NGO DEVELOPMENT CENTER
Al RAM - PALESTINE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT

NGO DEVELOPMENT CENTER
Al RAM – PALESTINE

FOR THE YEAR ENDED DECEMBER 31, 2020

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Kawasmy & Partners CO.
Ramallah – Palestine
Ein Munjid, Tokyo Street, Abraj House, 5th Floor
Tel : +970 2 2980300, Fax : +970 2 2980400

INDEPENDENT AUDITORS' REPORT

To the General Assembly of
NGO Development Center
Al Ram - Palestine

Opinion

We have audited the financial statements of **NGO Development Center (hereinafter "NDC or the Center")**, which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Center in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.
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
the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 IFRS, 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 Center'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 Center or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Center's financial reporting process.

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INDEPENDENT AUDITORS' REPORT

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 ISA's, we exercise professional judgement 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 the Center'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 disclosure is 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 Center 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.

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Kawasmy & Partners Co.
Palestine Branch

Ramallah - Palestine
July 15, 2021

NGO DEVELOPMENT CENTER
AL RAM – PALESTINE

STATEMENT OF FINANCIAL POSITION

US Dollar	Note	As of December 31, 2020	2019
Assets			
Current Assets			
Cash and Cash Equivalents	5	5,496,352	8,515,882
Contributions receivable	6	10,133,993	10,377,436
Other Debit Balances	7	23,239	25,859
		15,653,584	18,919,177
Non-Current Assets			
Property and Equipment, Net	8	49,712	44,564
		49,712	44,564
Total Assets		15,703,296	18,963,741
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable and Accruals	9	1,122,863	906,874
Temporarily Restricted Contributions	11	13,340,897	16,980,492
		14,463,760	17,887,366
Non-Current Liabilities			
Provision for Employees Indemnity	10	325,068	249,282
Total Noncurrent liabilities		325,068	249,282
Total Liabilities		14,788,828	18,136,648
Net Assets			
Net Assets		914,468	827,093
Total Net Assets		914,468	827,093
Total Liabilities and Net Assets		15,703,296	18,963,741

The accompanying notes on pages from (7) to (24) are an integral part of these financial statements

The financial statements on pages (3) to (6) were approved by NDC Board of Directors on July 14, 2021

Chairman of Board

Treasurer

NGO DEVELOPMENT CENTER
AL RAM – PALESTINE

STATEMENT OF ACTIVITIES

		For the Year Ended December 31,	
US Dollar	**Note**	**2020**	**2019**
Grants and Revenues			
Temporarily Restricted Contributions Released from Restriction	**11**	13,477,116	10,764,894
Bank Interests		12,138	21,437
Foreign Currency Exchange (Loss)	**12**	61,582	(19,876)
Gain from Selling of Property and Equipment		1,450	921
General Assembly membership fees		1,016	1,942
Total Grants and Revenues		**13,553,302**	**10,769,318**
Expenses			
Operating Expenses	**13**	(13,454,373)	(10,747,328)
Depreciation	**8**	(11,554)	(6,999)
Total Expenses		**(13,465,927)**	**(10,754,327)**
Increase in Net Assets		**87,375**	**14,991**

The accompanying notes on pages from (7) to (24) are an integral part of these financial statements

NGO DEVELOPMENT CENTER
AL RAM – PALESTINE

STATEMENT OF CHANGES IN NET ASSETS

	For the Year Ended December 31,	
US Dollar	**2020**	**2019**
Net Assets, Beginning of the Year	827,093	812,102
Increase in Net Assets	87,375	14,991
Net Assets, End of the Year	**914,468**	**827,093**

The accompanying notes on pages from (7) to (24) are an integral part of these financial statements.

