

THE COALITION FOR ACCOUNTABILITY AND  
INTEGRITY - AMAN

FINANCIAL STATEMENTS

DECEMBER 31, 2019

## **Independent Auditor's Report**

### **To Members of the General Assembly of the Coalition for Accountability and Integrity - AMAN**

#### **Opinion**

We have audited the financial statements of the Coalition for Accountability and Integrity (AMAN), which comprise the statement of financial position as at December 31, 2019, and the statement of activities and changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AMAN as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

#### **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 Statements section of our report. We are independent of AMAN in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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 AMAN's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate AMAN or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing AMAN's financial reporting process.

#### **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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AMAN's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management .
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on AMAN'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 AMAN to cease to continue as a going concern.
- 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 the Board of Directors 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.

**Ernst & Young - Middle East**

License # 206/2012

**Abdelkarim Mahmoud**

License # 101/2017

February 20, 2020  
Ramallah, Palestine

**Statement of Financial Position**

As at December 31, 2019

	<u>Notes</u>	<u>2019</u> <u>U.S. \$</u>	<u>2018</u> <u>U.S. \$</u>
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property and equipment	3	16,231	13,443
Right-of-use asset	2	86,806	-
		<u>103,037</u>	<u>13,443</u>
<b>Current assets</b>			
Contributions receivable	4	352,961	1,544,045
Other current assets	5	24,835	29,648
Cash and balance at banks	6	963,936	977,639
		<u>1,341,732</u>	<u>2,551,332</u>
<b>Total assets</b>		<u><u>1,444,769</u></u>	<u><u>2,564,775</u></u>
<b><u>Net assets and liabilities</u></b>			
<b>Net assets</b>			
Unrestricted net assets		<u>224,302</u>	<u>215,702</u>
<b>Total net assets</b>		<u><u>224,302</u></u>	<u><u>215,702</u></u>
<b>Non-current liabilities</b>			
Deferred revenues	7	16,231	13,443
Long-term lease liabilities	2	63,388	-
Provision for employees' indemnity	8	361,003	328,882
		<u>440,622</u>	<u>342,325</u>
<b>Current liabilities</b>			
Accounts payable and accruals	9	215,494	255,365
Short-term lease liabilities	2	27,428	-
Temporarily restricted contributions	10	536,923	1,751,383
		<u>779,845</u>	<u>2,006,748</u>
<b>Total liabilities</b>		<u><u>1,220,467</u></u>	<u><u>2,349,073</u></u>
<b>Total Net Assets and Liabilities</b>		<u><u>1,444,769</u></u>	<u><u>2,564,775</u></u>

The attached notes 1 to 15 form part of these financial statements

**Statement of Activities and Changes in Net Assets**

For the year ended December 31, 2019

	<u>Notes</u>	<u>2019</u> <u>U.S. \$</u>	<u>2018</u> <u>U.S. \$</u>
<b>Revenues</b>			
Temporarily restricted contributions released from restriction	10	1,693,905	1,612,798
Deferred revenues recognized	7	7,073	8,333
Unrestricted Contributions		<u>16,781</u>	<u>3,551</u>
<b>Total revenues</b>		<u><u>1,717,759</u></u>	<u><u>1,624,682</u></u>
<b>Expenses</b>			
Projects' expenses	11	(1,693,905)	(1,612,798)
Depreciation of property and equipment	3	(7,073)	(8,333)
Currency differences		(5,610)	3,793
Other expenses		<u>(2,571)</u>	<u>(5,247)</u>
<b>Total expenses</b>		<u><u>(1,709,159)</u></u>	<u><u>(1,622,585)</u></u>
<b>Increase in net assets</b>		8,600	2,097
Net assets, beginning of the year		<u>215,702</u>	<u>213,605</u>
<b>Net assets, end of year</b>		<u><u>224,302</u></u>	<u><u>215,702</u></u>

