NGO DEVELOPMENT CENTER
Al RAM - PALESTINE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT

NGO DEVELOPMENT CENTER
Al RAM – PALESTINE

FOR THE YEAR ENDED DECEMBER 31, 2018

Contents

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INDEPENDENT AUDITOR'S 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, 2018, 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, 2018, 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 Auditor's Responsibilities for the Audit of the Financial Statement 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 statement in areas under the jurisdiction of Palestinian Authority, 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 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.

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 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 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.

Kawasmy and Partners
KPMG

KPMG
Kawasmy & Partners Co.
Palestine Branch

Kawasmy & Partners KPMG

License No. (201/2017)

Ramallah - Palestine
May 30, 2019

NGO DEVELOPMENT CENTER
AL RAM – PALESTINE

STATEMENT OF FINANCIAL POSITION

US Dollar	Note	As of December 31, 2018	2017
Assets			
Current Assets			
Cash and Cash Equivalents	5	6,403,253	2,941,123
Contributions receivable	6	14,183,857	3,071,470
Other Debit Balances	7	12,848	25,899
		20,599,957	**6,038,492**
Non-Current Assets			
Property and Equipment, Net	8	22,649	6,573
		22,649	**6,573**
Total Assets		**20,622,607**	**6,045,065**
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable and Accruals	9	240,696	328,504
Temporarily Restricted Contributions	11	19,363,325	4,594,751
		19,604,021	**4,923,255**
Non-Current Liabilities			
Provision for Employees Indemnity	10	206,484	228,149
		206,484	**228,149**
Total Liabilities		**19,810,505**	**5,151,404**
Net Assets			
Net Assets		812,102	893,661
Total Net Assets		**812,102**	**893,661**
Total Liabilities and Net Assets		**20,622,607**	**6,045,065**

The accompanying notes on pages from (6) to (24) are an integral part of these financial statements

The financial statements on pages (3) to (5) were approved by NDC Board of Directors on May 19, 2019

Chairman of Board

Treasurer

NGO DEVELOPMENT CENTER
AL RAM – PALESTINE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

US Dollar	Note	For the Year Ended December 31, 2018	2017
Grants and Revenues			
Temporarily Restricted Contributions Released from Restriction	11	1,955,405	1,473,219
Interest Income		12,206	2,877
Foreign Currency Exchange (Loss) Gain	12	(21,292)	62,107
Gain from Selling of Property and Equipment		403	-
Other Revenues		-	19,328
Total Grants and Revenues		**1,946,722**	**1,557,531**
Expenses			
Operating Expenses	13	(2,024,077)	(1,718,119)
Depreciation	8	(4,204)	(6,003)
Total Expenses		**(2,028,281)**	**(1,724,122)**
Decrease in Net Assets		**(81,559)**	**(166,591)**
Net Assets, Beginning of the Year		893,661	1,060,252
Net Assets, End of the Year		**812,102**	**893,661**

The accompanying notes on pages from (6) to (24) are an integral part of these financial statements

NGO DEVELOPMENT CENTER
AL RAM – PALESTINE

STATEMENT OF CASH FLOWS

US Dollar	Notes	For the Year Ended December 31, 2018	2017
Cash flows from Operating Activities:			
(Decrease) in Net Assets		(81,559)	(166,591)
Adjustments:			
Depreciation		4,204	6,003
Provision for Employees Indemnity		32,002	33,869
(Gain) from Selling of Property and Equipment		(403)	-
		(45,756)	**(126,719)**
Changes in Working Capital:			
Contributions Receivable		(11,112,387)	483,930
Other Debit Assets		13,052	(13,545)
Accounts Payables and Accruals		(87,808)	208,951
Temporary Restricted Contributions		14,768,574	(65,657)
Employees Indemnity Paid		(53,667)	(108,122)
Net Cash Flow From Operating Activities		**3,482,008**	**378,838**
Cash Flow from Investing Activities:			
Procurement of Fixed Assets		(20,281)	(920)
Proceeds from Selling of Property and Equipment		403	-
Cash Flow (Used in) Investing Activities		**(19,878)**	**(920)**
Net Increase in Cash and Cash Equivalent		**3,462,130**	**377,917**
Cash on Hand and at Banks - Beginning of the year		2,941,123	2,563,206
Cash on Hand and at Banks - End of Year	**5**	**6,403,253**	**2,941,123**

