	1,000	19,000	20,000	-
EMG.AF.14.012	Eye Society For Visually Impaired Rehabilitation And Prevention of Blindness (Save Vision)	41,300	2,100	39,200	41,300	-
EMG.AF.14.013	Al-Amal Association for the Deaf	99,134	25,014	74,120	99,134	-
EMG.AF.14.014	Jabalia Rehabilitation Society	64,478	3,478	61,000	64,478	-
	Sub-total	2,750,710	698,849	2,051,861	2,750,710	-

NGO Development Center (NDC)
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 (All amounts in USD)

Project #	Sub-grantee Name	Approved Budget	For the year ended December 31, 2016	From Inception to December 31, 2015	Cumulative From August 26, 2013 to December 31, 2016	Remaining
	Sub-total from previous page	2,750,710	698,849	2,051,861	2,750,710	-
EMG.AF.14.015	East Gaza Association for Family Development	73,740	16,240	57,500	73,740	-
EMG.AF.14.016	Afaluna Society for Deaf Children	63,307	14,307	49,000	63,307	-
EMG.AF.14.017	Palestinian Medical Relief Society/Gaza	99,970	5,000	94,970	99,970	-
EMG.AF.14.018	Ajyal Association For Creativity and Development	60,000	3,000	57,000	60,000	-
EMG.AF.14.019	Theatre Day Productions	81,512	31,112	50,400	81,512	-
EMG.AF.14.020	Aisha Association for woman and child protection	70,790	3,540	67,250	70,790	-
EMG.AF.14.021	Beit Lahia Development Association	99,971	4,999	94,972	99,971	-
UG.IV-AF.14.001	The Palestinian National Institute for NGOs (PNIN)	30,000	11,902	18,500	25,402	4,598
UG.IV-AF.14.002	Palestinian General Union of Charitable Societies (PGUCS)	30,000	16,500	13,500	30,000	-
UG.IV-AF.14.003	General Union of Non-Governmental Organizations	30,000	9,000	21,000	30,000	-
UG.IV-AF.14.004	The Palestinian NGO Network (PNGO)	30,000	24,000	6,000	30,000	-
	Total	3,420,000	838,449	2,576,953	3,415,402	4,598