



**NGO DEVELOPMENT CENTER  
AI RAM - PALESTINE**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
TOGETHER WITH THE INDEPENDENT  
AUDITOR'S REPORT**

**NGO DEVELOPMENT CENTER  
AI RAM – PALESTINE**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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## 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”)**, which comprise the statement of financial position as of December 31, 2022, 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 NDC as of December 31, 2022, 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 NDC 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

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 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 NDC or to cease operations or has no realistic alternative but to do so.

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



## INDEPENDENT AUDITORS' REPORT

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

### 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 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 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 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.

**Kawasmy & Partners**  
KPMG

*Kawasmy & Partners*

License No. (201/2017)



**Ramallah – Palestine**  
**April 18, 2023**

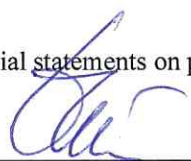
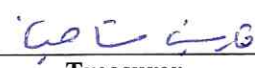

**NGO DEVELOPMENT CENTER  
AL RAM – PALESTINE**

**STATEMENT OF FINANCIAL POSITION**

<i>US Dollar</i>	Note	As of December 31,	
		2022	2021
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	5,371,091	5,623,521
Contribution receivable	6	20,608,797	10,883,267
Other Current Assets	7	29,728	22,358
		<u>26,009,616</u>	<u>16,529,146</u>
<b>Non-Current Assets</b>			
Property and Equipment, Net	8	66,054	81,525
		<u>66,054</u>	<u>81,525</u>
<b>Total Assets</b>		<u>26,075,670</u>	<u>16,610,671</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accruals	9	882,237	1,423,105
Temporarily Restricted Contributions	11	23,845,307	13,757,126
		<u>24,727,544</u>	<u>15,180,231</u>
<b>Non-Current Liabilities</b>			
Provision for Employees Indemnity	10	390,157	404,529
		<u>390,157</u>	<u>404,529</u>
<b>Total Liabilities</b>		<u>25,117,701</u>	<u>15,584,760</u>
<b>Net Assets</b>			
Net Assets		957,969	1,025,911
<b>Total Net Assets</b>		<u>957,969</u>	<u>1,025,911</u>
<b>Total Liabilities and Net Assets</b>		<u>26,075,670</u>	<u>16,610,671</u>

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 March 18, 2023

 _____ Chairman of Board	 _____ Treasurer	 _____ Financial Manager
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NGO DEVELOPMENT CENTER  
AL RAM – PALESTINE


STATEMENT OF ACTIVITIES


<i>US Dollar</i>	Note	For the Year Ended December 31,	
		2022	2021
<b>Grants and Revenues</b>			
Temporarily Restricted Contributions Released from Restriction	11	7,407,867	7,330,288
Foreign Currency Exchange (Losses) Gain	12	(80,991)	60,589
Other Revenues	14	26,842	13,667
General Assembly Membership Fees		931	847
Gain from Selling of Property and Equipment		375	66
<b>Total Grants and Revenues</b>		<b>7,355,024</b>	<b>7,405,457</b>
<b>Expenses</b>			
Operating Expenses	13	(7,401,267)	(7,280,084)
Depreciation	8	(21,699)	(13,930)
<b>Total Expenses</b>		<b>(7,422,966)</b>	<b>(7,294,014)</b>
<b>(Decrease) Increase in Net Assets for the Year</b>		<b>(67,942)</b>	<b>111,443</b>

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 March 18, 2023

  
 \_\_\_\_\_  
 Chairman of Board

  
 \_\_\_\_\_  
 Treasurer

  
 \_\_\_\_\_  
 Financial Manager

NGO DEVELOPMENT CENTER  
AL RAM – PALESTINE

STATEMENT OF CHANGES IN NET ASSETS

<i>US Dollar</i>	<b>For the Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net Assets, Beginning of the Year	1,025,911	914,468
(Decrease) Increase in Net Assets during the Year	(67,942)	111,443
<b>Net Assets, End of the Year</b>	<b>957,969</b>	<b>1,025,911</b>

