

**The Palestinian Association for Empowerment and Local  
Development-REFORM**

**Financial Statements and Independent Auditor's Report**

**For the Year Ended December 31, 2021**

**The Palestinian Association for Empowerment and Local Development-REFORM**  
Financial statements for the year ended December 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
The Palestinian Association for Empowerment and Local Development- REFORM**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **The Palestinian Association for Empowerment and Local Development-REFORM**, which comprise the statement of financial position as of December 31, 2021, statement of activities, statement of changes in net assets and the statement of cash flows for the year then ended and 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 **REFORM** as of December 31, 2021, 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 REFORM 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 REFORM 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 REFORM or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REFORM financial reporting process.



## INDEPENDENT AUDITOR'S REPORT (Continued)

### 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,

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 REFORM'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 REFORM to cease to continue as a going concern.
5. 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.



**INDEPENDENT AUDITOR'S REPORT (Continued)**

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.

**Raed Abu ElEtham, CPA  
License no. (109/2002)**

**Deloitte & Touche (M.E.)  
Ramallah - Palestine  
License no. (208/2012)**



**April 27, 2022**

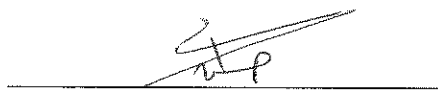
**The Palestinian Association for Empowerment and Local Development-REFORM**

**Statement of Financial Position  
As of December 31, 2021  
(All amounts are in New Israeli Shekel)**

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>			
Cash on hand and deposits with banks	5	767,809	1,023,423
Contribution receivables	6	380,734	38,044
Other current assets	7	14,136	1,006
<b>Total Current Assets</b>		<b>1,162,679</b>	<b>1,062,473</b>
Right of use assets	8	193,606	193,662
Property and equipment, Net	9	283,305	328,906
<b>Total Assets</b>		<b>1,639,590</b>	<b>1,585,041</b>
<b>Liabilities and Net Assets</b>			
Payables and accruals	10	405,288	308,204
Lease liabilities- Short term	8	71,702	64,554
<b>Total Current Liabilities</b>		<b>476,990</b>	<b>372,758</b>
Lease liabilities- Long term	8	121,904	129,108
Provision for severance pay	11	321,745	287,565
<b>Total Liabilities</b>		<b>920,639</b>	<b>789,431</b>
<b>Net Assets</b>			
Unrestricted fund		391,970	8,963
Temporarily restricted fund	13	43,676	457,741
Investment in property and equipment		283,305	328,906
<b>Total Net assets</b>		<b>718,951</b>	<b>795,610</b>
<b>Total liabilities and net assets</b>		<b>1,639,590</b>	<b>1,585,041</b>

**The Accompanying Notes form an integral part of these Financial Statements.**

  
Mr. Mohammad Rabah Ali Ahmad  
Chairman of the Board of Director

  
Mr. Hasan Mahareeq  
Treasurer

**The Palestinian Association for Empowerment and Local Development-REFORM**

**Statement of Activities**

**For the year ended December 31, 2021**

**(All amounts are in New Israeli Shekel)**

		<b>2021</b>		<b>2020</b>	
	<b>Note</b>	<b>Unrestricted net assets</b>	<b>Temporary Restricted net assets</b>	<b>Total net assets</b>	<b>Total net assets</b>
<b>Grants and revenues</b>					
Contributions and Grants from Funding Agencies	<b>12,13</b>	334,098	3,650,729	3,984,827	1,767,540
		<b>334,098</b>	<b>3,650,729</b>	<b>3,984,827</b>	<b>1,767,540</b>
Net Assets Released from Restrictions		3,920,690	(3,920,690)	-	-
<b>Total grants and revenues</b>		<b>4,254,788</b>	<b>(269,961)</b>	<b>3,984,827</b>	<b>1,767,540</b>
<b>Expenses</b>					
Projects' Expenses	<b>14</b>	3,887,770	-	3,887,770	1,768,565
General and Administrative Expenses	<b>15</b>	36,836	-	36,836	157,174
<b>Total General, Administrative and project expenses</b>		<b>3,924,606</b>	-	<b>3,924,606</b>	<b>1,925,739</b>
Currency Exchange (Gain)/ Loss		(122,436)	117,667	(4,769)	1,875
Depreciation Expense	<b>9</b>	78,521	-	78,521	79,110
<b>Total Expenses</b>		<b>3,880,691</b>	<b>117,667</b>	<b>3,998,358</b>	<b>2,006,724</b>
<b>Increase (Decrease) in net assets</b>		<b>374,097</b>	<b>(387,628)</b>	<b>(13,531)</b>	<b>(239,184)</b>