The accompanying notes on pages from (6) 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. (QR286-B), as a Palestinian Non-Governmental Organization (NGO). NDC started its normal activities on July 1, 2006.

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

The board of directors approved the financial statements on May 19, 2019.

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

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Estimates and underlying assumptions are reviewed on periodical basis. Revisions to accounting estimates are recognized in the period the estimates are revised and in any future period affected. Critical judgments and estimates relate mainly to useful lives of fixed assets, staff benefits and all other provisions.

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of 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.

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is summarized as follows:

- 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.
- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with the Center's accounting policies.
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, or any other factors that causes the recoverable amount to be lower than its carrying amount.
- Management estimated the recoverable amount of the other financial assets to determine whether there was any impairment in its value.

- Management believes that its estimates and judgments are reasonable and adequate.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of an asset or a liability, the Center uses market observable 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 might be categorized in 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.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Center in these financial statements for the year ended December 31, 2018 are the same as those applied by the Center in its financial statements for the year ended December 31, 2017, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2018:

- International Financial Reporting Standard (9): Financial Instrument.
- International Financial Reporting Standard (15): Revenue from Contracts with Customers.
- IFRS (2): Classification and Measurements of Share-Based Payments.
- IAS (40): Clarify Transfers of Investment in Property.
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments on IFRS (1) adopting IFRS for the first time and IAS (28) Investment in associate and joint venture (effective on Jan 1st 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

The application of these new standards and amended standards did not have a significant effect on the Center's financial statements except for IFRS 9 Financial Instrument and IFRS 15 Revenue from Contracts with Customers. The following are the significant accounting policies applied by the Center:

a) IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

The Center has adopted IFRS 15 from January 1, 2018. Under IAS 18 and IFRS 15 Revenue recognition is recognized based on accrual basis. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services performed, stated net of discounts, returns and value added taxes. The Center recognizes revenue when the amount of revenue can be reliably measured; and when specific criteria has been met for each of the Center's activities.

IFRS 15 did not have a significant impact on the Center's accounting policies with respect to revenue streams.

b) IFRS 9 Financial Instruments (Policy applicable from January 1, 2018)
The Center has adopted IFRS 9 as from January 1, 2018. IFRS (9) defines requirements for the recognition and measurement of both financial assets and liabilities and certain contracts for the purchase or sale of non financial items. This standard is considered as substitute of IAS No. (39) (Recognition and Measurement).

The details of the new significant accounting policies and the nature of the impact of changes in previous accounting policies are set out below:

A- Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS (39) for the classification and measurement of financial liabilities but eliminates the classification of held-to-maturity financial assets, loans and receivables and available-for-sale assets that fall under the criteria of International Accounting standards No. (39).

Financial Assets:
Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income – debt investment; fair value through other comprehensive income – equity investment; or fair value through profit or loss. The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
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 profit or loss:

- It's held within a business model whose objective is to hold assets to collect future 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 profit or loss:
- it's held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 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 Center 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 profit or loss. This includes all derivative financial assets. On initial recognition, the Center 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 profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Center's financial assets as at January 1, 2018:

In US Dollar	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	6,403,253	6,403,253
Contributions receivable	Loans and receivables	Amortized cost	14,183,857	14,183,857
Other debit balances	Loans and receivables	Amortized cost	12,847	12,847

Financial liabilities:

The adoption of IFRS (9) has no material impact on the Center's accounting policies relating to financial liabilities. IFRS (9) has maintained the requirements of IAS (39) regarding the classification of financial liabilities. IAS (39) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the statement of activities, whereas IFRS (9) requires:

- Recognition of differences in valuation of financial liabilities classified as financial liabilities at fair value through statement of profit and loss as a result of changes in credit risk in the statement of activities.
- The remaining amount of fair value valuation differences is recognized in the statement of activities.
- The Center has not classified any financial liabilities in financial liabilities at fair value through profit or loss. Accordingly, there is no impact of applying IFRS (9) to the financial statements.

