

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

Financial Statements and Independent Auditor's Report

For the Year Ended December 31, 2022

Table of Contents	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-20

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, 2022, 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, 2022, its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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'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 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

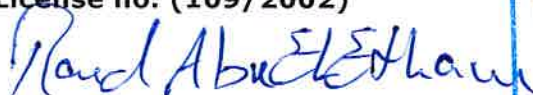
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee 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 judgment and maintain professional skepticism throughout the audit. We also,

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 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.
- 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.

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



Deloitte & Touché (M.E.)
Ramallah – Palestine
License no. (208/2012)



March 30, 2023

The Palestinian Association for Empowerment and Local Development-REFORM

Statement of Financial Position As of December 31, 2022 (All amounts are in New Israeli Shekel)

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Assets			
Cash on hand and deposits with banks	5	909,796	767,809
Contribution receivables	6	339,672	380,734
Other current assets	7	9,249	14,136
Total Current Assets		1,258,717	1,162,679
Right of use assets	8	136,753	193,606
Property and equipment, Net	9	217,231	283,305
Total Assets		1,612,701	1,639,590
Liabilities and Net Assets			
Payables and accruals	10	371,030	405,288
Lease liabilities- Short term	8	68,376	71,702
Total Current Liabilities		439,406	476,990
Lease liabilities- Long term	8	68,377	121,904
Provision for severance pay	11	306,083	321,745
Total Liabilities		813,866	920,639
Net Assets			
Unrestricted fund		402,984	391,970
Temporarily restricted fund	13	178,620	43,676
Investment in property and equipment		217,231	283,305
Total Net assets		798,835	718,951
Total liabilities and net assets		1,612,701	1,639,590

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

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

Mr. Hasan Mahareeq
Treasurer

The Palestinian Association for Empowerment and Local Development-REFORM

**Statement of Activities
For the year ended December 31, 2022
(All amounts are in New Israeli Shekel)**

	Note	2022		2021
		Unrestricted net assets	Temporary Restricted net assets	Total net assets
Grants and revenues				
Contributions and Grants from Funding Agencies	12,13	39,909	2,857,103	3,984,827
Net Assets Released from Restrictions		39,909	2,857,103	3,984,827
		2,731,264	(2,731,264)	-
Total grants and revenues		2,771,173	125,839	3,984,827
Expenses				
Projects' Expenses	14	2,717,869	-	3,887,770
General and Administrative Expenses	15	87,193	-	36,836
Total General, Administrative and project expenses		2,805,062	-	3,924,606
Currency Exchange (Gain)		(83,257)	(9,105)	(4,769)
Depreciation Expense	9	80,669	-	78,521
Total Expenses		2,802,474	(9,105)	3,998,358
Increase/ (Decrease) in net assets		(31,301)	134,944	(13,531)

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, 2022
(All amounts are in New Israeli Shekel)**

	Unrestricted fund	Temporarily restricted fund	Investment in property and equipment	Total Net Assets
Balance As of January 1, 2022	391,970	43,676	283,305	718,951
Change in Net Assets during the year	(31,301)	134,944	-	103,643
Additions to investment in fixed Assets- Net of Depreciation	66,074	-	(66,074)	-
Written off Contribution Receivable	(23,759)	-	-	(23,759)
Balance as of December 31, 2022	402,984	178,620	217,231	798,835
Balance As of January 1, 2021	8,963	457,741	328,906	795,610
Prior Year Adjustments (note 18)	(36,691)	-	-	(36,691)
Balance after adjustments	(27,728)	457,741	328,906	758,919
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)
Balance as of December 31, 2021	391,970	43,676	283,305	718,951

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, 2022

(All amounts are in New Israeli Shekel)

