

ATFALUNA SOCIETY FOR DEAF CHILDREN

FINANCIAL STATEMENTS
DECEMBER 31, 2015



Ernst & Young
P.O. Box 1373
7th Floor,
PADICO House Bldg.
Al-Masyoun
Ramallah-Palestine

Tel: +972 22421011
Fax: +972 22422324
www.ey.com



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Independent Auditors' Report to the Members of the General Assembly of Atfaluna Society for Deaf Children

We have audited the accompanying financial statements of Atfaluna Society for Deaf Children (ASDC), which comprise the statement of financial position as at December 31, 2015, the 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atfaluna Society for Deaf Children as at December 31, 2015 and the results of its activities and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young - Middle East

License # 206/2012



April 28, 2016
Gaza, Palestine

ATFALUNA SOCIETY FOR DEAF CHILDREN

STATEMENT OF FINANCIAL POSITION

As at December 31, 2015

	Notes	<u>2015</u> U.S. \$	<u>2014</u> U.S. \$
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	3	<u>1,466,664</u>	<u>1,586,407</u>
		<u>1,466,664</u>	<u>1,586,407</u>
Current assets			
Contributions receivable	4	973,519	350,845
Other current assets	5	183,543	197,176
Cash on hand and at banks	6	<u>663,725</u>	<u>868,404</u>
		<u>1,820,787</u>	<u>1,416,425</u>
TOTAL ASSETS		<u><u>3,287,451</u></u>	<u><u>3,002,832</u></u>
<u>NET ASSETS AND LIABILITIES</u>			
Net assets			
Unrestricted net assets		<u>582,304</u>	<u>906,559</u>
Total net assets		<u>582,304</u>	<u>906,559</u>
Liabilities			
Non-current liabilities			
Deferred revenues	7	867,113	963,670
Employees' end of service benefits	8	<u>605,247</u>	<u>571,412</u>
		<u>1,472,360</u>	<u>1,535,082</u>
Current liabilities			
Other current liabilities	9	61,729	59,722
Temporarily restricted contributions	10	<u>1,171,058</u>	<u>501,469</u>
		<u>1,232,787</u>	<u>561,191</u>
Total liabilities		<u>2,705,147</u>	<u>2,096,273</u>
TOTAL NET ASSETS AND LIABILITIES		<u><u>3,287,451</u></u>	<u><u>3,002,832</u></u>

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

ATFALUNA SOCIETY FOR DEAF CHILDREN

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015

	<u>Notes</u>	<u>2015</u> <u>U.S. \$</u>	<u>2014</u> <u>U.S. \$</u>
Revenues			
Temporarily restricted contributions released			
from restriction	10	1,061,544	1,239,028
In-kind donations	11	39,646	31,534
Operating revenues	12	357,952	308,106
Deferred revenues recognized	7	173,069	202,802
Unrestricted contributions	13	2,548	110,923
Other revenues	14	64,807	28,581
		<u>1,699,566</u>	<u>1,920,974</u>
Expenses			
Programs expenses	15	(1,581,322)	(1,594,647)
Administrative and general expenses	15	(188,754)	(189,933)
Depreciation of Property, plant and equipment	3	(207,649)	(230,125)
Foreign currency differences		(46,096)	(102,749)
		<u>(2,023,821)</u>	<u>(2,117,454)</u>
Changes in net assets		(324,255)	(196,480)
Net assets, beginning of the year		<u>906,559</u>	<u>1,103,039</u>
Net assets, end of year		<u><u>582,304</u></u>	<u><u>906,559</u></u>

