

**Teacher Creativity Center
Ramallah - Palestine**

**Financial Statements and Independent Auditor's Report
For the Year Ended December 31, 2016**

**Teacher Creativity Center
Ramallah - Palestine**

Table of Contents	Page
Independent Auditor's Report	1-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Teacher Creativity Center (TCC)
Ramallah,

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Teacher Creativity Center (TCC)**, which comprise the statement of financial position as of December 31, 2016, statement of activities, statement of 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Teacher Creativity Center (TCC)** as of December 31, 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of financial statements – Not for Profit Entities.

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 TCC 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 TCC'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 TCC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the TCC's 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 judgement and maintain professional skepticism throughout the audit.

We also;

1. 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.
2. 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.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. 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 TCC'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 TCC to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (Continued)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


Deloitte & Touche (M.E.)

Ramallah - Palestine
April 26, 2017

**Statement of Financial Position
As of 31 December 2016**

	Notes	2016 USD	2015 USD
Assets			
Cash on Hand and at Banks	4	71,017	224,767
Accounts Receivable and Advances	5	135	4,201
Pledges Receivable	6	13,486	105,333
Property and Equipment	7	121,682	133,358
Total Assets		206,320	467,659
Liabilities and Net Assets			
Liabilities			
Payables and Accruals	8	27,416	8,163
Reserve for staff benefits	9	18,031	157,881
Total Liabilities		45,447	166,044
Net Assets:			
Unrestricted		19,419	71,710
Temporary Restricted	10	19,772	96,547
Investment in Property and Equipment		121,682	133,358
Total Net Assets (Statement C)		160,873	301,615
Total Liabilities and Net Assets		206,320	467,659

The Accompanying Notes Form an Integral Part of These Financial Statements

Teacher Creativity Center

Statement B

Statement of Activities
Year Ended 31 December 2016

	Notes	Unrestricted USD	Temporary Restricted USD	Total 2016 USD	Total 2015 USD
Operating Revenues					
Grants	10	-	429,852	429,852	738,016
Other revenues		11,125	-	11,125	4,798
Total operating revenues		11,125	429,852	440,977	742,814
Net assets released from restrictions	10	506,627	(506,627)	-	-
		517,752	(76,775)	440,977	742,814
Operating Expenses					
Salaries and related expenses		260,319	-	260,319	403,370
Honoraria, technical assistance and training		48,376	-	48,376	112,229
Professional fees		20,089	-	20,089	21,038
Stationery and office supplies		5,657	-	5,657	32,405
Occupancy costs		6,284	-	6,284	5,245
Local transportation, international travel and per diem		49,667	-	49,667	85,993
Publications, printings, editing, and documentation cost		14,196	-	14,196	69,416
Communication		12,425	-	12,425	9,525
Hospitality for workshops		91,299	-	91,299	221,935
Prizes		3,728	-	3,728	7,282
Evaluation		6,587	-	6,587	14,979
Spots and media advertisement		600	-	600	12,057
Miscellaneous and overhead expenses		52,503	-	52,503	30,161
Total Operating Expenses		571,730	-	571,730	1,025,635
(Gain) Loss on currency translation		(10,096)	-	(10,096)	32,629
Depreciation	8	12,544	-	12,544	12,896
Written off Grants		7,541	-	7,541	-
Total Expenses		581,719	-	581,719	1,071,160
(Decrease) in Net Assets for the Year (Statement C)		(63,967)	(76,775)	(140,742)	(328,346)

The Accompanying Notes Form an Integral Part of These Financial Statements

Teacher Creativity Center

Statement C

Statement of Changes in Net Assets
For the Year Ended December 31, 2016

	Unrestricted USD	Investment In property, plant and equipment USD	Temporarily Restricted USD	Total USD
Net assets at January 1, 2016	71,710	133,358	96,547	301,615
Deficit for the year (Statement B)	(63,967)	-	(76,775)	(140,742)
Procurement of properties and equipment, net of depreciation	11,676	(11,676)	-	-
Net assets at December 31, 2016 (Statement A)	19,419	121,682	19,772	160,873
Net assets at January 1, 2015	54,906	145,364	429,691	629,961
Excess (Deficit) for the year (Statement B)	4,798	-	(333,144)	(328,346)
Procurement of properties and equipment, net of depreciation	12,006	(12,006)	-	-
Net assets at December 31, 2015 (Statement A)	71,710	133,358	96,547	301,615