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

NGO DEVELOPMENT CENTER  
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STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31	
		2022	2021
<i>US Dollar</i>			
<b>Cash flows from Operating Activities:</b>			
(Decrease) Increase in Net Assets		(67,942)	111,443
<b>Adjustments:</b>			
Depreciation		21,699	13,930
Provision for Employees Indemnity		56,661	79,461
(Gain) from Selling of Property and Equipment		(375)	(66)
<b>Net Cash Flows from Operating Activities before Adjustments</b>		<b>10,043</b>	<b>204,768</b>
<b>Change in Net Assets with Net Cash Flows from Operating Activities</b>			
Contributions Receivable		(9,725,530)	(749,274)
Other Current Assets		(7,370)	881
Accounts Payables and Accruals		(540,868)	300,242
Temporary Restricted Contributions		10,088,181	416,229
Employees Indemnity Paid		(71,033)	-
<b>Net Cash Flow (Used in) from Operating Activities</b>		<b>(246,577)</b>	<b>172,846</b>
<b>Cash Flow from Investing Activities:</b>			
Procurement of Fixed Assets		(6,228)	(45,743)
Proceeds from Selling of Property and Equipment		375	66
<b>Cash Flow (Used in) Investing Activities</b>		<b>(5,853)</b>	<b>(45,677)</b>
<b>Net Change in Cash and Cash Equivalent</b>		<b>(252,430)</b>	<b>127,169</b>
Cash and Cash Equivalent – Beginning of the Year		5,623,521	5,496,352
<b>Cash and Cash Equivalent – End of Year</b>	<b>5</b>	<b>5,371,091</b>	<b>5,623,521</b>

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



**NGO DEVELOPMENT CENTER  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**1) GENERAL**

NGO Development Center (hereinafter "NDC") 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. NDC 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 March 18, 2023 and in the process of the General Assembly members approval.

**2) BASIS OF PREPARATION**

**a. Statement of compliance**

The financial statements have been prepared 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 NDC'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 NDC'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 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 NDC based on a legal study prepared by NDC's legal advisors. This study highlights potential risks that NDC 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 NDC and the lessor.

## NOTES TO THE FINANCIAL STATEMENTS

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

NDC 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 NDC's Board of Directors.

When measuring the fair value of an asset or a liability, NDC 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.

NDC 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 NDC.

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

NDC 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, 2022.

### **3) SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by NDC in the financial statements for the year ended December 31, 2022 are the same as those applied by NDC in the financial statements for the year ended December 31, 2021, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2022:

**NOTES TO THE FINANCIAL STATEMENTS**

<u>New standards or adjustments</u>	<u>Application Date</u>
IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information.	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	January 1, 2023
Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.	January 1, 2023
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements.	January 1, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.	Optional

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

**The following are the significant accounting policies applied by NDC:**

**(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 NDC 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 statement of change in net assets.

Financial assets are not reclassified subsequent to their initial recognition unless NDC 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).

**NOTES TO THE FINANCIAL STATEMENTS**

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On initial recognition of an equity investment that is not held for trading, NDC may 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, NDC may 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**

NDC 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 NDC neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NDC 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**

NDC derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. NDC 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.

**Principles of fund accounting**

NDC 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 NDC is not subject to donor-imposed restrictions.

**Temporarily restricted net assets**

Whose use by NDC is limited by donor-imposed restriction that either expire by passage of time or can be fulfilled and released by actions of NDC pursuant to those donor-imposed stipulations.

**Revenues**

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.

**Contributions and grants**

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

Contributions revenues from pledges where donor does not specify prerequisites that have to be carried out by NDC before obtaining the fund.

Contributions revenues from pledges /grants are recognized as follows:

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**NOTES TO THE FINANCIAL STATEMENTS**

- 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.

**Contribution receivable**

Contribution receivables 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.

**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:

<u>Property and Equipment</u>	<u>Years of Service</u>
Office Furniture	5-7 years
Office Equipment	5-7 years
Cars	7 years
Computers	3-5 years
Software	5 years
Decorations and Enhancements	5-7 years

**Leases**

**I. As a lessee**

At commencement or on modification of a contract that contains a lease component, NDC 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 NDC has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NDC 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 NDC by the end of the lease term or the cost of the right-of-use asset reflects that NDC 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, NDC's incremental borrowing rate. Generally, NDC uses its incremental borrowing rate as the discount rate.

**NOTES TO THE FINANCIAL STATEMENTS**

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NDC 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 NDC is reasonably certain to exercise, lease payments in an optional renewal period if NDC is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless NDC 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 NDC's estimate of the amount expected to be payable under a residual value guarantee, if NDC 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.

