The Palestinian Center for Development and Media Freedoms (MADA)

Financial statements and the auditor's report

31st December 2022

MARCH 2023



Ramallah/Gaza -Palestine Al-Irsal St. Awwad Center, 3rd fl. Gaza/Southern Al-Remal

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Independent Auditors' Report

Messrs. Respected members of the General Assembly
The Palestinian Center for Development & Media Freedoms (MADA)
Ramallah - Palestine

Opinion:

We have audited the accompanying financial statements of "The Palestinian Center For Development & Media Freedoms, MADA", which comprise the statement of financial position as of 31 December 2022, statement of activities and statement of cash flow for the year then ended. Besides, a summary of accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly in all material respects the financial position of "The Palestinian Center for Development & Media Freedoms, MADA" as of 31 December 2022 and the financial performance and its cash flows for the year then ended.

basis of opinion:

We have conducted our audit in accordance with the International Standards on Auditing. Our responsibilities according to these standards are detailed in our report under the auditor's responsibility for auditing the financial statements contained in our report. We are independent of the Center in accordance with the Code of Ethics for Professional Accountants issued by the International Standards for the Professional Conduct of Accountants, and we have also committed ourselves to our other professional responsibilities in accordance with the requirements of the Code of Professional Conduct of the Board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether resulting from fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high-level assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 have an impact on the economic decisions taken by users of these financial statements.



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We exercise professional judgment and maintain professional skepticism as part of an audit in accordance with International Standards on Auditing, and we:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, implement appropriate audit procedures responsive to these risks, and obtain sufficient and appropriate audit evidence to provide a basis for expressing an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 system.
- Evaluating the appropriateness of accounting policies applied and the reasonableness of accounting and explanations made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of
 accounting, and based on the audit evidence obtained, reach a conclusion about
 whether there is a material doubt related to events or conditions that may raise
 significant doubts about the Center's ability to continue as a going concern. If we
 conclude that there is a material doubt, we must refer in the audit report to the
 relevant financial statement notes, or amend our opinion if these notes are
 insufficient. The results of the audit are based on the audit evidence obtained up to
 the date of the audit report, however, future events or conditions may cause the
 Center to cease to operate as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including explanations thereon and whether the financial statements represent the transactions and events in a manner that achieves fair presentation.

We communicate with the head office regarding the scope and timing of the audit and significant audit findings, including any significant weaknesses in the internal control system that we identify during the audit.

BDO Accounting, Audit & Tax Services
Nabeel Zeidan
Auditor
License No. 110/2005
Ramallah, on 05 march 2023



The Palestinian Center for Development and Media Freedoms (MADA) Statement of financial position as of 31st December 2022

	_	<u>2021</u>	2022
Description	Note	<u>USD</u>	<u>USD</u>
Assets			
Current Assets			
Cash and cash equivalents	3	46,213	30,967
Prepaid Expenses		4,979	-
<u>Total Current Assets</u>		<u>51,192</u>	<u>30,967</u>
Fixed Assets			
Office Furniture and Equipment's	4	1,113	360
Total Fixed Assets		<u>1,113</u>	<u>360</u>
Total Assets	_ _	52,305	31,327
Liabilities			
Postdated Checks	5	11,051	25,666
Accrued expenses	6	1,053	1,565
<u>Total Liabilities</u>		<u>12,104</u>	<u>27,231</u>
Net Assets			
Net Assets		40,201	4,096
Total Liabilities and Net Assets	- -	52,305	31,327

[&]quot;The accompanying notes form an integral part of this statement"

The Palestinian Center for Development and Media Freedoms (MADA) Statement of activities and the change in net asset value for the year ended 31st December 2022

<u>2021</u> 2022 Description Note USD USD 7 86,804 104,286 Revenues **Exchanges differences Total Revenues** 86,804 104,286 **Expenses** Projects expenses 8 69,932 55,027 Operating expenses 9 91,649 82,396 **Exchanges differences** 2,483 2,968 **Total Expenses** 164,064 140,391 Changes during the year (77,260)(36,105) Change in net asset at the beginning of the year 117,461 40,201 Change at the end of the year <u>40,201</u> <u>4,096</u>

[&]quot;The accompanying notes form an integral part of this statement"

The Palestinian Center for Development and Media Freedoms (MADA) Cash Flow Statement

for the year ended 31st December 2022

<u>Description</u> Cash flow from operating activities	<u>2021</u> <u>USD</u>	<u>2022</u> <u>USD</u>
Changes during the year	(77,260)	(36,105)
Depreciation	780 <u>(76,480)</u>	753 <u>(35,352)</u>
Advance Expense Payables & Accrued Expenses Net Cash Flow from Operations	(4,979) (43,709) (125,168)	- (41,828) <u>(77,180)</u>
Net cash flow	(125,168)	(77,180)
Cash at the beginning of the year	171,381	46,213
Cash at the End of the year	<u>46,213</u>	<u>30,967</u>

The Palestinian Center for Development and Media Freedoms (MADA)

Notes to the financial statements

Note (1)- General

The Palestinian Center for Development & Media Freedoms (MADA):

Is an independent, non-governmental and non-profit organization that develops the Palestinian media and defends journalists and media outlets.