B- Impairment of financial assets:

IFRS (9) replaces the "loss recognition" model adopted in IAS (39) to calculate the impairment of financial assets over "expected credit loss" model, which requires the use of estimates and judgments to estimate economic factors. The model will be applied to financial assets - debt instruments classified at amortized cost or at fair value through other comprehensive income but not to investments in equity instruments. Where credit losses are recognized in accordance with IFRS (9), which is earlier than IAS (39).

Under IFRS (9), impairment loss are measured on the basis of lifetime ECL, these ECLs result from all possible default events over the expected life of a financial instrument.

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.

The expected impairment of the life of the financial instrument to maturity is calculated in the event of a significant increase in credit risk. The expected credit loss model requires recognition of the expected loss over the life of the asset debt instruments are very similar to the requirements of IAS 39.

When determining whether the credit risk of financial assets has increased significantly since initial recognition and in estimating the expected credit loss, the Center relies on reasonable and supportive information available and relevant, including quantitative and qualitative information and analysis of this information based on the Center's past experience and credit study.

The Center considers financial assets to be impaired when:

- The borrower likely be unable to pay its credit obligations to the Center without recourse to the procedures for using the collateral held against such obligations (if any).
- If more than, 90 days have elapsed on maturity of financial assets.
- The expected credit loss calculation mechanism depends on the (probability of default), which is calculated according to the credit risk and future economic factors, (loss given default), which depends on the value of the existing collateral, the (exposure at default), The expected credit loss is discounted at the effective interest rate of the financial asset.

At each financial period, the Center evaluates the credit rating of financial assets at amortized cost and debt securities at fair value through other statement of comprehensive income. The credit rating of financial assets is considered to be impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset occur.

Provisions loss for financial assets measured at amortized cost are deducted from the total carrying amount of the financial asset. For debt securities at fair value through other comprehensive income, the provision for impairment is recognized in statement of other comprehensive income and is not deducted from the carrying amount of the financial asset. The losses of other financial assets are presented under 'Financing expenses' in the same manner of disclosure used in accordance with IAS (39). Such disclosure is not included in the statement of activities based on material considerations.

Impact of the new impairment model

There is no significant impact for applying IFRS 9 on the financial statements for the Center .

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

c) **Financial instruments (Policy applicable before January 1, 2018)**

The Center classifies non-derivative financial assets into the following categories: loans and receivables. The Center classifies non-derivative financial liabilities into the other financial liabilities category.

- **Non-derivative financial assets and financial liabilities – recognition and derecognition**

The Center initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Center derecognizes a financial asset when the contractual rights to the cash flows from the 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.

The Center derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Center has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

- **Non-derivative financial assets – measurement**

- Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

- Cash and cash equivalents
  In the statement of cash flows, cash and cash equivalent include bank overdrafts that are repayable on demand and form an integral part of the Center's cash management.

- **Non-derivative financial liabilities – measurement**
  Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

d) Impairment (Policy applicable before January 1, 2018)

Financial Assets
A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.
A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
Individually significant financial assets are tested for impairment on an individual basis.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of activities.

Non-Financial Assets
The carrying amounts of the Center's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount.
Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.
All impairment losses are recognized in the statement of activities

e) 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 NDC is not subject to donor imposed restrictions.