NDC 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**

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

To classify each lease, NDC 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, NDC considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When NDC 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 NDC 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 NDC applies IFRS 15 to allocate the consideration in the contract.

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

NDC 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 NDC 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.

**NOTES TO THE FINANCIAL STATEMENTS**

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- **Provision for employee indemnity**

NDC 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, NDC established an employees' savings fund. Where, NDC deducts 3% of the employee's monthly salary and NDC also contributes 5%.

- **Provisions**

Provisions are recognized when NDC 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.

- **Income Tax and Value Added Tax**

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

- **Functional allocation of expenses**

NDC 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.

- **Foreign currency conversion and translation**

Transactions in foreign currencies are translated into the respective functional currencies of NDC at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in the Statement of Activities.

- **Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, NDC currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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**4) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

A number of new standards, amendments to standards and interpretations that were issued but not yet effective, and have not been applied when preparing the financial statements:

<u>New standards or adjustments</u>	<u>Application Date</u>
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements.	January 1, 2023
IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information.	January 1, 2023
Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	January 1, 2023
Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.	January 1, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.	January 1, 2023
Sale or grant of assets between an investor and an affiliate company or a joint venture (amendments to IFRS 10 and IAS 28)	Optional

The management does not expect that there will be a material impact from the above standards upon implementation.

**5) CASH AND CASH EQUIVALENTS**

<i>US Dollar</i>	<u>As of December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash on hand	2,845	3,171
Cash at banks – Current and Saving accounts	2,789,248	2,880,920
Cash at banks – Deposit accounts*	2,578,998	2,739,430
	<u>5,371,091</u>	<u>5,623,521</u>

**Balances are divided according to currency as follows:**

<i>US Dollar</i>	<u>As of December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash on Hand – ILS	2,845	3,171
Cash at Banks – USD	3,981,562	3,855,666
Cash at Banks – ILS	754,362	1,143,109
Cash at Banks – JOD	632,322	621,575
	<u>5,371,091</u>	<u>5,623,521</u>

\* Interest rates during the year on short-term deposits in US Dollars, Israeli Shekels and Jordanian Dinars have averaged between 3% to 3.5%.



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**6) CONTRIBUTIONS RECEIVABLE**

<i>US Dollar</i> <b>Donor Name</b>	<b>Project No. and Name</b>	<b>As of December 31,</b>	
		<b>2022</b>	<b>2021</b>
Agence Francaise de Development (AFD)	CPS 1203 01 Z	2,295,097	6,794,397
The Consulate General of Sweden in Jerusalem (SIDA)	11347	-	4,088,870
The Consulate General of Sweden in Jerusalem (SIDA)	15594	11,491,200	-
International Development Association (IDA)	TF0A8275	6,822,500	-
		<b>20,608,797</b>	<b>10,883,267</b>

**7) OTHER CURRENT ASSETS**

<i>US Dollar</i>	<b>As of December 31,</b>	
	<b>2022</b>	<b>2021</b>
Prepaid Expenses	3,947	18,313
Due from employees	25,000	1,675
Others	781	2,370
	<b>29,728</b>	<b>22,358</b>

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8) PROPERTY AND EQUIPMENT, NET

<i>US Dollar</i>	Office Equipment	Office Furniture	Vehicles	Computers	Software	Decorations and Enhancements	Total
<u>2022</u>							
<b>Cost</b>							
Beginning balance as of January 1, 2022	54,326	26,137	34,681	97,780	169,652	1,891	384,467
Additions	4,800	-	-	1,428	-	-	6,228
Disposals	(10,322)	(19,039)	-	(19,862)	-	-	(49,223)
Ending balance as of December 31, 2022	<b>48,804</b>	<b>7,098</b>	<b>34,681</b>	<b>79,346</b>	<b>169,652</b>	<b>1,891</b>	<b>341,472</b>
<b>Accumulated Depreciation:</b>							
Beginning as of January 1, 2022	38,816	19,593	14,408	90,051	139,752	322	302,942
Depreciation	5,484	1,156	5,202	3,323	6,156	378	21,699
Disposals	(10,322)	(19,039)	-	(19,862)	-	-	(49,223)
Ending balance as of December 31, 2022	<b>33,978</b>	<b>1,710</b>	<b>19,610</b>	<b>73,512</b>	<b>145,908</b>	<b>700</b>	<b>275,418</b>
<b>Net Book Value, December 31, 2022</b>	<b>14,826</b>	<b>5,388</b>	<b>15,071</b>	<b>5,834</b>	<b>23,744</b>	<b>1,191</b>	<b>66,054</b>

