

**THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)  
BETHLEHEM – PALESTINE**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**AND INDEPENDENT AUDITOR'S REPORT**



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## INDEPENDENT AUDITORS' REPORT

To the General Assembly of  
The Applied research Institute - Jerusalem ("The Institute" or "ARIJ")  
Jerusalem- Palestine

### Opinion

We have audited the consolidated financial statements of **(the Applied research Institute - Jerusalem (Arij))**, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Center as of December 31, 2020, 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

section of our report. We are independent of the Center in accordance with International Ethics Standards Board of Accountant Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

### Other Matter

The financial statements of the Institute as at and for the year ended December 31, 2019 was audited by another auditor who expressed an unmodified opinion on those financial statements on July 2, 2020.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Center's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Center or to cease operations, or has no realistic alternative but to do so.

Those charged with governance "Board of Directors" are responsible for overseeing the Center's financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also,

- Identify and assess the risks of material misstatement of the separate 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 Institute'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 separate financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Kawasmy and Partners**  
**KPMG**

*Kawasmy & Partners*

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License No. (201/2017)



**Ramallah – Palestine**

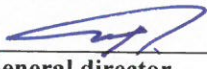
**July 8, 2021**


**APPLIED RESEARCH INSTITUTE - JERUSALEM (ARIJ)  
BETHLEHEM – PALESTINE**


**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In US Dollar</i>	Note	As of December 31,	
		2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	857,552	924,539
Investment in associate	6	277,005	277,005
Contributions receivable	7	715,909	1,790,040
<b>Total non-current assets</b>		<b>1,850,466</b>	<b>2,991,584</b>
<b>Current assets</b>			
Inventory		90,708	105,684
Contributions receivable	7	1,652,530	1,138,124
Other Debit Balances	8	306,934	188,396
Term deposit	9	-	203,593
Cash and cash equivalents	9	259,105	645,078
<b>Total current assets</b>		<b>2,309,277</b>	<b>2,280,875</b>
<b>Total assets</b>		<b>4,159,743</b>	<b>5,272,459</b>
<b>NET ASSETS AND LIABILIDES</b>			
<b>Net assets</b>			
Unrestricted Net Assets		78,337	(1,539)
Temporary Restricted net assets	13	2,756,048	3,789,963
<b>Total Net assets</b>		<b>2,834,385</b>	<b>3,788,424</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for severance pay	10	747,271	684,301
Provision for provident fund	11	118,545	129,263
<b>Total non-current liabilities</b>		<b>865,816</b>	<b>813,564</b>
<b>Current liabilities</b>			
Other current liabilities	12	459,542	670,471
<b>Total current liabilities</b>		<b>459,542</b>	<b>670,471</b>
<b>Total liabilities</b>		<b>1,325,358</b>	<b>1,484,035</b>
<b>Total net assets and liabilities</b>		<b>4,159,743</b>	<b>5,272,459</b>

The accompanying notes from pages (7) to (31) are an integral part of these consolidated financial statements.

  
General director  
Dr. Jad Isaac

  
Treasurer  
Dr. Fadi Kattan

  
Financial Manager  
Mrs. Mahira Altaweel


**APPLIED RESEARCH INSTITUTE - JERUSALEM (ARIJ)  
BETHLEHEM – PALESTINE**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

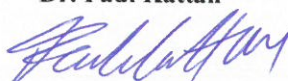
<i>In US Dollar</i>	Note	As of December 31,	
		2020	2019
<b>Revenues</b>			
Contributions recognized as revenues	13	2,191,022	2,585,944
Other revenues	15	296,542	208,449
Sales		47,398	20,039
Contributions recognized as revenues – property and equipment	5	4,976	4,434
ARIJ's share of results of its associate	6	(5,190)	(7,060)
Currency exchange differences		92,329	63,364
Deferred contributions written off		(13,210)	141,563
<b>Total revenues</b>		<b>2,613,867</b>	<b>3,016,733</b>
<b>Expenses</b>			
Projects' expenses	13	(2,176,694)	(2,516,279)
General and administrative expenses	17	(245,312)	(163,524)
Cost of good sold		(45,121)	(13,494)
Depreciation of property, plant and equipment	5	(63,286)	(68,547)
Write off of contributions receivable	7	4,021	(83,612)
Funds transferred back to donor	7	-	(6,649)
Loss on write-off of account receivables		-	(153,773)
<b>Total expenses</b>		<b>(2,526,392)</b>	<b>(3,005,878)</b>
<b>Net change in net assets</b>		<b>87,475</b>	<b>10,855</b>