Temporarily restricted n**et 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: 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 fund invested in fixed assets.

f) Contributions and grants
Donors unconditional pledges are those pledges where donor does not specify prerequisites that have be carried out by the NDC before obtaining the fund.
Contributions revenues from pledges where donor does not specify prerequisites that have to be carried out by the NDC before obtaining the fund.

Contributions revenues from pledges /grants are recognized as follows:

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

- Conditional restricted pledges that are temporarily restricted by donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

g) 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.

h) 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
Motor Vehicles	7 Years
Computers	3-5 years
Software	5 Years

i) Provision for employee indemnity - reserve for end of service indemnities and provident fund

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 above, NDC established a provident fund scheme for its core employees. The Center established a provident fund plan for its employees whereby NDC deducts 2% of the employees' monthly salaries and contributes an additional 3%.

j) 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.

k) 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.

l) 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.

m) 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:

Currency	December 31, 2018	December 31, 2017
USD/NIS	3.75	3.466
USD/EURO	0.874	0.835
USD/JOD	0.71	0.71
USD/Swedish Krone	8.933	8.218

- 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:

Standards
- International Financial Reporting Standards (16): Leases (effective on January 1st, 2019 with earlier application permitted).
- International Financial Reporting Standards (17): Insurance Contracts (effective on January 1st, 2021 with earlier application permitted).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective on January 1st, 2019).

Amendments
- IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective date to be determined).
- Repayment features with negative confirmation – Amendments to IFRS 9 (effective on January 1st, 2019).
- Long term interest in Associates and Joint Ventures – Amendments to IAS 28 (effective on January 1st, 2019).
- Plan amendments, Curtailment or Settlement – Amendments to IAS 19 (effective on January 1st, 2019).
- Annual improvements to IFRSs 2015 – 2017 Cycle – various standards.

The Center anticipates that each of the above standards and interpretations (amendments) will be adopted in the financial statements by its date mentioned above without having any material impact on the Center's financial statements, except for IFRS 16 which is discount below:

A. IFRS 16 Leases

The Center is required to adopt IFRS 16 "Leases" from January 1, 2019. The Center has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements as described below. The actual impact of adopting the standard on January 1, 2019 may change because:

- The Center has not finalized the testing and assessment of controls over its new IT systems.
- The new accounting policies are subject to change until the Center presents its first financial statement that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payment. There are recognition exemptions for short-term leases and leases of low value-items. Lessor accounting remains similar to the current standard.
IFRS 16 replaces existing leases guidance, including IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a lease.

B. Leases in which the Center is a lessee

The Center will have to recognize new assets and liabilities for its operating leases of sites and rentals. The nature of expenses related to those leases will now have to change because the Center will have to recognize a depreciation charge for right-of-use (RoU) assets and interest expenses on lease liabilities.
Previously, the Center recognized operating lease expense on straight-line basis over the term of the lease, and recognized the asset and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognized.
In addition, the Center will no longer have to recognize provisions for operating leases that it assesses to be onerous. Instead, the Center will have to include the payments due under the lease in its lease liability.

No significant impact is expected for the Center's finance leases.

C. Leases in which the Center is a lessor

No significant impact is expected for other leases in which the Center is a lessor.

D. Transition

The Center plans to apply IFRS 16 initially on January 1, 2019, using the second option of the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will not impact the opening balance of retained earnings at January 1, 2019, and with no restatement of comparative information.
The Center plans to apply the practical expedient to the definition of a lease on transition. This mean that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The estimated impact on applying IFRS 16 on the Center's financial statements as at January 1, 2019 is as follows:

	Estimated impact of adoption of IFRS 16		
US Dollar	**As reported at December 31, 2018**	**Estimated adjustments due to adoption of IFRS 16**	**Estimated adjustments at January 1, 2019 due to adoption of IFRS 16**
RoU Assets	-	68,344	68,344
Prepayments	2,630	(2,630)	-
Lease Liabilities	-	(69,092)	(69,092)