	2022	2021
Cash Flows from Operating Activities		
Contributions received	2,927,273	3,308,039
Cash paid to employees and suppliers	(2,702,315)	(3,459,031)
Net Cash Flows generated from / (Used in) Operating Activities	224,958	(150,992)
Cash Flows from Investing Activities		
Purchase of Property and equipment	(14,595)	(32,920)
Net Cash flows (Used in) Investing Activities	(14,595)	(32,920)
Cash flows from Financing Activities		
Interest expense on lease liabilities	8,617	8,536
Repayments of lease liabilities	(76,993)	(80,238)
Net Cash flows (Used in) Financing Activities	(68,376)	(71,702)
Increase / (Decrease) in Cash and Deposits with Banks During the Year	141,987	(255,614)
Cash on Hand and Deposits with Banks, Beginning of Year	767,809	1,023,423
Cash on Hand and Deposits with Banks at End of Year	909,796	767,809
Adjustments to reconcile change in net assets to net cash flows generated from / (Used in) Operating Activities		
Increase / (Decrease) in Net Assets for the year	103,643	(13,531)
Adjustments	-	(36,691)
Written off Contribution Receivable	(23,759)	-
Movements	-	(26,437)
Depreciation of property and equipment	80,669	78,521
Amortization of right of use assets	68,376	71,702
Payments of Employees' benefits	(98,335)	(65,852)
Decrease / (Increase) in Contribution Receivable	41,062	(342,690)
Decrease / (Increase) in Other Current Assets	4,887	(13,130)
(Decrease) / Increase in Accounts Payable and Accruals	(34,258)	97,084
Provision for severance pay	82,673	100,032
Net Cash Flows generated from / (Used in) Operating Activities	224,958	(150,992)

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, 2022 on March 26, 2023.

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, 2022.

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 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 funds 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., with 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>2022</u>	<u>2021</u>
USD	3.516	3.110
EURO	3.753	3.562

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 bank balances maturing within three months.

3.4 Contributions Receivable

Unconditional grants and grants with stipulations that are expected to be met are recognized 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 recognized 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 recognized 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 attached 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%

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, and 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 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

	<u>2022</u>	<u>2021</u>
Cash at banks- NIS	76,240	242,534
Cash at banks- USD	361,857	314,243
Cash at banks- EURO	443,239	209,325
Petty cash	28,460	1,707
	<u>909,796</u>	<u>767,809</u>

The Palestinian Association for Empowerment and Local Development-REFORM

Financial statements for the year ended December 31, 2022

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

6. Contribution receivables

	Balance at Beginning of the Year	Additions	Cash Received	Written-off Donation	Currency Exchange Differences	Balance at End of the Year
Access Beyond Barriers-GIZ	272,406	15,001	(248,647)	(23,759)	-	15,001
ADR development - UNDP	12,351	-	(12,067)	-	(284)	-
Naseej project - OXFAM	25,734	109,668	(25,733)	-	2,925	112,594
LGRP - Local government	25,006	17,859	(25,006)	-	979	18,838
MDLF II	45,237	-	(45,178)	-	(59)	-
Amal Project-We Change - GVC	-	70,425	-	-	3,860	74,285
ACPP I- Strengthening the democratic participation	-	60,488	-	-	3,315	63,803
National Coalition for Social cohesion and Unity - PALTHINK	-	55,086	-	-	65	55,151
	380,734	328,527	(356,631)	(23,759)	10,801	339,672

December 31, 2021

	Balance at Beginning of the Year	Additions	Cash Received	Currency Exchange Differences	Balance at End of the Year
Access Beyond Barriers-GIZ	-	272,406	-	-	272,406
ADR development - UNDP	-	12,351	-	-	12,351
Naseej project - OXFAM	-	25,734	-	-	25,734
LGRP - Local government 2021	-	25,006	-	-	25,006
MDLF II	-	45,237	-	-	45,237
Med film - GVC	10,506	-	(10,506)	-	-
engaging women in Conflict prevention.	1,121	-	(1,121)	-	-
WCPHP- UNWOMEN	13,790	-	(13,727)	(63)	-
Amal Project-We Change - GVC	12,627	-	(12,767)	140	-
Civic Education a Tool for Peace II- Representative office of Switzerland	-	-	-	-	-
	38,044	380,734	(38,121)	77	380,734