The accompanying notes on pages from (7) to (31) are an integral part of these Consolidated financial statements.

**General director**  
**Dr. Jad Isaac**



**Treasurer**  
**Dr. Fadi Kattan**



**Financial Manager**  
**Mrs. Mahira Altaweel**



APPLIED RESEARCH INSTITUTE - JERUSALEM (ARIJ)  
BETHLEHEM – PALESTINE

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Retained	Investment		Total		Temporary
	Earning	Unrestricted	in	Unrestricted	Unrestricted	Restricted
	Fund	Fixed Assets	Net Assets	Fund	Fund	Total
	USD	USD	USD	USD	USD	USD
<b>Year 2020</b>						
Balance as of January 1, 2020	109,968	(1,027,174)	915,667	(1,539)	3,789,963	3,788,424
Change in net assets for the year	2,801	77,075	4,977	79,876	(1,033,915)	(954,039)
Additions to fixed assets		(4,977)		-	-	-
Depreciation		63,093	-63,093	-	-	-
<b>Balance as of December 31, 2020</b>	<b>112,769</b>	<b>(891,983)</b>	<b>857,551</b>	<b>78,337</b>	<b>2,756,048</b>	<b>2,834,385</b>

The accompanying notes on pages from (7) to (31) are an integral part of these separate financial statements.

**APPLIED RESEARCH INSTITUTE - JERUSALEM (ARIJ)  
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**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020**

<i>In US Dollar</i>	Note	As of December 31,	
		2020	2019
<b>Cash flows from operating activities</b>			
Net change in net assets		87,475	10,855
<b>Adjustments of non-cash items:</b>			
Depreciation of property, and equipment	5	63,093	68,547
Gain (loss) from sale of fixed assets		27,244	(20,775)
Employees' benefits provisions		74,319	76,892
ARIJ's share of the result of its associate		5,190	7,060
Interest received		-	(2,623)
Finance costs		-	(38,465)
<b>Cash flows from operating activities before contributions received, employees benefits paid and changes in working capital:</b>		<b>257,321</b>	<b>101,491</b>
Contributions received		2,293,449	2,891,835
Employees' severance paid		(11,349)	(50,519)
Provident fund paid		(10,718)	(1,679)
<b>Changes in working capital</b>			
Inventory		14,976	11,584
Contributions receivable		(1,588,537)	(3,058,990)
Other current assets		(118,538)	14,057
Deferred operating contributions		(1,033,915)	351,267
Other current liabilities		(210,929)	221,023
<b>Net cash flow (used) from by operating activities</b>		<b>(408,240)</b>	<b>480,069</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,977)	(41,789)
Proceeds from the sale of fixed assets		27,244	20,775
Interest received		-	2,623
Time deposits maturing after three months		-	310,052
<b>Net cash provided by investing activities</b>		<b>22,267</b>	<b>291,661</b>
<b>Cash flows from financing activities</b>			
Bank overdraft and debit balances		-	(444,831)
Finance costs paid		-	38,465
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(406,366)</b>
<b>Changes in cash and cash equivalents</b>		<b>(385,973)</b>	<b>365,364</b>
Cash and cash equivalents, beginning of the year		645,078	279,714
<b>Cash and cash equivalents, end of year</b>		<b>259,105</b>	<b>645,078</b>

The accompanying notes on pages from (7) to (31) are an integral part of these consolidated financial statements