5) CASH AND CASH EQUIVALENTS

	As of December 31,	
US Dollar	**2018**	**2017**
Cash on hand	2,645	1,837
Cash at banks – Current	4,156,001	335,008
Deposits at banks	2,244,607	2,604,278
	6,403,253	**2,941,123**

6) CONTRIBUTIONS RECEIVABLE

US Dollar Donor Name	Project No. and Name	As of December 31, 2018	 2017
International Development Association (IDA)	P167726, Gaza Emergency Cash for Work and Self-Employment Support Project	13,000,000	-
The Consulate General of Sweden in Jerusalem (SIDA)	52110119, NDC- Cultural organizations, E. Jerusalem 2016-2019	1,175,370	2,555,280
United Nations Entity for Gender Equality and the Empowerment of Women	93316, Women for Women and Men for Women	8,487	160,129
The United Nation Office for the Coordination of Humanitarian Affairs (OCHA)	OPT-17-DDA-3482-OPT-FSL-NGO-5866, Enhance the income of venerable & poor female and male farmers in the northern area of the Gaza strip	-	49,961
The United Nation Office for the Coordination of Humanitarian Affairs (OCHA)	OPT-17-DDA-3482/OPT/FSL/NGO/6658, Utilizing solar / photovoltaic energy to operate agricultural water wells & pumping systems	-	306,100
		14,183,857	**3,071,470**

7) OTHER DEBIT BALANCES

US Dollar	As of December 31, 2018	 2017
Prepaid Expenses	12,848	11,544
Others	-	14,355
	12,848	**25,899**

8) PROPERTY AND EQUIPMENT, NET

US Dollar	Office Equipment	Office Furniture	Motor Vehicles	Computers	Software	Total
2018						
Cost						
Beginning 2018	**89,121**	**19,719**	**28,570**	**107,096**	**138,875**	**383,381**
Additions	-	-	20,281	-	-	20,281
Disposals	-	-	-	(4,866)	-	(4,866)
Ending 2018	**89,121**	**19,719**	**48,851**	**102,230**	**138,875**	**398,796**
Accumulated Depreciation:						
Beginning 2018	**85,914**	**19,719**	**28,570**	**103,731**	**138,875**	**376,809**
Depreciation	1,495	-	392	2,317	-	4,204
Disposals	-	-	-	(4,866)	-	(4,866)
Ending 2018	**87,409**	**19,719**	**28,962**	**101,182**	**138,875**	**376,147**
Net Book Value, December 31, 2018	**1,712**	**-**	**19,889**	**1,048**	**-**	**22,649**

NDC owned property and equipment include fully depreciated assets in the amount of USD 365,753 that are still in operation as of December 31, 2018.

8 PROPERTY AND EQUIPEMTN, NET (continued)

US Dollar	Office Equipment	Office Furniture	Motor Vehicles	Computers	Software	Total
2017						
Cost						
Beginning 2017	**89,121**	**22,425**	**28,570**	**106,176**	**138,875**	**385,167**
Additions	-	-	-	920	-	920
Disposals	-	(2,706)	-	-	-	(2,706)
Ending 2017	**89,121**	**19,719**	**28,570**	**107,096**	**138,875**	**383,381**
Accumulated Depreciation:						
Beginning 2017	**82,948**	**22,425**	**28,570**	**100,694**	**138,875**	**373,512**
Depreciation	2,966	-	-	3,037	-	6,003
Disposals	-	(2,706)	-	-	-	(2,706)
Ending 2017	**85,914**	**19,719**	**28,570**	**103,731**	**138,875**	**376,809**
Net Book Value, December 31, 2017	**3,208**	**-**	**-**	**3,365**	**-**	**6,573**

NDC owned property and equipment include fully depreciated assets in the amount of USD 354,791 that are still in operation as of December 31, 2017.