**Statement of Cash Flows**

For the year ended December 31, 2019

	<u>Notes</u>	<u>2019</u> U.S. \$	<u>2018</u> U.S. \$
<b>Operating activities:</b>			
Increase in net assets		8,600	2,097
<b>Adjustments:</b>			
Depreciation of property and equipment		7,073	8,333
Amortization of right-of-use asset		28,936	-
Finance cost		10,034	-
Employee's indemnity expense		57,637	85,216
Deferred revenues recognized		(7,073)	(8,333)
		<u>105,207</u>	<u>87,313</u>
Contributions receivable		1,191,084	1,437,387
Other current assets		4,813	(6,194)
Temporarily restricted contributions		(1,204,599)	(1,568,626)
Accounts payable and accruals		(39,871)	(8,222)
Employee's indemnity paid		(25,516)	(3,137)
<b>Net cash flows from (used in) operating activities</b>		<u>31,118</u>	<u>(61,479)</u>
<b>Investing activities:</b>			
Purchase of property and equipment		(9,861)	(2,835)
<b>Net cash used in investing activities</b>		<u>(9,861)</u>	<u>(2,835)</u>
<b>Financing activities:</b>			
Payments of long-term lease liabilities		(34,960)	-
<b>Net cash used in financing activities</b>		<u>(34,960)</u>	<u>-</u>
<b>Decrease in cash and cash equivalents</b>		(13,703)	(64,314)
Cash and cash equivalents, beginning of year		<u>977,639</u>	<u>1,041,953</u>
<b>Cash and cash equivalents, end of year</b>	6	<u><u>963,936</u></u>	<u><u>977,639</u></u>

The attached notes 1 to 15 form part of these financial statements

## Notes to the Financial Statements

December 31, 2019

### 1. General

The Coalition for Accountability and Integrity (AMAN) was founded by a group of Palestinian organizations working in Human Rights and Democracy field. AMAN was officially registered on February 9, 2004 under registration number RA-22234-5.5 in Ramallah as a non-profit organization.

AMAN's mission is to contribute to good governance through fostering and enhancing integrity and accountability in the political system as well as in all sectors of the Palestinian society.

AMAN's objectives are to identify and investigate the aspects, features, causes and consequences of corruption of trust and authority, misuse of public funds, define and propose the appropriate mechanism in the legislative, judicial, administrative and financial areas in different sectors to counter corruption, and achieve transparency and accountability. Moreover, AMAN aims to raise public awareness among the Palestinian society regarding the danger of corruption and its devastating impact, to enhance the role of oversight institutions including the Palestinian Legislative Council and civil society, to propose draft legislations and regulations and to work closely with the Palestinian Legislative Council.

AMAN's financial statements as at December 31, 2018 were authorized for issuance by the Board of Directors on February 18, 2020.

### 2. Accounting Policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis.

The financial statements have been presented in U.S. Dollars, which is the functional currency of AMAN.

#### 2.2 Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018, except for applying certain standards and amendments to the standards, which became effective for annual periods beginning on or after January 1, 2019. Except for IFRS 16, the adoption of these amended standards did not have any effect on the financial performance or position of AMAN.

#### **IFRS (16) "Leases"**

IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-consolidated balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where AMAN is the lessor.

AMAN adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Accordingly, no adjustments were made to prior year financial statements. AMAN elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Following is the effect of applying IFRS 16:

Following is the effect of the increase on the statement of financial position as at January 1, 2019:

	<u>2019</u>
	<u>U.S. \$</u>
<b><u>Assets</u></b>	
Right-of-use assets	<u>115,742</u>
<b><u>Liabilities</u></b>	
Lease Liabilities	(115,742)
Owners Equity	<u>-</u>

*a) Nature of the effect of adoption of IFRS (16)*

AMAN has lease contracts for offices rent before the adoption of IFRS 16, AMAN classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to AMAN; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized, and the lease payments were recognized as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under other receivables and other payables, respectively.

After the adoption of the new standard, AMAN applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The standard provides specific application requirements and practical solutions, which AMAN has used when applying the standard.