The Accompanying Notes Form an Integral Part of These Financial Statements

Teacher Creativity Center

Statement D

**Statement of Cash Flows
Year Ended 31 December 2016**

	2016 USD	2015 USD
Cash Flows from Operating Activities		
Cash received from donors	521,699	646,881
Other Revenues	11,125	4,798
Cash Paid to Employees and Suppliers	<u>(685,706)</u>	<u>(1,080,229)</u>
Cash Flows (Used in) Operating Activities	<u>(152,882)</u>	<u>(428,550)</u>
Cash Flows from Investing Activities		
Net procurement of properties and equipment	<u>(868)</u>	<u>(890)</u>
Cash Flows (Used in) Investing Activities	<u>(868)</u>	<u>(890)</u>
Increase in Cash on hand and at Banks During the Year		
Cash on Hand and at Banks at Beginning of Year	<u>224,767</u>	<u>654,207</u>
Cash on Hand and at Banks at End of Year	<u>71,017</u>	<u>224,767</u>
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Operating Activities:		
Change in Net Assets	(140,742)	(328,346)
Depreciation	12,544	12,896
(Decrease) in Reserve for Staff Benefits, Net of Payments	(139,850)	(32,817)
Increase in Payables and Accruals	19,253	1,764
Decrease in Accounts Receivable and Advances	4,066	9,088
Decrease (Increase) in Pledges Receivables	<u>91,847</u>	<u>(91,135)</u>
Total Cash (Used in) Operating Activities	<u>(152,882)</u>	<u>(428,550)</u>

The Accompanying Notes Form an Integral Part of These Financial Statements

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

1. Teacher Creativity Center and its Activity

The Teacher Creativity Centre (TCC) is a Palestinian, non-profit, non-governmental organization, established in May 1995, by a group of teachers working in schools in the government, private and UNRWA schools.

Since its inception TCC has worked to ensure a peaceful and secure environment within schools. TCC's goal is to eliminate violence from schools by means of encouraging human rights and civic education culture. TCC has been in the forefront of organizations calling for the integration of civic education and human rights concepts into the entire school curriculum; not only at the Palestinian level but also at the wider Arab World Level.

TCC has successfully implemented a number of studies and training programs in the fields of human rights, democracy and civic education targeted at educators, especially teachers, in the West Bank and the Gaza Strip.

TCC works closely with the Palestinian Ministry of Education and Higher Education to deliver training programs to teachers, principals, supervisors, and senior managerial personnel at the Ministry. In 1997, TCC became an active member of the Palestinian Educational Collective. In 2000, TCC joined the Palestinian Network of Non-governmental Organizations (PNGO) and as a founding member, became part of the steering committee of the Arab Civic Education Network (Civitas) in 2002.

The board of directors has approved the financial statements for the year ended December 31, 2016 in its regular meeting held on April 7, 2017.

2. Summary of Significant Accounting Policies

2.1 Adoption of new and revised International Financial Reporting Standards (IFRSs)

In the current year, The Center's 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 31 December 2016. The application of the new standards and interpretations has no effect on the financial position or the results of operations of the center.

2.2 Preparation of Financial Statements

The financial statements have been prepared on the accrual basis of accounting and in conformity with International Financial Reporting Standards and the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of financial statements – Not for Profit Entities.

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

2. Summary of Significant Accounting Policies “Continued”

2.2 Preparation of Financial Statements “Continued”

The net assets of TCC and changes therein are classified and reported in accordance with United States of America Statements on Financial Accounting Standards “Financial Statements of Not-for-profit Organizations”, which establish standards for external financial reporting by not-for-profit organizations.

Under the provision of these standards, 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 TCC and changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets whose use by TCC is not subject to donor-imposed restrictions.
- **Temporary restricted net assets** - Net assets whose use by TCC is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of TCC pursuant to those donor-imposed stipulations.
- **Revenues** 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.

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. in respect to restrictions and accordingly, such information should be read in conjunction with the Center’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.

2. Summary of Significant Accounting Policies “Continued”

2.3 Contributions

Unconditional Grants and Grants with stipulations that are expected to be met are recognised 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 TCC with no future related costs are recognised in the statement of activities in the period in which they become receivable.