9) ACCOUNTS PAYABLE AND ACCRUALS

US Dollar	As of December 31, 2018	2017
Staff Vacation Provision	18,524	21,121
Accounts Payable	2,466	22,644
Accrued Expenses	8,734	3,391
Outstanding Checks	3,278	3,899
Interest Payable	43,083	22,935
Due to other organizations – SIDA Project	164,611	253,666
Others	-	848
	240,696	**328,504**

10) PROVISION FOR EMPLOYEES INDEMNITY

US Dollar	As of December 31, 2018	2017
End of Service Benefits	170,944	195,532
Provident Fund	35,540	32,617
	206,484	**228,149**

The movement during the years of 2018 and 2017 for staff end of service benefits and provident fund are as follows:

a. Reserve for End of Service Benefits

US Dollar	As of December 31, 2018	2017
Beginning Balance as of January 1	195,532	262,340
Additions During the Year	20,437	22,183
Payments During the Year	(45,025)	(88,991)
Ending Balance as of December 31	**170,944**	**195,532**

b. Reserve for Provident Fund

US Dollar	As of December 31, 2018	2017
Beginning Balance as of January 1	32,617	40,062
Additions During the Year	11,565	11,686
Payments During the Year	(8,642)	(19,131)
Ending Balance as of December 31	**35,540**	**32,617**

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:

			Temporarily Restricted Contributions Released from Restriction				
US Dollar	**Balance as of January 1, 2018**	**Additions**	**Operational Expenses**	**Property and Equipment**	**Currency Exchange Variance**	**Write-Off**	**Balance as of December 31, 2018**
International Development Association (IDA)	-	17,000,000	(109,461)	-	-	-	16,890,539
OCHA - OPT-17-DDA-3482-OPT-FSL-NGO-5866	88,214	-	(88,214)	-	-	-	-
OCHA - OPT-17-DDA-3482-OPT-FSL-NGO-6658	476,081	-	(473,442)	-	-	(2,639)	-
UN Women - 93316, Men and Women for Gender Equality	139,914	-	(128,436)	-	(5,301)	(6,177)	-
SIDA	3,890,542	-	(1,155,852)	-	(261,904)	-	2,472,786
	4,594,751	**17,000,000**	**(1,955,405)**	**-**	**(267,205)**	**(8,816)**	**19,363,325**
			(1,955,405)				

11) TEMPORARILY RESTRICTED CONTRIBUTIONS (continued)

US Dollar	Balance as of January 1, 2017	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, 2017
OCHA - OPT-17-DDA-3482-OPT-FSL-NGO-5866	-	249,808	(160,674)	(920)	-	88,214
OCHA - OPT-17-DDA-3482-OPT-FSL-NGO-6658	-	510,160	(34,079)	-	-	476,081
UN Women - 93316, Men and Women for Gender Equality	-	208,998	(72,553)	-	3,469	139,914
UN Women - 93316, Women for Women and Men for Women	66,448	-	(54,654)	-	4,147	-
SIDA	4,593,960	-	(1,150,339)	-	446,921	3,890,542
	4,660,408	**968,966**	**(1,472,299)**	**(920)**	**454,537**	**4,594,751**
			(1,473,219)			

12) FOREIGN CURRENCY EXCHANGE GAIN (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 loss of USD 21,292 and gain of USD 62,107 as of December 31, 2018 and 2017 respectively.

