

**The Palestinian Centre for Rapprochement Between
People**

Independent Auditor's Report

and

Financial Statements

31 December 2011

The Palestinian Centre for Rapprochement Between People

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statements of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 19

alshayeb corporation

Public Accountants , Auditors , Consultants

Issa Alshayeb Abu Farha

Certified Public Accountant



مؤسسة الشايب للتدقيق والحسابات

محاسبة تدقيق واستشارات

عيسى الشايب أبو فرحة

محاسب ومدقق حسابات قانوني

Independent Auditor's Report

To the Board of Trustees of
The Palestinian Centre for Rapprochement Between People
Beit Sahour

Report on the financial statements

We have audited the accompanying statement of financial position of **The Palestinian Centre for Rapprochement Between People (Not for Profit Centre)** as of **31 December 2011** and the related statements of activities and changes in net assets, cash flows and expenses for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit organizations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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.

Auditor's 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 whether the financial statements are free from material misstatement.


18/05/2012
Issa Abu Farah

C.P.A.

License No. 34

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Centre's preparation and fair presentation of the financial statements 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 of the Centre. 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 referred to above present fairly, in all material respects, the financial position of **The Palestinian Centre for Rapprochement Between People (Not for Profit Centre)** as of 31 December 2011, the results of its operations, its cash flows and its expenses for the year then ended in accordance with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit organizations.

Issa Al Shayeb Abu Farha
Certified Public Accountant


18/05/2012
Issa Abu Farah
CPA
License No. 34

Bethlehem
18 May 2012

The Palestinian Centre for Rapprochement Between People
Statement of Financial Position
As of 31 December 2011

	Note	2011 NIS	2011 U.S. \$
Assets			
Cash on hand and at banks	3	197,893	51,791
Account Receivables & Others	4	65,893	17,248
Property, Plant & Equipment	5	143,182	40,325
Pledges Receivables	6	135,365	35,427
Total Assets		542,333	144,791
Liabilities and Net Assets			
Liabilities:			
Payables and accruals	7	206,040	53,923
Reserves for employees' end of service indemnity	8	111,888	29,933
Total liabilities		317,928	83,856
Net Assets :			
Unrestricted		12,821	3,875
Temporarily restricted		211,584	59,209
Currency Translation Difference		-	(2,149)
Total net assets - (Statement - C)		224,405	60,935
Total liabilities and Net Assets		542,333	144,791



See Notes to Financial Statements

18/05/2012
 Issa Abu Farah
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The Palestinian Centre for Rapprochement Between People
Statement of Activities and Changes in Net Assets
Year Ended 31 December 2011

	Note	Temporarily		Total	
		Unrestricted	Restricted	2011	2011
		NIS	NIS	NIS	USD
Operating revenues:					
Grants and donations for projects	9	-	556,145	556,145	155,322
Groups' Revenues - Siraj		1,177,002	-	1,177,002	328,716
Membership Fees		640	-	640	179
Total operating revenues		1,177,642	556,145	1,733,787	484,217
Net assets released from restrictions	9	410,498	(410,498)	-	-
		1,588,140	145,647	1,733,787	484,217
Projects' Expenses					
Total projects' expenses	10	407,896	-	407,896	113,919
		407,896	-	407,896	113,919
Operating and Administrative expenses :					
Groups' Expenses - Siraj	11	938,668	-	938,668	262,155
Management and general - PCR	12	144,600	-	144,600	40,384
Management and general - Siraj	13	187,895	-	187,895	52,477
Depreciation	5	34,996	-	34,996	9,774
Interest & Bank Charges		5,567	-	5,567	1,555
Loss from currency fluctuations		2,775	-	2,775	2,921
		1,314,501	-	1,314,501	369,266
Total expenses		1,722,397	-	1,722,397	483,185
Increase (decrease) in net assets during the year		(134,257)	145,647	11,390	1,032



See Notes to Financial Statements

Issa Abu Farah
 18/05/2012
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The Palestinian Centre for Rapprochement Between People
 Statement of Changes in Net Assets
 Year Ended 31 December 2011

Statement - C

	Unrestricted	Temporarily Restricted	Currency Translation Difference	Total
	NIS	NIS	NIS	NIS
Net Assets at beginning of year	137,677	65,937	-	203,614
Prio Period Adjustment	9,401		-	9,401
Adjusted net assets at beginning of year	147,078	65,937	-	213,015
Increase in net assets during the year-Statement (B)	(134,257)	145,647	-	11,390
Net Assets as at 31 December 2011	12,821	211,584	-	224,405

