

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN
FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011, 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, 2011 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



13 March, 2012
Ramallah, Palestine

Statement of Financial Position

As at December 31, 2011

	<u>Notes</u>	<u>2011</u> <u>U.S. \$</u>	<u>2010</u> <u>U.S. \$</u>
<u>Assets</u>			
Non-current assets			
Property and equipment	3	<u>33,535</u>	<u>23,844</u>
Current assets			
Contributions receivable	4	1,542,119	1,802,130
Other current assets	5	31,468	33,019
Cash and cash equivalents		<u>706,106</u>	<u>540,017</u>
		<u>2,279,693</u>	<u>2,375,166</u>
Total Assets		<u>2,313,228</u>	<u>2,399,010</u>
<u>Net Assets and Liabilities</u>			
Net assets			
Unrestricted net assets		<u>11,602</u>	<u>64,336</u>
Total net assets		<u>11,602</u>	<u>64,336</u>
Non-current liabilities			
Deferred revenues	6	34,809	23,154
Provision for employees' indemnity	7	<u>106,787</u>	<u>85,052</u>
		<u>141,596</u>	<u>108,206</u>
Current liabilities			
Accounts payable and accruals	8	125,461	88,890
Temporarily restricted contributions	9	<u>2,034,569</u>	<u>2,137,578</u>
		<u>2,160,030</u>	<u>2,226,468</u>
Total liabilities		<u>2,301,626</u>	<u>2,334,674</u>
Total Net Assets and Liabilities		<u>2,313,228</u>	<u>2,399,010</u>

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2011

	<u>Notes</u>	<u>2011</u> <u>U.S. \$</u>	<u>2010</u> <u>U.S. \$</u>
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	9	1,202,648	1,106,529
Deferred revenues recognized	6	11,612	13,733
Unrestricted Contributions		<u>4,434</u>	<u>16,456</u>
Total revenues		<u>1,218,694</u>	<u>1,136,718</u>
<u>Expenses</u>			
Projects' expenses	10	1,202,648	1,106,529
Depreciation	3	13,576	13,552
Other expenses	11	<u>55,204</u>	<u>28,891</u>
Total expenses		<u>1,271,428</u>	<u>1,148,972</u>
Decrease in net assets		(52,734)	(12,254)
Net assets, beginning of the year		<u>64,336</u>	<u>76,590</u>
Net assets, end of year		<u><u>11,602</u></u>	<u><u>64,336</u></u>

Statement of Cash Flows

For the year ended December 31, 2011

	<u>2011</u>	<u>2010</u>
	U.S. \$	U.S. \$
Operating activities:		
Decrease in net assets	(52,734)	(12,254)
Adjustments:		
Depreciation	13,576	13,552
Provision for employee's indemnity	37,755	36,062
Provision for legal cases	-	13,666
Loss from sale of property and equipment	-	357
Deferred revenues recognized	(11,612)	(13,733)
	<u>(13,015)</u>	<u>37,650</u>
Changes in working capital		
Contributions receivable	260,011	(480,992)
Other current assets	1,551	(20,732)
Deferred revenues	23,267	17,845
Temporarily restricted contribution	(103,009)	858,996
Accounts payable and accruals	36,571	(30,226)
Employee's indemnity paid	(16,020)	(8,826)
	<u>189,356</u>	<u>373,715</u>
Net cash flows from operating activities		
Investing activities:		
Purchase of property and equipment	(23,267)	(17,845)
Proceeds from sale of property and equipment	-	300
	<u>(23,267)</u>	<u>(17,545)</u>
Net cash used in investing activities		
Increase in cash and cash equivalents	166,089	356,170
Cash and cash equivalents, beginning of the year	<u>540,017</u>	<u>183,847</u>
Cash and cash equivalents, end of year	<u><u>706,106</u></u>	<u><u>540,017</u></u>

Notes to the Financial Statements

December 31, 2011

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-22234-505 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, 2011 were authorized for issuance by the Executive Board on 13 March, 2012.

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 policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that AMAN has adopted the following new and amended IFRS during the year.

IAS 24 - Related Party Disclosures (Revised).

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 judgments, estimates and assumptions

Donation revenues

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

Donation revenues from unconditional pledges are recognized as follow:

- Unconditional pledges that are not restricted for specific purpose or time are recognized when the pledge is obtained.
- Unconditional pledges that are 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 asset.

Expenses recognition

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

Impairment and uncollectability of financial assets

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.