NGO DEVELOPMENT CENTER
AL RAM – PALESTINE

STATEMENT OF CASH FLOWS

	Notes	For the Year Ended December 31, 2020	2019
US Dollar			
Cash flows from Operating Activities:			
Increase in Net Assets		87,375	14,991
Adjustments:			
Depreciation		11,554	6,999
Provision for Employees Indemnity		76,200	50,956
(Gain) from Selling of Property and Equipment		(1,450)	(921)
		173,679	**72,025**
Changes in Working Capital:			
Decrease in Contributions Receivable		243,443	3,806,421
Decrease (Increase) in Other Debit Assets		2,620	(13,011)
Increase in Accounts Payables and Accruals		215,989	666,178
(Decrease) in Temporary Restricted Contributions		(3,639,595)	(2,382,833)
Employees Indemnity Paid		(414)	(8,158)
Net Cash Flow from (Used in) Operating Activities		**(3,004,278)**	**2,140,622**
Cash Flow from Investing Activities:			
Procurement of Fixed Assets		(16,702)	(28,914)
Proceeds from Selling of Property and Equipment		1,450	921
Cash Flow (Used in) Investing Activities		**(15,252)**	**(27,993)**
Net Increase in Cash and Cash Equivalent		**(3,019,530)**	**2,112,629**
Cash on Hand and at Banks - Beginning of the year		8,515,882	6,403,253
Cash on Hand and at Banks - End of Year	5	**5,496,352**	**8,515,882**

The accompanying notes on pages from (7) to (24) are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1) GENERAL

NGO Development Center (hereinafter "NDC or the Center") was registered with the ministry of interior on March 4, 2006 under registration No. (QR-286-B), as a Palestinian Non-Governmental Center (NGO). NDC started its normal activities on July 1, 2006.

NDC is working hand-in-hand with Palestinian NGOs and community development Centers 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 Center 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.

The board of directors approved the financial statements on July 14, 2021.

2) BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared on the accrual basis of accounting, cost convention and in conformity with relevant International Financial Reporting Standards (IFRS).

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities.

c. Functional and presentation currency

The financial statements are presented in U.S. Dollar (USD), which is the Center's functional currency.

d. Use of estimates and judgements

In preparing these financial statements, management has made judgments and estimates that affect the application of the Center's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

- **Judgments**

The following are the most significant judgments that have a material effect on the amounts of assets and liabilities in the financial statements:

- Classification of financial assets: Valuation of the business model under which the asset is to be held and determining whether the contractual terms of the SPPI are on the outstanding balance.
- The development of new criteria to determine whether financial assets have declined significantly since initial recognition and determine the methodology of future expectations and methods of measuring expected credit loss.

- **Assumptions and estimation uncertainties**

-The management maintains the expected credit losses based on its estimates of the possibility of recovering receivables in accordance with the International Financial Reporting Standards.
-Management recognizes income tax expense for the year in accordance with the prevailing laws and regulations.
-Management periodically reassesses the economic useful life of property and equipment based on the general condition of these assets and the expectation of their useful economic lives in the future.
-Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
-Management frequently reviews the lawsuits raised against the Center based on a legal study prepared by the Center's legal advisors. This study highlights potential risks that the Center may incur in the future
-Extension and termination options are included in several lease agreements. These terms are used to increase operational flexibility in terms of contract administration, most extension and termination options held are renewable by both the Center and the lessor.

In determining the term of the lease, management considers all facts and circumstances that create an economic incentive, the option to extend, or the non-option to terminate. Extension options (or periods following termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or significant change in circumstances affecting this assessment occurs and which is within the control of the lessee.

Measurement of fair values:

A number of the Center's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Center has an established control framework with respect to the measurement of fair values.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Center's Board of Directors.

When measuring the fair value of an asset or a liability, the Center uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Center recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1- In the principal market for the asset or liability, or
2- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Center.

The asset or liability measured at fair value might be either of the following:

1- A stand-alone asset or liability; or
2- A group of assets, a group of liabilities or a group of assets and liabilities (e.g. a cash generating unit or a business).
3- A number of the Center's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Center should establish control framework with respect to the measurement of fair values and a valuation team should oversee all significant fair value measurements, including Level 3 fair values.