MADA is the foremost media organization which monitors media freedom violations in Palestine. It is licensed by the Palestinian Ministry of Interior under registration number RA-250-1.

Through MADA's reports, hundreds of national and international organizations and thousands of individuals have become more aware of the media freedom situation in Palestine and a lot of journalists, people and organizations have been encouraged by MADAs Work, and have begun to speak loudly against media freedom violations.

Note (2) – Financial Policies

2.1 Basis of Financial Statements preparation:

- The accompanying financial statements are prepared in accordance with current international financial reporting standards.
- The financial statements have been presented in U.S dollars.
- The financial statements are prepared under the historical cost convention.

2.2 Change in accounting policies:

The accounting policies used in preparing the financial statements are consistent with those used in preparing the financial statements for the year ended on December 31, 2022, except for the following:

IFRS No. (9) - Financial Instruments

International Financial Reporting Standard No. (9) instead of International Accounting Standard No. (39) "Financial Instruments: Recognition and Measurement" carries effect from January 1, 2018 for all three accounting aspects related to financial instruments: classification, measurement, impairment and hedge accounting.

IFRS 9 Financial Instruments replaces the incurred credit loss model in accordance with IAS 9 Financial Instruments: Recognition and Measurement. It included a comprehensive model for the mechanism for recognizing and recording expected credit losses, the hedge accounting framework, and classification and measurement requirements.

The center applied the simplified method from the standard to record expected credit losses on all debt instruments, and calculated expected credit losses over the entire life of the debt instruments. The Center has prepared a study based on the historical experience of credit loss, taking into account the future factors of the debtors and the economic environment.

The expected credit losses on receivables from donors are immaterial on the financial statements, as they are credited against the grants account and are temporarily restricted. The center limits credit risks by limiting the disbursement of cash amounts transferred from donors to projects, and accordingly, any exclusion or decline from the receivable account from donors is recorded against the temporarily restricted grants account.

IFRS No. (15) Revenue from Contracts with Customers

International Financial Reporting Standard No. (15) replaces International Accounting Standard No. (11) Construction Contracts and International Accounting Standard (18) Revenue and related interpretations and applies to all revenues arising from contracts with customers. Under IFRS 15, revenue is recognized at a value that represents the amount that the entity expects to earn in exchange for goods or services rendered to a customer.

The standard requires the broker to use estimates, taking into account all relevant facts and circumstances when applying the revenue recognition steps. The standard also specifies the accounting treatment for the incremental costs of obtaining a contract and the direct costs associated with executing the contract.

The impact of applying International Financial Reporting Standard (15) is immaterial on the financial statements of the Center and on the accounting policies for revenue recognition.

Standards not in effect

The International Accounting Standards Board has issued some standards, which are still not in effect and have not yet been adopted by the Center. The following standards are the ones that the Centre's management expects to apply, when it becomes effective, to have an impact on the Centre's financial performance or on the disclosures of the Centre's financial statements. These standards will be applied when they become effective.

IFRS No. (16) Lease Contracts

The International Accounting Standards Board issued International Financial Reporting Standard No. (16) Lease Contracts during January 2016, which defines the principles of recognition, measurement, presentation and disclosure of lease contracts. The requirements of International Financial Reporting Standard No. (16) are very similar to the accounting requirements of the lessor in International Accounting Standard No. (17). Accordingly, the lessor continues to classify lease contracts as operating leases or finance leases, so that it processes

These two types of contracts differently.

IFRS 16 requires the lessee to recognize assets and liabilities for all leases of more than 12 months, unless the asset is of low value. It requires the lessee to recognize the right to use the asset, which is represented in the recognition of the leased asset and the resulting liability represented in the rental payments.

This standard has been applied as of January 1, 2019

Application of the standard for financial reporting of the country (16) transitional period

The Center can apply International Financial Reporting Standard No. (16) retrospectively so that all previous periods are amended in the financial statements, or by the modified retrospective method. MADA will apply the standard to contracts that were previously identified as leases in accordance with International Accounting Standard No. (17) and Interpretations of the International Financial Reporting Standards Committee No. (4).

