

A.M. QATTAN FOUNDATION - PALESTINE

FINANCIAL STATEMENTS

MARCH 31, 2008

Independent Auditors' Report to the Board of Trustees of A.M. Qattan Foundation - Palestine

We have audited the accompanying financial statements of A.M Qattan Foundation - Palestine, which comprise the statement of financial position as of March 31, 2008, the statement of activities and changes in net assets and the cash flow statement 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. 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 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 give a true and fair view of the financial position of A.M Qattan Foundation - Palestine as of March 31, 2008 and the results of its activities and changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'Ernst + Young'.

June 4, 2008
Ramallah, Palestine

Statement of Financial Position

As of March 31, 2008

	Notes	<u>2008</u> U.S. \$	<u>2007</u> U.S. \$
<u>Assets</u>			
Non-current Assets:			
Property, plant and equipment	3	3,881,033	4,140,570
Project in progress	4	1,117	-
		<u>3,882,150</u>	<u>4,140,570</u>
Current Assets:			
Other current assets	5	54,186	31,874
Contributions receivable	6	194,352	66,029
Cash and cash equivalents	7	1,071,961	862,638
		<u>1,320,499</u>	<u>960,541</u>
Total Assets		<u>5,202,649</u>	<u>5,101,111</u>
<u>Net Assets and Liabilities</u>			
Net Assets:			
Unrestricted net assets		<u>4,182,614</u>	<u>4,428,236</u>
Total Net Assets		<u>4,182,614</u>	<u>4,428,236</u>
Non-current Liabilities:			
Provision for employees' indemnity	8	631,103	488,830
Deferred revenues	9	3,589	5,309
		<u>634,692</u>	<u>494,139</u>
Current Liabilities:			
Accounts payable and accruals	10	118,914	94,251
Temporarily restricted contributions	11	266,429	84,485
		<u>385,343</u>	<u>178,736</u>
Total Liabilities		<u>1,020,035</u>	<u>672,875</u>
Total Net Assets and Liabilities		<u>5,202,649</u>	<u>5,101,111</u>

The attached notes 1 to 18 form part of these financial statements.

Statement of Activities and Changes in Net Assets

For the Year Ended March 31, 2008

	<u>Notes</u>	<u>2008</u> <u>U.S. \$</u>	<u>2007</u> <u>U.S. \$</u>
Revenues			
Unrestricted contributions	12	2,247,484	2,110,000
Temporarily restricted contributions released from restriction	11	164,517	196,958
Deferred revenues recognized	9	1,720	1,864
Interest revenue		10,772	6,020
Currency exchange gain		20,811	25,558
Other revenues		29,448	8,459
		<u>2,474,752</u>	<u>2,348,859</u>
Expenses			
Programs' expenses	13	2,447,841	1,998,642
Administrative expenses	14	272,533	248,976
		<u>2,720,374</u>	<u>2,247,618</u>
(Decrease) increase in net assets		(245,622)	101,241
Unrestricted net assets, beginning of year		<u>4,428,236</u>	<u>4,326,995</u>
Unrestricted net assets, end of year		<u>4,182,614</u>	<u>4,428,236</u>

The attached notes 1 to 18 form part of these financial statements.

Cash Flow Statement

For the Year Ended March 31, 2008

	<u>Note</u>	<u>2008</u> <u>U.S. \$</u>	<u>2007</u> <u>U.S. \$</u>
Operating Activities:			
(Decrease) increase in net assets		(245,622)	101,241
Adjustments:			
Depreciation		336,828	327,606
Loss from disposal of property and equipment		451	912
Write off of project in progress		-	7,998
Deferred revenues recognized		(1,720)	(1,864)
Provision for employees' indemnity		166,450	139,887
		<u>256,387</u>	<u>575,780</u>
Contributions receivable		(128,323)	(6,877)
Other current assets		(22,312)	25,665
Accounts payable and accruals		24,663	13,524
Temporarily restricted contributions		181,944	(177,037)
Payment of employees' indemnity		(24,177)	(23,089)
Net cash flows from operating activities		<u>288,182</u>	<u>407,966</u>
Investing Activities:			
Purchase of property, plant and equipment		(78,442)	(166,345)
Proceeds from disposals of property, plant and equipment		700	-
Payments for project in progress		(1,117)	-
Net cash used in investing activities		<u>(78,859)</u>	<u>(166,345)</u>
Financing Activities			
Increase in restricted deposits		(269,763)	(66,512)
Net cash used in financing activities		<u>(269,763)</u>	<u>(66,512)</u>
(Decrease) increase cash and cash equivalents		(60,440)	175,109
Cash and cash equivalents, beginning of year		<u>632,958</u>	<u>457,849</u>
Cash and cash equivalents, end of year	7	<u><u>572,518</u></u>	<u><u>632,958</u></u>