- Management believes that its estimates and judgments are reasonable and adequate in preparing the Financial statements ended December 31, 2019 except for the following:

Impact of COVID 19

During the month of March 2020, the World Health Center declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices, donations and contributions receivable from donors and currency exchange rates.

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Center in these financial statements for the year ended December 31, 2020 are the same as those applied by the Center in its financial statements for the year ended December 31, 2019, except for the following new International Financial Reporting Standards or amendments that become effective after January 1, 2020:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Definition of a Business (Amendments to IFRS 3).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The application of these new standards and amended standards did not have a significant effect on the Center's financial statements.

The following are the significant accounting policies applied by the Center:

(a) Financial Instruments:

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Center becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through Statement of Activities, transaction costs that are directly attributable to its acquisition or issue.

ii.Classification and subsequent measurement

- **Financial Assets:**

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through statement of activities or Fair value through statemnet of change in net assets.
Financial assets are not reclassified subsequent to their initial recognition unless the Center changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through statement of activities:

- It's held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through statement of activities:

- It's held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows (that are solely payments of principal and interest on the principal amount outstanding).

On initial recognition of an equity investment that is not held for trading, the Centermay irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.
All financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through statement of activities. This includes all derivative financial assets. On initial recognition, the Centermay irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through statement of activities if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii. Derecognition

- **Financial assets**

The Center derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Center neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Center enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

- **Financial liabilities**

The Center derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Center also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of activities.

(a) Principles of fund accounting

The Center maintains its accounts in accordance with the principles of fund accounting under which the resources for various purposes are classified into the following classes of net assets which are described below:

Unrestricted net assets represent net assets whose use by the Center is not subject to donor-imposed restrictions.

***Temporarily restricted net* assets** whose use by the Center is limited by donor-imposed restriction that either expire by passage of time or can be fulfilled and released by actions of the Center pursuant to those donor-imposed stipulations.

Revenues: are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported as net assets released from restrictions.

Investment in Fixed Assets: Represents the investment in Fixed Assets.

(b) Contributions and grants

Donors unconditional pledges are those pledges where donor does not specify prerequisites that have be carried out by the Center before obtaining the fund.

Contributions revenues from pledges where donor does not specify prerequisites that have to be carried out by the Center 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.

(c) 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 pledges is no longer probable.

(d) Property and equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on prospective basis.

Gain or loss arising from the disposal or retirement of an item of assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of activities. Useful life for the assets is as follows:

Property and Equipment	Years of Service
Office Furniture	5-7 years
Office Equipment	5-7 years
Cars	7 years
Computers	3-5 years
Software	5 years

(e) Leases

I. As a lessee

At commencement or on modification of a contract that contains a lease component, the Center allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Center has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Center recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Center by the end of the lease term or the cost of the right-of-use asset reflects that the Center will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Center's incremental borrowing rate. Generally, the Center uses its incremental borrowing rate as the discount rate.

The Center determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments.
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Center is reasonably certain to exercise, lease payments in an optional renewal period if the Center is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Center is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Center's estimate of the amount expected to be payable under a residual value guarantee, if the Center changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of activities if the carrying amount of the right-of-use asset has been reduced to zero.

The Center presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Center has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Center recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

II. As a lessor

When the Center acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Center makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Center considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Center is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Center applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Center applies IFRS 15 to allocate the consideration in the contract.

The Center applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Center further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Center recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'. Generally, the accounting policies applicable to the Center as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered during current reporting period that resulted in a finance lease classification.

No Impact is expected on the Center's finance leases.

(f) Provision for employee indemnity

The Center provides end of service benefits in accordance with local laws by accruing for one-month compensation for each year of service based on the last salary paid during the year.

In addition to the end of service provision. The Center established an employees' savings fund. Where, the center deducts 3% of the employee's monthly salary and the center also contributes 5%.

(g) Provisions

Provisions are recognized when the Center has a present obligation as a result of past events, and it's probable that the obligation will be settled, and a reliable estimate can be made of the amount of the obligation.