	Unrestricted	Temporarily Restricted	Translation Currencies Differences	Total
	U.S. \$	U.S. \$		U.S. \$
Net Assets at beginning of year	38,745	18,532	-	57,277
Prio Period Adjustment	2,626		-	2,626
Adjusted net assets at beginning of year	41,371	18,532	-	59,903
Increase in net assets during the year-Statement (B)	(37,496)	40,677	(2,149)	1,032
Net Assets as at 31 December 2011	3,875	59,209	(2,149)	60,935

See Notes to Financial Statements



The Palestinian Centre for Rapprochement Between People
Statement of Cash Flows
Year Ended 31 December 2011

	<u>2011</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash flows from operating activities:		
Grants received from contributors	556,145	155,322
Groups Revenues & Others	1,177,642	328,895
Cash paid to employees and suppliers	<u>(1,845,155)</u>	<u>(519,593)</u>
<i>Cash flows provided (used in) operating activities</i>	<u>(111,368)</u>	<u>(35,376)</u>
Cash flows from investing activities:		
Procurement of fixed assets	<u>(10,607)</u>	<u>(2,962)</u>
<i>Cash flows (used in) investing activities</i>	<u>(10,607)</u>	<u>(2,962)</u>
Decrease in cash during the year	(121,975)	(38,338)
Cash on hand and at banks at beginning of year	319,868	90,129
Cash on hand and at banks at end of year	<u>197,893</u>	<u>51,791</u>
Adjustments to reconcile change in net assets		
to net cash provided from (used in) operating activities:		
Change in net assets	11,390	1,032
Currency Translation Difference	-	2,149
Depreciation	34,996	9,774
Increase in Reserves for employees' end of service indemnity	42,328	10,333
(Increase) in Payables and accruals	<u>(56,364)</u>	<u>(22,202)</u>
(Increase) in pledges receivables	<u>(135,365)</u>	<u>(35,427)</u>
(Increase) in Account Receivables & Others	<u>(8,353)</u>	<u>(1,035)</u>
Total cash (used in) operating activities	<u>(111,368)</u>	<u>(35,376)</u>

See Notes to Financial Statements

The Palestinian Centre for Rapprochement Between People

Notes to Financial Statements

Year Ended 31 December 2011

1. The Centre:

The Palestinian Centre for Rapprochement Between People is a non-profit non-governmental organization registered at the Palestinian National Authority, registration number (BL-447-S) since 2004.

The Palestinian Centre for Rapprochement Between People fully adopts and teaches peaceful means to solve conflicts on different levels.

Our Mission:

The Palestinian Centre for Rapprochement Between People works to bridge the gap between Palestinians and peoples from all around the world, informing the public about the reality in Palestine, and empowering the community through nonviolent direct action.

Our Goals:

- 1) Promote arriving at a just and peaceful Palestine
- 2) Promote harmony and rapprochement within society and between societies
- 3) Raise awareness Provide accurate and first-hand information about Palestine
- 4) Enhance civic duty and civic responsibility especially for empowering youth, women, and for marginalized segments of our society.

Attempting to match these issues, PCR has recently developed four departments, where all its activities fall under, namely the Media Department which is running the International Middle East Media Center, Travel Department which is running the SIRAJ Center for Holy Land Studies and the Community Service and Development Departments which is running the Angelo Frammartino Educational Center and the Advocacy Department which is running the Palestine Justice Network.

2. Summary of Significant Accounting Policies:

The financial statements of The Palestinian Centre for Rapprochement Between People have been prepared on accrual basis of accounting using the historical cost convention, and in conformity with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit organizations.

2. Summary of Significant Accounting Policies: (Continued)

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

In the current year, The Centre 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 2011. The application of the new standards and interpretations has no effect on the financial position or the results of operations of the Centre.

2.2 Significant accounting policies followed are as described below:

- a. The Palestinian Centre for Rapprochement Between People Centre maintains its accounts in accordance with principles of fund accounting under which the net assets of the Centre and changes therein are classified and reported as follows:
 - **Unrestricted net assets** - Net assets whose use by the Centre is not subject to donor-imposed restrictions.
 - **Temporarily Restricted Net Assets** - Net assets whose use by the Centre is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of the Centre pursuant to those donor-imposed stipulations.
 - **Grants Receivables** - represents amounts due from funding Centres for expenses incurred through 31 December 2011.
 - **Revenues** - are reported as increase in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decrease in unrestricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

b. Fixed Assets

Fixed assets 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 ranging from 7% to 20%.