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

ATFALUNA SOCIETY FOR DEAF CHILDREN

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

	Notes	<u>2015</u> U.S. \$	<u>2014</u> U.S. \$
<u>Operating activities</u>			
Changes in net assets		(324,255)	(196,480)
Adjustments:			
Depreciation of property, plant and equipment		207,649	230,125
Provision for employees' end of service benefits		65,358	57,020
Deferred revenues recognized		(173,069)	(202,802)
Gain from sale of property plant, and equipment		(12,000)	-
		<u>(236,317)</u>	<u>(112,137)</u>
Changes in working capital:			
Contributions receivable		(622,674)	377,299
Other current assets		13,633	(51,548)
Temporarily restricted contributions		746,101	(298,130)
Other current liabilities		2,007	13,208
Employees' end of service benefits payments		<u>(31,523)</u>	<u>(25,209)</u>
Net cash flows used in operating activities		<u>(128,773)</u>	<u>(96,517)</u>
<u>Investing activities</u>			
Purchase of property, plant and equipment		(87,906)	(16,983)
Sale of property, plant and equipment		12,000	-
Time deposits maturing after three months		<u>183,812</u>	<u>(57,925)</u>
Net cash flows from (used in) investing activities		<u>107,906</u>	<u>(74,908)</u>
Decrease in cash and cash equivalents		(20,867)	(171,425)
Cash and cash equivalents, beginning of the year		<u>196,506</u>	<u>367,931</u>
Cash and cash equivalents, end of year	6	<u><u>175,639</u></u>	<u><u>196,506</u></u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. Activities

Atfaluna Society for Deaf Children (ASDC) was established on March 24, 1992 and is registered in Gaza Palestine with the Palestinian Ministry of Interior as a not-for-profit organization under registration No. (2076) in accordance with the Community Organizations Law for the year 2000.

ASDC serves deaf children through deaf education, audiology, speech therapy, income generating programs, vocational training, community training and awareness programs as well as hosting other services and programs.

The financial statements as at December 31, 2015 were approved by ASDC's Board of Directors on April 28, 2016.

2. Accounting Policies

2.1 Basis of preparation

The accompanying financial statements represent the financial position of ASDC as at December 31, 2015 and the results of its activities and cash flows after eliminating intercompany balances and transactions between ASDC and its implemented projects.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

The financial statements have been presented in United States Dollars (U.S. \$), which is the functional currency of ASDC.

The financial statements have been prepared under the historical cost convention.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that ASDC has adopted several amended IFRS that have been issued and became mandatory. The adoption will not have an effect on the financial position or performance of ASDC.

Furthermore, several standards and interpretations have been issued but are not yet mandatory. ASDC believes that the new standards and interpretations will not have any significant impact on disclosures, financial position or performance when applied at a future date.

2.3 Estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires ASDC's management to exercise its judgment in the process of applying the accounting policies. ASDC's management continually evaluates its estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

The key areas involving higher degree of judgment or complexity are described below:

Useful lives of property and equipment

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

Allocation of expenses

Allocation of ASDC expenses to programs and administrative and general functions is based on ASDC management's best estimate of allocation basis.

Management believes that the estimates and assumptions used are reasonable.

2.4 Summary of Significant Accounting Policies

Donation revenues

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

Donation revenues from unconditional pledges are recognized as follows:

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

In-kind donations

Undistributed in-kind donations are recorded as liabilities based on their estimated fair values when received and they are recognized as revenue when consumed or disposed.

Deferred revenues

Donations related to property, plant and equipment are stated at fair value, recorded as deferred revenues and recognized as revenue on a systematic basis over the useful life of the asset.

Income generating program revenues

Revenues are recognized to the extent that it is probable that the economic benefits will flow to ASDC and the revenue can be reliably measured. Revenues generated from ASDC's departments to ASDC donors projects for the benefits of ASDC are eliminated, as such revenues are recognized as a part of temporarily restricted contributions released from restriction.

Rendering of services

Revenues from audiological and speech therapy services are recognized during the period in which such services are rendered.

Sales of vocational training products

Revenues from sale of vocational training products are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Restaurant and cafeteria revenues

Revenues from sales of foods and beverages are recognized when customers are served.

Interest income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash inflow through the expected life of the financial asset to the net carrying amount of the financial asset.

Expenses recognition

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

Cash and cash equivalents

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

Cash on hand and at banks presented in the statement of financial position comprise cash on hand, cash at banks and time deposits at banks.

Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less contributions received and any impairment for uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full unconditional pledge is no longer probable.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred. Land is not depreciated.