(h) Income Tax and Value Added Tax

As a not-for-profit Center, the Center is exempt from income tax and value added tax. Under the value added tax law, the Center as an exempt entity, is not entitled to refund VAT paid on its purchases and expenses.

(i) Functional allocation of expenses

The Center allocates its expenses on a functional basis among its various programs and general administration. Expenses that can be identified with a specific program or administration are charged directly. Other expenses that are common to several functions are allocated between functions based on best estimates and judgment of management.

(j) Foreign currency conversion and translation

The books of accounts are maintained in United States Dollar (USD). Transactions, which are denominated or expressed in foreign currencies, are converted into USD equivalent as follows:

- Transactions, which are expressed or denominated in currencies other than USD, are converted into USD equivalent at the exchange rates prevailing at the date of the transaction.
- Balances of assets and liabilities in currencies other than USD are converted into USD equivalent at the exchange rate prevailing at the date of the financial statements. Conversion rates were as follows:

	As of December 31,	
Currency	**2020**	**2019**
USD/ILS	3.209	3.455
USD/EUR	0.814	0.893
USD/JOD	0.709	0.71
USD/SEK	8.191	8.802

- Exchange differences arising from translation are charged to the statement of activities.

4) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new and revised IFRSs have been issued but are not effective yet, the Center has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

New Standards

IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts. With early application allowed only for companies that have applied IFRS 9 (9).

Amendments

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). (Effective January 1, 2021)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). (Effective January 1, 2022)
- Annual Improvements to IFRS Standards 2018–2020. (Effective January 1, 2022)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). (Effective January 1, 2022)
- Reference to the Conceptual Framework (Amendments to IFRS 3). (Effective January 1, 2022)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1). (Effective January 1, 2023)

The Center anticipates that each of the above standards and amendments will be adopted in the financial statements by its date mentioned above without having any material impact on the Center's financial statements.

5) CASH AND CASH EQUIVALENTS

US Dollar	As of December 31, 2020	2019
Cash on hand	3,092	2,894
Cash at banks – Current	3,202,551	2,459,563
Cash at banks – Deposits	2,290,709	6,053,284
Checks under collections	-	141
	5,496,352	**8,515,882**

6) CONTRIBUTIONS RECEIVABLE

US Dollar Donor Name	Project No. and Name	As of December 31, 2020	2019
International Development Association (IDA)	TF0A8275, Gaza Emergency Cash for Work and Self-Employment Support Project	2,550,106	9,220,683
The Consulate General of Sweden in Jerusalem (SIDA) – Human Rights Project	11347, Human Rights Programme 2018 - 2020	-	750,190
United Nations Entity for Gender Equality and the Empowerment of Women	115267, Men and Women for Gender Equality Phase III	214,445	406,563
Agence Francaise de Development (AFD)	CPS 12030 01 Z	7,369,442	-
		10,133,993	**10,377,436**

7) OTHER DEBIT BALANCES

US Dollar	As of December 31, 2020	2019
Prepaid Expenses	19,491	17,785
Due from employees	1,858	7,200
Others	1,890	874
	23,239	**25,859**

8) PROPERTY AND EQUIPMENT, NET

US Dollar	Office Equipment	Office Furniture	Motor Vehicles	Computers	Software	Total
2020						
Cost						
Beginning 2020	94,652	18,775	36,681	101,761	140,731	392,600
Additions	4,286	5,046	-	7,370	-	16,702
Disposals	(54,474)	(344)	(2,000)	(12,546)	-	(69,364)
Ending 2020	**44,464**	**23,477**	**34,681**	**96,585**	**140,731**	**339,938**
Accumulated Depreciation:						
Beginning 2020	88,571	18,775	5,990	95,690	139,010	348,036
Depreciation	2,748	334	5,216	2,884	372	11,554
Disposals	(54,474)	(344)	(2,000)	(12,546)	-	(69,364)
Ending 2020	**36,845**	**18,765**	**9,206**	**86,028**	**139,382**	**290,226**
Net Book Value, December 31, 2020	**7,619**	**4,712**	**25,475**	**10,557**	**1,349**	**49,712**

NDC owned property and equipment include fully depreciated assets in the amount of USD 269,097 that are still in operation as of December 31, 2020.