13) OPERATING EXPENSES

US Dollar	Sida	UN Women II	OCHA-5866	OCHA-6658	IDA	Sub Total	NDC Core Fund	2018	2017
Grants and recipients	998,302	93,170	8,762	25,989	-	1,126,224	-	1,126,223	1,059,820
Salaries and related expenses	77,746	17,757	5,189	35,804	79,856	216,352	48,686	265,038	308,957
Consultation	49,440	14,405	742	10,298	5,358	80,243	3,801	84,044	125,219
Professional fees	7,445	-	-	1,261	656	9,362	4,684	14,046	12,867
Transportation and accommodation expenses	-	1,222	-	120	-	1,342	544	1,886	8,008
Network support expense	-	-	-	182	-	182	1,088	1,270	1,733
Utilities	5,672	-	-	-	9,000	14,672	1,399	16,071	19,498
Rent expense	4,497	-	3,263	3,339	7,875	18,974	586	19,560	20,675
Communication expense	3,899	-	300	2,210	3,060	9,469	449	9,918	11,570
Maintenance	2,040	-	152	1,816	-	4,008	1,115	5,123	9,020
Hospitality and meetings	-	838	400	-	-	1,238	944	2,182	14,800
Media advertising	-	-		-	-	-	333	333	991
Vehicle expenses	5,163	-	934	8,428	3,555	18,080	8	18,088	17,462
Stationery and office supplies	-	1,021	-	1,365		2,386	1,940	4,326	8,726
Insurance	-	-	-	-	56	56	1,518	1,574	1,986
Printings and brochures	1,335	13	-	-		1,348	400	1,748	372
Bank charges	-	10	-	-	45	55	512	567	729
Projects implemented by contractors	313	-	68,472	382,630	-	451,415	-	451,415	95,073
Other	-	-	-	-	-	-	665	665	613
	1,155,852	**128,436**	**88,214**	**473,442**	**109,461**	**1,955,405**	**68,672**	**2,024,077**	**1,718,119**

14) RELATED PARTY TRANSACTIONS

This item represents transactions with related parties, i.e., trustees, directors, NDC's senior Management and organizations, over which they exercise control during 2018 and 2017:

US Dollar	**2018**	**2017**
Key Management Personnel Compensation	170,708	169,676

15) CONTINGENT LIABILITY

There are two legal cases against the Center as at December 31, 2018 relating to employees end of service indemnities. Adequate provisions have been made by management to meet any legal obligations as a result of these cases. 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:

US Dollar	**As of December 31, 2018**	**2017**
Cash and Cash Equivalents	6,403,253	2,941,123
Contributions Receivable	14,183,857	3,071,470
Other Debit Balances	12,847	25,899
	20,599,957	**6,038,492**

- **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:

2018 *US Dollar*	**Carrying Amount**	**Contractual Cash Flows**	**6 months or less**	**6 to 12 months**	**More than a year**
Accounts payable and accruals	255,655	255,655	255,655	--	--
Temporarily restricted contributions	19,350,308	19,350,308	19,350,308	--	--
Provision for employees indemnity	206,484	206,484	--	--	206,484
	19,812,447	**19,812,447**	**19,605,963**	--	**206,484**

2017 *US Dollar*	**Carrying Amount**	**Contractual Cash Flows**	**6 months or less**	**6 to 12 months**	**More than a year**
Accounts payable and accruals	328,504	328,504	328,504	--	--
Temporarily restricted contributions	4,594,751	4,594,751	4,594,751	--	--
Provision for employees indemnity	228,149	228,149	--	--	228,149
	5,151,404	**5,151,404**	**4,923,255**	--	**228,149**

- **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, 2018				
Cash and cash equivalent	6,403,253	6,403,253	--	--
Contributions receivable	14,183,857	--	14,183,857	--
Other debit balances	12,847	--	12,847	--
Accounts payable and accruals	255,655	--	255,655	--
Temporarily restricted contributions	19,350,308	--	19,350,308	--
Provision for employees indemnity	206,484	--	206,484	--
December 31, 2017				
Cash and cash equivalent	2,941,123	2,941,123	--	--
Contributions receivable	3,071,470	--	3,071,470	--
Other debit balances	25,899	--	25,899	--
Accounts payable and accruals	328,504	--	328,504	--
Temporarily restricted contributions	4,594,751	--	4,594,751	--
Provision for employees indemnity	228,149	--	228,149	--

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.