**Leases previously accounted for as operating leases**

AMAN recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

AMAN also applied the available practical expedients where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;



- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

b) *Amounts recognised in the statement of financial position and statement of activities and changes in net assets.*

Set out below, are the carrying amounts of AMAN's right-of-use assets and lease liabilities and the movements for the period ended December 31, 2019:

	Right of Use (Buildings)	Leases Liabilities
	U.S. \$	U.S. \$
As of January 1, 2019	115,742	115,742
Amortization	(28,936)	-
Finance cost	-	10,034
Payments	-	(34,960)
As of December 31, 2019	<u>86,806</u>	<u>90,816</u>

c) *Set out below are the new accounting policies of AMAN upon adoption of IFRS16:*

**Right-of-Use assets**

AMAN recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless AMAN is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**Lease Liabilities**

At the commencement date of the lease, AMAN recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by AMAN and payments of penalties for terminating a lease, if the lease terms reflect AMAN's intentions to exercise the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, AMAN uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### **Short-term leases and leases of low-value assets**

AMAN applies the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### **Significant judgement in determining the lease term of contracts with renewal options**

AMAN determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. AMAN has the option, under some of its leases to lease the assets for additional terms. AMAN applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, AMAN reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

AMAN included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases are considered to have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

## **2.3 Estimates and assumptions**

The preparation of AMAN's financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key areas involving a higher degree of judgment or complexity are described below:

### Useful lives of tangible assets

Management reassesses the useful lives of tangible assets, and makes adjustments if applicable, at each financial year end.

## **2.4 Summary of Significant accounting policies,**

### **Revenue recognition**

#### Contribution 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 follows:

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

### Deferred revenues

Contributions related to property and equipment are 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.

### **Cash and balance at banks**

For the purpose of the statement of cash flow, cash and balance at banks consist of 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 pledges 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.

### **Fair value of financial instruments**

The fair value of financial assets and financial liabilities recorded in the statement of financial position approximate their carrying amounts largely due to the short-term maturities of these instruments. Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

### **Impairment of financial assets**

Financial assets are evaluated for impairment based on their credit factors and maturities. In determining impairment of financial assets, AMAN uses judgement to estimate the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses.

### **Current versus non-current classification**

AMAN presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

AMAN classifies all other liabilities as non-current.

### **Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Useful Life (Years)
Office furniture	<u>6-7</u>
Office equipment	4-5

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

### **Income taxes**

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

### **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.

### **Provisions**

Provisions are recognised when AMAN has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are probable and can be reliably measured.

### **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 into U.S. Dollar using the rate of exchange ruling at the financial statement date. All differences are recognized in the statement of activities and changes in net assets.

### 3. Property and equipment

	Office furniture	Office equipment	Total
	U.S. \$	U.S. \$	U.S. \$
<b>Cost:</b>			
At January 1, 2019	37,050	159,429	196,479
Additions	1,671	8,190	9,861
At December 31, 2019	<u>38,721</u>	<u>167,619</u>	<u>206,340</u>
<b>Accumulated depreciation:</b>			
At January 1, 2019	31,265	151,771	183,036
Depreciation charge for the year	2,483	4,590	7,073
At December 31, 2019	<u>33,748</u>	<u>156,361</u>	<u>190,109</u>
<b>Net book value:</b>			
At December 31, 2019	<u>4,973</u>	<u>11,258</u>	<u>16,231</u>
At December 31, 2018	<u>5,785</u>	<u>7,658</u>	<u>13,443</u>

Property and equipment include U.S. \$ 175,578 and U.S. \$ 161,803 of fully depreciated assets that are still being used in AMAN's activities as at December 31, 2019 and 2018, respectively.

