

THE COALITION FOR ACCOUNTABILITY AND
INTEGRITY - AMAN

FINANCIAL STATEMENTS

DECEMBER 31, 2018

Independent Auditor's Report
To Member 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, 2018, 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, 2018, 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the 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.

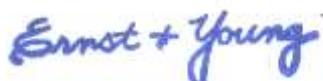
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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



A. Maher Abushaaban

License # 155/1998

April 1, 2019
Ramallah, Palestine

Statement of Financial Position

As at December 31, 2018

	<u>Notes</u>	<u>2018</u> <u>U.S. \$</u>	<u>2017</u> <u>U.S. \$</u>
<u>Assets</u>			
Non-current assets			
Property and equipment	3	13,443	18,941
		<u>13,443</u>	<u>18,941</u>
Current assets			
Contributions receivable	4	1,544,045	2,981,432
Other current assets	5	29,648	23,454
Cash and balance at banks	6	977,639	1,041,953
		<u>2,551,332</u>	<u>4,046,839</u>
Total assets		<u><u>2,564,775</u></u>	<u><u>4,065,780</u></u>
 <u>Net assets and liabilities</u>			
Net assets			
Unrestricted net assets		215,702	213,605
Total net assets		<u>215,702</u>	<u>213,605</u>
 Non-current liabilities			
Deferred revenues	7	13,443	18,941
Provision for employees' indemnity	8	328,882	246,803
		<u>342,325</u>	<u>265,744</u>
Current liabilities			
Accounts payable and accruals	9	255,365	263,587
Temporarily restricted contributions	10	1,751,383	3,322,844
		<u>2,006,748</u>	<u>3,586,431</u>
Total liabilities		<u>2,349,073</u>	<u>3,852,175</u>
Total Net Assets and Liabilities		<u><u>2,564,775</u></u>	<u><u>4,065,780</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, 2018

	<u>Notes</u>	<u>2018</u> <u>U.S. \$</u>	<u>2017</u> <u>U.S. \$</u>
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	10	1,612,798	1,325,030
Deferred revenues recognized	7	8,333	11,700
Unrestricted Contributions		3,551	15,322
Total revenues		<u>1,624,682</u>	<u>1,352,052</u>
<u>Expenses</u>			
Projects' expenses	11	(1,612,798)	(1,325,030)
Depreciation of property and equipment	3	(8,333)	(11,700)
Currency differences		3,793	(25,979)
Other expenses		(5,247)	(6,339)
Total expenses		<u>(1,622,585)</u>	<u>(1,369,048)</u>
Increase (decrease) in net assets		2,097	(16,996)
Net assets, beginning of the year		<u>213,605</u>	<u>230,601</u>
Net assets, end of year		<u>215,702</u>	<u>213,605</u>

Statement of Cash Flows

For the year ended December 31, 2018

	<u>Notes</u>	<u>2018</u> U.S. \$	<u>2017</u> U.S. \$
Operating activities:			
Increase (decrease) in net assets		2,097	(16,996)
Adjustments:			
Depreciation of property and equipment		8,333	11,700
Provision for employee's indemnity		85,216	53,825
Deferred revenues recognized		<u>(8,333)</u>	<u>(11,700)</u>
		87,313	36,829
Contributions receivable		1,437,387	(2,706,526)
Other current assets		(6,194)	30,360
Temporarily restricted contributions		(1,568,626)	3,099,492
Accounts payable and accruals		(8,222)	93,604
Employee's indemnity paid		<u>(3,137)</u>	<u>(18,563)</u>
Net cash flows (used in) from operating activities		<u>(61,479)</u>	<u>535,196</u>
Investing activities:			
Purchase of property and equipment		<u>(2,835)</u>	<u>(10,357)</u>
Net cash used in investing activities		<u>(2,835)</u>	<u>(10,357)</u>
(Decrease) increases in cash and cash equivalents		(64,314)	524,839
Cash and cash equivalents, beginning of year		<u>1,041,953</u>	<u>517,114</u>
Cash and cash equivalents, end of year	6	<u><u>977,639</u></u>	<u><u>1,041,953</u></u>

Notes to the Financial Statements

December 31, 2018

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.

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 April 1, 2019.

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 and disclosures

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, 2017, except for applying certain standards and amendments to the standards, which became effective for annual periods beginning on or after January 1, 2018.

The application of these standards amendments has no effect on AMAN's financial position and its financial performance, or the disclosures of the financial statements of AMAN.

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	6-7
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

	<u>Office furniture</u> U.S. \$	<u>Office equipment</u> U.S. \$	<u>Total</u> U.S. \$
Cost:			
At January 1, 2018	40,855	157,749	198,604
Additions	1,155	1,680	2,835
Diposals	(4,960)	-	(4,960)
At December 31, 2018	<u>37,050</u>	<u>159,429</u>	<u>196,479</u>
Accumulated depreciation:			
At January 1, 2018	34,594	145,069	179,663
Depreciation charge for the year	1,631	6,702	8,333
Diposals	(4,960)	-	(4,960)
At December 31, 2018	<u>31,265</u>	<u>151,771</u>	<u>183,036</u>
Net book value:			
At December 31, 2018	<u>5,785</u>	<u>7,658</u>	<u>13,443</u>
At December 31, 2017	<u>6,261</u>	<u>12,680</u>	<u>18,941</u>

Property and equipment include U.S. \$ 141,393 and U.S. \$ 130,191 of fully depreciated assets that are still being used in AMAN's activities as at December 31, 2018 and 2017, respectively.

