



Dear Friends and Supporters,

As part of our ongoing effort to achieve the highest level of transparency, we are making certain documents easily accessible through our website.

Every year, our location in Jericho (which is where the base operations and programs are), is audited in January for the prior year activities. Deloitte is the firm that performs the audit. Following is the report prepared for the Calendar Year of 2018.

Approximately 90% of all funds are used for programs in Jericho. For this purpose and to satisfy legal requirements and government compliance the audit will continue to be done in Jericho.

The US Financial Statements and the US 990 tax return will reflect the combination of revenues and expenses for both the US and Jericho locations.

If you have any questions, please contact our US Office:

Seeds of Hope, Inc.
8101 College Blvd., Suite 100
Overland Park, KS 66210
913-444-9577
info@seedsofhopeinc.com

You can also contact our Director of Finance, Tracy Medina at tracym@seedsofhopeinc.com.

All my best and thank you for your continued support.

Khader Ghanem, CEO Seeds of Hope, Inc.

A handwritten signature in blue ink, appearing to read "Khader Ghanem", is written over a horizontal line.

**Seeds of Hope Society
Jericho**

**Financial Statements
For the Year Ended December 31, 2018
And Independent Auditor's Report**

- TABLE OF CONTENTS -

	<u>PAGE</u>
Independent Auditor's Report	2
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

Independent Auditor's Report

**To the Board of Directors
Seeds of Hope Society
Jericho**

Opinion

We have audited the financial statements of **Seeds of Hope Society** (hereinafter referred to as "the Society") which comprise the statement of financial position as of **December 31, 2018**, 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 **Seeds of Hope Society** as of **December 31, 2018**, its financial performance and its cash flows for the year then ended in accordance with financial reporting standards as described in note (2).

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 the Society 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 the financial reporting standards as described in note (2), 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 the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

The Management is responsible for overseeing the Society'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 risks, 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 Society'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 disclosures 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 Society 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 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.

Ramallah – Palestine
February 08, 2019

Deloitte & Touche (M.E.)
License Number (208)

Samir Sahhar
Partner
License Number 109/2001

Seeds of Hope Society
Financial statements for the year ended December 31, 2018

Statements of Financial Position

(All amounts are in USD)

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Assets			
Current Assets			
Cash and Cash Equivalents	(3)	11,821	49,095
Prepayments		6,458	7,228
Other Current Assets	(4)	34,069	33,545
Inventory		22,296	63,827
Total Current Assets		<u>74,644</u>	<u>153,695</u>
Non-Current Assets			
Property, Plant and Equipment, Net	(5)	471,363	300,694
Total Non-Current Assets		<u>471,363</u>	<u>300,694</u>
Total Assets		<u>546,007</u>	<u>454,389</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable	(6)	18,205	24,789
Total Current Liabilities		<u>18,205</u>	<u>24,789</u>
Non - Current Liabilities			
Accumulated Severance Pay Benefits	(7)	161,802	150,937
Total Non - Current Liabilities		<u>161,802</u>	<u>150,937</u>
Total Liabilities		<u>180,007</u>	<u>175,726</u>
Net Assets			
Unrestricted Net Assets		(105,363)	(22,031)
Temporarily Restricted Net Assets for Property, Plant and Equipment		471,363	300,694
Total Net Assets		<u>366,000</u>	<u>278,663</u>
Total Liabilities and Net Assets		<u>546,007</u>	<u>454,389</u>

- The accompanying notes from (1) to (14) constitute an integral part of the financial statements.