When the expected recoverable amount is less than the net book value, the fixed assets amount is reduced to the lower of the cost or net realizable value and the difference (if any) is included in the statement of activities.

The useful lives of fixed assets 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.

Fixed Assets are disposed off when there is no expected future benefit from the use of that asset.

2. Summary of Significant Accounting Policies: (Continued)

c. Reserve for Staff Benefits:

Severance Pay:

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

d. Foreign Currency Transactions:

- The books of accounts are maintained in New Israeli Shekeles. Transactions which are denominated in foreign currencies other than New Israeli Shekels. N.I.S. currencies are converted into N.I.S. equivalent at the spot exchange rate prevailing at the date of each transaction.
- Transactions and balances which are denominated or expressed in N.I.S. are presented at the actual N.I.S. received or paid.
- All other income and expenses in local currency are converted into N.I.S. equivalent at the average rate of exchange prevailing during the year.
- Fixed assets and related depreciation are translated at historical rates. Additions to cost were translated using the average rate of exchange prevailing during the year.
- Exchange differences arising from currency conversion are charged to the statement of activities.

e. Estimates and assumptions:

The financial statements include certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the date of the statement of financial position, 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 the assessment of useful lives of fixed assets and all other provisions.

3. Cash on hand and deposits with banks:

Composition:

	<u>2011</u>	<u>2011</u>
	<u>N.I.S.</u>	<u>US. \$</u>
Cash on hand - PCR Centre	5,011	1,311
Cash on hand – SIRAJ Centre	4,811	1,259
Deposits with banks – PCR Centre	31,707	8,298
Deposits with banks – SIRAJ Centre	65,280	17,085
Fixed Deposits – PCR Centre	68,850	18,019
Fixed Deposits – SIRAJ Centre	22,234	5,819
Total Cash in Hand and at Banks	<u>197,893</u>	<u>51,791</u>

4. Receivables and staff advances:

Composition:

	<u>2011</u>	<u>2011</u>
	<u>N.I.S.</u>	<u>US. \$</u>
Arab Women's Union	57,300	15,000
Prepaid Expenses & Others	3,758	983
Paypal Account	4,835	1,265
	<u>65,893</u>	<u>17,248</u>

5. Office furniture and equipment – Net of accumulated depreciation:

Composition:

31 December 2011:

	<u>Furniture & Fixtures</u>	<u>Office Equipment</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost:</u>	<u>N.I.S.</u>	<u>N.I.S.</u>	<u>N.I.S.</u>	<u>N.I.S.</u>
Balance at beginning of year	30,153	163,842	90,614	284,609
Additions	-	10,607	-	10,607
Balance at end of year	30,153	174,449	90,614	295,216

Accumulated Depreciation:

Balance beginning of year	23,030	92,496	1,512	117,038
Depreciation expenses	2,167	23,767	9,062	34,996
Balance at end of year	25,197	116,263	10,574	152,034

Net Book Value	4,956	58,186	80,040	143,182
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31 December 2011:

	<u>Furniture & Fixtures</u>	<u>Office Equipment</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost:</u>	<u>US. \$</u>	<u>US. \$</u>	<u>US. \$</u>	<u>US. \$</u>
Balance at beginning of year	8,482	46,089	25,490	80,061
Additions	-	2,962	-	2,962
Balance at end of year	8,482	49,051	25,490	83,023

Accumulated Depreciation:

Balance beginning of year	6,478	26,020	426	32,924
Depreciation expenses	605	6,638	2,531	9,774
Balance at end of year	7,083	32,658	2,957	42,698

Net Book Value	1,399	16,393	22,533	40,325
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6. Pledges Receivables:**Composition:**

	<u>2011</u>	<u>2011</u>
	<u>NIS</u>	<u>U.S.S</u>
Bank Of Palestine	15,284	4,000
Word Vision	7,642	2,000
Jerusalem Church Centre	1,100	288
Downtown Supermarket	7,000	1,832
French Consulate General	104,339	27,307
	<u>135,365</u>	<u>35,427</u>

7. Payables and accruals:**Composition:**

	<u>2011</u>	<u>2011</u>
	<u>NIS</u>	<u>U.S.S</u>
Due To Vendors	26,801	7,014
Staff Payable- George Saliba	20,777	5,438
Staff Payable- Michael Awad	20,769	5,435
Accrued Salaries	133,318	34,891
Accrued Audit Fees	4,375	1,145
	<u>206,040</u>	<u>53,923</u>