Grants whose primary condition is that TCC should purchase, construct or otherwise acquire non-current assets are recognised 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 TCC will comply with the conditions attaching to them and that the grants will be received.

2.4 Foreign Currency Transactions

The financial statements are presented in U.S. Dollar being the currency of the primary economic environment in which TCC 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.

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

2. Summary of Significant Accounting Policies “Continued”

2.4 Foreign Currency Transactions “Continued”

Exchange rates at year end against U.S. Dollar are detailed as follows

- Transactions which are expressed or denominated in other currencies are converted into U.S. Dollar equivalent using the exchange rate prevailing on the date of the transaction.
- Assets and liabilities which are denominated or expressed in other currencies are presented at their USD equivalent using the exchange rate prevailing on December 31, 2016 as the following:

	December 31,	
	2016	2015
	U.S \$	U.S \$
Israeli Shekel	0.260	0.257
EURO	1.052	1.091

- 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.

2.5 Properties and Equipment

Property, plant 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:

Building	2%
Office Furniture	7%
Office Equipment	20%
Vehicles	20%

When the expected recoverable amount is less than the net book value, the property, plant 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, plant 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, plant and equipment are disposed of when there is no expected future benefit from the use of that asset.

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

2. Summary of Significant Accounting Policies “Continued”

2.6 Severance Pay

The Centre provides for severance pay by accruing for one month compensation for each year of service based on the last salary paid during the year.

2.7 Provident Fund

The Centre has a defined provident fund plan, which covers all salaries employees. The contribution of the Centre and the employees is equal to 5% of their basic salaries.

3. Estimates and Assumptions

The financial statements include certain estimates and assumptions made by management relating to reporting of assets, 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 the Centre's management. Estimates used in the preparation of the financial statements are as the following:

Employees Indemnities; Provision for employee’s end of service benefits is calculated in accordance with Palestinian labor law in effect in Palestine.

Property, Plant 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.

4. Cash on Hand and at Banks

	2016	2015
	USD	USD
Cash on Hand in NIS	-	51
Deposits with banks in US \$ (Overdrawn)	43,078	(10,025)
Deposits with banks in NIS	2,242	14,817
Deposits with banks in Euro	15,442	40,617
Deposits with banks in US \$ - Restricted for Staff Benefits	10,255	179,307
	<u>71,017</u>	<u>224,767</u>

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

5. Accounts Receivable and Advances

	2016	2015
	USD	USD
Due from employees	135	4,201
	<u>135</u>	<u>4,201</u>

6. Pledges Receivable

	2016	2015
	USD	USD
Integrity Action	4,797	33,660
Save the Children	4,712	39,930
Alternatives	3,977	6,825
HR-IHL Secretariat	-	19,928
Oxfam Novib	-	4,990
	<u>13,486</u>	<u>105,333</u>

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

7. Property and Equipment

	Office Furniture USD	Office Equipments USD	Building USD	Vehicle USD	Total USD
Cost					
Balance as of 1 January 2016	40,121	125,279	109,659	25,952	301,011
Additions	-	868	-	-	868
Balance as of 31 December 2016	<u>40,121</u>	<u>126,147</u>	<u>109,659</u>	<u>25,952</u>	<u>301,879</u>
Accumulated Depreciation					
Balance as of 1 January 2016	24,038	89,004	48,791	5,820	167,653
Depreciation	2,092	5,254	2,596	2,602	12,544
Balance as of 31 December 2016	<u>26,130</u>	<u>94,258</u>	<u>51,387</u>	<u>8,422</u>	<u>180,197</u>
Net Book Value as of December 31, 2016	<u>13,991</u>	<u>31,889</u>	<u>58,272</u>	<u>17,530</u>	<u>121,682</u>

	Office Furniture USD	Office Equipments USD	Building USD	Vehicle USD	Total USD
Cost					
Balance as of 1 January 2015	40,121	124,389	109,659	25,952	300,121
Additions	-	890	-	-	890
Balance as of 31 December 2015	<u>40,121</u>	<u>125,279</u>	<u>109,659</u>	<u>25,952</u>	<u>301,011</u>
Accumulated Depreciation					
Balance as of 1 January 2015	21,946	83,506	46,080	3,225	154,757
Depreciation	2,092	5,498	2,711	2,595	12,896
Balance as of 31 December 2015	<u>24,038</u>	<u>89,004</u>	<u>48,791</u>	<u>5,820</u>	<u>167,653</u>
Net Book Value as of December 31, 2015	<u>16,083</u>	<u>36,275</u>	<u>60,868</u>	<u>20,132</u>	<u>133,358</u>

