

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN
FINANCIAL STATEMENTS
DECEMBER 31, 2013

Independent Auditors' Report to the General Assembly of The Coalition for Accountability and Integrity - AMAN

We have audited the accompanying financial statements of the Coalition for Accountability and Integrity - AMAN, which comprise the statement of financial position as at December 31, 2013, and the statement of activities and changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and 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.

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.

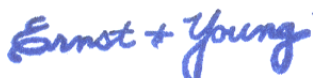
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 present fairly, in all material respects, the financial position of the Coalition for Accountability and Integrity - AMAN as at December 31, 2013 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young - Middle East



March 4, 2014
Ramallah, Palestine

Statement of Financial Position

As at December 31, 2013

	<u>Notes</u>	<u>2013</u> <u>U.S. \$</u>	<u>2012</u> <u>U.S. \$</u>
<u>Assets</u>			
Non-current assets			
Property and equipment	3	51,599	47,779
		<u>51,599</u>	<u>47,779</u>
Current assets			
Contributions receivable	4	2,377,059	814,011
Other current assets	5	30,519	28,333
Cash and cash equivalents		738,223	906,704
		<u>3,145,801</u>	<u>1,749,048</u>
Total Assets		<u><u>3,197,400</u></u>	<u><u>1,796,827</u></u>
<u>Net Assets and Liabilities</u>			
Net assets			
Unrestricted net assets		67,016	38,534
Total net assets		<u>67,016</u>	<u>38,534</u>
Non-current liabilities			
Deferred revenues	6	55,188	51,368
Provision for employees' indemnity	7	160,124	127,929
		<u>215,312</u>	<u>179,297</u>
Current liabilities			
Accounts payable and accruals	8	231,928	201,869
Temporarily restricted contributions	9	2,683,144	1,377,127
		<u>2,915,072</u>	<u>1,578,996</u>
Total liabilities		<u>3,130,384</u>	<u>1,758,293</u>
Total Net Assets and Liabilities		<u><u>3,197,400</u></u>	<u><u>1,796,827</u></u>

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2013

	<u>Notes</u>	<u>2013</u> <u>U.S. \$</u>	<u>2012</u> <u>U.S. \$</u>
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	9	1,329,690	1,352,548
Deferred revenues recognized	6	18,371	12,508
Unrestricted revenues	10	11,358	56,099
Currency variances		26,103	-
Total revenues		<u>1,385,522</u>	<u>1,421,155</u>
<u>Expenses</u>			
Projects' expenses	11	1,329,690	1,352,548
Depreciation	3	18,371	14,823
Other expenses	12	8,979	26,852
Total expenses		<u>1,357,040</u>	<u>1,394,223</u>
Increase in net assets		28,482	26,932
Net assets, beginning of the year		<u>38,534</u>	<u>11,602</u>
Net assets, end of year		<u>67,016</u>	<u>38,534</u>

Statement of Cash Flows

For the year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
	U.S. \$	U.S. \$
Operating activities:		
Increase in net assets	28,482	26,932
Adjustments:		
Depreciation	18,371	14,823
Provision for employee's indemnity	40,487	40,174
Written-off contributions	-	5,988
Deferred revenues recognized	<u>(18,371)</u>	<u>(12,508)</u>
	68,969	75,409
Contributions receivable	(1,563,048)	608,730
Other current assets	(2,186)	3,135
Deferred revenues	22,191	29,067
Temporarily restricted contribution	1,306,017	(544,052)
Accounts payable and accruals	30,059	76,408
Employee's indemnity paid	<u>(8,292)</u>	<u>(19,032)</u>
Net cash flows (used in) from operating activities	<u>(146,290)</u>	<u>229,665</u>
Investing activities:		
Purchase of property and equipment	<u>(22,191)</u>	<u>(29,067)</u>
Net cash used in investing activities	<u>(22,191)</u>	<u>(29,067)</u>
Decrease (Increase) in cash and cash equivalents	(168,481)	200,598
Cash and cash equivalents, beginning of the year	<u>906,704</u>	<u>706,106</u>
Cash and cash equivalents, end of year	<u><u>738,223</u></u>	<u><u>906,704</u></u>

Notes to the Financial Statements

December 31, 2013

1. General

On January 4, 2000, a group of Palestinian not-for-profit organizations and Palestinian activists founded the Coalition for Accountability and Integrity - AMAN. 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, enhance the role of oversight institutions including the Palestinian Legislative Council and civil society and propose draft legislations and regulations and work closely with the Palestinian Legislative Council.