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY AND EQUIPEMTN, NET (continued)

US Dollar	Office Equipment	Office Furniture	Motor Vehicles	Computers	Software	Total
2019						
Cost						
Beginning 2019	89,121	19,719	48,851	102,230	138,875	398,796
Additions	5,693	-	14,400	6,965	1,856	28,914
Disposals	(162)	(944)	(26,570)	(7,434)	-	(35,110)
Ending 2019	**94,652**	**18,775**	**36,681**	**101,761**	**140,731**	**392,600**
Accumulated Depreciation:						
Beginning 2019	87,409	19,719	28,962	101,182	138,875	376,147
Depreciation	1,324	-	3,598	1,942	135	6,999
Disposals	(162)	(944)	(26,570)	(7,434)	-	(35,110)
Ending 2019	**88,571**	**18,775**	**5,990**	**95,690**	**139,010**	**348,036**
Net Book Value, December 31, 2019	**6,081**	**-**	**30,691**	**6,071**	**1,721**	**44,564**

NDC owned property and equipment include fully depreciated assets in the amount of USD 338,461 that are still in operation as of December 31, 2019.

9) ACCOUNTS PAYABLE AND ACCRUALS

	As of December 31,	
US Dollar	**2020**	**2019**
Staff Vacation Provision	23,635	22,653
Accounts Payable	153,500	12,449
Accrued Expenses	5,069	38,131
Interest Payable – due to donors*	135,477	77,858
Due to other Centers – SIDA Culture Project	170,684	189,267
Due to other Centers – SIDA HR Project	634,498	562,994
Outstanding Checks	-	2,484
Others	-	1,038
	1,122,863	**906,874**

*Interest earned from SIDA funds in bank deposit accounts, this amount shall be paid to the donor after the project ends.

10) PROVISION FOR EMPLOYEES INDEMNITY

	As of December 31,	
US Dollar	**2020**	**2019**
End of Service Benefits	245,664	200,938
Provident Fund	79,404	48,344
	325,068	**249,282**

The movement during the years of 2020 and 2019 for staff end of service benefits and provident fund are as follows:

a. Reserve for End of Service Benefits

	As of December 31,	
US Dollar	**2020**	**2019**
Beginning Balance as of January 1	200,938	170,944
Additions During the Year	44,726	35,364
Payments During the Year	-	(5,370)
Ending Balance as of December 31	**245,664**	**200,938**

b. Reserve for Provident Fund

	As of December 31,	
US Dollar	**2020**	**2019**
Beginning Balance as of January 1	48,344	35,540
Additions During the Year	31,474	15,592
Payments During the Year	(414)	(2,788)
Ending Balance as of December 31	**79,404**	**48,344**

11) 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:

US Dollar	Balance as of January 1, 2020	Additions	Temporarily Restricted Contributions Released from Restriction: Operational Expenses	Temporarily Restricted Contributions Released from Restriction: Property and Equipment	Currency Exchange Variance	Balance as of December 31, 2020
International Development Association (IDA)	11,358,474	-	(8,399,840)	(16,702)	-	2,941,932
SIDA – NDC- Cultural Centers, E. Jerusalem 2016-2019	1,263,318	-	(1,124,189)	-	-	139,129
SIDA – Human Rights Programme 2018 – 2020	4,017,785	-	(3,660,394)	-	-	357,391
UN Women - 115267, Men and Women for Gender Equality – Phase III	340,915	-	(258,575)	-	11,678	94,018
AFD - Appui a Jerusalem-Est pour son Identite et sa Resilience	-	9,355,520	(17,416)	-	470,323	9,808,427
	16,980,492	**9,355,520**	**(13,460,414)**	**(16,702)**	**482,001**	**13,340,897**
			(13,477,116)			

12) TEMPORARILY RESTRICTED CONTRIBUTIONS (Continued)