The attached notes 1 to 18 form part of these financial statements.

Notes to the financial statements

March 31, 2008

1. General

The A.M. Qattan Foundation - Palestine (the Foundation) is a branch of a charitable company in the United Kingdom (U.K). The Foundation was legally registered on April 29, 1998 with the Palestinian Ministry of Social Affairs as a not-for-profit organization under registration number (265). Pursuant to charity Societies and Non-Governmental Organizations Palestinian Law No. 1 issued in 2000, the Foundation was re-registered with the Ministry of Interior as not-for-profit organization on December 7, 2004 under registration number (RQ-0035-F).

The Foundation is committed to the advancement of education and cultural development and awareness as well as the preservation of the cultural heritage of the Arab people in general and of the Palestinian people in particular.

Currently, the Foundation operates mainly through four programs; AL-Qattan Center for Educational Research and Development, AL-Qattan Child Center, the Culture and Science Program, and the Palestinian Audiovisual Initiative Action.

A.M Qattan financial statements as of March 31, 2008 were approved by the Board of Trustees on June 4, 2008.

2. Summary of Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Currently, the International Financial Reporting Standards do not include any specific requirements regarding the not-for-profit organization in connection with the accounting policies or the presentation of the financial statements.

The financial statements have been presented in U.S. Dollars.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Foundation has adopted the following new and amended IFRS during the year. Adoption of these revised standards did not have any effect on the financial position or results of activities of the Foundation. They did however give rise to additional disclosures:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Foundation's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the result of activities or financial position, comparative information has been revised where needed.

Donation revenues

Donors' unconditional pledges are those pledges where donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follow:

- Unconditional pledges that are not restricted for specific purpose or time are recognized when the pledge is obtained.
- Unconditional pledges that are temporary restricted by donor for specific purpose or time are recognized when such purpose or time is satisfied.

Deferred revenues

Donations related to property and equipment are measured at fair value, recorded as deferred revenues and recognized as revenue on a systematic basis over the useful life of the asset.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

Impairment and uncollectibility of financial assets

An assessment is made at each financial statement date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of activities and changes in net assets. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognized in the statement of activities and changes in net assets;
- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Property, plant and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets (except for land) as follows:

	Useful Life (Years)
Building and renovation	20
Fixture, furniture and light fittings	6-7
Office equipment	6-7
Electrical and mechanical equipment	5
Computers	3-4
Vehicles	5
Books	10

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property, plant and equipment. All other expenditures are recognized in the statement of activities as the expense is incurred.

Project in progress

Projects in progress comprise the costs incurred on incomplete projects, which include design cost, construction, direct wages and portion of the indirect costs. After completion, all project costs are capitalized and transferred to property, plant and equipment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less.

Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full unconditional pledge is no longer probable.

Income taxes

The Foundation is a not-for-profit organization; accordingly, it is not subject to income tax.

Provision for employees' indemnity

Provision for employees' end of service benefits is calculated in accordance with the Labour Law prevailing in Palestine and the foundation internal policies, based on one month indemnity for each year of employment.

The Foundation deducts 5% from the employees' monthly salaries for the provident fund and contributes a similar amount. Both contributions are deposited in a separate bank account.

Judgments and estimation uncertainty

The Foundation financial position and results of activities are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the financial statements. The foundation bases its estimates on its past experience and on various other assumptions deemed reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Due to different assumptions and situations, the actual results may differ significantly from these estimates.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are recognized in the statement of activities and changes in net assets.