AMAN's financial statements as at December 31, 2013 were authorized for issuance by the Executive Board on March 4, 2014.

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

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 adopted are consistent with those of the previous financial year.

Furthermore, several standards and interpretations have been issued but are not yet mandatory. AMAN believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

2.3 Significant accounting policies.

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 follow:

- 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

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 property and equipment.

Expenses recognition

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

Impairment

An assessment is made at each reporting 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.

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 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.

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.

Significant accounting policies, estimates and assumptions

AMAN`s financial position and changes in net assets are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the financial statements. AMAN 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 might differ significantly from these estimates.

Useful lives of tangible and intangible assets

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

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 USD 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. \$
Cost:			
At January 1, 2013	31,141	112,275	143,416
Additions	4,548	17,643	22,191
At December 31, 2013	<u>35,689</u>	<u>129,918</u>	<u>165,607</u>
Accumulated depreciation:			
At January 1, 2013	18,303	77,334	95,637
Depreciation charge for the year	3,271	15,100	18,371
At December 31, 2013	<u>21,574</u>	<u>92,434</u>	<u>114,008</u>
Net book value:			
At December 31, 2013	<u>14,115</u>	<u>37,484</u>	<u>51,599</u>
At December 31, 2012	<u>12,838</u>	<u>34,941</u>	<u>47,779</u>

Property and equipment include U.S. \$ 72,871 and U.S. \$ 61,476 of fully depreciated assets that are still being used in AMAN`s activities as at December 31, 2013 and 2012, respectively.

4. Contributions receivable

	Balance, beginning of year	Additions	Cash received	Written - off	Currency exchange differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Government of Norway, Netherlands and Luxembourg	276,994	2,411,360	(774,545)	-	(7,108)	1,906,701
Transparency International	221,055	175,312	(212,040)	-	10,333	194,660
Foundation for Future Integrity	22,292	-	(7,794)	(14,298)	-	-
European Commission	40,042	-	(40,042)	-	-	-
British Council	253,628	-	-	-	15,105	268,733
United Nations Development Programme	-	30,066	(23,101)	-	-	6,965
	-	56,750	(56,750)	-	-	-
	<u>814,011</u>	<u>2,673,488</u>	<u>(1,114,272)</u>	<u>(14,498)</u>	<u>18,330</u>	<u>2,377,059</u>

5. Other current assets

	<u>2013</u>	<u>2012</u>
	U.S. \$	U.S. \$
Prepaid expenses	14,366	10,883
Employees receivable	8,562	13,468
Other receivables	7,591	3,982
	<u>30,519</u>	<u>28,333</u>

6. Deferred revenues

Movement on deferred revenues during the year was as follows:

	<u>2013</u>	<u>2012</u>
	U.S. \$	U.S. \$
Balance, beginning of year	51,368	34,809
Additions (Note 9)	22,191	29,067
Deferred revenues recognized	<u>(18,371)</u>	<u>(12,508)</u>
Balance, end of year	<u>55,188</u>	<u>51,368</u>

7. Provision for employees' indemnity

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

	<u>2013</u>	<u>2012</u>
	U.S. \$	U.S. \$
Balance, beginning of year	127,929	106,787
Additions	40,487	40,174
Payments during the year	<u>(8,292)</u>	<u>(19,032)</u>
Balance, end of year	<u>160,124</u>	<u>127,929</u>

8. Accounts payable and accruals

	<u>2013</u>	<u>2012</u>
	U.S. \$	U.S. \$
Postponed checks	129,484	72,984
Due to suppliers	68,044	64,172
Accrued expenses	21,234	781
Accrued employees' payroll tax	6,566	2,759
Accrued professional fees	6,600	10,100
Accrued salaries	-	37,407
Provision for legal cases	-	13,666
	<u>231,928</u>	<u>201,869</u>