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

7. Other Current Assets

	<u>2022</u>	<u>2021</u>
Accounts Receivable	2,574	2,452
Advances to Employees	6,675	11,684
	<u>9,249</u>	<u>14,136</u>

8. Right of Use Assets\Lease Liabilities

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

	<u>2022</u>	<u>2021</u>
Building Rent	136,753	193,606
	<u>136,753</u>	<u>193,606</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, 2022	193,606	193,606
Additions	11,523	11,523
Interest on Lease Liability	-	8,617
Payment of the lease liability during the year	-	(76,993)
Amortization of right of use assets during the year	(68,376)	-
Ending Balance as at December 31, 2022	<u>136,753</u>	<u>136,753</u>

	<u>Right-of-Use Assets</u>	<u>Lease Liability</u>
Beginning Balance as at January 1, 2021	193,662	193,662
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)	-
Ending Balance as at December 31, 2021	<u>193,606</u>	<u>193,606</u>

	<u>2022</u>	<u>2021</u>
Lease Liabilities – Long Term	68,376	71,702
Lease Liabilities – Short Term	68,377	121,904
	<u>136,753</u>	<u>193,606</u>

The Palestinian Association for Empowerment and Local Development-REFORM

Financial statements for the year ended December 31, 2022

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

9. Property and equipment

December 31, 2022

<u>Cost</u>	<u>Furniture</u>	<u>Equipment</u>	<u>Computers</u>	<u>Cars</u>	<u>Total</u>
Balance as of January 1, 2022	84,587	249,792	148,865	155,000	638,244
Additions	-	1,200	13,395	-	14,595
Balance as of December 31, 2022	84,587	250,992	162,260	155,000	652,839

Accumulated Depreciation

Balance as of January 1, 2022

Depreciation	57,294	161,079	91,510	45,056	354,939
	8,218	37,461	19,490	15,500	80,669
Balance as of December 31, 2022	65,512	198,540	111,000	60,556	435,608
Net Book Value as of December 31, 2022	19,075	52,452	51,260	94,444	217,231

December 31, 2021

Cost

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

Accumulated Depreciation

Balance as of January 1, 2021

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

The Palestinian Association for Empowerment and Local Development-REFORM
 Financial statements for the year ended December 31, 2022

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

10. Payables and accruals

	2022	2021
Account Payables	71,683	52,620
Provident fund payable	57,461	27,806
Outstanding checks	241,086	324,862
Accrued expense and others	800	-
	371,030	405,288

11. Provision for Severance Pay

	2022	2021
Beginning Balance	321,745	287,565
Provision for the Year	82,673	100,032
Paid during the Year	(98,335)	(65,852)
Ending Balance	306,083	321,745

12. Unrestricted Contributions

	2022	2021
Individual's contributions	697	2,059
Organization's contributions	25,788	320,423
Interest revenue	8,552	7,416
General Assembly Membership Fees	2,000	4,200
Others	2,872	-
	39,909	334,098