Taysir Abu Saada
Chairman of Board of Directors

Khader Mistelha
Chief Executive Officer

Seeds of Hope Society
Financial statements for the year ended December 31, 2018

Statements of Activities

(All amounts are in USD)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Changes in Unrestricted Assets			
Revenues and Donations			
Donations	(8)	771,052	536,264
Revenues from Students	(9)	114,706	98,981
Volunteer Contributions		27,646	28,355
Activities Revenues		12,510	42,551
Other Revenues		12,300	4,392
Financial Revenues, Net		-	25,158
Total Revenues and Donations		<u>938,214</u>	<u>735,701</u>
Expenditures			
Salaries and Related Benefits		350,377	360,188
Operational Expenses	(10)	270,576	320,517
General and Administrative Expenses	(11)	77,111	105,810
Donations Expenses		75,655	24,787
Depreciation	(5)	72,921	59,142
Financial Expenses, Net		4,237	-
Total Expenditures		<u>850,877</u>	<u>870,444</u>
Changes in Unrestricted Net Assets from Operations		87,337	(134,743)
Reclassification from Unrestricted to Temporarily Restricted Net Assets		(170,669)	(41,470)
Changes in Unrestricted Net Assets		<u>(83,332)</u>	<u>(176,213)</u>
Reclassification from Unrestricted to Temporarily Restricted Net Assets		170,669	41,470
Changes in Temporarily Restricted Net Assets		<u>170,669</u>	<u>41,470</u>
Changes in Net Assets for the Year		<u>87,337</u>	<u>(134,743)</u>

- The accompanying notes from (1) to (14) constitute an integral part of the financial statements.

Seeds of Hope Society
Financial statements for the year ended December 31, 2018

Statements of Changes in Net Assets

(All amounts are in USD)

	Unrestricted Net assets	Temporarily Restricted Net assets	Total
	Activities	Property, plant and equipment	
Net Assets as of December 31, 2016	154,182	259,224	413,406
Increases During 2017			
Donations	536,264	-	536,264
Revenues	199,437	-	199,437
	735,701	-	735,701
Decreases During 2017			
Expenditures	(870,444)	-	(870,444)
Reclassification to property, plant and equipment	(41,470)	41,470	-
	(911,914)	41,470	(870,444)
<i>Changes for the year</i>	<i>(176,213)</i>	<i>41,470</i>	<i>(134,743)</i>
Net Assets as of December 31, 2017	(22,031)	300,694	278,663
Increases During 2018			
Donations	770,259	-	770,259
Revenues	167,162	-	167,162
	937,421	-	937,421
Decreases During 2018			
Expenditures	(850,084)	-	(850,084)
Reclassification to property, plant and equipment	(170,669)	170,669	-
	(1,020,753)	170,669	(850,084)
<i>Changes for the year</i>	<i>83,332</i>	<i>170,669</i>	<i>87,337</i>
Net Assets as of December 31, 2018	(105,363)	471,363	366,000

- The accompanying notes from (1) to (14) constitute an integral part of the financial statements.

Seeds of Hope Society
Financial statements for the year ended December 31, 2018

Statements of Cash Flows

(All amounts are in USD)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets for the year	87,337	(134,743)
Adjustments to reconcile changes in net assets for the year to net cash (used in) provided by operating activities		
Depreciation	72,921	59,142
Decrease in Prepayments	770	255
(Increase) in Other Current Assets	(525)	(18,407)
Decrease (Increase) in Inventory	41,531	(1,000)
(Decrease) in accounts payable	(6,583)	(14)
Increase in Accumulated Severance Pay Benefits	10,865	40,111
Net cash provided by (used in) operating activities	<u>206,316</u>	<u>(54,656)</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	<u>(243,590)</u>	<u>(100,612)</u>
Net cash (used in) investing activities	<u>(243,590)</u>	<u>(100,612)</u>
(Decrease) in cash and cash equivalents	(37,274)	(155,268)
Cash and cash equivalents at beginning of year	<u>49,095</u>	<u>204,363</u>
Cash and cash equivalents at end of year	<u><u>11,821</u></u>	<u><u>49,095</u></u>

- The accompanying notes from (1) to (14) constitute an integral part of the financial statements.

Notes to the Financial Statements

(All amounts are in USD)

Note 1 – General

The Seeds of Hope Society, that was established in 2008 is a not-for-profit organization registered at the Ministry of Interior as a non-profit society under registration number "QR-0110-F".

Seeds of Hope is working to make a difference in the lives of children and families in Palestine through education, economic development, cultural exchange, health services and humanitarian aid.