8. Employees' End Of Service Indemnity - PCR Centre**Composition:**

	<u>2011</u>	<u>2011</u>
	<u>NIS</u>	<u>U.S.S</u>
Balance at beginning of year	56,727	14,846
Provision for the year	26,310	7,348
Balance at end of year	<u>83,037</u>	<u>22,194</u>

8. Employees' End Of Service Indemnity - SIRAJ Centre**Composition:**

	<u>2011</u>	<u>2011</u>
	<u>NIS</u>	<u>U.S.S</u>
Balance at beginning of year	18,145	4,749
Provision for the year	10,706	2,990
Balance at end of year	<u>28,851</u>	<u>7,739</u>
Grand Total	<u>111,888</u>	<u>29,933</u>

9. Releases from Temporarily restricted assets by funding source for the year ended 31 December 2011 is as follows:

Composition:

	Unexpended Grants as of 31-12-10 NIS	Grants Received in 2011 NIS	Available Grants for 2011 NIS	Released Grants in 2011 NIS	Unexpended Grants as of 31-12-11 NIS
Restricted:					
Abraham Patch Initiative					
<i>Masar Ibrahim</i>	-	135,376	135,376	(128,127)	7,249
British Consulate					
<i>API - Doma</i>	19,894	5,858	25,752	(25,752)	-
<i>UK-Palestine Cycling Project</i>	-	60,868	60,868	(60,868)	-
A La Calle					
<i>Education For All</i>	48,313	13,890	62,203	(62,203)	-
<i>Tunes For Peace</i>	-	7,475	7,475	(2,571)	4,904
Capjo Euro Palestine & Olivia Zemoré					
<i>Palestine Justice Network</i>	-	16,370	16,370	(2,141)	14,229
SDC & World Vision & HLC+ YMCA Jerusalem					
<i>Shephers Night 2010</i>	-	64,881	64,881	(64,881)	-
Bank Of Palestine LTD ,World Vision, Downtown Supermarket					
<i>Shephers Night 2011</i>	-	31,026	31,026	(19,632)	11,394
German International Cooperation					
<i>Small Business</i>	-	34,035	34,035	(34,035)	-
French Consulate - Jerusalem					
<i>Training Guide</i>	-	169,241	169,241	(4,368)	164,873
UN Habitat					
<i>Young Film Makers</i>	-	17,125	17,125	(5,920)	11,205
	68,207	556,145	624,352	(410,498)	213,854

9. Releases from Temporarily restricted assets by funding source for the year ended 31 December 2011 is as follows: (continued):-

Composition:

	Unexpended Grants as of 12/31/2010 US. \$	Grants Received in 2011 US. \$	Available Grants for 2011 US. \$	Released Grants in 2011 US. \$	Unexpended Grants as of 12/31/2011 US. \$
Restricted:					
Abraham Patch Initiative					
<i>Masar Ibrahim</i>	-	37,808	37,808	(35,784)	2,024
British Consulate					
<i>API - Doma</i>	5,556	1,636	7,192	(7,192)	-
<i>UK-Palestine Cycling Project</i>	-	16,999	16,999	(16,999)	-
A La Calle					
<i>Education For All</i>	13,493	3,880	17,373	(17,373)	-
<i>Tunes For Peace</i>	-	2,088	2,088	(718)	1,370
Capjo Euro Palestine & Olivia Zemore					
<i>Palestine Justice Network</i>	-	4,572	4,572	(598)	3,974
SDC & World Vision & HLC+ YMCA Jerusalem					
<i>Shephers Night 2010</i>	-	18,120	18,120	(18,120)	-
Bank Of Palestine LTD ,World Vision, Downtown Supermarket					
<i>Shephers Night 2011</i>	-	8,665	8,665	(5,483)	3,182
German International Cooperation					
<i>Small Business</i>	-	9,505	9,505	(9,505)	-
French Consulate - Jerusalem					
<i>Training Guide</i>	-	47,266	47,266	(1,220)	46,046
UN Habitat					
<i>Young Film Makers</i>	-	4,783	4,783	(1,633)	3,150
	<u>19,049</u>	<u>155,322</u>	<u>174,371</u>	<u>(114,645)</u>	<u>59,726</u>