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PROPERTY AND EQUIPMENT, NET (CONTINUED)

<i>US Dollar</i>	Office Equipment	Office Furniture	Vehicles	Computers	Software	Decorations and Enhancements	Total
<u>2021</u>							
<b>Cost</b>							
Beginning balance as of January 1, 2021	44,464	23,477	34,681	96,585	140,731	-	339,938
Additions	11,076	2,660	-	1,195	28,921	1,891	45,743
Disposals	(1,214)	-	-	-	-	-	(1,214)
<b>Ending balance as of December 31, 2021</b>	<b>54,326</b>	<b>26,137</b>	<b>34,681</b>	<b>97,780</b>	<b>169,652</b>	<b>1,891</b>	<b>384,467</b>
<b>Accumulated Depreciation:</b>							
Beginning as of January 1, 2021	36,845	18,765	9,206	86,028	139,382	-	290,226
Depreciation	3,185	828	5,202	4,023	370	322	13,930
Disposals	(1,214)	-	-	-	-	-	(1,214)
<b>Ending balance as of December 31, 2021</b>	<b>38,816</b>	<b>19,593</b>	<b>14,408</b>	<b>90,051</b>	<b>139,752</b>	<b>322</b>	<b>302,942</b>
<b>Net Book Value, December 31, 2021</b>	<b>15,510</b>	<b>6,544</b>	<b>20,273</b>	<b>7,729</b>	<b>29,900</b>	<b>1,569</b>	<b>81,525</b>

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9) ACCOUNTS PAYABLE AND ACCRUALS

<i>US Dollar</i>	As of December 31,	
	2022	2021
Employees' Vacation	23,766	23,728
Accounts Payable and Accrued Professional Fees	62,627	56,619
Interest Payable – due to donors	63,915	165,795
Due to other Centers under the Human Rights Project 2018 - 2022 – Funded by SIDA	717,163	1,044,627
Due to the Swedish International Development Cooperation Agency (SIDA) – Culture Project – As disclosed in Note (11)	-	130,934
Due to other Centers under the AFD Project	7,821	-
Due to the International Development Association (IDA) – C4W Project – As disclosed in Note (11)	6,912	-
Others	33	1,402
	<u>882,237</u>	<u>1,423,105</u>

10) PROVISION FOR EMPLOYEES' INDEMNITY

<i>US Dollar</i>	As of December 31,	
	2022	2021
End of Service Benefits	261,705	293,378
Provident Fund	128,452	111,151
	<u>390,157</u>	<u>404,529</u>

The movement during the years of 2022 and 2021 for end of service benefits and provident fund are as follows:

a. Reserve for End of Service Benefits

<i>US Dollar</i>	As of December 31,	
	2022	2021
Beginning Balance as of January 1	293,378	245,664
Additions During the Year	25,767	47,714
Payments During the Year	(57,440)	-
<b>Ending Balance as of December 31</b>	<u>261,705</u>	<u>293,378</u>

b. Reserve for Provident Fund

<i>US Dollar</i>	As of December 31,	
	2022	2021
Beginning Balance as of January 1	111,151	79,404
Additions During the Year	30,894	31,747
Payments During the Year	(13,593)	-
<b>Ending Balance as of December 31</b>	<u>128,452</u>	<u>111,151</u>

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11) TEMPORARILY RESTRICTED CONTRIBUTIONS