#### 4. Contributions receivable

The movement on the contributions receivable during the year was as follows:

	Balance, beginning of year	Additions	Cash received	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Government of Norway, Netherlands and Luxembourg	1,494,774	-	(1,281,670)	(14,287)	198,817
Oxfam Novib -UK	11,930	159,677	(60,800)	(2,152)	108,655
Transparency International - Belgium	37,341	-	-	(807)	36,534
Transparency International -Germany	-	22,589	(13,439)	(195)	8,955
United Nations Development Programme-Holland	-	150,000	(150,000)	-	-
Department for International Development - UK	-	104,155	(110,840)	6,685	-
United Nations Development Programme	-	36,072	(36,072)	-	-
Transparency International - UK	-	26,938	(26,938)	-	-
	<u>1,544,045</u>	<u>499,431</u>	<u>(1,679,759)</u>	<u>(10,756)</u>	<u>352,961</u>

## 5. Other current assets

	2019	2018
	U.S. \$	U.S. \$
Employees' receivables	21,902	21,839
Prepaid expenses	1,576	3,653
Others	1,357	4,156
	<u>24,835</u>	<u>29,648</u>

## 6. Cash and balance at banks

	2019	2018
	U.S. \$	U.S. \$
Cash on hand	1,838	489
Cash at banks	962,098	977,150
	<u>963,936</u>	<u>977,639</u>

## 7. Deferred revenues

	2019	2018
	U.S. \$	U.S. \$
Balance, beginning of year	13,443	18,941
Additions (note 10)	9,861	2,835
Deferred revenues recognized	(7,073)	(8,333)
Balance, end of year	<u>16,231</u>	<u>13,443</u>

## 8. Provision for employees' indemnity

The movement on the provision for employees' indemnity during the year as follows:

	2019	2018
	U.S. \$	U.S. \$
Balance, beginning of year	328,882	246,803
Additions during the year	57,637	85,216
Payments during the year	(25,516)	(3,137)
Balance, end of year	<u>361,003</u>	<u>328,882</u>

Provision for employees' indemnity is calculated in accordance with the labor law prevailing in Palestine, and AMAN's internal policies. The Palestinian Social Security Law was expected to go into effect during 2018. However, according to a Presidential Decree on January 28, 2019, the law was paused and the decree called for dialogue among relevant parties for the purpose of reaching national consensus on the law and the time on which it will become effective. The current version of the law obligates the employer to settle end of service benefits for the periods preceding the application of the provisions of this law.

## 9. Accounts payable and accruals

	2019	2018
	U.S. \$	U.S. \$
Accounts payable	195,344	108,714
Postponed checks	12,274	138,315
Accrued expenses	3,775	3,812
Accrued professional fees	2,262	4,524
Accrued payroll tax	1,839	-
	<u>215,494</u>	<u>255,365</u>

## 10. Temporarily restricted contributions

This item comprises temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of contributions received over the expenditures made out to satisfy the purposes stipulated by the donors. Movement on the temporarily restricted contributions as at December 31, 2019 is as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Government of Norway, Netherlands and Luxembourg	1,711,892	-	(1,550,243)	(8,190)	(12,894)	140,565
Transparency International - Belgium	34,261	-	(10,086)	-	(754)	23,421
Oxfam Novib -UK	5,230	159,677	(59,804)	(1,671)	(2,510)	100,922
Transparency International -Germany	-	22,589	(3,005)	-	(218)	19,366
United Nations Development Programme- Holland	-	150,000	-	-	-	150,000
Department for International Development - UK	-	104,155	(11,679)	-	6,870	99,346
United Nations Development Programme	-	36,072	(36,072)	-	-	-
Transparency International - UK	-	26,938	(23,016)	-	(619)	3,303
	<u>1,751,383</u>	<u>499,431</u>	<u>(1,693,905)</u>	<u>(9,861)</u>	<u>(10,125)</u>	<u>536,923</u>