The Palestinian Association for Empowerment and Local Development-REFORM

Financial statements for the year ended December 31, 2022

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

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	Contribution receivable	Total restricted contributions	Total contributions available for release	Released from restrictions				Ending Balance
						Operation expenses	Fixed Assets	Total	Currency Variance	
Amal Project-We Change - GVC	43,676	-	70,425	70,425	114,101	(121,670)	-	(121,670)	7,569	-
Civil Peace Program - AGIAMONDO	-	77,136	-	77,136	77,136	(72,593)	-	(72,593)	-	4,543
Partake IIII- Konrad Adenauer Stiftung	-	106,000	-	106,000	106,000	(105,927)	-	(105,927)	(73)	-
YLA, GIZ/PART	-	545,166	-	545,166	545,166	(518,147)	-	(518,147)	-	27,019
ACPP II-Agent of change for Gender Unveil	-	71,055	-	71,055	71,055	(18,603)	-	(18,603)	-	52,452
National Coalition for Social cohesion and Unity - PALTHINK	-	47,321	55,086	102,407	102,407	(94,950)	(3,190)	(98,140)	-	4,267
Naseej project - OXFAM	-	594,338	109,668	704,006	704,006	(664,778)	-	(664,778)	-	39,228
Women, Swedish Institute- SI through IM	-	143,517	-	143,517	143,517	(132,409)	(5,104)	(137,513)	-	6,004
UNDP ADR 2021	-	17,554	-	17,554	17,554	(18,076)	-	(18,076)	522	-
ACPP I- Strengthening the democratic participation	-	70,798	60,488	131,286	131,286	(114,366)	-	(114,366)	-	16,920
LGRP - Local government	-	129,462	17,859	147,321	147,321	(155,744)	-	(155,744)	8,423	-
ADR development - UNDP	-	137,216	-	137,216	137,216	(107,118)	(1,911)	(109,029)	-	28,187
United in diversity III - NPA	-	362,953	-	362,953	362,953	(352,427)	(3,190)	(355,617)	(7,336)	-
IM Core 2022	-	241,061	-	241,061	241,061	(241,061)	-	(241,061)	-	-
	43,676	2,543,577	313,526	2,857,103	2,900,779	(2,717,869)	(13,395)	(2,731,264)	9,105	178,620

The Palestinian Association for Empowerment and Local Development-REFORM

Financial statements for the year ended December 31, 2022

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

13. Temporarily restricted fund (continued)

December 31, 2021

	Beginning Balance	Contributions received	Contribution receivable	Total restricted contributions	Total contributions available for release	Released from restrictions					Ending Balance
						Operation expenses	Fixed Assets	Movement	Currency Variance	Total	
Access beyond barriers, GIZ/PART	429,502	788,256	272,406	1,060,662	1,490,164	(1,362,760)	(12,700)	-	(114,704)	(1,375,460)	-
Amal Project-We Change - GVC	-	118,488	-	118,488	118,488	(74,812)	-	-	-	(74,812)	43,676
Civil Peace Program- AGIAMONDO	-	134,285	-	134,285	134,285	(129,073)	(2,200)	-	(3,012)	(131,273)	-
United In Diversity- NPA	-	366,985	-	366,985	366,985	(358,706)	(3,510)	-	(4,769)	(362,216)	-
Platform to Act- IM Swedish	-	215,973	-	215,973	215,973	(212,647)	(5,325)	-	1,999	(217,972)	-
NDC-Partners	28,239	7,200	-	7,200	35,439	(35,472)	-	-	33	(35,472)	-
Creative Force through IM Swedish	-	33,054	-	33,054	33,054	(35,182)	-	-	2,128	(35,182)	-
ADR development - UNDP	-	62,044	12,351	74,395	74,395	(74,395)	-	-	-	(74,395)	-
Naseej project - OXFAM	-	352,197	25,734	377,931	377,931	(368,746)	(9,185)	-	-	(377,931)	-
LGRP - Local government	-	63,155	25,006	88,161	88,161	(88,161)	-	-	-	(88,161)	-
AICS21	-	26,438	-	26,438	26,438	(23,188)	-	-	(3,250)	(23,188)	-
engaging women In Conflict prevention.	-	289,311	-	289,311	289,311	(293,219)	-	-	3,908	(293,219)	-
WCPHP- UNWOMEN	-	678,609	45,237	723,846	723,846	(723,846)	-	-	-	(723,846)	-
MDLF II	-	134,000	-	134,000	134,000	(107,563)	-	(26,437)	-	(107,563)	-
PARTAKE III - Konrad Adenauer	-	3,269,995	380,734	3,650,729	4,108,470	(3,887,770)	(32,920)	(26,437)	(117,667)	(3,920,690)	43,676
Stiftung- KAS	-	-	-	-	-	-	-	-	-	-	-
	457,741	3,269,995	380,734	3,650,729	4,108,470	(3,887,770)	(32,920)	(26,437)	(117,667)	(3,920,690)	43,676

