

DALIA ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of the General Assembly of Dalia Association

Opinion

We have audited the financial statements of Dalia Association (the Association), which comprise the statement of financial position as at December 31, 2022, and the statement of activities and changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at December 31, 2022 and for the year then ended are prepared, in all material respects, in accordance with the basis of accounting described in note (2).

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

Emphasis of Matter - Basis of Accounting

We draw attention to note (2) to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the management of the Association to meet the requirement of the Palestinian Ministry of Interior. As a result, the financial statements may not be suitable for another purposes. Our opinion is not modified with respect of this matter.

Other matters

The financial statements of the Association for the year ended December 31, 2021, were audited by another auditor whose report dated on May 24, 2022 which expressed an unqualified opinion on those financial statements.

Responsibilities of Management and the Board of Directors for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting described in note (2), this includes determining that such a basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

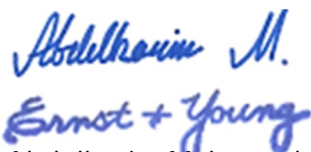
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance; but is not a guarantee 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 the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association'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 Association to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young – Middle East
License # 206/2012



Abdelkarim Mahmoud
License # 101/2017

Ramallah – Palestine
June 25, 2023

DALIA ASSOCIATION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Notes	2022 U.S. \$	2021 U.S. \$ Restated (note 17)
<u>ASSETS</u>			
Non-current assets			
Property and equipment	3	51,268	58,507
		<u>51,268</u>	<u>58,507</u>
Current assets			
Contributions receivable	4	352,834	473,356
Due from the Center for Arab American Philanthropy (CAAP)	5	648,194	605,982
Other current assets		20,534	24,999
Cash and balances at banks	6	854,030	799,991
		<u>1,875,592</u>	<u>1,904,328</u>
TOTAL ASSETS		<u>1,926,860</u>	<u>1,962,835</u>
<u>NET ASSETS AND LIABILITIES</u>			
Net assets			
Unrestricted net assets		430,334	407,423
Total net assets		<u>430,334</u>	<u>407,423</u>
Non-current liabilities			
Deferred revenues	7	699,462	664,489
Employees' end of service benefits provision	8	20,355	35,834
		<u>719,817</u>	<u>700,323</u>
Current liabilities			
Other current liabilities	9	95,111	73,025
Temporarily restricted contributions	10	681,598	782,064
		<u>776,709</u>	<u>855,089</u>
Total Liabilities		<u>1,496,526</u>	<u>1,555,412</u>
TOTAL NET ASSETS AND LIABILITIES		<u>1,926,860</u>	<u>1,962,835</u>

The accompanying notes 1 to 19 form part of these financial statements

DALIA ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2022

	Notes	2022 U.S. \$	2021 U.S. \$ Restated (note 17)
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	10	478,614	390,858
Deferred revenues recognized	7	14,892	113,418
Unrestricted revenues	11	25,206	23,206
Other income, net	12	15,763	21,834
Total revenues		534,475	549,316
<u>Expenses</u>			
Programs expenses	13	(478,614)	(390,858)
General and administrative expenses	13	(9,955)	(9,707)
Depreciation of property and equipment	3	(14,892)	(13,418)
Currency exchange differences		(8,103)	(10,563)
Total expenses		(511,564)	(424,546)
Increase in net assets		22,911	124,770
Net assets, beginning of the year	17	407,423	282,653
Net assets, end of year		430,334	407,423