US Dollar	Balance as of January 1, 2019	Additions	Temporarily Restricted Contributions Released from Restriction		Currency Exchange Variance	Balance as of December 31, 2019
			Operational Expenses	Property and Equipment		
International Development Association (IDA)	16,890,539	-	(5,525,660)	(6,405)	-	11,358,474
SIDA – NDC- Cultural Centers, E. Jerusalem 2016-2019	2,472,786	-	(1,193,453)	(3,117)	(12,898)	1,263,318
SIDA – Human Rights Programme 2018 – 2020	-	8,099,080	(3,934,613)	(1,045)	(145,637)	4,017,785
UN Women - 115267, Men and Women for Gender Equality – Phase II	-	420,769	(100,601)	-	20,747	340,915
	19,363,325	**8,519,849**	**(10,754,327)**	**(10,567)**	**(137,788)**	**16,980,492**
			(10,764,894)			

12) FOREIGN CURRENCY EXCHANGE (LOSS) Foreign

Currency exchange gain or loss have resulted from the revaluation of NDC's monetary assets and liabilities in foreign currencies (mainly bank balances, contributions receivable, payables, and accruals) to USD using exchange rates prevailing at the date of the statement of financial position. The fluctuations in the exchange rates against USD resulted in gains of USD 61,582 and a loss of USD 19,876 as of December 31, 2020 and 2019 respectively.

13) OPERATING EXPENSES

US Dollar	Sida-Culture	SIDA-Human Rights	UN Women III	IDA	AFD	Sub Total	NDC Core Fund	Total 2020	Total 2019
Grants and recipients	866,010	3,493,891	178,986	7,980,012	-	12,518,899	-	12,518,899	10,061,191
Salaries and related expenses	103,487	115,381	56,731	241,949	10,453	528,001	-	528,001	392,194
Consultation	117,896	25,552	4,570	60,939	2,594	211,551	-	211,551	143,532
Professional fees	10,120	8,540	-	57,629	-	76,289	-	76,289	39,319
Travel, transportation, and accommodation expenses	5,619	1,755	1,133	998	-	9,505	-	9,505	22,372
Network support expense	-	-	-	1,444	-	1,444	-	1,444	1,243
Utilities	5,868	77	-	10,388	-	16,333	-	16,333	16,209
Rent expense	5,881	4,115	-	15,734	-	25,730	-	25,730	20,460
Communication expense	4,197	-	-	6,120	-	10,317	-	10,317	10,510
Maintenance	459	3,897	-	7,114	-	11,470	-	11,470	7,318
Hospitality and meetings	13	598	5,600	99	26	6,336	-	6,336	6,422
Media advertising	-	-	-	423	696	1,119	-	1,119	2,748
Stationery and office supplies	4,377	5,577	209	23	-	10,186	-	10,186	6,980
Insurance	-	-	-	1,110	956	2,066	-	2,066	1,617
Printings and brochures	-	171	-	5,523	-	5,694	-	5,694	3,357
Bank charges	-	-	-	372	797	1,169	-	1,169	654
Projects implemented by contractors	-	-	11,346	-	-	11,346	-	11,346	-
PMIS system	-	-	-	5,841	-	5,841	-	5,841	10,130
Other	-	-	-	66	1,011	1,077	-	1,077	1,072
Total before depreciation expenses	**1,123,927**	**3,659,554**	**258,575**	**8,395,784**	**16,533**	**13,454,373**	**-**	**13,454,373**	**10,747,328**
Depreciation expenses charged on the Projects	262	840	-	4,056	883	6,041	5,513	11,554	6,999
Total	**1,124,189**	**3,660,394**	**258,575**	**8,399,840**	**17,416**	**13,460,414**	**5,513**	**13,465,927**	**10,754,327**

14) RELATED PARTY TRANSACTIONS

This item represents transactions with related parties, i.e., trustees, directors, NDC's senior Management and Centers, over which they exercise control during 2020 and 2019:

US Dollar	2020	2019
Key Management Personnel Compensation	224,948	190,889

15) CONTINGENT LIABILITY

There are two legal cases against the Center as at December 31, 2020 relating to employees end of service indemnities. According to the Center's legal counselor, a sufficient amount has been allocated to face the cases brought against the center. According to the Center's legal counselor, the Center will not have any additional obligations related to these cases more than amounts previously provided for.