This standard has been effective from January 1, 2019, with early application permitted. MADA will apply IFRS 16 (modified retrospective method). It is expected that the application of the standard will result in an increase in assets (right of use) and liabilities (leasing obligations). The Center is currently studying the quantitative impact of Standard No. (16).

3.2 Basis and Estimates

The preparation of the financial statements requires the use of several estimates and assumptions that affect the amounts of revenues, expenses, financial assets and liabilities, and the disclosure of potential liabilities. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the affected assets or liabilities in future periods.

The estimates included in the financial statements were as follows:

Useful lives of property and equipment

Decentralization management reassesses the useful lives of property and equipment and adjusts them, if necessary, at the end of each financial year.

Provision for expected credit losses

Financial assets are evaluated to determine impairment on the basis set out in the "impairment of financial assets" paragraph. The provision for impairment of financial assets is reviewed in accordance with International Financial Reporting Standard No. (9). Determining the provision for expected credit losses requires management to issue significant judgments and judgments to estimate the amounts of cash flows future and its times, in addition to estimating any significant increase in the credit risk of financial assets after their initial recognition, in addition to taking into account the future measurement information of expected credit losses.

Management believes that the estimates and assumptions used are reasonable

4.2 Summary of the most important accounting policies

Grant revenue

Unconditional donor pledges are those pledges that the donor gives to the center without any preconditions that must be made in order to receive the grant. Grant income from donors' unconditional pledges is recognized as follows:

Grants that are not restricted in use or time are recognized as revenue when an unconditional commitment is obtained from the grants.

Temporarily restricted grants allocated for the implementation of a specific purpose or related to the passage of time are recognized as revenue upon implementation of this purpose or the passage of the specified time.

Check expenses

Expenses are recorded when incurred on the accrual basis.

Real estate and equipment

Property and equipment are stated at cost after deducting accumulated depreciation and accumulated impairment losses, if any. The cost of property and equipment includes the cost incurred to replace any component of the property and equipment and financing expenses for long-term construction projects if the recognition criteria are met. All other expenses are recorded in the statement of activities and changes in net assets when incurred. Any item of real estate and equipment and any substantial parts thereof shall be written off upon disposal or when there is no expected economic benefit from the use or disposal of the item. Any profit or loss resulting from deleting the item, which represents the difference between the proceeds from disposal and the net book value of the item, is recorded in the statement of activities and the change in net assets.

The assets' residual values, useful lives and depreciation methods are reviewed in each financial year and adjusted in subsequent years, if necessary.

Fair value

The fair value of the financial assets and financial liabilities recorded in the statement of financial position is very close to their book values, due to the fact that these instruments have a short-term repayment or collection period. When the fair value of financial assets and liabilities cannot be determined from active markets, the fair value is determined by using the discounted future cash flow method. The inputs to these models were taken from observable markets as much as possible, but in the event that reference to market information is not feasible, then this requires a degree of estimation to determine its fair value.

Cash and cash equivalent:

Cash and cash equivalent includes cash on hand and cash at local banks.

Donors

Due from donors are the amounts that have not been collected from unconditional grants at the date of the financial statements, from which a provision for low-value grants is deducted.

Impairment of financial assets

After applying the International Financial Reporting Standard No. (9) as of January 01, 2018 The Center applied the simplified method from the standard for recording expected credit losses on other financial assets, and calculating expected credit losses over the entire life of those assets. To measure expected credit losses, receivable balances are categorized based on credit risk characteristics and the time to maturity. Financial assets measured at amortized cost are tested to determine if they are credit-impaired. Objective evidence that the financial asset is credit-impaired includes when there is non-compliance with the terms of the contract, such as failure to pay or late payment of interest, the amount of the principal debt, or granting discounts for economic or legal reasons related to the borrower's financial difficulties.

Before applying IFRS 9 (as of January 01, 2018).

An assessment is made at the end of each financial year to determine whether there is objective evidence that a specific financial asset is impaired. If such evidence exists, then any impairment loss is recorded in the list of activities and the change in net assets.

Current and non-current ratings

The center presents assets and liabilities in the statement of financial position on the basis of their classification as current or non-current.

Assets are current in the following cases:

- It is expected to be realized, sold or consumed in normal operating operations.
- It is held for the purpose of trading.
- It is expected to be realized within twelve months after the date of the financial statements.
- Cash and cash equivalents, except for cash restricted for exchange purposes or used to settle liabilities not later than twelve months after the date of the financial statements.

The rest of the other assets are classified as non-current assets.

Liabilities are current in the following cases:

- It is expected to be settled within normal operating operations.
- It is held for the purpose of trading.
- Payable within twelve months after the date of the financial statements.
- There are no restrictions or conditions for postponing the payment of liabilities for a period not exceeding twelve months after the date of the financial statements.