The accompanying notes 1 to 19 form part of these financial statements

DALIA ASSOCIATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Notes	2022 U.S. \$	2021 U.S. \$ Restated (note 17)
<u>Operating activities</u>			
Increase in net assets		22,911	124,770
Adjustments:			
Depreciation of property and equipment		14,892	13,418
Employees' end of service benefits provision		14,702	11,457
Interest income		(7,779)	(7,016)
Deferred revenues recognized		(14,892)	(113,418)
		29,834	29,211
Changes in working capital:			
Contributions receivable		120,522	637,483
Due from the Center for Arab American Philanthropy (CAAP)		(43,175)	(605,982)
Other current assets		4,465	1,333
Temporarily restricted contributions		(100,467)	7,723
Deferred revenues		50,828	287,322
Other current liabilities		22,087	(4,421)
Employees' end of service benefits paid		(30,181)	(5,413)
Net cash from operating activities		53,913	347,256
<u>Investing activities</u>			
Purchase of property and equipment		(7,653)	(37,276)
Interest income received		7,779	7,016
Net cash from (used in) investing activities		126	(30,260)
Increase in cash and cash equivalents		54,039	316,996
Cash and cash equivalents, beginning of the year		499,991	182,995
Cash and cash equivalents, end of year	6	554,030	499,991

The accompanying notes 1 to 19 form part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

1. General

Dalia Association (the Association) was established in December 14, 2006, in Belgium as a not-for-profit organization. It was registered in Palestine on August 25, 2009, in Ramallah city as a branch of a foreign not-for-profit organization with the Palestinian Ministry of Interior under registration number (QR-0115-F), in accordance with Law number (1) of the year 2000 with regards charitable associations and community organizations.

Dalia Association aims to promote community giving in Palestine and the diaspora by contributing youth talents, resources, and energies for a prosperous Palestine.

The Association's work is summarized in mobilizing and utilizing all necessary local resources, whether material or non-material, to enable and create an independent, responsible civil society characterized by transparency and accountability. This comes from the belief in the right of the Palestinian people to control their resources in order to achieve social development. This is achieved through community-led grants to support creative and appropriate civil society initiatives, particularly those efforts made by local communities to utilize and benefit from their available resources.

The Association focuses its work on four aspects that ensure the achievement of comprehensive social development: local economy, environmental, social, and cultural aspects.

The financial statements of the Association were approved by the Association's Board of Directors on June 21, 2023.

2. Accounting Policies

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis.

The financial statements have been presented in the U.S Dollar, which is the functional currency of the Association.

The accounting treatment of certain items has been changed as emphasized in note (17).

2.2 Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2021.

2.3 Estimates, and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, financial assets and liabilities, and disclosure of contingent liabilities at the reporting date. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

The key estimates and assumptions involved in the financial statements are as follows:

Useful lives of property and equipment

Association's management reassesses the useful lives of property and equipment, and makes adjustments if applicable, at each financial year-end.

Allocation of expenses

Allocation of the Association's expenses to programs, general and administrative functions are based on the Association management's best estimate of allocation basis.

Management believes that the estimates and assumptions used are reasonable.

2.4 Summary of significant accounting policies

Donation revenues

Donors' unconditional pledges are those pledges where donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follows:

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

Donations through the Center for Arab American Philanthropy (CAAP)

Donations through the Center for Arab American Philanthropy (CAAP) are recorded under current assets when the cash is received from CAAP.

Deferred revenues

- Donations and revenues related to property and equipment are stated at fair value, recorded as deferred revenues, and recognized as income on a systematic basis over the useful life of the property and equipment.
- Donations through the Center for Arab American Philanthropy (CAAP) are recorded as deferred revenues and recognized as income when the cash is transferred from CAAP to the association.

General Assembly membership fees revenues

General Assembly membership fees revenues are recognized when cash is received.

Expenses recognition

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash, and cash equivalents consist of cash and balances at banks, and short-term deposits with an original maturity of three months or less.

Contributions receivable

Contributions receivables are stated at the original amount of the unconditional pledge less amounts received net of expected credit loss.

Current and non-current classification

The Association presents its assets and liabilities in a statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Fair value of financial 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. Judgment includes input factors and assumptions used in determining fair value such as liquidity risk, credit risk and other market volatility factors. Changes in assumptions may impact fair values of the financial assets presented in the financial statements.

Impairment of financial assets

For all debt instruments, the Association has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. To measure ECL, debit balances are classified based on their credit factors and maturities.

Financial assets that are measured at amortized cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred.