9. Temporarily restricted contributions

This item comprises 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	Deferred revenues	Written - off	Transferred to unrestricted contributions	Currency exchange difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Government of Norway, Netherlands and Luxembourg	564,527	2,411,360	(800,189)	(3,555)	-	-	(17,441)	2,154,702
Transparency International	431,593	175,312	(323,014)	(13,012)	-	(129)	7,396	278,146
Foundation for Future European Commission Integrity	13,220	-	-	-	(13,220)	-	-	-
	323,763	-	(81,049)	(2,674)	-	-	10,256	250,296
	44,024	-	(44,993)	-	-	-	969	-
British Council	-	30,066	(24,068)	(2,950)	-	(3,048)	-	-
United Nations Development Programme	-	56,750	(56,377)	-	-	(373)	-	-
	<u>1,377,127</u>	<u>2,673,488</u>	<u>(1,329,690)</u>	<u>(22,191)</u>	<u>(13,220)</u>	<u>(3,550)</u>	<u>1,180</u>	<u>2,683,144</u>

10. Unrestricted Contributions

	<u>2013</u>	<u>2012</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Transferred from temporarily restricted contributions (Note 9)	3,550	51,031
Other unrestricted contributions	<u>7,808</u>	<u>5,068</u>
	<u>11,358</u>	<u>56,099</u>

11. Projects' Expenses

	Enhancing integrity, transparency and accountability in the Palestinian society	Influential power for increasing the key state institutions' responsiveness and accountability	Pro Poor Integrity	ACTION- Addressing Corruption Through Information and Organized Networking	Empowering and Strengthening Civil Society's Institutional, Organizational Capacities and Networks in Palestine to Address Corruption	National Integrity System	Blowing Steam Radio Programme	Tajawoob	Enhancing Awareness of the Palestinian Society on the Role of the Anti-Corruption Commission, Civil Society, and Media in Combating Corruption	Total 2013	Total 2012
	Government of Norway, Netherlands and Luxembourg	European Commission	Integrity	Transparency International	Transparency International	Transparency International	Transparency International	British Council	UNDP	U.S. \$	U.S. \$
	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	287,263	46,064	4,461	36,103	63,325	26,745	-	21,213	4,331	489,506	455,938
Project expenses	81,906	-	-	26,500	-	-	-	-	-	108,406	136,642
Employees' indemnity	24,204	3,825	323	2,997	5,020	2,196	-	1,582	340	40,487	40,175
Experts honoraria and training fees	129,438	6,563	11,656	18,708	23,169	10,813	-	-	3,828	204,175	220,800
Utilities, stationery and supplies	19,454	55	1,395	2,277	11,976	396	81	194	917	36,745	25,947
Professional fees	-	2,606	-	-	6,600	-	-	-	-	9,206	18,091
Office equipment and hall rental	30,000	-	1,422	-	-	-	-	-	-	31,422	39,057
Workshops expenses	44,217	8,531	5,575	4,393	7,050	156	-	166	4,300	74,388	85,004
Travel and accommodation	21,726	3,315	4,826	1,522	15,534	4	101	740	2,079	49,847	86,924
Information and publications	150,296	9,813	15,209	5,500	29,976	-	12,663	173	40,414	264,044	221,442
Postage, telephone, fax and internet	9,673	248	-	327	7,377	25	-	-	168	17,818	12,007
Sundry	2,012	28	126	32	1,439	9	-	-	-	3,646	10,521
Total	800,189	81,049	44,993	98,359	171,466	40,344	12,845	24,068	56,377	1,329,690	1,352,548

12. Other expenses

	<u>2013</u>	<u>2012</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Administrative expenses	7,701	-
Currency variances	-	20,832
Written-off contributions	1,278	5,988
Sundry	-	32
	<u>8,979</u>	<u>26,852</u>

13. Related party transactions

This represents transaction with key management personnel:

	<u>2013</u>	<u>2012</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Key management personnel compensation:		
Short-term benefits	<u>76,980</u>	<u>76,366</u>
Long-term benefits	<u>3,715</u>	<u>3,668</u>

14. 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 other current assets. Financial liabilities consist of accounts payable and some of 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.

15. Risk management

Liquidity risk

AMAN limits its liquidity risk by maintaining adequate cash balances to meet its current obligations and to finance its operating 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 decrease in foreign currency exchange rate is expected to be equal and opposite to the effect of the increase shown.

	Change in currency exchange rate to U.S. \$ <u> </u> %	Effect on results of activities <u> </u> U.S. \$
<u>2013</u>		
EURO	+5	5,198
ILS	+5	(757)
Norwegian Krone	+5	(2,399)
<u>2012</u>		
EURO	+5	5,916
British Pound	+5	113
Norwegian Krone	+5	(6,516)

16. Concentration of Risk in Geographic Area

AMAN is carrying out all of 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.