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

	<u>Useful life (Years)</u>
Buildings	50
Building renovation	14.3
Furniture and fixtures	11.11
Property and Equipment	5-10
Computers and printers	4
Motor vehicles	5

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

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

Income taxes

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

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

Provisions

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

Foreign currencies

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

3. Property, Plant and Equipment

	Land	Buildings	Building renovation	Furniture and fixtures	Property and equipment	Computers and printers	Motor vehicles	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2015								
Cost								
Balance, beginning of year	167,473	1,016,090	330,915	328,469	1,285,095	212,261	246,771	3,587,074
Additions	-	-	-	3,786	27,527	2,593	54,000	87,906
Disposal	-	-	-	-	-	-	(38,438)	(38,438)
Balance, end of the year	<u>167,473</u>	<u>1,016,090</u>	<u>330,915</u>	<u>332,255</u>	<u>1,312,622</u>	<u>214,854</u>	<u>262,333</u>	<u>3,636,542</u>
Accumulated depreciation								
Balance, beginning of the year	-	290,438	151,737	225,234	907,298	206,016	219,944	2,000,667
Depreciation expense	-	20,322	23,164	22,633	119,082	2,919	19,529	207,649
Disposal	-	-	-	-	-	-	(38,438)	(38,438)
Balance, end of year	<u>-</u>	<u>310,760</u>	<u>174,901</u>	<u>247,867</u>	<u>1,026,380</u>	<u>208,935</u>	<u>201,035</u>	<u>2,169,878</u>
Net book value								
As at December 31, 2015	<u>167,473</u>	<u>705,330</u>	<u>156,014</u>	<u>84,388</u>	<u>286,242</u>	<u>5,919</u>	<u>61,298</u>	<u>1,466,664</u>
2014								
Cost								
Balance, beginning of year	167,473	1,016,090	330,343	318,570	1,278,583	212,261	246,771	3,570,091
Additions	-	-	572	9,899	6,512	-	-	16,983
Balance, end of the year	<u>167,473</u>	<u>1,016,090</u>	<u>330,915</u>	<u>328,469</u>	<u>1,285,095</u>	<u>212,261</u>	<u>246,771</u>	<u>3,587,074</u>
Accumulated depreciation								
Balance, beginning of year	-	270,117	128,609	205,656	782,508	189,896	193,756	1,770,542
Depreciation expense	-	20,321	23,128	19,578	124,790	16,120	26,188	230,125
Balance, end of year	<u>-</u>	<u>290,438</u>	<u>151,737</u>	<u>225,234</u>	<u>907,298</u>	<u>206,016</u>	<u>219,944</u>	<u>2,000,667</u>
Net book value								
At December 31, 2014	<u>167,473</u>	<u>725,652</u>	<u>179,178</u>	<u>103,235</u>	<u>377,797</u>	<u>6,245</u>	<u>26,827</u>	<u>1,586,407</u>

Property, plant and equipment include U.S. \$ 1,018,598 and U.S. \$ 821,469 of fully depreciated assets that are still being used in ASDC's activities as of December 31, 2015 and 2014, respectively.

Land includes a nominal amount of U.S. \$ 1 for a land lot with an area of 2,935 square meters that was made available by the Palestinian Ministry of Housing in 1994 for the use of ASDC. Subsequently, ASDC constructed its main building on this land.

4. Contributions Receivable

Contributions receivable comprise unconditional pledges to give as at December 31, 2015. Movement during the year is as follows:

	Balance, beginning of year	Additions (written of) during the year	Contributions received	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Christoffel-Blindenmission (CBM)	126,201	737,368	(487,486)	(8,372)	367,711
European Commission and Christoffel- Blindenmission Deutschland e.V.	53,229	(11,762)	(36,035)	(5,432)	-
Christoffel-Blindenmission (CBM) - Emergency Response Unit	30,682	-	(26,625)	(4,057)	-
Mel Wolf Foundation through LOPC	35,000	30,000	(35,000)	-	30,000
Campaign for the Children of Palestine	12,600	199,180	(152,587)	-	59,193
Welfare Association	5,510	-	(5,455)	(55)	-
Drosos Foundation	13,229	40,000	(53,229)	-	-
Lafayette Orinda	5,687	27,480	(33,167)	-	-
The Lady Fatema	4,400	67,600	(67,144)	(456)	4,400
NGO Development Center - NDC	63,307	-	(49,000)	-	14,307
Qatar Red Crescent (GRC)	-	664,240	(199,272)	-	464,968
United Palestinian Appeal (UPA)	1,000	3,990	(4,990)	-	-
Perpiterian Hunger Program	-	9,690	(9,690)	-	-
Qatar Red Crescent (QRC) through Islamic University - Gaza	-	59,680	(29,840)	-	29,840
HelpAge International	-	6,200	(3,100)	-	3,100
Masayuki Ishikawa	-	2,300	(2,300)	-	-
Mr. Ali Sajwani (DAMAC Group)	-	9,569	(9,569)	-	-
Pal Craft	-	2,280	(2,280)	-	-
	<u>350,845</u>	<u>1,847,815</u>	<u>(1,206,769)</u>	<u>(18,372)</u>	<u>973,519</u>

In addition to the contributions received stated in the schedule above, ASDC received U.S. \$ 32,955 and U.S. \$ 22,904 from various donors for the benefit of certain named children during the year ended December 31, 2015 and 2014, respectively.

ASDC acts as a transitory and the amounts received are recorded as part of liabilities until paid to beneficiary. Details of cash received for the benefit of certain named children follow:

	2015	2014
	U.S. \$	U.S. \$
Hashem Shawa Sr. Orphans Fund	19,946	14,430
The Lady Fatema	8,282	3,600
Others	4,727	4,874
	<u>32,955</u>	<u>22,904</u>

The following is the movement of cash received for the benefit of certain named children during the year ended December 31, 2015 and 2014:

	2015	2014
	U.S. \$	U.S. \$
Balance, beginning of year	4,914	8,929
Cash received during the year	32,955	22,904
Cash Payments during the year	(31,028)	(26,919)
Balance, end of year (Note 9)	<u>6,841</u>	<u>4,914</u>

5. Other Current Assets

	2015	2014
	U.S. \$	U.S. \$
Receivables from sale of vocational training products	30,269	28,033
Vocational training products *	141,195	140,491
Prepaid expense	-	19,000
Due from employees	7,971	5,146
Due from the Lady Fatema **	-	1,800
Other	4,108	2,706
	<u>183,543</u>	<u>197,176</u>

* This item represents by-products produced by the vocational deaf trainees. The cost of these by-products has been measured at net realizable value and the changes of by-products net realizable value has been deducted from total expenses (Note 15).

** This item for 2014 represents the amounts paid during 2014 by ASDC for the benefit of certain named children on behalf of the Lady Fatema.

6. Cash on Hand and at Banks

Cash on hand and at banks include the following:

	2015	2014
	U.S. \$	U.S. \$
Cash on hand	231	431
Cash at banks	175,408	181,759
Deposits at banks	488,086	686,214
	<u>663,725</u>	<u>868,404</u>

For the year 2015: Deposits at banks represent short term deposits which are due within 3 months after the financial statements date.

For the year 2014: Deposits at banks held with local commercial banks are due within 1 to 7 months after the financial statements date.

The average interest rates for deposits in U.S. Dollar, and the EURO are 2.25%, 0.40% respectively.

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

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Cash on hand and at banks	663,725	868,404
Deposits at banks with original maturity of more than three months	<u>(488,086)</u>	<u>(671,898)</u>
	<u>175,639</u>	<u>196,506</u>

7. Deferred Revenues

This item represents the book value of property, equipment acquired out of the temporarily restricted contributions. The movement on deferred revenues during the year was as follow:

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Balance, beginning of year	963,670	1,156,882
Additions (Note 10)	76,512	9,590
Deferred revenues recognized	<u>(173,069)</u>	<u>(202,802)</u>
Balance, end of year	<u>867,113</u>	<u>963,670</u>

8. Employees' End of Service Benefits

The movement on employees' end of service benefits during the year was as follows:

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Balance, beginning of year	571,412	539,601
Additions	65,358	57,020
Payments *	<u>(31,523)</u>	<u>(25,209)</u>
Balance, end of year	<u>605,247</u>	<u>571,412</u>

* This item includes an amount of U.S. \$ 12,555 and U.S. \$ 24,068 as advanced payments made on account to employees against their respective end of service benefits for the year ended December 31, 2015 and 2014, respectively. Based on a decision made by ASDC management during 2008, each employee's advanced payment should not exceed 75% of his/her respective end of service benefits.