## 11. Projects' expenses

	Enhancing integrity, transparency and accountability in the Palestinian society	Finance for development	Enhancing the justice sector cadre on integrity values, transparency principles and accountability systems	Enhancing the role of civil society organizations in monitoring the performance of the security institutions	HMG capability, accountability, sustainability and inclusivity project (CASIP)	National integrity systems - Lybia	Empowering national chapters to promote anti-corruption through education	Total	
	Governments of Norway, Netherlands and Luxembourg	Oxfam Novib - UK	United Nations Development Programm	Transparency International - UK	Department for International Development - UK	Transparency International - Belgium	Transparency International - Germany	2019	2018
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	640,030	26,426	3,240	10,724	8,552	-	-	688,972	723,954
Information and publications	257,724	18,370	73	773	3,040	2,646	-	282,626	282,696
Experts honoraria and training fees	241,759	8,045	17,509	5,034	-	3,847	-	276,194	167,597
Projects' expenses*	102,151	-	-	283	-	-	-	102,434	134,239
Workshops and training expenses	66,306	2,561	8,703	893	-	-	1,450	79,913	57,722
Travel and accommodatio	64,407	282	2,920	5,033	-	3,593	1,555	77,790	59,327
Employees' indemnity	55,724	1,260	-	130	-	-	-	57,114	85,216
Office, equipment and hall rental	49,572	-	-	-	-	-	-	49,572	45,014
Utilities, stationary and supplies	26,778	2,527	3,627	146	87	-	-	33,165	33,170
Postage, telephone, fax and internet	13,898	333	-	-	-	-	-	14,231	14,283
Professional fees	8,124	-	-	-	-	-	-	8,124	8,748
Sundry	23,770	-	-	-	-	-	-	23,770	832
<b>Total</b>	<b>1,550,243</b>	<b>59,804</b>	<b>36,072</b>	<b>23,016</b>	<b>11,679</b>	<b>10,086</b>	<b>3,005</b>	<b>1,693,905</b>	<b>1,612,798</b>

\* This item represents amounts granted to Palestinian organizations and associations to implement AMAN's projects.

## 12. Related party transactions

This item represents transactions with related parties. Related parties represent AMAN's board of directors, key management and entities controlled, jointly controlled or significantly influenced by such parties.

The statement of activities and changes in net assets included the following transactions with related parties:

	<u>2019</u>	<u>2018</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Key management personnel compensation:</u>		
Key management share of salaries and related benefits	<u>89,800</u>	<u>87,885</u>
Key management share of employee's indemnity	<u>4,327</u>	<u>5,199</u>
Members of the General Assembly Subscriptions	<u>580</u>	<u>580</u>

## 13. Fair values of financial instruments

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

The fair value of financial instruments is not materially different from their carrying values at the date of financial statements.

## 14. Risk management

### Credit Risk

Credit risk is the risk that the donors or other parties will be unable to fulfil their obligations of transferring the amounts under the signed contracts, which equal the carrying value of these payables.

With respect to credit risk arising from other financial assets of AMAN including cash and cash equivalent and other current assets, exposure to credit risk arises from the default of the counterparty. The maximum exposure is equal to the carrying amount of these financial assets.

### Liquidity risk

AMAN limits its liquidity risk by maintaining adequate cash balances to meet its current obligations and to finance its activities. In addition, the activities of AMAN are financed by multiple donors. Most of AMAN's financial liabilities are due within a period of three months.

### Foreign currency risk

The table below indicates AMAN'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 U.S. \$ currency rate against the foreign currencies with all other variables held constant, on the statement of activities and changes in net assets. The effect of decreases in foreign currency exchange rate is expected to be equal and opposite to the effect of the increases shown.

	Increase in currency exchange rate to U.S. \$ <u>          %</u>	Effect on statement of activities and changes in net assets <u>          U.S. \$</u>
<b><u>2019</u></b>		
Euro	10	(2,218)
Norwegian krone	10	4,745
British pound	10	(763)
ILS	10	(985)
<b><u>2018</u></b>		
Euro	10	11,752
Norwegian krone	10	(10,942)
ILS	10	(585)

### 15. Concentration of Risk in Geographic Area

AMAN is carrying out its activities in Palestine. The political and economic situation in the area increases the risk of carrying out activities and may adversely affect AMAN's performance.