The rest of the other liabilities are classified as non-current liabilities

Income tax

The center is considered a non-profit organization, so the income of the center is not subject to income tax.

Provisions

are recognized when the center has obligations (legal or expected) arising from previous events, provided that these obligations are likely to arise and there are possibilities to determine their value objectively.

Accruals and other credit balances

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

foreign currencies

Currencies in other currencies are converted into US dollars according to the exchange rates as at the date of the transaction. Monetary assets and liabilities that are due to be received or paid in foreign currencies are converted according to the exchange rates as at the date of the financial statements. Profits or losses of currency differences are shown in the activities list and changes in net assets.

Note (3): Cash in hand & cash in Bank

<u>Description</u>	<u>2021</u>	<u>2022</u>
	USD	USD
Deposit in Quds Bank	500	500
Al-Quds Bank/000/ USD	(1)	17,692
Al-Quds Bank/000/ NIS EQUAL IN USD	-	547
Al-Quds Bank/000/ EU EQUAL IN USD	45,714	12,228
Total Cash & Cash equivalent	<u>46,213</u>	<u>30,967</u>

Note (4): Fixed Assets

Description	Office Furniture	<u>Equipment</u>	<u>Total</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Fixed Assets cost			
Balance as of 01/01/2022	5,965	13,517	19,482
Additions	-	-	-
Disposals	-	-	-
Balance as of 31/12/2022	<u>5,965</u>	13,517	19,482
Accumulated depreciation			
Balance as of 01/01/2022	5,879	12,490	18,369
Depreciation	73	680	753
Additions	-	-	-
Disposal	-	-	-
Balance as of 31/12/2022	<u>5,952</u>	13,170	19,122
Net fixed assets			
<u>as of 31/12/2022</u>	<u>13</u>	<u>347</u>	<u>360</u>

Note (5): Postdated Checks:

	<u>2021</u>	<u>2022</u>
Description	<u>USD</u>	<u>USD</u>
USD Post checks	3,395	5,035
Euro Post checks	6,696	12,106
USD bank transfers	960	8,525
<u>Total</u>	<u>11,051</u>	<u>25,666</u>

Note (6): Accrued expenses at the end of the year

	<u>2021</u>	<u>2022</u>
<u>Description</u>	<u>USD</u>	<u>USD</u>
Audit fees	440	880
Accrued Expenses	-	685
Design activities expense	613	-
<u>Total</u>	<u>1,053</u>	<u>1,565</u>

Note (7)- Revenues

	<u>2021</u>	<u>2022</u>
<u>Description</u>	<u>USD</u>	<u>USD</u>
Members Subscriptions	-	50
European Union Grants	10,324	-
IMS Grants	76,480	77,850
UNESCO Grants	-	25,428
Others	-	958
<u>Total Revenues</u>	<u>86,804</u>	<u>104,286</u>

Note (8)- Projects Expenses

	<u>2021</u>	<u>2022</u>
<u>Description</u>	<u>USD</u>	<u>USD</u>
Publications, studies and reports	2,495	3,709
Publications Studies (feminist press and freedom of opinion and expression in Palestine)	2,181	-
Digital rights campaign	3,000	-
Materials to promote for Freedom of Expression	300	1,014
Trainers' wages	-	500
Hospitality , rental of halls and establishment of workshops	-	806
Wages for the coordinators and staff of the projects	58,665	36,667
Projects' audit	1,540	-
Translation	300	895
A survey of media freedoms in Palestine	-	6,241
Legal unit	1,451	5,195
<u>Total</u>	<u>69,932</u>	<u>55,027</u>

Note (9)- Operating expenses

	<u>2021</u>	2022
<u>Description</u>	<u>USD</u>	<u>USD</u>
Salaries	64,147	56,730
Bank commissions	675	663
Audit	440	440
Rents	11,160	11,160
Internet	268	130
Maintenance	405	1,225
Electricity	739	973
Telephone	929	1,239
Furniture depreciation	100	73
Machines depreciation	680	680
Stationery	230	55
Hospitality	1,417	1,662
Internal transportation	374	391
End of service	10,085	6,975
<u>Total</u>	<u>91,649</u>	<u>82,396</u>

Note (10) Fair value of financial instruments

Financial instruments include financial assets and financial liabilities. Financial assets include due from donors' cash and cash equivalents and certain other current assets financial liabilities include accounts payable and certain other current liabilities and temporarily restricted grants. The fair value of financial instruments is not materially different from their carrying value.

Note (11) risk management

The main risks that affect the MADA operations are liquidity risks and foreign currency risks. The MADA management reviews and approves the policies for managing these risks, which are summarized as follows:

Liquidity risk

The Center limits its liquidity risk by maintaining sufficient cash transferred from the head office to pay its current and financing liabilities