**The Accompanying Notes form an integral part of these Financial Statements.**

**The Palestinian Association for Empowerment and Local Development-REFORM**

**Statement of Changes in Net Assets  
For the year ended December 31, 2021  
(All amounts are in New Israeli Shekel)**

	Unrestricted fund	Temporarily restricted fund	Investment in property and equipment	Total Net Assets
<b>Balance As of January 1 ,2021</b>	<b>8,963</b>	<b>457,741</b>	<b>328,906</b>	<b>795,610</b>
Prior Year Adjustments (note 18)	(36,691)	-	-	<b>(36,691)</b>
<b>Balance after adjustments</b>	<b>(27,728)</b>	<b>457,741</b>	<b>328,906</b>	<b>758,919</b>
Change in Net Assets during the year	374,097	(387,628)	-	(13,531)
Additions to investment in fixed Assets– Net of Depreciation	45,601	-	(45,601)	-
Movements during the year	-	(26,437)	-	(26,437)
<b>Balance as of December 31,2021</b>	<b>391,970</b>	<b>43,676</b>	<b>283,305</b>	<b>718,951</b>
<b>Balance as of January 1 ,2020</b>	<b>(264,372)</b>	<b>803,322</b>	<b>370,583</b>	<b>909,533</b>
Prior Year Adjustments (note 18)	125,261	-	-	<b>125,261</b>
<b>Balance after adjustments</b>	<b>(139,111)</b>	<b>803,322</b>	<b>370,583</b>	<b>1,034,794</b>
Change in Net Assets during the year	106,397	(345,581)	-	(239,184)
Additions to investment in fixed Assets– Net of Depreciation	41,677	-	(41,677)	-
<b>Balance As of December 31,2020</b>	<b>8,963</b>	<b>457,741</b>	<b>328,906</b>	<b>795,610</b>

**The Accompanying Notes form an integral part of these Financial Statements.**



**The Palestinian Association for Empowerment and Local Development-REFORM**

**Statement of Cash Flows**  
**For the year ended December 31, 2021**  
**(All amounts are in New Israeli Shekel)**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Contributions received	3,308,039	1,530,535
Cash paid to employees and suppliers	(3,432,594)	(1,558,639)
<b>Net Cash Flows (Used in) Operating Activities</b>	<b>(124,555)</b>	<b>(28,104)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and equipment	(32,920)	(37,662)
<b>Net Cash flows (Used in) Investing Activities</b>	<b>(32,920)</b>	<b>(37,662)</b>
<b>Cash flows from Financing Activities</b>		
Interest expense on lease liabilities	8,536	10,161
Repayments of lease liabilities	(80,238)	(74,715)
<b>Net Cash flows (Used in) Financing Activities</b>	<b>(71,702)</b>	<b>(64,554)</b>
<b>(Decrease) in Cash and Deposits with Banks During the Year</b>	<b>(255,614)</b>	<b>(130,320)</b>
Cash on Hand and Deposits with Banks, Beginning of Year	1,023,423	1,153,743
<b>Cash on Hand and Deposits with Banks at End of Year</b>	<b>767,809</b>	<b>1,023,423</b>
<b>Adjustments to reconcile change in net assets to net cash flows (Used in) Operating Activities</b>		
(Decrease) in Net Assets for the year	(13,531)	(239,184)
Adjustments	(36,691)	125,261
Depreciation of property and equipment	78,521	79,110
Amortization of right of use assets	71,702	64,554
Payments of Employees' benefits	(65,852)	(19,424)
(Increase) Decrease in Contribution Receivable	(342,690)	84,492
(Increase) Decrease in Other Current Assets	(13,130)	14,029
Increase (Decrease) in Accounts Payable and Accruals	97,084	(225,564)
Increase in provision for severance pay	100,032	88,393
Loss on disposals of Property and Equipment	-	229
<b>Net Cash Flows (Used in) Operating Activities</b>	<b>(124,555)</b>	<b>(28,104)</b>

**The Accompanying Notes form an integral part of these Financial Statements.**

## **Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

### **1. General**

The Palestinian Association for Empowerment and Local Development-REFORM is a Not for Profit and independent Palestinian association established in 2012. REFORM has been licensed under No. RA-22795-HR, it strives for a Palestinian society where everyone has the capacity to participate effectively, individual and collective rights are respected, and pluralism is ensured in an independent Palestinian state.