3. Property, Plant and Equipment

	Land	Building and renovation	Fixture, furniture and light fittings	Office equipment	Electrical and mechanical equipment	Computers	Vehicles	Books	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost									
At April 1, 2007	515,801	3,348,275	422,371	125,476	106,554	307,780	23,168	326,053	5,175,478
Additions	-	-	31,265	6,393	3,777	18,600	-	18,407	78,442
Disposals	-	-	-	(1,463)	-	-	-	-	(1,463)
At March 31, 2008	515,801	3,348,275	453,636	130,406	110,331	326,380	23,168	344,460	5,252,457
Accumulated Depreciation									
At April 1, 2007	-	420,951	199,777	63,906	44,049	215,695	23,168	67,362	1,034,908
Depreciation charge for the year	-	168,160	49,400	13,185	14,935	57,616	-	33,532	336,828
Disposals	-	-	-	(312)	-	-	-	-	(312)
At March 31, 2008	-	589,111	249,177	76,779	58,984	273,311	23,168	100,894	1,371,424
Net book value:									
At March 31, 2008	515,801	2,759,164	204,459	53,627	51,347	53,069	-	243,566	3,881,033
At March 31, 2007	515,801	2,927,324	222,594	61,570	62,505	92,085	-	258,691	4,140,570

- Property and equipment includes U.S. \$ 356,436 and U.S. \$ 298,062 of fully depreciated assets that are still used in the Foundation's activities as of March 31, 2008 and 2007, respectively.

4. Project in Progress

During the year, engineering and supervision costs in the amount of U.S. \$ 1,117 were incurred to start up a construction project for a new building in Ramallah. The project is expected to be completed with a total estimated cost of U.S. \$ 3,000,000.

5. Other Current Assets

	2008	2007
	<u>U.S. \$</u>	<u>U.S. \$</u>
Due from employees	37,536	24,925
Advances to suppliers	10,903	-
Accounts receivable	5,747	5,747
Prepaid expenses	-	1,202
	<u>54,186</u>	<u>31,874</u>

6. Contributions Receivable

	Balance, beginning of year	Additions	Cash received	Currency exchange difference	Write off	Balance, end of year
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
The Ford Foundation	-	155,302	(5,302)	-	-	150,000
European Commission Representative Office	66,029	117,642	(94,114)	10,049	(55,254)	44,352
Anna Lindh Euro-Mediterranean Foundation for Dialogue Between Cultures	-	54,831	(44,353)	-	(10,478)	-
United Nations Relief and Work Agency (UNRWA)	-	106,471	(90,500)	-	(15,971)	-
Welfare Association	-	20,000	(17,900)	-	(2,100)	-
Academy of Music and Drama, Göteborg University, Sweden	-	3,129	(3,129)	-	-	-
	<u>66,029</u>	<u>457,375</u>	<u>(255,298)</u>	<u>10,049</u>	<u>(83,803)</u>	<u>194,352</u>

7. Cash and Cash Equivalents

	2008	2007
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on hand and at banks	270,147	361,947
Short-term deposits	801,814	500,691
	<u>1,071,961</u>	<u>862,638</u>

Short-term deposits in U.S. \$ are due within one month after the financial statements date, with an average interest rate of 3.87%, and 4.47% during the years ended March 31, 2008 and 2007, respectively.

Short-term deposits as of March 31, 2008 and 2007 include U.S. \$ 499,443 and U.S. \$ 229,680, respectively that are restricted for employees' indemnity.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at March 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Cash on hand and at banks	270,147	361,947
Short - term deposits	801,814	500,691
	<u>1,071,961</u>	<u>862,638</u>
Restricted bank deposits	(499,443)	(229,680)
	<u><u>572,518</u></u>	<u><u>632,958</u></u>

8. Provision for Employees' Indemnity

Following is a summary of movements on the provision for employees' indemnity during the year:

	Balance, beginning of year	Provided for during the year	Payments during the year	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Provision for severance pay	257,566	84,416	(13,760)	328,222
Provision for provident fund	231,264	82,034	(10,417)	302,881
	<u>488,830</u>	<u>166,450</u>	<u>(24,177)</u>	<u>631,103</u>