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

	Useful lives (Years)
Office equipment	3
Computers and software	5 – 6.67
Office Furniture	8.33

Any item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Income tax

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

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.

Provisions

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are recognized in the statement of activities and changes in net assets.

3. Property and Equipment

	Office equipment	Computers and software	Office Furniture	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>2022</u>				
<u>Cost:</u>				
Balance, beginning of the year	31,964	30,296	44,157	106,417
Additions	4,613	927	2,113	7,653
Balance, end of year	<u>36,577</u>	<u>31,223</u>	<u>46,270</u>	<u>114,070</u>
<u>Accumulated depreciation:</u>				
Balance, beginning of the year	22,716	13,015	12,179	47,910
Depreciation charge for the year	5,511	4,402	4,979	14,892
Balance, end of year	<u>28,227</u>	<u>17,417</u>	<u>17,158</u>	<u>62,802</u>
<u>Net book value as at</u>				
<u>December 31, 2022</u>	<u>8,350</u>	<u>13,806</u>	<u>29,112</u>	<u>51,268</u>
<u>Net book value as at</u>				
<u>December 31, 2021</u>	<u>9,248</u>	<u>17,281</u>	<u>31,978</u>	<u>58,507</u>

4. Contributions Receivable

Contributions' receivables comprise unconditional pledges due from donors. Movement during the year was as follows:

	Balance, Beginning of the year	Additions during the year	Received during the year	Adjustments during the year	Currency exchange differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>2022</u>						
Stichting WILD GANZEN	-	338,796	(236,176)	(109,468)	6,848	-
Global Fund for Women	-	60,000	(30,000)	-	-	30,000
MAMA Cash	-	32,141	(32,141)	-	-	-
HEINRICJ BOLL STIFTUNG	-	13,088	(9,722)	-	(532)	2,834
Al Qattan Foundation	-	45,000	(10,000)	-	-	35,000
Drosos Foundation	473,000	-	(188,000)	-	-	285,000
The Charity Service	-	27,125	(27,125)	-	-	-
Others	356	-	-	(356)	-	-
	<u>473,356</u>	<u>516,150</u>	<u>(533,164)</u>	<u>(109,824)</u>	<u>6,316</u>	<u>352,834</u>

5. Due from Center for Arab American Philanthropy (CAAP)

On December 11, 2015, Dalia Association entered into an agreement with the Center for Arab American Philanthropy (CAAP), a program of the Arab Community Center for Economic and Social Services (ACCESS). This agreement established the Dalia Association Palestinian Community Fund (the Fund) as a charitable fund aimed at supporting the philanthropic objectives of Dalia Association. The Fund is held and managed by CAAP.

Administrative expenses for the Fund are calculated based on a percentage of the cash donations and grants transferred via credit cards. Specifically, 2% of cash donations and 3% of grant amounts received through credit card transactions are allocated towards administrative expenses, in plus to commissions.

A summary of the movement during the year was as follow:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	605,982	457,319
Additions during the year	43,175	251,997
Account management fees	(963)	(3,334)
Transfers during the year	-	(100,000)
Balance, end of year	648,194	605,982

6. Cash and Balances at Banks

	2022	2021
	U.S. \$	U.S. \$
Cash on hand	18	252
Current accounts at banks	498,120	443,847
Bank balance designated for financing initiatives (note 9)	55,892	55,892
	554,030	499,991
Time deposit *	300,000	300,000
	854,030	799,991

* Time deposits represent deposits in U.S. \$ at a local bank with an original maturity of more than three months after the date of financial statements. The average interest rate on these deposits was 3.13 % for the years ended December 31, 2022, and 2021 respectively.