General and Sub-Strategic Objectives:

- Enhance good governance and develop public sector responsiveness to citizens' needs.
- Empower marginalized groups, especially youth and women, in taking active roles in developmental processes.
- Develop alternative production patterns within the processes of sustainable development.
- Strengthen REFORM'S human and institutional capacity.

The Management has approved the financial statements for the year ended December 31, 2021 on April 20, 2022.

### **2. Application of new and revised International Financial Reporting Standards ("IFRSs")**

In the current year, REFORM management considered all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of IASB, relevant to its activities, that were issued and effective for annual reporting periods ending on December 31, 2021.

At the date of these financial statements, there were a combination of standards and amendments to IFRSs that are applicable in subsequent years. The management believes that these standards and their interpretations will be applied in the financial statements of REFORM according to the dates of their effectiveness, and that this application has no effect on the financial statements of the REFORM in the initial application stage.

### **3. Summary of Significant Accounting Policies**

#### **3.1 Basis of Preparation of Financial Statements**

The financial statements have been prepared on the accrual basis of accounting and in conformity with International Financial Reporting Standards (IFRSs).

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In order to ensure observance of limitations and restrictions placed on the use of the available resources, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, net assets of REFORM Association and changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets whose use by REFORM Association is not subject to donor-imposed restrictions.
- **Temporary restricted net assets** - Net assets whose use by REFORM Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of REFORM Association pursuant to those donor-imposed stipulations.

## **Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

### **3. Summary of Significant Accounting Policies (Continued)**

#### **3.1 Basis of Preparation of Financial Statements (Continued)**

- **Contributions** 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 Property and equipment** represents unrestricted fund invested in fixed assets.

The statement of activities is a statement of financial activities related to the current period, it is not a performance measure and does not purport to present the net income or loss for the period as would a statement of income for a business enterprise.

The statement of activities includes certain prior-year summarized comparative in total but not by net asset class, i.e. in respect to restrictions and accordingly, such information should be read in conjunction with REFORM's financial statements for the prior year from which the summarized information was derived in order to have sufficient details in conformity with International Financial Reporting Standards.

#### **3.2 Foreign Currency Transactions**

The financial statements are presented in New Israeli Shekel (NIS) being the currency of the primary economic environment in which REFORM Association operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the date of the transactions. At the date of the financial statements, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the statement of activities in the period in which they arise.

- Transactions which are expressed or denominated in other currencies are converted into New Israeli Shekel equivalent using the exchange rate prevailing on the date of each transaction.
- Assets and liabilities which are denominated or expressed in other currencies are presented at their NIS equivalent using the exchange rate prevailing at year end.
- All other assets and liabilities are presented in their USD equivalent at their historical values.
- Exchange differences arising from the translation of local currency balances is charged to the statement of activities.

Exchange rates at year end against New Israeli Shekel were detailed as follows:

	<u>2021</u> <u>NIS</u>	<u>2020</u> <u>NIS</u>
USD	3.11	3.1567
EURO	3.5617	3.9557

## **Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

### **3. Summary of Significant Accounting Policies (Continued)**

#### **3.3 Cash on Hand and Deposits with Banks**

Represent all cash and deposits with banks balances maturing within three months.

#### **3.4 Contributions Receivable**

Unconditional grants and grants with stipulations that are expected to be met are recognised as increases in temporarily restricted funds and are released to unrestricted funds over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis.

Amounts received under conditional grants whose conditions are based on future events and actions are deferred and presented under current liabilities and are taken to the statement of activities when the related conditions are met.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to REFORM Association with no future related costs are recognised in the statement of activities in the period in which they become receivable.

Grants whose primary condition is that REFORM Association should purchase, construct or otherwise acquire non-current assets are recognised under temporarily restricted funds and released to unrestricted funds when the assets are acquired.