2022	Balance as of January 1, 2022	Additions	Temporarily Restricted Contributions Released from Restriction			Refunded to the Donor	Currency Exchange Variance	Balance as of December 31, 2022
			Operational Expenses	Property and Equipment				
<i>US Dollar</i>								
International Development Association (IDA) _ C4W	795,447	-	(785,571)	(2,980)	(6,912) *	16	-	-
International Development Association (IDA) _ C4S	-	7,000,000	(118,931)	-	-	-	6,881,069	
SIDA – Human Rights Programme 2018 – 2022	4,825,187	-	(3,563,119)	(3,131)	-	(449,979)	808,958	
SIDA – Human Rights Programme 2023 – 2026	-	10,706,400	-	-	-	784,800	11,491,200	
AFD - Appui a Jerusalem-Est pour son Identite et sa Resilience	7,566,228	-	(2,363,648)	-	-	(538,500)	4,664,080	
AECID – Spain Agency	570,264	-	(570,371)	(116)	-	223	-	
	<u>13,757,126</u>	<u>17,706,400</u>	<u>(7,401,640)</u>	<u>(6,227)</u>	<u>(6,912)</u>	<u>(203,440)</u>	<u>23,845,307</u>	
			<u>(7,407,867)</u>					

\* This amount will be returned to the donor as some of the partners did not perform some of the activities agreed upon in the budget within the project period. NDC has recorded the amount as part of the Accounts payable and Accruals as shown in the notes to the financial statements No. (9).

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TEMPORARILY RESTRICTED CONTRIBUTIONS (CONTINUED)

2021	Balance as of January 1, 2021	Temporarily Restricted Contributions Released from Restriction			Currency Exchange Variance	Balance as of December 31, 2021
		Operational Expenses	Property and Equipment	Refunded to the Donor		
<i>US Dollar</i>						
International Development Association (IDA) _ C4W	2,941,932	(2,103,350)	(43,135)	-	-	795,447
SIDA – NDC- Cultural Centers, E. Jerusalem 2016-2019	139,129	(24,549)	-	(130,934)	16,354	-
SIDA – Human Rights Programme 2018 – 2022	357,391	(3,540,457)	(2,609)	-	(176,338)	4,825,187
UN Women, Men and Women for Gender Equality	94,018	(61,347)	-	-	(32,671)	-
AFD - Appui a Jerusalem-Est pour son Identite et sa Resilience	9,808,427	(1,553,606)	-	-	(688,593)	7,566,228
AECID – Spain Agency	-	(1,235)	-	-	(223)	570,264
	<u>13,340,897</u>	<u>(7,284,544)</u>	<u>(45,744)</u>	<u>(130,934)</u>	<u>(881,471)</u>	<u>13,757,126</u>
		<u>(7,330,288)</u>				

**12) FOREIGN CURRENCY EXCHANGE GAIN**

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 losses of USD 80,991 and gains of USD 60,589 as of December 31, 2022 and 2021 respectively.

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13) OPERATING EXPENSES

<i>US Dollar</i>	IDA_C4W	SIDA- Human Rights	AFD	AECID	IDA_C4S	Total Project Expenses	NDC Core Fund	Total	
								2022	2021
Grants and recipients	652,604	3,113,827	2,129,220	494,538	-	6,390,189	-	6,390,189	6,397,389
Capacity Building for other NGOs	-	234,357	-	-	-	234,357	-	234,357	-
Salaries and related expenses	77,319	147,190	174,638	30,212	98,028	527,387	-	527,387	576,355
Consultation	24,442	33,802	47,537	6,937	1,575	114,293	-	114,293	106,466
Professional fees	13,673	4,565	8,288	4,340	1,035	31,901	-	31,901	59,947
Travel, transportation, and accommodation expenses	2,000	4,784	571	3,304	2,962	13,621	-	13,621	40,999
Network support expense	-	1,025	-	1,810	-	2,835	-	2,835	1,403
Utilities	4,242	4,310	-	4,497	4,608	17,657	-	17,657	17,972
Rent expense	6,621	9,220	-	3,959	6,000	25,800	-	25,800	25,380
Communication expense	2,000	2,926	175	2,790	1,800	9,691	-	9,691	10,325
Maintenance	-	-	-	9,610	-	9,610	-	9,610	14,116
Hospitality and meetings	-	1,934	503	331	1,540	4,308	-	4,308	1,364
Media advertising	126	295	-	178	437	1,036	-	1,036	1,744
Stationery and office supplies	258	2,776	-	4,046	-	7,080	-	7,080	8,024
Insurance	600	-	1,256	-	415	2,271	-	2,271	1,037
Printings and brochures	1,624	1,280	118	3,590	275	6,887	-	6,887	2,203
Bank charges	62	828	970	188	96	2,144	-	2,144	1,289
Projects implemented by contractors	-	-	-	-	-	-	-	-	7,680
PMIS system	-	-	-	-	160	160	-	160	2,009
Other	-	-	-	41	-	41	-	41	4,382
<b>Total before depreciation expenses</b>	<b>785,571</b>	<b>3,563,119</b>	<b>2,363,276</b>	<b>570,371</b>	<b>118,931</b>	<b>7,401,268</b>	<b>-</b>	<b>7,401,268</b>	<b>7,280,084</b>
Depreciation expenses	-	-	372	-	-	372	21,327	21,327	13,930
<b>Total</b>	<b>785,571</b>	<b>3,563,119</b>	<b>2,363,648</b>	<b>570,371</b>	<b>118,931</b>	<b>7,401,640</b>	<b>21,327</b>	<b>7,422,967</b>	<b>7,294,014</b>