For the purpose of the statement of cash flows, cash, and cash equivalents comprise the following:

	2022	2021
	U.S. \$	U.S. \$
Cash and balances at banks	854,030	799,991
Term deposits at banks maturing with more than three months	(300,000)	(300,000)
Cash and cash equivalents	554,030	499,991

7. Deferred Revenues

This item represents deferred revenues related to property and equipment and donations through the Center for Arab American Philanthropy (CAAP). The movement on deferred revenues was as follows:

	Property and equipment (note 3)	Donations through CAAP (note 5)	Total
	U.S. \$	U.S. \$	U.S. \$
<u>2022</u>			
Balance, beginning of the year	58,507	605,982	664,489
Additions during the year	7,653	43,175	50,828
Account management fees	-	(963)	(963)
Deferred revenues recognized /transferred during the year	(14,892)	-	(14,892)
Balance, end of year	<u>51,268</u>	<u>648,194</u>	<u>699,462</u>
<u>2021</u>			
Balance, beginning of the year	34,649	457,319	491,968
Additions during the year	37,276	251,997	289,273
Account management fees	-	(3,334)	(3,334)
Deferred revenues recognized /transferred during the year	(13,418)	(100,000)	(113,418)
Balance, end of year	<u>58,507</u>	<u>605,982</u>	<u>664,489</u>

8. Employees' End of Service Benefits Provision

The movement on employees' end of service benefits provision was as follows:

	2022	2021
	U.S. \$	U.S. \$
Balance, beginning of the year	35,834	29,790
Additions during the year	14,702	11,457
Payments during the year	(30,181)	(5,413)
Balance, end of year	<u>20,355</u>	<u>35,834</u>

Employees' end of service benefits is calculated in accordance with the Labor Law prevailing in Palestine, and the Association's internal policies, based on one-month indemnity for each year of employment.

9. Other Current Liabilities

	2022	2021
	U.S. \$	U.S. \$
Grants designated for financing initiatives *	55,892	55,892
Rawa fund **	17,192	-
Um Suliman fund ***	11,100	11,100
Accrued income tax	5,256	2,151
Accrued professional fees	4,391	2,750
Others	1,280	1,132
	<u>95,111</u>	<u>73,025</u>

* This item represents the balances allocated to finance unconditional initiatives for the local community (note 6).

** This amount represents the balance of the Creative Palestinian Community Fund (Rawa fund), as Dalia Association acts as an intermediary to receive payments from Rawa and transfer them to the creative initiatives which benefiting from Rawa fund, and the Association deducts 7% as administrative expenses.

*** During 2019, the Association signed an agreement with Um Suliman fund to finance Um Suliman Farm Project in the village of Bilain in Ramallah. According to the agreement, the Association manages the fund and receives a return of 5% of the donations.

10. Temporarily Restricted Contributions

This item comprises temporarily restricted contributions subject to purpose restriction. It represents the difference between the donation pledged and the expenditures made out to satisfy the purpose stipulated by the donor. Movement on temporarily restricted contributions during the year was as follows:

	Balance, beginning of the year	Additions during the year	Refund /adjustments	Released from restriction	Deferred revenues (note 7)	Currency exchange differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2022							
Stichting WILD GANZEN	176,762	338,796	(109,468)	(233,286)	(681)	(20,349)	151,774
MADRE (the Mother) -Spain	74,112	-	-	(31,198)	-	-	42,914
Global Fund for Women	-	60,000	-	(9,528)	-	-	50,472
MAMA Cash	6,980	32,141	-	(22,935)	(4,539)	-	11,647
HEINRICJ BOLL STIFTUNG	-	13,088	-	(9,881)	-	(532)	2,675
Al Qattan Foundation	-	45,000	-	(522)	-	-	44,478
Drosos Foundation	499,835	-	-	(151,937)	(1,893)	-	346,005
The Charity Service	24,375	27,125	-	(19,327)	(540)	-	31,633
	<u>782,064</u>	<u>516,150</u>	<u>(109,468)</u>	<u>(478,614)</u>	<u>(7,653)</u>	<u>(20,881)</u>	<u>681,598</u>

Released from restrictions revenues from temporarily restricted contributions for the year ended December 31, 2021, amounted to U.S. \$ 390,858, after the restatements depicted in note (17).