Government grants are not recognized until there is reasonable assurance that REFORM Association will comply with the conditions attaching to them and that the grants will be received.

#### **3.5 Functional Allocation of Expenses**

REFORM 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.

#### **3.6 Properties and Equipment**

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. The yearly depreciation rates are as follows:

Furniture	10%
Cars	10%
Equipment	20%
Computers	20%
Intangible Asset	33.3%

When the expected recoverable amount is less than the net book value, the Property and equipment amount is reduced to the lower of cost or net realizable value and the difference (if any) is included in the statement of activities.

The useful lives of Property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being as a change in estimate.

Property and equipment are disposed of when there is no expected future benefit from the use of that asset.

**Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

**3. Summary of Significant Accounting Policies (Continued)**

**3.7 Other current liabilities**

Other current liabilities are recognized for the amounts to be paid in the future for goods and services received, whether billed by the suppliers or not.

**3.8 Provision for Severance Pay**

Provision for severance pay is payable to the employees at the end of their services and it is provided in accordance with the guidelines set by the local labor laws. The provision is computed and provided for based on one-month compensation for each year of service based on the last salary paid during the year.

**3.9 Income taxes**

REFORM is a not for profit organization. Accordingly, it is not subject to income taxes.

**3.10 Contingencies**

REFORM receives grants from various donors and such grants are subject to individual audits under the grant agreement terms. The ultimate determination of amounts received under these grants is based on the allowed costs reported to and accepted by donors as a result of the audits. Until such audits are accepted by donors, there exists a contingency to refund any amount received in excess of allowed costs.

**4. Estimates and Assumptions**

The financial statements include certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the statement of financial position date, and the reporting of revenue, expenses, gains, and losses during the year. Actual results may differ from those estimates adopted by the REFORM's management. Estimates used in the preparation of the financial statements are as the following:

**Provision for Severance pay;** Provision for employee's end of service benefits is calculated in accordance with Palestinian labor law in effect in Palestine.

**Property and equipment;** A periodic review is performed on assets estimated useful lives and assets that are subject to amortization for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The impairment loss, if any, is reflected in the statement of activities.

**5. Cash on hand and deposits with banks**

	<b>2021</b>	<b>2020</b>
Cash at banks- NIS	242,534	699,829
Cash at banks- USD	314,243	316,676
Cash at banks- EURO	209,325	2,097
Petty cash	1,707	4,821
	<b>767,809</b>	<b>1,023,423</b>

**The Palestinian Association for Empowerment and Local Development-REFORM**

Financial statements for the year ended December 31, 2021

**Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

**6. Contribution receivables**

<b>December 31, 2021</b>	<b>Balance at Beginning of the Year</b>	<b>Additions</b>	<b>Cash Received</b>	<b>Currency Exchange Differences</b>	<b>Balance at End of the Year</b>
Access Beyond Barriers-GIZ	-	272,406	-	-	272,406
ADR-UNDP	-	12,351	-	-	12,351
Nasej-OXFAM	-	25,734	-	-	25,734
LGRP-GIZ	-	25,006	-	-	25,006
MDLF II	-	45,237	-	-	45,237
Med-film- GVC	10,506	-	(10,506)	-	-
WCPHP	1,121	-	(1,121)	-	-
We Change	13,790	-	(13,727)	(63)	-
Civic Education a Tool for Peace II- Representative Office of Switzerland	12,627	-	(12,767)	140	-
	<b>38,044</b>	<b>380,734</b>	<b>(38,121)</b>	<b>77</b>	<b>380,734</b>

<b>December 31, 2020</b>	<b>Balance at Beginning of the Year</b>	<b>Additions</b>	<b>Cash Received</b>	<b>Currency Exchange Differences</b>	<b>Write off</b>	<b>Balance at End of the Year</b>
Civil Peace 2018- GIZ - ZFD/Civil Peace Service	30,107	-	(18,676)	-	(11,431)	-
Med-film- GVC	92,429	10,506	(93,831)	1,402	-	10,506
WCPHP	-	1,121	-	-	-	1,121
We Change	-	13,790	-	-	-	13,790
Civic Education a Tool for Peace II- Representative Office of Switzerland	-	12,627	-	-	-	12,627
	<b>122,536</b>	<b>38,044</b>	<b>(112,507)</b>	<b>1,402</b>	<b>(11,431)</b>	<b>38,044</b>