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**14) OTHER REVENUES**

<i>US Dollar</i>	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest Revenues	13,476	11,467
Others	13,366	2,200
	<b>26,842</b>	<b>13,667</b>

**15) 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 2022 and 2021:

<i>US Dollar</i>	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Salaries and Benefits of Executive Management and Key Managers	236,082	233,714

**16) FINANCIAL RISK MANAGEMENT**

**Overview**

NDC 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 NDC's exposure to each of the above risks, NDC's objectives, policies and processes for measuring and managing risk.

**Risk management framework**

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

The management is responsible for developing and monitoring NDC's risk management policies. NDC's risk management policies are established to identify and analyze the risks faced by NDC, 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 NDC's activities.

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

• **Credit risk**

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

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:

<b>US Dollar</b>	<b>As of December 31,</b>	
	<b>2022</b>	<b>2021</b>
Cash and Cash Equivalents	5,368,246	5,620,350
Contributions Receivable	20,608,797	10,883,267
	<b>25,977,043</b>	<b>16,503,617</b>



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• **Liquidity risk**

Liquidity risk is the risk that NDC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. NDC'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 NDC's reputation.

NDC 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:

<u>2022</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>6 months or less</u>	<u>6 to 12 months</u>	<u>More than a year</u>
<i>US Dollar</i>					
Accounts Payable and Accruals	882,237	882,237	882,237	-	-
Temporarily Restricted Contributions	23,845,307	23,845,307	7,276,000	16,569,307	-
Provision for Employees' Indemnity	390,157	390,157	2,589	-	387,568
	<u>25,117,701</u>	<u>25,117,701</u>	<u>8,160,826</u>	<u>16,569,307</u>	<u>387,568</u>
<u>2021</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>6 months or less</u>	<u>6 to 12 months</u>	<u>More than a year</u>
<i>US Dollar</i>					
Accounts Payable and Accruals	1,423,105	1,423,105	1,423,105	-	-
Temporarily Restricted Contributions	13,757,126	13,757,126	4,127,138	9,629,988	-
Provision for Employees' Indemnity	404,529	404,529	2,589	-	401,940
	<u>15,584,760</u>	<u>15,584,760</u>	<u>5,552,832</u>	<u>9,629,988</u>	<u>401,940</u>

• **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect NDC'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 related to the possibility of volatility of a financial instrument due to changing interest rates in the market, but NDC is working on preparing policies to manage this type of financial risk within specific strategies in which NDC's management monitors and controls these risks.

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**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).

<i>U.S Dollar</i>	<b>Carrying amount</b>	<b>Fair Value</b>		
		<b>Level (1)</b>	<b>Level (2)</b>	<b>Level (3)</b>
<b><u>December 31, 2022</u></b>				
Cash and cash equivalent	5,371,091	5,371,091	-	-
Contribution receivable	20,608,797	-	20,608,797	-
Other Current Assets	29,728	-	29,728	-
Accounts payable and accruals	(882,237)	-	(882,237)	-
Temporarily restricted contributions	(23,845,307)	-	(23,845,307)	-
Provision for employees' indemnity	(390,157)	-	(390,157)	-
<b><u>December 31, 2021</u></b>				
Cash and cash equivalent	5,623,521	5,623,521	-	-
Contribution receivable	10,883,267	-	10,883,267	-
Other Current Assets	22,358	-	22,358	-
Accounts payable and accruals	(1,423,105)	-	(1,423,105)	-
Temporarily restricted contributions	(13,757,126)	-	(13,757,126)	-
Provision for employees' indemnity	(404,529)	-	(404,529)	-

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