9. Other Current Liabilities

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Accounts payable	19,056	24,270
Accrued expenses	7,153	10,554
Payroll income tax	28,679	19,984
Undistributed beneficiaries' money (Note 4)	<u>6,841</u>	<u>4,914</u>
	<u>61,729</u>	<u>59,722</u>

10. Temporarily Restricted Contributions

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

	Balance, beginning of year	Additions (written off) during the year	Temporarily restricted contributions released from restriction	Deferred revenues (Note 7)	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2015						
Christoffel-Blindenmission (CBM)	137,679	737,368	(319,053)	(71,140)	(9,033)	475,821
European Commission and Christoffel- Blindenmission Deutschland e.V.	120,676	(11,762)	(81,433)	-	(26,624)	857
Christoffel-Blindenmission (CBM) - Emergency Response Unit	58,668	-	(53,505)	(1,106)	(4,057)	-
Mel Wolf Foundation through LOPC	35,000	30,000	(7,280)	(2,346)	-	55,374
Campaign for the Children of Palestine	890	199,180	(134,290)	(1,920)	-	63,860
Drosos Foundation	10,489	40,000	(45,989)	-	-	4,500
Lafayette Orinda	46,182	27,480	(56,989)	-	-	16,673
The Lady Fatema	10,000	67,600	(77,144)	-	(456)	-
NGO Development Center - NDC	63,307	-	(54,779)	-	-	8,528
Qatar Red Crescent	-	664,240	(165,133)	-	-	499,107
Church of Scotland	5,868	-	(5,868)	-	-	-
United Palestinian Appeal (UPA)	-	3,990	(3,990)	-	-	-
Perpiterian Hunger Program	-	9,690	(9,690)	-	-	-
Qatar Red Crescent (QRC) through Islamic University - Gaza	-	59,680	(16,442)	-	-	43,238
HelpAge International	-	6,200	(3,100)	-	-	3,100
Masayuki Ishikawa	-	2,300	(2,300)	-	-	-
Carol Morton	3,134	-	(3,134)	-	-	-
Mr. Ali Sajwani (DAMAC Group)	-	9,569	(9,569)	-	-	-
Prespiterian Church -U.S.A	9,576	-	(9,576)	-	-	-
Pal Craft	-	2,280	(2,280)	-	-	-
	<u>501,469</u>	<u>1,847,815</u>	<u>(1,061,544)</u>	<u>(76,512)</u>	<u>(40,170)</u>	<u>1,171,058</u>