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

8. Payables and Accruals

	2016	2015
	USD	USD
Professional fees	4,640	5,220
Due to employees	22,776	2,943
	<u>27,416</u>	<u>8,163</u>

9. Reserve for Staff Benefits

	2016	2015
	USD	USD
Severance Pay	11,889	96,508
Provident Fund	6,142	61,373
	<u>18,031</u>	<u>157,881</u>

Movement in the provisions during the years 2016 & 2015 are as the following:

Severance Pay:

	2016	2015
	USD	USD
Balance, beginning of year	96,508	131,897
Additions during the year	21,465	32,455
Payments	<u>(106,084)</u>	<u>(67,844)</u>
Balance, end of year	<u>11,889</u>	<u>96,508</u>

Provident Fund:

	2016	2015
	USD	USD
Balance, beginning of year	61,373	58,801
Additions during the year	11,170	16,690
Payments	<u>(66,401)</u>	<u>(14,118)</u>
Balance, end of year	<u>6,142</u>	<u>61,373</u>

Teacher Creativity Center
Notes to Financial Statements
For the Year Ended 31 December 2016

10. Temporary Restricted Net Assets

	Unexpended Grants as of 01-01-2016 USD	Grants Received During the Year USD	Grants Receivable USD	Restricted Grants for 2016 USD	Available Grants 2016 USD	Funds Released in 2016 USD	Unexpended Grants as of 31-12-2016 USD
Global Campain For Education - CSEF2015 -2016	44,231	56,350	-	56,350	100,581	(100,581)	-
Global Campain For Education - CSEF2016 -2018	-	121,350	-	121,350	121,350	(112,418)	8,932
CSEF - Palestinian Coalition	-	49,960	-	49,960	49,960	(39,120)	10,840
Save The Children - Gaza 2015-2017	2,083	-	-	-	2,083	(2,083)	-
Save The Children - Gaza 2014	-	4,375	-	4,375	4,375	(4,375)	-
Save The Children - Gaza 2016	-	22,351	2,485	24,836	24,836	(24,836)	-
Reconstruction	8,300	-	-	-	8,300	(8,300)	-
Swedish Organization for Individual Relief	14,693	58,284	-	58,284	72,977	(72,977)	-
EFE- Palestine National Youth Volunteer Project	25,850	14,693	-	14,693	40,543	(40,543)	-
Office of the United Nations" OHCHR"	1,390	19,590	-	19,590	20,980	(20,980)	-
Varkey Foundation	-	19,357	-	19,357	19,357	(19,357)	-
PEFE - WELFARE	-	3,000	-	3,000	3,000	(3,000)	-
Integrity Action 2016	-	53,260	4,797	58,057	58,057	(58,057)	-
	96,547	422,570	7,282	429,852	526,399	(506,627)	19,772

11. Financial Instruments, Fair Values and Risks Management

- **Fair Values of Financial Assets and Liabilities:**

The carrying book values of financial assets and liabilities are not materially different from their fair values at the date of the statement of financial position.

- **Operational Risk**

The costs of the programs, administrative expenses as well as property, plant and equipment procurements are significantly financed by donors through donations. The management believes that the funding level in the year 2017 will be sufficient to significantly finance 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.

- **Credit Risk:**

TCC credit risk is primarily attributable to its liquid funds and receivables. The credit risk on liquid funds is limited because they are placed with reputable financial institutions.

- **Interest Rate Risk**

TCC interest rate risk arises from the possibility that changes in market interest rates may affect the value of its interest bearing assets. The management of TCC usually monitors the fluctuation in interest rates in every individual currency in order to maximize the benefits from placements.

- **Currency Risk:**

Currency risk arises from the possibility that changes in the exchange rates may affect negatively the value of the financial assets and liabilities in case TCC does not hedge its currency exposure by means of hedging instruments. The management usually distributes its liquid assets over its functional currencies to minimize any possible loss from currency rates fluctuation.