During the year, used furnitures and office equipments were donated to use in its operations. AMAN estimated the fair value of the properties at U.S. \$ 4,960, but it has decided to record them in the amount of U.S. \$ 1 in accordance with IFRSs.

4. Contributions receivable

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

	Balance, beginning of year	Additions	Cash received	Contributions Written- off	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Government of Norway, Netherlands and Luxembourg	2,910,050	-	(1,515,784)	-	100,508	1,494,774
Oxfam Novib -UK	17,026	78,346	(83,173)	-	(269)	11,930
Transparency International - Belgium	39,699	-	(641)	-	(1,717)	37,341
United Nations Development Programme	14,657	-	(7,766)	(6,891)	-	-
	<u>2,981,432</u>	<u>78,346</u>	<u>(1,607,364)</u>	<u>(6,891)</u>	<u>98,522</u>	<u>1,544,045</u>

5. Other current assets

	2018	2017
	<u>U.S. \$</u>	<u>U.S. \$</u>
Employees' receivables	21,839	16,908
Prepaid expenses	3,653	4,689
Others	4,156	1,857
	<u>29,648</u>	<u>23,454</u>

6. Cash and balance at banks

	2018	2017
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on hand	489	1,694
Cash at banks	977,150	1,040,259
	<u>977,639</u>	<u>1,041,953</u>

7. Deferred revenues

	2018	2017
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	18,941	20,284
Additions (note 10)	2,835	10,357
Deferred revenues recognized	(8,333)	(11,700)
Balance, end of year	<u>13,443</u>	<u>18,941</u>

8. Provision for employees' indemnity

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

	2018	2017
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	246,803	211,541
Additions during the year	85,216	53,825
Payments during the year	(3,137)	(18,563)
Balance, end of year	<u>328,882</u>	<u>246,803</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 the presidential decree on January 28, 2019, the law implementation 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

	2018	2017
	<u>U.S. \$</u>	<u>U.S. \$</u>
Postponed checks	138,315	72,079
Accounts payable	108,714	179,840
Accrued professional fees	4,524	4,524
Accrued expenses	3,812	3,842
Accrued payroll tax	-	3,302
	<u>255,365</u>	<u>263,587</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, 2018 is as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Contributions Written- off	Currency differences	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>	<u>U.S. \$</u>
Government of Norway, Netherlands and Luxembourg	3,164,304	-	(1,430,649)	(1,739)	-	(20,024)	1,711,892
Transparency International - Belgium	38,785	-	(2,879)	-	-	(1,645)	34,261
Oxfam Novib -UK	80,919	78,346	(148,421)	-	-	(5,614)	5,230
United Nations Development Programme	38,836	-	(30,849)	(1,096)	(6,891)	-	-
	<u>3,322,844</u>	<u>78,346</u>	<u>(1,612,798)</u>	<u>(2,835)</u>	<u>(6,891)</u>	<u>(27,283)</u>	<u>1,751,383</u>

11. Projects' expenses

	Enhancing Integrity, Transparency and Accountability in the Palestinian Society	Tax Justice, Budget Monitoring and Citizens' Participation Pilot Project in OPT	Enhancing Social Accountability Culture and Citizens Participation in Combating Corruption	National Integrity Systems - Lybia	Total	
	Governments of Norway, Netherlands and Luxembourg	Oxfam	United Nations Development Programm	Transparency International - Belgium	2018	2017
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	687,130	33,024	3,800	-	723,954	614,785
Projects' expenses*	134,239	-	-	-	134,239	124,637
Employees' indemnity	81,195	4,021	-	-	85,216	53,825
Experts honoraria and training fees	132,249	19,897	12,572	2,879	167,597	125,797
Utilities, stationery and supplies	22,635	8,378	2,157	-	33,170	30,904
Professional fees	8,748	-	-	-	8,748	3,900
Office, equipment and hall rental	44,678	336	-	-	45,014	33,284
Workshops and training expenses	46,882	6,736	4,104	-	57,722	58,745
Travel and accommodation	56,567	1,960	800	-	59,327	52,693
Information and publications	201,598	73,682	7,416	-	282,696	206,269
Postage, telephone, fax and internet	13,958	325	-	-	14,283	15,131
Sundry	770	62	-	-	832	5,060
Total	1,430,649	148,421	30,849	2,879	1,612,798	1,325,030

* 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>2018</u>	<u>2017</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Key management personnel compensation:</u>		
Key management share of salaries and related benefits	<u>87,885</u>	<u>86,200</u>
Key management share of employee's indemnity	<u>5,199</u>	<u>4,751</u>
Revenue from members of the General Assembly subscriptions	<u>580</u>	<u>560</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. \$	Effect on statement of activities and changes in net assets
	<u> %</u>	<u> U.S. \$</u>
<u>2018</u>		
Euro	10	11,752
Norwegian krone	10	(10,942)
ILS	10	(585)
<u>2017</u>		
Euro	10	(1,485)
Norwegian krone	10	(17,473)
ILS	10	401

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.