**The Palestinian Association for Empowerment and Local Development-REFORM**  
 Financial statements for the year ended December 31, 2021

**Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

**7. Other Current Assets**

	<u>2021</u>	<u>2020</u>
Accounts Receivable	2,452	1,006
Advances to Employees	11,684	-
	<u><b>14,136</b></u>	<u><b>1,006</b></u>

**8. Right of Use Assets\Lease Liabilities**

The right-of-use assets and lease liabilities presented in the statement of financial position consists of the following:

	<u>2021</u>	<u>2020</u>
Building Rent	193,606	193,662
	<u><b>193,606</b></u>	<u><b>193,662</b></u>

The movement on the right-of-use assets and lease liability during the year was as illustrated below:

	<u>Right-of-Use Assets</u>	<u>Lease Liability</u>
Beginning Balance as at January 1, 2021	<b>193,662</b>	<b>193,662</b>
Additions	71,646	71,646
Interest on Lease Liability	--	8,536
Payment of the lease liability during the year	--	(80,238)
Amortization of right of use assets during the year	(71,702)	--
<b>Ending Balance as at December 31, 2021</b>	<u><b>193,606</b></u>	<u><b>193,606</b></u>
	<u>Right-of-Use Assets</u>	<u>Lease Liability</u>
Beginning Balance as at January 1, 2020	258,216	258,216
Interest on Lease Liability	--	10,161
Payment of the lease liability during the year	--	(74,715)
Amortization of right of use assets during the year	(64,554)	--
<b>Ending Balance as at December 31, 2020</b>	<u><b>193,662</b></u>	<u><b>193,662</b></u>

**The Palestinian Association for Empowerment and Local Development-REFORM**

Financial statements for the year ended December 31, 2021

**Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

**9. Property and equipment**

**December 31,2021**

	<u>Furniture</u>	<u>Equipment</u>	<u>Computers</u>	<u>Cars</u>	<u>Total</u>
<b>Cost</b>					
Balance as of January 1, 2021	84,587	237,092	128,645	155,000	605,324
Additions	-	12,700	20,220	-	32,920
<b>Balance as of December 31, 2021</b>	<b>84,587</b>	<b>249,792</b>	<b>148,865</b>	<b>155,000</b>	<b>638,244</b>

**Accumulated Depreciation**

Balance as of January 1, 2021	48,835	122,987	75,040	29,556	276,418
Depreciation	8,459	38,092	16,470	15,500	78,521
<b>Balance as of December 31, 2021</b>	<b>57,294</b>	<b>161,079</b>	<b>91,510</b>	<b>45,056</b>	<b>354,939</b>
<b>Net Book Value as of December 31, 2021</b>	<b>27,293</b>	<b>88,713</b>	<b>57,355</b>	<b>109,944</b>	<b>283,305</b>

**December 31,2020**

	<u>Furniture</u>	<u>Equipment</u>	<u>Computers</u>	<u>Cars</u>	<u>Total</u>
<b>Cost</b>					
Balance as of January 1, 2020	78,787	236,092	98,783	155,000	568,662
Additions	5,800	2,000	29,862	-	37,662
Disposals	-	(1,000)	-	-	(1,000)
<b>Balance as of December 31, 2020</b>	<b>84,587</b>	<b>237,092</b>	<b>128,645</b>	<b>155,000</b>	<b>605,324</b>

**Accumulated Depreciation**

Balance as of January 1, 2020	40,363	82,834	60,868	14,014	198,079
Depreciation	8,472	40,924	14,172	15,542	79,110
Disposals	-	(771)	-	-	(771)
<b>Balance as of December 31, 2020</b>	<b>48,835</b>	<b>122,987</b>	<b>75,040</b>	<b>29,556</b>	<b>276,418</b>
<b>Net Book Value as of December 31, 2020</b>	<b>35,752</b>	<b>114,105</b>	<b>53,605</b>	<b>125,444</b>	<b>328,906</b>



**The Palestinian Association for Empowerment and Local Development-REFORM**  
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**10. Payables and accruals**