Seeds of Hope Society include Kindergarten, Preschool, Day Care, Youth Center and Cultural Center.

Note (2) - Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the significant accounting policies described below, and in accordance with the accrual basis of accounting using the historical cost principle. The accounting policies applied agree with those used in the previous years.

- **Unrestricted assets:** Net assets whose use by the Society is not subject to restrictions imposed by the donor/funder.
- **Restricted assets:** Net assets whose use by the Society is restricted by the donor as stipulated in the donor's agreement.

Following are significant accounting policies followed by the Society:

a. Cash and cash equivalents

For the purposes of the cash flow statements, cash and banks include cash on hand and bank balances.

b. Inventory

Inventories are stated at the fair market value of donated supplies. The inventory consists of supplies for use and distribution in activities.

c. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of the property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets at the following annual rates.

Buildings Improvements	10%
Furniture and Equipment	10%
Vehicles	12%

d. Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

e. Accumulated Employees' Severance Pay Benefits

Benefits payable to the employees at the end of their services which are provided for in accordance with the guidelines set by the local labor law, by accruing one month of compensation for each year of service based on the last salary paid.

f. Donations

- Donations are recorded when received;
- Restricted donations are recognized upon satisfaction of donor restriction.

g. Tuition fees

Revenues from tuition and registration fees are recorded when earned.

h. Recognition of Expenditures

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

Seeds of Hope Society
Financial statements for the year ended December 31, 2018

Notes to the Financial Statements

(All amounts are in USD)

i. Currency differentials

The books of accounts are maintained in USD. Transactions which are denominated in other currencies are converted into USD at the exchange rate prevailing on the transaction date; monetary assets and liabilities which are denominated or expressed in other currencies are presented in the USD equivalent using the exchange rate prevailing on December 31; exchange differentials arising from the conversion of foreign currency transactions and translation of year end balances are reported in the statement of activities.

The exchange rates prevailing at the date of the statements of financial position were:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
NIS	US\$ 0.270	US\$ 0.290
Euro	US\$ 1.130	US\$ 1.194
CHF	US\$ 1.015	US\$ 1.027
JOD	US\$ 1.410	US\$ 1.410

Note (3) - Cash and cash equivalents

Cash and cash equivalents consist of:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand	1,389	1,725
Cash at banks	10,432	47,370
	<u>11,821</u>	<u>49,095</u>

Note (4) – Other Current Assets

Other Current Assets consists of:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Students' Receivables	29,999	6,827
Checks Under Collection	3,507	1,660
Other Receivables	563	12,003
Employees' Receivables and Advances	-	13,055
	<u>34,069</u>	<u>33,545</u>

Seeds of Hope Society
Financial statements for the year ended December 31, 2018

Notes to the Financial Statements (continued)

(All amounts are in USD)

Note (5) - Fixed Assets, Net

Fixed Assets, Net consist of:

	2018			2017	
	Building and Improvements	Equipment and Furniture	Vehicles	Total	Total
Cost					
Beginning Balance	238,765	279,023	127,184	644,972	544,360
Additions for the year	186,076	57,514	-	243,590	100,612
	424,841	336,537	127,184	888,562	644,972
Accumulated Depreciation					
Beginning Balance	97,349	182,307	64,622	344,278	285,136
Depreciation for the year	27,127	30,532	15,262	72,921	59,142
	124,476	212,839	79,884	417,199	344,278
Net Book value, 31/12/2018	300,365	123,698	47,300	471,363	
Net Book value, 31/12/2017	141,416	96,716	62,562		300,694

Note (6) – Accounts Payable

Accounts Payable consists of:

	December 31, 2018	December 31, 2017
Deferred Tuition Revenues	8,173	4,457
Outstanding checks	6,842	10,205
Accrued Audit Fees	3,190	3,480
Suppliers' Payables	-	4,283
Employees' and Payroll Payable	-	2,364
	18,205	24,789

Note (7) – Accumulated Severance Pay Benefits

Accumulated Severance Pay Benefits consists of:

	December 31, 2018	December 31, 2017
Beginning Balance	150,937	110,826
Accrued for the year	20,275	42,025
Payments During the year	(3,142)	(2,582)
Currency Variance	(6,268)	668
Ending Balance	161,802	150,937

Seeds of Hope Society
Financial statements for the year ended December 31, 2018

Notes to the Financial Statements (continued)

(All amounts are in USD)

Note (8) – Donations

Donations consist of:

	<u>2018</u>	<u>2017</u>
Seeds of Hope Inc.	601,506	178,419
Swiss Relief	97,755	59,907
Kids in need of Development	27,866	-
Other Donations	18,049	52,152
North Point Ministries	10,332	17,754
GAIN International INC.	9,583	-
CHRISTIAN AN DER SEITE	3,028	18,721
Grace Church	2,933	12,789
Protestant Kerk in Nederland	-	97,767
Finland Martyrkyrkans	-	78,979
AWZ	-	19,776
	<u>771,052</u>	<u>536,264</u>

Note (9) – Revenues from Students

Revenues from Students consist of:

	<u>2018</u>	<u>2017</u>
Tuition Fees	99,177	83,807
Bus Income	12,140	8,278
Uniform Sales	3,311	3,248
Books Sales	78	3,648
	<u>114,706</u>	<u>98,981</u>

Note (10) – Operational Expenses

Operational Expenses consists of:

	<u>2018</u>	<u>2017</u>
Rent	104,941	105,934
Books and Printing	26,584	15,196
Meetings, Transportation and Fuel	22,750	12,427
Food and Beverages	19,195	34,329
Translation	18,100	20,769
Equipment Maintenance	15,483	-
Supplies	14,484	30,442
Building Maintenance Expense	12,630	27,525
Teaching Fees	11,934	-
Consulting Services	9,541	20,522
Uniforms	6,537	6,420
Equipment Rental	4,642	10,370
Clearing Fees	3,755	-
Conferences and Camps	-	36,583
	<u>270,576</u>	<u>320,517</u>

Notes to the Financial Statements (continued)

(All amounts are in USD)

Note (11) – General and Administrative Expenses

General and Administrative Expenses consists of:

	<u>2018</u>	<u>2017</u>
Postage and Telephone Expense	25,887	24,299
Electricity and Water	16,690	18,440
Other Expenses	12,956	9,430
Insurance	7,865	8,913
Cleaning Expenses	6,014	4,466
Travel and Transportation	4,509	36,782
Professional Fees	3,190	3,480
	<u>77,111</u>	<u>105,810</u>

Note (12) - Risk management

Liquidity risk

Liquidity risk is the risk of the Society not being able to meet its obligations as they fall due. The Society's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Society's reputation.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments fluctuates due to changes in interest rates prevailing in the market. The Society is subject to fluctuations in interest rates on liabilities, if any.

Currency risk

The Society is subject to the fluctuation in foreign exchange rates through its activities. The Society did not take significant transactions in foreign currencies other than the New Israeli Shekel (NIS). In addition, the Society does not hedge its currency exposure by means of hedging financial instruments.

Credit risk

Credit risk is the risk that one of the parties fails to fulfill the obligations and will cause the other party to incur a financial loss. At the date of statement of financial position, no credit risk was identified.

Other risk factors

The Society is located in Palestine and work in an environment where a high risk in the political and economic field, which may increase the risk of the Society 's operations and thus influence the Society in a negative way.

Note (13) Fair values of financial instruments

Fair value is the amount by which the exchange assets or financial liabilities settled between knowledgeable, willing parties in fair deals. Financial instruments comprise financial assets and financial liabilities.

Financial assets of the Society consist of the Cash and bank balances and receivables, while financial liabilities consist of accounts payable and other amounts payable.

The fair value of financial instruments is not significantly different from the book value at financial position date.

Note (14) – Comparative figures

Certain prior year figures may have been reclassified to conform to the presentation of the current year.

The forgoing notes to the financial statements constitute an integral part of these statements.