The Palestinian Association for Empowerment and Local Development-REFORM
Financial statements for the year ended December 31, 2022

Notes to Financial Statements
(All amounts are in New Israeli Shekel)

14. Projects' expenses

31 December, 2022	Amal Project	AGIAMANDO	Partinck III	GIZ - PART	ACPPP II	National Coalition for Social Coherence	Naseej project - OXFAM	Wo'men, Swedish Institute	UNDP ADR 2021	ACPPP I	LGRP - Local government	ADR development - UNDP	United in Diversit	IM Core 2022	Total 2022
Salaries & other Benefits	31,152	-	376	278,784	12,536	72,463	124,600	39,022	1,307	40,664	17,236	44,788	117,038	165,758	945,724
Contractors salaries expense	11,169	5,917	48,638	69,574	-	-	127,420	22,180	621	32,889	55,071	15,151	93,004	18,755	500,389
Right of use - Amortization expense	4,457	9,150	15,735	-	3,718	1,406	7,892	4,362	-	-	-	-	5,735	-	52,455
Lease liability - interest expense	562	1,153	1,983	-	469	177	995	550	-	-	-	-	723	-	6,612
Provision for severance pay	2,591	-	-	-	1,045	-	10,383	3,257	-	3,127	-	3,142	6,184	43,239	72,968
Publications & printing	4,892	24,444	6,964	13,466	-	1,038	224,940	1,614	-	11,136	37,385	3,284	33,540	-	377,633
Administrative expense	2,641	-	6,264	29,108	-	5,895	29,874	6,665	-	5,621	22,056	6,803	9,206	-	124,133
Tools and supplies	14,721	-	3,404	11,742	-	800	14,851	450	-	3,000	600	2,250	666	-	52,484
Utilities expense	2,949	-	6,148	1,087	-	1,054	4,688	-	1,218	-	-	703	4,284	-	22,131
Insurance expense	-	-	1,642	4,163	-	2,985	5,074	2,028	-	-	3,910	-	6,908	8,772	35,482
Telecommunication expenses	-	835	7,755	1,493	-	5,624	1,378	3,055	-	25	6,814	7,205	22	4,537	38,743
Transportation & accommodation expenses	3,254	3,475	2,803	48,515	-	979	93,909	18,056	-	4,195	12,672	12,563	42,924	-	243,345
Bank fees	-	-	47	-	23	-	-	-	-	-	-	-	-	-	70
Auditing fees	-	-	-	-	-	-	-	-	-	-	-	-	3,432	-	3,432
Consultancy fees	-	25,620	-	-	-	-	-	-	-	-	-	-	-	-	25,620
Accounting system Expense	-	-	-	-	-	2,222	-	-	-	-	-	-	2,900	-	5,122
Hall rental expense	8,007	-	-	33,591	-	-	14,978	29,705	-	12,000	-	-	18,263	-	127,773
Other Expenses	35,275	1,999	4,168	26,624	812	307	3,796	1,465	-	1,709	-	11,229	7,598	-	83,753
Total	121,670	72,593	105,927	518,147	18,603	94,950	664,778	132,409	18,076	114,366	155,744	107,118	352,427	241,061	2,717,869