	<b>2021</b>	<b>2020</b>
Account Payables	52,620	16,331
Provident fund payable	27,806	-
Outstanding checks	324,862	279,156
Accrued expense and others	-	12,717
	<b>405,288</b>	<b>308,204</b>

**11. Provision for Severance Pay**

	<b>2021</b>	<b>2020</b>
<b>Beginning Balance</b>	287,565	218,596
Provision for the Year	100,032	88,393
Paid during the Year	(65,852)	(19,424)
<b>Ending Balance</b>	<b>321,745</b>	<b>287,565</b>

**12. Unrestricted Contributions**

	<b>2021</b>	<b>2020</b>
Individuals contributions	2,059	8,607
Organizations contributions	320,423	289,425
Others	7,416	21,965
General Assembly Membership Fees	4,200	1,500
	<b>334,098</b>	<b>321,497</b>

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**13. Temporarily restricted fund**

This item comprises temporarily restricted contributions subject to purpose restriction. End of year individual balances represent the excess of donations pledged over the expenditures made out to satisfy the purposes stipulated by donors. The movement in temporarily restricted contributions is as follows:

	Beginning Balance	Contributions received	Pledges receivable	Total restricted contributions	Total contributions available for release	Released from restrictions			Movement	Currency Variance	Ending Balance
						Operation expenses	Fixed Assets	Total			
Access Beyond Barriers-GIZ	429,502	788,256	272,406	<b>1,060,662</b>	<b>1,490,164</b>	(1,362,760)	(12,700)	<b>(1,375,460)</b>	-	(114,704)	-
We Change -GVC	-	118,488	-	<b>118,488</b>	<b>118,488</b>	(74,812)	-	<b>(74,812)</b>	-	-	<b>43,676</b>
ZFD-AGIAMANDO	-	134,285	-	<b>134,285</b>	<b>134,285</b>	(129,073)	(2,200)	<b>(131,273)</b>	-	(3,012)	-
United in Diversity- Norwegian People's Aid	-	366,985	-	<b>366,985</b>	<b>366,985</b>	(358,706)	(3,510)	<b>(362,216)</b>	-	(4,769)	-
Platform to Act- IM Swedish	-	215,973	-	<b>215,973</b>	<b>215,973</b>	(212,647)	(5,325)	<b>(217,972)</b>	-	1,999	-
NDC-Partners	28,239	7,200	-	<b>7,200</b>	<b>35,439</b>	(35,472)	-	<b>(35,472)</b>	-	33	-
Creative Force-IM Swedish	-	33,054	-	<b>33,054</b>	<b>33,054</b>	(35,182)	-	<b>(35,182)</b>	-	2,128	-
ADR-UNDP	-	62,044	12,351	<b>74,395</b>	<b>74,395</b>	(74,395)	-	<b>(74,395)</b>	-	-	-
Nasej-OXFAM	-	352,197	25,734	<b>377,931</b>	<b>377,931</b>	(368,746)	(9,185)	<b>(377,931)</b>	-	-	-
LGRP-GIZ	-	63,155	25,006	<b>88,161</b>	<b>88,161</b>	(88,161)	-	<b>(88,161)</b>	-	-	-
AICS21	-	26,438	-	<b>26,438</b>	<b>26,438</b>	(23,188)	-	<b>(23,188)</b>	-	(3,250)	-
WCPHP- UN Women	-	289,311	-	<b>289,311</b>	<b>289,311</b>	(293,219)	-	<b>(293,219)</b>	-	3,908	-
MDLF II	-	678,609	45,237	<b>723,846</b>	<b>723,846</b>	(723,846)	-	<b>(723,846)</b>	-	-	-
KASIII - Konrad Adenauer Stiftung	-	134,000	-	<b>134,000</b>	<b>134,000</b>	(107,563)	-	<b>(107,563)</b>	(26,437)	-	-
	<b>457,741</b>	<b>3,269,995</b>	<b>380,734</b>	<b>3,650,729</b>	<b>4,108,470</b>	<b>(3,887,770)</b>	<b>(32,920)</b>	<b>(3,920,690)</b>	<b>(26,437)</b>	<b>(117,667)</b>	<b>43,676</b>