11. Unrestricted revenues

This item represents unrestricted revenues resulting from the sales of the Association's products and services, in addition to unrestricted donations from individuals and institutions. The following represents details of the unrestricted revenue:

	2022	2021
	U.S. \$	U.S. \$
Dukkan revenues	16,750	11,803
Beit Al-Karmeh revenues	6,894	2,080
Environmental garden revenues	1,562	127
Revenues from Um Suliman Farm Project fund - note (9)	-	2,000
Revenues from managing Rawa fund - note (9)	-	5,947
Others	-	7,196
	<u>25,206</u>	<u>29,153</u>

12. Other Income, net

	2022	2021
	U.S. \$	U.S. \$
Interest income	7,779	7,016
Rent revenues	7,303	8,671
Membership fees	141	200
Others	540	-
	<u>15,763</u>	<u>15,887</u>

13. Expenses

	2022			2021		
	Programs	General and administrative	Total	Programs	General and administrative	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	203,249	-	203,249	171,985	178	172,163
Activities and events	153,642	534	154,176	102,691	2,836	105,527
Rent	21,282	6,077	27,359	25,230	1,333	26,563
Utilities	4,157	-	4,157	7,279	209	7,488
Travel and transportations	10,005	-	10,005	3,797	-	3,797
Advertisement and promotion	2,625	-	2,625	7,444	-	7,444
Telecommunications	7,233	-	7,233	6,502	-	6,502
Hospitality	10,233	-	10,233	26,551	-	26,551
Professional and consultancy fees	37,846	-	37,846	21,784	2,625	24,409
Maintenance	2,694	-	2,694	788	-	788
Stationary and printings	1,091	-	1,091	447	-	447
Insurance	6,560	2,826	9,386	4,298	-	4,298
Information technology and systems developments	3,173	-	3,173	2,560	-	2,560
Capacity building	10,311	-	10,311	-	-	-
Office supplies	3,940	-	3,940	3,095	-	3,095
Bank charges	481	-	481	638	-	638
Miscellaneous	92	518	610	5,769	2,526	8,295
	<u>478,614</u>	<u>9,955</u>	<u>488,569</u>	<u>390,858</u>	<u>9,707</u>	<u>400,565</u>

14. Fair Values of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and balances at banks, contributions receivable, and some other current assets. financial liabilities consist of some other current liabilities.

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

15. Related Party Transactions

Related parties represent board of directors and key management personnel of the Association. The pricing policies and terms of these transactions are approved by Association's Board of Directors.

The statement of activities and changes in net assets includes the following related party transactions:

	<u>2022</u>	<u>2021</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Compensation of key management personnel:</u>		
Salaries and related benefits	<u>45,408</u>	<u>18,035</u>

16. Risk Management

Liquidity risk

Association's management limits its liquidity risk by maintaining adequate cash balances and depending on funding from multiple donors to meet its current obligations and to finance its activities. Most of the Association's liabilities are due within a year.

Credit risk

Credit risks arising from the contribution receivable, exposure to credit risk arises from default of donors to transfer the donations according to the contracts signed with them which represent the carrying amount of these receivables.

With respect to credit risk arising from the other financial assets which consist of cash and balances at banks and some other current assets, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

Interest rate risk

Interest rate risk arising from the changes in interest rates on Association's financial assets and financial liabilities which were subject to floating interest rate.

The assets and liabilities of Association as at December 31, 2022 and 2021 are not subject to floating interest rate, hence it is not subject to interest rate risk.

Foreign currency risk

The table below indicates Association's foreign currency exposure, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the U.S. \$ currency rate against the EURO, Israeli Shekels (ILS), and other currencies with all other variables held constant, on the statement of activities and changes in net assets.