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues (note 7)	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2014						
Christoffel-Blindenmission (CBM)	246,898	201,289	(304,203)	-	(6,305)	137,679
European Commission and Christoffel- Blindenmission Deutschland e.V.	352,672	-	(231,996)	-	-	120,676
Christoffel-Blindenmission (CBM) - Emergency Response Unit	-	226,346	(165,226)	-	(2,452)	58,668
Mel Wolf Foundation through LOPC	50,000	35,000	(46,770)	(3,230)	-	35,000
Campaign for the Children of Palestine	-	146,118	(138,868)	(6,360)	-	890
Welfare Association	49,942	-	(49,942)	-	-	-
Drosos Foundation	64,982	-	(54,493)	-	-	10,489
Lafayette Orinda	34,015	55,687	(43,520)	-	-	46,182
The Lady Fatema	-	91,532	(81,532)	-	-	10,000
NGO Development Center - NDC	-	63,307	-	-	-	63,307
The United Nation Children's Fund - UNICEF	-	78,632	(78,632)	-	-	-
Church of Scotland	-	8,030	(2,162)	-	-	5,868
United Palestinian Appeal (UPA)	-	7,900	(7,900)	-	-	-
Pontifical Mission for Palestine	10,680	-	(10,680)	-	-	-
Mr. Emile Al-Jawzi	-	2,400	(2,400)	-	-	-
Yuko Ishikawa	-	3,470	(3,470)	-	-	-
Ms. Anna Rogers	-	400	(400)	-	-	-
Ms. Carol Morton	-	3,134	-	-	-	3,134
Muslim Hands International	-	1,844	(1,844)	-	-	-
Mr. Ali Sajwani (DAMAC Group)	-	8,804	(8,804)	-	-	-
Presbyterian Church (USA)	-	11,477	(1,901)	-	-	9,576
Trinty Prebyterian Church	-	610	(610)	-	-	-
The Jerusalem Fund for Education and Community Development	-	2,500	(2,500)	-	-	-
Pal Craft	-	1,175	(1,175)	-	-	-
	<u>809,189</u>	<u>949,655</u>	<u>(1,239,028)</u>	<u>(9,590)</u>	<u>(8,757)</u>	<u>501,469</u>

11. In-kind Donations

In-kind donations include the following:

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Food	17,195	18,760
Educational supplies and gifts	22,240	12,070
Hearing supplies	211	704
	<u>39,646</u>	<u>31,534</u>

ASDC distributed all In-Kind donations received to beneficiaries

12. Operating Revenues

Operating revenues are as follows:

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Sales of vocational training products *	191,310	158,297
Revenue of Atfaluna's Restaurant and cafeteria **	81,193	88,233
Audiological and speech therapy services ***	71,710	41,177
Conference hall rental revenue	4,554	7,312
Transportations revenue	9,185	12,571
Others	-	516
	<u>357,952</u>	<u>308,106</u>

* Sales of vocational training products includes Atfaluna Furniture Exhibit which was opened for public in January 2013 outside of ASDC's premises. During the year 2015, ASDC closed Atfaluna Furniture Exhibit and is currently working on constructing a new furniture exhibit within ASDC's premises.

** Revenues of Atfaluna's Restaurant and Cafeteria include revenues from Atfaluna Restaurant's which was opened for public during 2012 outside of ASDC's premises as an income generating program funded by Drosos Foundation in Switzerland. During the year 2015, ASDC closed Atfaluna Restaurant as a result of completing the funding agreement.

*** ASDC provides audiological and speech therapy services to hearing impaired individuals for a fee.

13. Unrestricted Contributions

This item represents unrestricted contributions from various individuals and entities. Unrestricted contributions include the following:

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Richard W. Snowden through American Near East Refugee Aid-ANERA	-	82,848
Mr. Younes Hertani	-	10,000
Ms. Wafa Al Alami	-	10,000
Others	2,548	8,075
	<u>2,548</u>	<u>110,923</u>

14. Other Revenues

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Awards of innovation and excellence *	50,000	21,500
Gain from sale of property plant and equipment	12,000	-
Bank interests	132	5,780
Sundry	<u>2,675</u>	<u>1,301</u>
	<u>64,807</u>	<u>28,581</u>

- * During the year, ASDC received an amount of U.S. \$ 50,000 from the Welfare Association as a result of winning the prize of Welfare Association for Gaza Strip 2014 "Falak and AbdelKareem Al Shawa Prize - For Gaza". During 2014, ASDC received an amount of U.S. \$ 20,000 from PalTel Group Foundation as a result of winning the first prize of the Palestine International Award for Excellence and Creativity for the year 2014. In addition, ASDC received an amount of U.S. \$ 1,500 from Ministry of Youth and Sport - Palestine as a result of winning the prize of best Children's Foundation Award for the year 2014.