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**14. Projects' expenses**

	Access Beyond Barriers- GIZ	United in Diversity- NPA	WCPHP- UN Women	Platform to Act- IM Swedish	Partners- NDC	We change- GVC	Nasej- OXFAM	LGRP- GIZ	AICS21	MDLF II	ADR- UNDP	Creative Force-IM Swedish	ZFD- AGIAMANDO	KASIII - Konrad Adenauer Stiftung	2021	2020
Salaries & other Benefits	382,545	115,681	109,318	86,550	13,233	33,060	159,463	27,820	2,837	75,293	31,748	9,425	-	-	<b>1,046,973</b>	738,554
Contractors' salaries expense	246,583	101,590	92,590	47,227	6,141	-	19,974	26,943	4,930	151,450	10,000	10,320	54,513	37,905	<b>810,166</b>	338,530
Publications & printing	160,840	43,024	22,957	15,757	12,227	-	-	2,970	610	23,041	1,008	10,245	33,158	40,367	<b>366,204</b>	214,005
Administrative expense	64,297	15,480	7,728	7,752	1,071	-	4,477	22,713	3,405	38,238	7,027	1,587	6,228	5,951	<b>185,954</b>	111,313
Transportation, travel & accommodation expenses	121,900	13,126	19,357	6,350	1,908	670	150,014	5,386	2,727	59,129	18,620	1,143	17,665	4,561	<b>422,556</b>	103,666
Amortization of right of use assets	31,002	6,552	-	6,896	-	2,806	8,396	-	-	8,272	-	-	7,778	-	<b>71,702</b>	64,554
Provision for severance pay	-	27,669	10,337	25,290	-	-	11,760	-	-	22,330	2,646	-	-	-	<b>100,032</b>	59,336
Others Expense	151,849	506	2,496	-	-	35,698	2,535	-	-	66,550	(6)	-	3,982	560	<b>264,170</b>	7,907
Insurance expense	18,687	7,020	1,580	926	700	-	2,277	-	2,007	-	-	2,462	1,200	5,129	<b>41,988</b>	28,312
Auditing fees	-	3,100	-	12,000	-	-	-	-	-	-	-	-	-	-	<b>15,100</b>	23,160
Telecommunication	11,792	11,601	5,025	1,929	72	-	3,541	869	-	14,938	980	-	1,497	3,571	<b>55,815</b>	19,371
Rent related expenses	5,166	1,092	-	1,149	-	468	1,399	-	-	1,375	-	-	1,296	-	<b>11,945</b>	13,710
Hall Rental	31,040	3,900	13,040	-	-	-	3,911	1,120	6,672	11,893	1,000	-	-	450	<b>73,026</b>	13,257
Utility expense	5,334	3,364	5,972	-	-	1,776	-	-	-	-	1,238	-	-	1,526	<b>19,210</b>	12,584
Interest expense on lease liability	3,691	780	-	821	-	334	999	-	-	985	-	-	926	-	<b>8,536</b>	10,161
Accounting software expense	1,586	3,265	-	-	-	-	-	-	-	-	-	-	-	-	<b>4,851</b>	6,242
Tools and supplies	126,230	956	2,819	-	120	-	-	340	-	50	134	-	830	7,543	<b>139,022</b>	3,661
Bank Fees	218	-	-	-	-	-	-	-	-	3,192	-	-	-	-	<b>3,410</b>	242
Consultancy fees	-	-	-	-	-	-	-	-	-	247,110	-	-	-	-	<b>247,110</b>	-
	<b>1,362,760</b>	<b>358,706</b>	<b>293,219</b>	<b>212,647</b>	<b>35,472</b>	<b>74,812</b>	<b>368,746</b>	<b>88,161</b>	<b>23,188</b>	<b>723,846</b>	<b>74,395</b>	<b>35,182</b>	<b>129,073</b>	<b>107,563</b>	<b>3,887,770</b>	<b>1,768,565</b>

**Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

**15. General and Administrative Expenses**

	<u>2021</u>	<u>2020</u>
Provision for severance pay	-	29,057
Transportation, travel & accommodation expenses	-	29,028
Contractors salaries expense	34,195	27,400
Publications & printing	1,128	15,084
Donations Writes off	-	11,431
Others Expense	-	10,301
Salaries & other Benefits	-	10,205
Utility Expense	1,513	7,223
Administrative expense	-	5,173
Insurance expense	-	3,287
Tools and supplies	-	3,226
Bank Fees	-	2,933
Telecommunication expenses	-	2,826
	<u><b>36,836</b></u>	<u><b>157,174</b></u>

**16. Financial Instruments**

**(a) Fair Values of Financial Assets and Liabilities**

The carrying book value of financial assets and liabilities are not materially different from their fair values applicable at the date of the statement of financial position.