9. Deferred Revenues

This item represents the value property, plant and equipment acquired during the year out of temporarily restricted contributions. Movements on deferred revenues during the year was as follows:

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Balance, beginning of year	5,309	7,173
Deferred revenues recognized	(1,720)	(1,864)
Balance, end of year	<u>3,589</u>	<u>5,309</u>

10. Accounts Payable and Accruals

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Deferred checks	91,456	73,152
Accrued expense	14,349	12,358
Other	13,109	8,741
	<u>118,914</u>	<u>94,251</u>

11. Temporarily Restricted Contributions

This item comprises of temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of donations received over the expenditures made out to satisfy the purposes stipulated by the donors. The movement on the temporarily restricted contributions is as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Write off	Returned to donor	Currency exchange difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
The Ford Foundation	-	155,302	(5,302)	-	-	-	150,000
European Commission Representative Office	84,485	117,642	(45,237)	(55,254)	-	12,356	113,992
Anna Lindh Euro-Mediterranean Foundation for Dialogue Between Cultures	-	54,831	(42,159)	(10,478)	-	243	2,437
United Nations Relief and work agency (UNRWA)	-	106,471	(50,790)	(15,971)	(39,710)	-	-
Welfare Association	-	20,000	(17,900)	(2,100)	-	-	-
Academy of Music and Drama, Göteborg University, Sweden	-	3,129	(3,129)	-	-	-	-
	<u>84,485</u>	<u>457,375</u>	<u>(164,517)</u>	<u>(83,803)</u>	<u>(39,710)</u>	<u>12,599</u>	<u>266,429</u>

12. Unrestricted Contributions

During the year, the Foundation received unrestricted contributions in the amount of U.S. \$ 2,247,484 from Al-Qattan Charitable Trust (London).

13. Programs' Expenses

				European Community	Anna Lindeh ***	Ford Foundation	Göteborg University	Welfare Associations	UNRWA	Total		
	Educational Centre	Child Centre	Culture and Arts Program	Palestinian Audiovisual Initiative *	Classics of European films in Translation **	Drama as Context for Learning - International Summer School	Music Education Survey - HSM	Teachers Capacity Building in Information Technology	Summer Games	2008	2007	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Salaries and related expenses	233,549	423,743	58,545	28,700	5,649	11,683	-	-	11,260	773,129	639,664	
Researchers' expenses	144,299	-	-	-	-	-	-	-	-	144,299	131,005	
Depreciation	34,972	271,653	1,183	582	-	-	-	-	-	308,390	299,578	
Severance pay and provident fund	44,406	47,196	6,550	1,114	-	-	-	-	-	99,266	81,342	
Transportation	1,877	1,256	761	3,777	-	3,503	-	1,356	-	12,530	16,428	
Accommodation and travel expenses	7,293	1,995	1,224	5,277	785	42,975	5,302	-	-	64,851	37,267	
Telephone, fax and postage	20,943	12,208	3,668	2,593	-	-	-	-	-	39,412	38,362	
Utilities	36,495	62,860	2,380	1,218	-	-	-	-	-	102,953	125,011	
Stationery	7,703	3,431	686	355	-	-	-	-	480	12,655	11,714	
Advertising	5,645	9,720	1,840	5,015	-	-	-	-	-	22,220	16,485	
Hospitality	3,247	3,858	1,466	1,702	-	-	-	-	-	10,273	7,890	
Subscription	4,378	468	144	144	-	-	-	-	-	5,134	1,680	
Binding	4,404	5,287	-	-	-	-	-	-	-	9,691	8,214	
Newsletters and publication	32,494	-	24,176	35,832	-	-	-	-	-	92,502	68,255	
Workshops and training expenses	94,393	40,499	19,949	149,790	2,661	10,984	-	11,649	26,680	356,605	84,132	
Professional fees	14,338	4,104	13,102	10,088	-	1,068	-	2,040	-	44,740	15,622	
Donation, grants and prizes ****	9,000	17,436	212,475	-	-	-	-	4,895	-	243,806	291,368	
Translation	3,649	-	-	7,898	-	3,441	-	-	-	14,988	21,737	
Audio visual equipments for school	-	-	-	1,008	-	-	-	-	-	1,008	76,352	
Maintenance/Building & General	11,570	21,008	754	964	-	-	-	-	-	34,296	-	
Vehicles Expenses	2,986	-	498	497	-	-	-	-	-	3,981	-	
Office cleaning and relocation	6,397	5,959	530	516	-	-	-	-	-	13,402	-	
Insurance	1,373	6,062	202	240	-	-	-	-	-	7,877	-	
Over head cost	-	-	-	-	-	4,945	-	1,089	12,370	18,404	-	
Other expenses	2,769	4,864	3,711	85	-	-	-	-	-	11,429	26,536	
	<u>728,180</u>	<u>943,607</u>	<u>353,844</u>	<u>257,395</u>	<u>9,095</u>	<u>78,599</u>	<u>5,302</u>	<u>3,129</u>	<u>17,900</u>	<u>50,790</u>	<u>2,447,841</u>	<u>1,998,642</u>

