

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

FOR THE YEAR ENDED DECEMBER 31, 2021

Contents	Page
Independent auditor's report	1-2
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated Statement of Changes in Net Assets	5
Consolidated statement of cash flows	6
Notes to the Consolidated financial statements	7-30



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INDEPENDENT AUDITORS' REPORT

To the General Assembly of
The Applied research Institute - Jerusalem
Bethlehem - Palestine

Opinion

We have audited the consolidated financial statements of **(The Applied research Institute - Jerusalem “The Company”** and its subsidiaries together **“The Group”**, which comprise the consolidated statement of financial position as of December 31, 2021, 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 Group as of December 31, 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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.

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 Group'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 Group 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 Group's financial reporting process.



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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 consolidated 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Kwasmy and Partners
KPMG

KAWASMY & PARTNERS

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June 28, 2022


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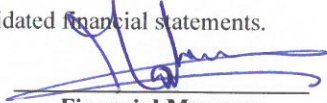
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In US Dollar</i>	Note	As of December 31,	
		2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	769,129	857,552
Investment in associate	6	252,300	277,005
Contribution's receivable	7	691,484	715,909
Total non-current assets		1,712,913	1,850,466
Current assets			
Inventory		82,651	90,708
Contribution's receivable	7	1,502,494	1,652,530
Other debit Balances	8	442,885	306,934
Cash and cash equivalents	9	288,598	259,105
Total current assets		2,316,628	2,309,277
Total assets		4,029,541	4,159,743
NET ASSETS AND LIABILITIES			
Net assets			
Unrestricted Net Assets		(31,065)	78,355
Net Assets with donor restrictions	13	2,613,198	2,756,030
Total Net assets		2,582,133	2,834,385
Liabilities			
Non-current liabilities			
Provision for severance pay	10	801,912	747,271
Provision for provident fund	11	118,545	118,545
Total non-current liabilities		920,457	865,816
Current liabilities			
Other credit balances	12	526,951	459,542
Total current liabilities		526,951	459,542
Total liabilities		1,447,408	1,325,358
Total Net Assets and Liabilities		4,029,541	4,159,743

The accompanying notes from pages (7) to (30) are an integral part of these consolidated financial statements.


General director
Dr. Jad Isaac


Treasurer
Dr. Fadi Kattan


Financial Manager
Mrs. Mahira Altaweel

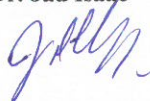
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CONSOLIDATED STATEMENT OF ACTIVITIES

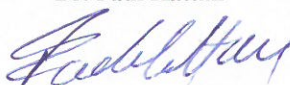
<i>In US Dollar</i>	Note	As of December 31,	
		2021	2020
Revenues			
Contributions recognized as revenues	13	2,310,303	2,191,022
Other revenues	15	94,089	269,297
Sales		48,824	47,398
Contributions recognized as revenues – property and equipment	5	24,261	4,976
(Loss) gain from sales of property and equipment		(48,526)	27,245
Currency exchange differences		(15,109)	92,329
Deferred contributions written off		88,761	(13,210)
ARIJ's share of results of its associate	6	(24,705)	-
Total revenues		2,477,898	2,619,057
Expenses			
Projects' expenses	16	(2,310,303)	(2,191,022)
General and administrative expenses	17	(162,342)	(246,767)
Cost of good sold		(25,363)	(45,121)
Depreciation for the year	5	(64,158)	(63,093)
Reversal of Expected credit loss provision		-	4,021
Litigation expenses		(25,152)	-
Total expenses		(2,587,318)	(2,541,982)
Net change in net assets		(109,420)	77,075

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Mrs. Mahira Altaweel



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CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	<u>Retained Earning</u>	<u>Unrestricted Fund</u>	<u>Investment in Fixed Assets</u>	<u>Total Unrestricted Net Assets</u>	<u>Net Assets with donor restrictions</u>	<u>Total</u>
Year 2021						
Balance as of January 1, 2021	112,787	(891,983)	857,551	78,355	2,756,030	2,834,385
Change in net assets for the year	14,632	(124,052)	-	(109,420)	(142,832)	(252,252)
Additions to fixed assets	-	(24,261)	24,261	-	-	-
Depreciation for the year	-	64,158	(64,158)	-	-	-
Balance as of December 31, 2021	127,419	(976,138)	817,654	(31,065)	2,613,198	2,582,133

	<u>Retained Earning</u>	<u>Unrestricted Fund</u>	<u>Investment in Fixed Assets</u>	<u>Total Unrestricted Net Assets</u>	<u>Net Assets with donor restrictions</u>	<u>Total</u>
Year 2020						
Balance as of January 1, 2020	109,986	(1,027,174)	915,667	(1,521)	3,789,963	3,788,442
Change in net assets for the year	2,801	77,075	-	79,876	(1,033,933)	(954,057)
Additions to fixed assets	-	(4,977)	4,977	-	-	-
Depreciation for the year	-	63,093	(63,093)	-	-	-
Balance as of December 31, 2020	112,787	(891,983)	857,551	78,355	2,756,030	2,834,385

The accompanying notes on pages from (7) to (30) are an integral part of these consolidated financial statements.

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

<i>In US Dollar</i>	<u>Note</u>	<u>For the Year Ended December 31,</u>	
		<u>2021</u>	<u>2020</u>
Cash flows from operating activities			
Net change in net assets		(84,715)	79,876
Adjustments of non-cash items:			
Depreciation of property, and equipment	5	64,158	63,093
(loss) gain from sale property and equipment		48,526	(27,245)
Provision for severance pay expenses	10	74,574	74,319
Cash flows from operating activities before Provision for severance pay and Provision for provident fund paid and changes in working capital:		102,543	190,043
Provision for severance paid	10	(19,933)	(11,349)
Provision for provident fund paid		-	(10,718)
Changes in working capital			
Inventory		8,057	14,976
Contribution's receivable		174,461	771,997
Other debit balances		(135,951)	(118,538)
Net Assets with donor restrictions		(142,832)	(1,033,915)
Other credit balances		67,409	(210,736)
Net cash flow from (used) by operating activities		53,754	(408,240)
Cash flows from investing activities			
Purchase of property and equipment	5	(24,261)	(4,977)
Proceeds from the sale of property and equipment		-	27,244
Net cash (used) from investing activities		(24,261)	22,267
Changes in cash and cash equivalents		29,493	(385,973)
Cash and cash equivalents, beginning of the year		259,105	645,078
Cash and cash equivalents, end of year	9	288,598	259,105

The accompanying notes on pages from (7) to (30) are an integral part of these consolidated financial statements