The effect of decrease in foreign currency exchange rates is expected to be equal and opposite to the effect of increases shown below:

	Increase in EURO rate to U.S.\$ %	Effect on statement of activities and changes in net assets for the year U.S. \$	Increase in ILS rate to U.S.\$ %	Effect on statement of activities and changes in net assets for the year U.S. \$	Increase in other currencies rate to U.S.\$ %	Effect on statement of activities and changes in net assets for the year U.S. \$
<u>2022</u>	10	17,745	10	(1,267)	10	1,660
<u>2021</u>	10	1,444	10	(143)	10	5,150

17. Restatement

Following are the details of prior years' restatements:

- a. In previous years, the Association recognized the value of fixed assets additions and additions on the account of the Center for Arab American Philanthropy (CAAP) as deferred revenues recognized, instead of recognizing the revenue through fixed asset depreciation expenses and the transfers received from the CAAP.
During the year, the Association adjusted retrospectively the accounting treatment and began recording the fixed asset additions and CAAP additions as deferred revenues. Additionally, the Association recognized the depreciation value and transfers received from the CAAP as deferred revenues recognized.
- b. During the year 2021, the Association recognized an amount of U.S. \$ 40,000 as unrestricted revenue from the Um Suliman fund. While according to the agreement, the Association is entitled to only 5% of the transfers received from the fund.
During the year, the Association retrospectively adjusted the accounting treatment and recognized only U.S. \$ 2,000 as unrestricted revenue, that is representing 5% of the transfers from the Um Suliman fund. Additionally, the Association substantiated the remaining balance of the fund as receivable with an amount of U.S. \$ 11,100.
- c. In previous years, the allocated amount of \$345 for the Wadi Fukin initiative fund was not recognized. The Association adjusted retrospectively the balance and recognized and reconciled the total balance of the initiative funds with the total cash amounts allocated in the bank for this purpose.

The effect of the restatements on the financial statements for the year ended December 31, 2021, were as follows:

Restatements to the statement of financial position items:

	Before restatements U.S. \$	Restatements U.S. \$	After restatements U.S. \$
<u>Assets</u>			
Contributions receivable	1,079,338	(605,982)	473,356
Due from the Center for Arab American Philanthropy (CAAP)	-	605,982	605,982
<u>Liabilities</u>			
Other current liabilities - Um Suliman fund - restatement (b)	-	11,100	11,100
Other current liabilities - Grants designated for financing initiatives - restatement (c)	55,547	345	55,892
Non-current liabilities - Deferred revenues - restatement (a)	-	664,489	664,489
<u>Net assets</u>			
Unrestricted net assets	1,865,421	(1,457,998)	407,423

Restatements to the statement of activities and changes in net assets:

	Before restatements U.S. \$	Restatements U.S. \$	After restatements U.S. \$
<u>Revenues</u>			
Temporarily restricted contributions released from restriction - restatement (a)	428,135	(37,277)	390,858
Deferred revenues recognized - fixed assets - restatement (a)	37,277	(23,859)	13,418
Deferred revenues recognized -Center for Arab American Philanthropy (CAAP)- restatement (a)	250,046	(150,046)	100,000
Un-restricted revenues - Um Suliman fund - restatement (b)	40,000	(38,000)	2,000
<u>Expenses</u>			
Expenses for Activities within administrative expenses - restatement (b)	29,736	(26,900)	2,836
Increase in net assets for the year - restatement (c)	315,432	(190,662)	124,770

- * The following represents the impact of reclassifications and restatements on the opening balance of unrestricted net assets as of December 31, 2021:

	January 31, 2021
	<u>U.S. \$</u>
Unrestricted net assets – before reclassifications and restatement	1,865,421
The impact of reclassification resulted from the recognition of deferred revenues - CAAP.	(605,982)
The impact of reclassification resulted from the recognition of deferred revenues - fixed assets.	(58,507)
The impact of reclassification resulting from temporarily restricted contributions	(782,064)
The impact of the restatement on the balance of the Wadi Fukin Initiative fund	(345)
The impact of the restatement on the balance of Un-restricted revenues	(38,000)
The impact of the restatement on the balance of Um Suliman fund liability	<u>26,900</u>
Unrestricted net assets – after restatement	<u><u>407,423</u></u>

18. Concentration of Risk in Geographic Area

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

19. Comparative figures

The corresponding figures for the year 2021 have been reclassified in order to conform with the presentation for the current year. Except for the effect of restatements depicted in note (17), These reclassifications do not affect prior year results and the unrestricted net assets.