The Palestinian Association for Empowerment and Local Development-REFORM

Financial statements for the year ended December 31, 2022

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

14. Projects' expenses (Continued)

31 December, 2021	Access beyond barriers	Amal Project	Civil Peace Program	United in Diversity	platform to act	NDC - Partners	Creative Force	ADR development - UNDP	Naseej project	LGRP - Local government	AICS21	engaging women in Conflict prevention	MDLF II	PARTAKE III	Total 2021
Salaries & other Benefits	382,545	33,060	-	115,681	86,550	13,233	9,425	31,748	159,463	27,820	2,837	109,318	75,293	-	1,046,973
Contractors salaries expense	246,583	-	54,513	101,590	47,227	6,141	10,320	10,000	19,974	26,943	4,930	92,590	151,450	37,905	810,166
Right of use - Amortization expense	31,002	2,806	7,778	6,552	6,896	-	-	-	8,396	-	-	-	8,272	-	71,702
lease liability - interest expense	3,691	334	926	780	821	-	-	-	999	-	-	-	985	-	8,536
Provision for severance pay	-	-	-	27,669	25,290	-	-	2,646	11,760	-	-	10,337	22,330	-	100,032
Publications & printing	160,840	-	33,158	43,024	15,757	12,227	10,245	1,008	-	2,970	610	22,957	23,041	40,367	366,204
Administrative expense	64,297	-	6,228	15,480	7,752	1,071	1,587	7,027	4,477	22,713	3,405	7,728	38,238	5,951	185,954
Tools and supplies	126,230	-	830	956	-	120	-	134	-	340	-	2,819	50	7,543	139,022
Utilities expense	5,334	1,776	-	3,364	-	-	-	1,238	-	-	-	5,972	-	1,526	19,210
Insurance expense	18,687	-	1,200	7,020	926	700	2,462	-	2,277	-	2,007	1,580	-	5,129	41,988
Telecommunication expenses	11,792	-	1,497	11,601	1,929	72	-	980	3,541	869	-	5,025	14,938	3,571	55,815
Travel & accommodation expenses	121,900	670	17,665	13,126	6,350	1,908	1,143	18,620	150,014	5,386	2,727	19,357	59,129	4,561	422,556
Bank Fees	218	-	-	-	-	-	-	-	-	-	-	-	3,192	-	3,410
Auditing fees	-	-	-	3,100	12,000	-	-	-	-	-	-	-	-	-	15,100
Consultancy fees	-	-	-	-	-	-	-	-	-	-	-	-	247,110	-	247,110
Accounting system Expense	1,586	-	-	3,265	-	-	-	-	-	-	-	-	-	-	4,851
Office and Hall rental expense	36,206	468	1,296	4,992	1,149	-	-	1,000	5,310	1,120	6,672	13,040	13,268	450	84,971
Other Expenses	151,849	35,698	3,982	506	-	-	-	(5)	2,535	-	-	2,496	66,550	560	264,170
Total	1,362,760	74,812	129,073	358,706	212,647	35,472	35,182	74,395	368,746	88,161	23,188	293,219	723,846	107,563	3,887,770

Notes to Financial Statements

(All amounts are in New Israeli Shekel)

15. General and Administrative Expenses

	<u>2022</u>	<u>2021</u>
Salaries & other Benefits	15,068	-
Contractors' salaries expense	9,215	34,195
Provision for severance pay	9,705	-
Right of use - Amortization expense	15,921	-
lease liability - interest expense	2,005	-
Publications & printing	6,909	1,128
Administrative expense	484	-
Tools and supplies	50	-
Insurance expense	3,474	-
Telecommunication expenses	221	-
Transportation & accommodation expenses	1,434	-
Bank Fees	2,146	-
Auditing fees	17,500	-
Utilities expense	73	1,513
Other Expenses	2,988	-
	<u>87,193</u>	<u>36,836</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 2023 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

The majority of REFORM revenue and support for the years ended December 31, 2022 and 2021 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 REFORMS's 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:

	2022	2021
Key management compensation- salaries	213,336	213,336
Severance pay expense	17,778	17,778

b) Balances with related parties are as follows:

	2022	2021
Key management compensation- Provision for severance pay	152,014	134,236
Due to employees- provident fund	30,400	11,200

18. Prior Year Adjustments

- 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.