15. Expenses

	Expenses					
	2015			2014		
	Programs	Administrative and general	Total	Programs	Administrative and general	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	913,984	143,036	1,057,020	943,713	147,689	1,091,402
Hearing aid devices and supplies	121,968	-	121,968	131,528	-	131,528
Materials and supplies	39,344	-	39,344	62,333	-	62,333
Training and education	77,889	-	77,889	40,245	-	40,245
Food and meals	114,306	-	114,306	173,441	-	173,441
Maintenance	15,706	5,236	20,942	15,422	5,141	20,563
Rent	25,396	-	25,396	31,069	-	31,069
Insurance	2,953	985	3,938	2,632	878	3,510
Stationery	3,262	531	3,793	7,537	1,227	8,764
Gifts	-	7,190	7,190	-	5,091	5,091
Utilities	18,407	2,996	21,403	19,947	3,247	23,194
Cleaning	4,629	1,158	5,787	5,951	1,488	7,439
Communications	8,417	1,371	9,788	9,247	1,506	10,753
Travel and transportations	24,753	2,692	27,445	44,590	4,849	49,439
Printing and photocopying	9,772	719	10,491	5,711	420	6,131
Conference hall expenses	232	-	232	5,300	-	5,300
Professional fees	6,218	10,053	16,271	4,375	7,072	11,447
Fuel	53,641	8,731	62,372	52,124	8,484	60,608
Humanitarian assistance	120,570	-	120,570	46,372	-	46,372
Bank charges	1,920	313	2,233	2,350	383	2,733
Sundry	18,659	3,743	22,402	15,094	2,458	17,552
	<u>1,582,026</u>	<u>188,754</u>	<u>1,770,780</u>	<u>1,618,981</u>	<u>189,933</u>	<u>1,808,914</u>
Vocational training products (Note 5)	<u>(704)</u>	<u>-</u>	<u>(704)</u>	<u>(24,334)</u>	<u>-</u>	<u>(24,334)</u>
	<u>1,581,322</u>	<u>188,754</u>	<u>1,770,076</u>	<u>1,594,647</u>	<u>189,933</u>	<u>1,784,580</u>

Out of ASDC's expenses, U.S. \$ 1,061,544 and U.S. \$ 1,239,028 were incurred out of the temporarily restricted contribution for the year ended December 31, 2015 and 2014, respectively (Note 10).

16. Fair Values of Financial Instruments

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

The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

17. Related Party Transactions

Related parties represent directors and key management personnel of ASDC. Pricing policies and terms of these transactions are approved by ASDC's Board of Directors.

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

	<u>2015</u> U.S. \$	<u>2014</u> U.S. \$
<u>Compensation of key management personnel:</u>		
Short-term benefits	<u>104,092</u>	<u>98,712</u>
End of service benefits	<u>8,656</u>	<u>8,010</u>

18. Risk Management

Interest rate risk

ASDC is exposed to interest rate risk on its interest bearing short-term deposits at banks. The following table demonstrates the sensitivity of the statement of activities and changes in net assets to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of activities and changes in net assets is the effect of the assumed changes in interest rates on ASDC's statement of activities and changes in net assets for one year, based on the floating rate of short-term deposits at banks held as at December 31, 2015 and 2014. The effect of decrease in interest rate is expected to be equal and opposite to the effect of increases shown below:

	<u>Increase in interest Basis points</u>	<u>Effect on statement of activities and changes in net assets U.S. \$</u>
<u>2015</u>		
U.S. \$	10	132
EURO	10	356
<u>2014</u>		
U.S. \$	10	132
EURO	10	531
JD	10	23

Liquidity risk

ASDC limits its liquidity risk by maintaining adequate cash balances and funds from multiple donors to meet its current obligations and to finance its activities. Most of ASDC's financial liabilities are due within a year.

Foreign currency risk

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

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

	Increase in EURO rate to U.S.\$ <u> %</u>	Effect on statement of activities and changes in net assets <u> U.S. \$</u>	Increase in ILS rate to U.S.\$ <u> %</u>	Effect on statement of activities and changes in net assets <u> U.S. \$</u>
<u>2015</u>				
U.S. \$	10	35,265	10	52
<u>2014</u>				
U.S. \$	10	53,587	10	(570)

The Jordanian Dinar (JD) exchange rate is pegged to U.S. \$ exchange rate, so foreign currency risk of JD is not material on ASDC's financial statements.

19. Concentration of Risk in Geographic Area

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