16) FINANCIAL RISK MANAGEMENT

Overview

The Center has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.
- Interest risk.

This note presents information about the Center's exposure to each of the above risks, the Center's objectives, policies and processes for measuring and managing risk.

Risk management framework

The management has overall responsibility for the establishment and oversight of the Center's risk management framework.

The management is responsible for developing and monitoring the Center's risk management policies. The Center's risk management policies are established to identify and analyze the risks faced by the Center, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Center's activities.

The Center's Management oversees how management monitors compliance with the Center's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Center.

- **Credit risk**

Credit risk is the risk of financial loss to the Center counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Center's cash and cash equivalents, contributions receivable and other debit balances.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	As of December 31,	
US Dollar	2020	2019
Cash and Cash Equivalents	5,496,352	8,515,882
Contributions Receivable	10,133,993	10,377,436
Other Debit Balances	23,239	25,859
	15,653,584	**18,919,177**

- **Liquidity risk**

Liquidity risk is the risk that the Center will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Center's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Center's reputation.

The Center ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contracted maturities of financial liabilities, including estimated interest payments:

2020 *US Dollar*	**Carrying Amount**	**Contractual Cash Flows**	**6 months or less**	**6 to 12 months**	**More than a year**
Accounts payable and accruals	1,122,863	1,122,863	1,122,863	-	-
Temporarily restricted contributions	13,340,897	13,340,897	3,063,263	3,200,000	7,077,634
Provision for employees' indemnity	325,068	325,068	-	-	325,068
	14,788,828	**14,788,828**	**4,186,126**	**3,200,000**	**7,402,702**

2019 *US Dollar*	**Carrying Amount**	**Contractual Cash Flows**	**6 months or less**	**6 to 12 months**	**More than a year**
Accounts payable and accruals	906,874	906,874	906,874	-	-
Temporarily restricted contributions	16,980,492	16,980,492	16,980,492	-	-
Provision for employees' indemnity	249,282	249,282	-	-	249,282
	18,136,648	**18,136,648**	**17,887,366**	**-**	**249,282**

- **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Center's statement of activities or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- **Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to change in market interest rates.

17) FAIR VALUES

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Prices quoted in active markets for similar instruments or through the use of valuation model that includes inputs that can be traced to markets, these inputs good be defend directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities that are not measured at fair value:

In exception to the table below, The Center's management believes that the book value of the financial assets and liabilities shown in the financial statements approximates their fair value as a result of their short-term maturities or of re-pricing their interest rates during the year:

		Fair Value		
U.S Dollar	**Carrying amount**	**Level (1)**	**Level (2)**	**Level (3)**
December 31, 2020				
Cash and cash equivalent	5,496,352	5,496,352	-	-
Contributions receivable	10,133,993	-	10,133,993	-
Other debit balances	23,239	-	23,239	-
Accounts payable and accruals	1,122,863	-	1,122,863	-
Temporarily restricted contributions	13,340,897	-	13,340,897	-
Provision for employees' indemnity	325,068	-	325,068	-
				-
December 31, 2019				-
Cash and cash equivalent	8,515,882	8,515,882	--	-
Contributions receivable	10,377,436	-	10,377,436	-
Other debit balances	25,859	-	25,859	-
Accounts payable and accruals	906,874	-	906,874	-
Temporarily restricted contributions	16,980,492	-	16,980,492	-
Provision for employees' indemnity	249,282	-	249,282	-

For items illustrated above, level 2 fair values for financial assets and liabilities have been determined based on interest rates, yield curve, credit spreads.

Management believes that the book value of these financial assets and liabilities approximate their fair value as a result of their short-term maturities or of re-pricing their interest rates during the year.