**(b) Credit Risk**

Credit Risk is the risk that counterparty will not settle its obligations in accordance with the agreed terms. REFORM credit risk is primarily attributable to its liquid funds especially on the time deposits with banks and contributions receivable. Deposits are placed with reputable financial institutions.

**(c) Foreign Currency Risk**

The analysis calculates the effect of a reasonably possible movement in the USD currency rate against the New Israeli Shekels (NIS) and the EURO with all other variables held constant, on the statement of activities and changes in net assets. However, the Jordanian Dinar is pegged to the U.S Dollar, therefore, no effect, resulting from fluctuation in JOD rate is expected on the financial statements.

**(d) Operational Risk**

The costs of the programs, administrative as well as fixed assets procurement are mostly financed by donors through donations. The management believes that the funding level in the year 2021 will be sufficient to finance all of its disbursements and will be consistent with the funding level in the prior years. Furthermore, the management believes that the political and economic conditions prevailing in the area will not materially affect its operations.

**Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

**16. Financial Instruments (Continued)**

**(e) Relationship with Donors**

Majority of REFORM revenue and support for the years ended December 31, 2021 and 2020 was derived from grants received from individuals or donor agencies. REFORM has no reason to believe that relationships with donor agencies will be discontinued in the foreseeable future. However, any interruption of these relationships would have an adverse effect on REFORM ability to finance ongoing operations in the coming years.

**(f) Liquidity Risk**

REFORM limits its liquidity risk by maintaining adequate cash balances to meet its current obligations and to finance its activities. In addition, the operations of REFORM are financed by multiple donors.

**17. Related Party Transactions**

Related parties represent the Board of Directors, key management personnel and entities controlled, jointly controlled or significantly influenced by such parties.

The financial statements include the following related party transactions:

a) Transactions with related parties are as follows:

	<u>2021</u>	<u>2020</u>
Key management compensation- salaries	213,336	213,336
Severance pay expense	17,778	17,778

b) Balances with related parties are as follows:

	<u>2021</u>	<u>2020</u>
Key management compensation- Provision for severance pay	134,236	116,458
Due to employees- provident fund	11,200	-

**18. Prior Year Adjustments**

- During 2020, Reform management and Board of directors agreed to reverse a previous provision for employees bonuses (provisioned for in 2017) with an amount of ILS 10,282 against unrestricted net assets beginning balance. REFORM's management does not expect to have a potential legal or financial liability related to employees' bonuses terminated.
- During 2020, REFORM recorded an adjustment to its unrestricted net assets with an amount of ILS 114,979, which represents old debts since entity establishment of salaries, furniture and other related expenses due to the general manager/ general assembly member waived and donated to REFORM.
- During 2021, REFORM recorded an adjustment to its unrestricted net assets with an amount of ILS 36,691, half of the amount represents accrued rent office settlement for 2017 and the other half is related to accrued service and educational tax for the landlord from 2013-2016.

**Notes to Financial Statements**

(All amounts are in New Israeli Shekel)

**19. COVID-19 Pandemic**

The global outbreak of novel coronavirus (COVID 19) during early 2021 is causing disruptions in normal lives and businesses in many ways. The spread of the virus in Palestine led to many closures in the markets and movement restrictions because of the preventive measures taken by the government to limit the spread.

REFORM's management took into consideration the exceptional circumstances that could have material impact on REFORM's activities and the risks of exposure to the center. As a result, the management concluded that the main effects on REFORM's revenue and liquidity could arise from the following:

- Ability to recover the grants from donors.
- Ability to sign new agreements with donors.
- Ability to implement projects funded by donors.

The management comes to an end that there is no significant impact at REFORM operation and liquidity as of the date of the accompanying financial statements.

**20. Management Approval on the financial statements**

The Board of directors has approved the financial statements for the year ended December 31, 2021 on April 20, 2022.