* During the year, U.S. \$ 38,598 were expensed from the program's budget and accordingly released from restriction. The remaining amount of U.S. \$ 218,797 were self-financed from the unrestricted contributions of the Foundation.

** During the year, U.S. \$ 6,639 were expensed from the program's budget and accordingly released from restriction. The remaining amount of U.S. \$ 2,456 were self-financed from the unrestricted contributions of the Foundation.

*** During the year, U.S. \$ 42,159 were expensed from the program's budget and accordingly released from restriction. The remaining amount of U.S. \$ 36,440 were self-financed from the unrestricted contributions of the Foundation.

**** This item represents grants given by the Foundation to Palestinian institutions and grants given to individual winners of musical, art, literature and other contests.

14. Administrative Expenses

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Salaries and related expenses	154,201	138,920
Severance pay and provident fund	20,009	16,851
Depreciation	28,438	28,028
Accommodation and travel expenses	10,464	11,171
Telephone, fax and postage	6,203	6,331
Utilities	12,831	6,790
Professional fees	8,231	12,148
Stationery	2,107	1,993
A.M.Qattan grants	9,254	13,008
Hospitality	2,909	1,009
Advertising	8,059	6,710
Website Development	337	750
Maintenance	5,061	-
Insurance	425	-
Other expenses	4,004	5,267
	<u>272,533</u>	<u>248,976</u>

15. Related Party Transactions

This represents transaction with key management personnel:

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Unrestricted contributions form A.M Qattan London	<u>2,247,484</u>	<u>2,110,000</u>
Key management personnel compensation		
Short-term benefits	<u>35,244</u>	<u>33,564</u>
Termination benefits	<u>5,938</u>	<u>4,477</u>

16. Fair Values of Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of some of the other current assets, contributions receivable and cash and cash equivalent. Financial liabilities consist of accounts payable and accruals.

The fair values of financial instruments are not materially different from their carrying values.

17. Risk Management

Interest rate risk

The Foundation is exposed to interest rate risk on its short-term deposits.

The following table demonstrates the sensitivity of the statement of activities and changes in net assets to reasonably possible changes in interest rates, with all other variables held constant:

	Increase/ decrease in basis points	Effect on results of activities U.S.\$
<u>2008</u>		
U.S. \$	+20	1,604
U.S. \$	- 50	(4,009)
<u>2007</u>		
U.S. \$	+20	1,001
U.S. \$	- 50	(2,503)

Liquidity risk

The Foundation limits its liquidity risk by maintaining adequate cash balances to meet its current obligations and to finance its operating activities.

Most of the Foundation's financial liabilities are due within a period of three months.

Foreign currency risk

The table below indicates the Foundation's foreign currency exposure, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the European Monetary Unit (Euro) with all other variables held constant, on the statement of activities and changes in net assets.

	Increase / decrease in Euro rate to U.S. \$	Effect on results of activities U.S. \$
	%	
<u>2008</u>		
U.S. \$	+5	3,569
U.S. \$	- 5	(3,569)
<u>2007</u>		
U.S. \$	+5	12,197
U.S. \$	- 5	(12,197)

18. Concentration of Risk in Geographic Area

The Foundation is carrying out all its activities in Palestine. The political and economical situation in the area increases the risk of carrying out activities and might adversely affect the Foundation's performance.