10. Projects' Expenses:

	<u>2011</u>	<u>2011</u>
	<u>NIS</u>	<u>US\$</u>
Salaries expense	116,503	32,537
Sound system	39,081	10,915
Embroidery Fees & Materials	28,800	8,043
Bands Expense	24,559	6,859
Transportation	22,162	6,189
Office Rent	21,012	5,868
Home Renovation	20,900	5,837
Maintenance & Building	13,664	3,816
Cleaning & Hospitality	12,671	3,539
Bicycles Purchases & Rent	12,610	3,522
Phone, Jawwal ,& Internet	12,503	3,492
Training	12,180	3,402
Video & Photo Documentation	10,355	2,892
Stationary & Prints	8,011	2,237
Fuel Expense	7,372	2,059
Advertising Expense	6,600	1,843
Misc Expenses	5,350	1,494
Gifts	5,333	1,489
Coordination	4,141	1,157
Electricity & Water	4,021	1,123
Candles - Shepherds night	3,300	922
Accomodation	3,226	901
Training Guides	2,749	768
Chairs & Tables Rent	2,645	739
Lunch & Dinner	2,055	574
Rewards/OverTime	1,852	517
Hall Rental	1,741	486
Billboards - Shepherds Night	1,700	475
Medical Treatment	680	190
Registration Fees	120	34
	<u>407,896</u>	<u>113,919</u>

11. Groups' Expenses:

	<u>2011</u> <u>NIS</u>	<u>2011</u> <u>US\$</u>
Accomodation	368,319	102,865
Transportaion	247,511	69,126
Guiding	119,640	33,413
Family Stay	63,638	17,773
Lunch & Dinner	45,606	12,737
Lecture	21,974	6,137
Tour & visists the holy sites	15,082	4,212
Admintration Fees & Misc. Expenses	10,055	2,808
Cable Car	7,740	2,162
Entrance Fees	6,558	1,832
Boarding Tax	5,376	1,501
Presentation	5,162	1,442
Bands Expense	4,304	1,202
Phone,Jawwal ,& Internet	3,999	1,117
Advertising Expense	3,970	1,109
Cleaning & Hospitality	2,717	759
Bicycles Prurchases & Rent	2,695	753
Fuel Expense	1,990	556
Stationary & Prints	1,239	346
Parking	843	235
Hall Rental	183	51
Medical Teatment	67	19
	<u>938,668</u>	<u>262,155</u>

12. Management and general expenses – PCR

	<u>2011</u>	<u>2011</u>
	<u>NIS</u>	<u>U.S.\$</u>
Salaries expense	79,407	22,177
Employees' End Of Service Indemnity	26,310	7,348
Stationary & Prints	8,812	2,461
Medical Treatment	4,326	1,208
Professional Fees	4,187	1,169
Office Rent	4,080	1,139
Phone, Jawwal ,& Internet	4,004	1,118
Office Maintance	2,333	652
Property Tax	2,136	597
Cleaning & Hospitality	2,073	579
Travel Expense	1,903	531
Electricity & Water	1,665	465
Hall Rental	1,187	332
Maintaince & Bulding	896	250
Post Fees	540	151
Fuel Expense	350	98
Transportaion	215	60
Gifts	176	49
	<u>144,600</u>	<u>40,384</u>

13. Management and general expenses – SIRAJ Centre

	<u>2011</u>	<u>2011</u>
	<u>NIS</u>	<u>U.S\$</u>
Salaries expense	103,108	28,796
Fuel Expense	13,200	3,687
Employees' End Of Service Indemnity	10,706	2,990
Office Rent	8,328	2,326
Stationary & Prints	7,727	2,158
Rewards/OverTime	7,236	2,021
Car Maintaince & Expense	6,421	1,793
Electricity & Water	5,208	1,455
Profesional Fees	4,188	1,170
Car Insurance & License	3,738	1,044
Travel Expense	3,437	960
Phone,Jawwal ,Internet and post fees	3,304	923
Office Maintance	2,658	742
Registiration Fees	1,760	492
Cleaning & Hospitality	1,208	337
Lunch & Dinner	1,200	335
Advertising Expense	1,105	309
Proposal Writing	1,062	297
Property Tax	852	238
Donation	570	159
Accomodation	560	156
Transportaion	319	89
	<u>187,895</u>	<u>52,477</u>

14. Financial Instruments, Fair values and Risks Management:

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

The carrying book value 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 as well as fixed assets procurements are fully financed by donors through donations. The management believes that the funding level in the year 2011 will be sufficient to finance all of its disbursements and will be consistent with the funding level in the prior years. Furthermore, the management believes that the political and economical conditions prevailing in the area will not materially affect its operations.

14. Financial Instruments, Fair values and Risks Management: (continued):-

- **Credit Risk:**

The Palestinian Centre for Rapprochement Between People Institution credit risk is primarily attributable to its liquid funds and receivables. The credit risk on liquid funds is limited because liquid assets are placed with reputable financial institutions.

- **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 the Centre 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.