Provision for employees' indemnity

Provision for employees' indemnity is calculated in accordance with the labor law prevailing in Palestine and AMAN internal policies, based on one - month indemnity for each year of employment.

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.

Judgements and estimation uncertainty

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.

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 position 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. \$
<u>Cost:</u>			
At January 1, 2011	19,640	71,442	91,082
Additions	<u>6,770</u>	<u>16,497</u>	<u>23,267</u>
At December 31, 2011	<u>26,410</u>	<u>87,939</u>	<u>114,349</u>
<u>Depreciation:</u>			
At January 1, 2011	11,436	55,802	67,238
Depreciation charge for the year	<u>3,516</u>	<u>10,060</u>	<u>13,576</u>
At December 31, 2011	<u>14,952</u>	<u>65,862</u>	<u>80,814</u>
<u>Net book value:</u>			
At December 31, 2011	<u>11,458</u>	<u>22,077</u>	<u>33,535</u>
At December 31, 2010	<u>8,204</u>	<u>15,640</u>	<u>23,844</u>

Property and equipment include U.S. \$ 55,448 and U.S. \$ 36,202 of fully depreciated assets that are still being used in AMAN's activities as at December 31, 2011 and 2010, respectively.

4. Contributions receivable

	Balance, beginning of year	Additions	Cash received	Currency exchange difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Norway , Netherlands and Luxembourg	1,459,480	550,735	(934,164)	(4,161)	1,071,890
Transparency International	92,822	290,493	(115,051)	(1,312)	266,952
Foundation for Future	-	168,292	(73,000)	-	95,292
World Bank	12,120	-	(12,120)	-	-
Friedrich Nauman Foundation	25,605	11,835	-	(5,319)	32,121
TIRI	16,906	73,405	(53,608)	-	36,703
National Endowment for Democracy	-	37,000	(29,000)	-	8,000
Palestine Telecommunications Company	12,746	-	(9,172)	-	3,574
European Commission	178,641	-	(166,180)	15,126	27,587
The Italian Cooperation	3,810	2,742	(6,552)	-	-
	<u>1,802,130</u>	<u>1,134,502</u>	<u>(1,398,847)</u>	<u>4,334</u>	<u>1,542,119</u>

5. Other current assets

	<u>2011</u>	<u>2010</u>
	U.S. \$	U.S. \$
Prepaid expenses	12,208	11,935
Employees receivables	1,853	10,244
Other receivables	17,407	10,840
	<u>31,468</u>	<u>33,019</u>

6. Deferred revenues

This item represents the value of property and equipment acquired using the temporarily restricted contributions. Such property and equipment are recognized as deferred revenue and recognized as revenues on a systematic basis over the useful life of the property and equipment. Movement on deferred revenues during the year was as follows:

	<u>2011</u>	<u>2010</u>
	U.S. \$	U.S. \$
Balance, beginning of year	23,154	19,042
Additions (Note 9)	23,267	17,845
Deferred revenues recognized	(11,612)	(13,733)
Balance, end of year	<u>34,809</u>	<u>23,154</u>

7. Provision for employees' indemnity

Following is a summary of the movement on the provision for employees' indemnity (end-of-service benefits) during the year:

	<u>2011</u>	<u>2010</u>
	U.S. \$	U.S. \$
Balance, beginning of year	85,052	57,816
Additions	37,755	36,062
Payments	(16,020)	(8,826)
Balance, end of year	<u>106,787</u>	<u>85,052</u>

8. Accounts payable and accruals

	<u>2011</u>	<u>2010</u>
	U.S. \$	U.S. \$
Due to suppliers	64,480	17,069
Postponed checks	34,668	50,916
Provision for legal cases	13,666	13,666
Accrued professional fees	7,000	7,000
Employees' payroll tax	5,539	-
Sundry	108	239
	<u>125,461</u>	<u>88,890</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	Returned to donor	Deferred revenues	Currency exchange difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Norway , Netherlands and Luxembourg	1,675,865	550,735	(797,488)	-	(6,393)	6,627	1,429,346
Transparency International	172,545	290,493	(143,417)	(16,345)	(9,266)	1,938	295,948
Foundation for Future	-	168,292	(41,352)	-	(1,753)	-	125,187
European Commission	198,429	-	(122,542)	-	(3,259)	8,184	80,812
TIRI	35,379	73,405	(45,157)	(11,577)	-	-	52,050
Friedrich Naumann Foundation	20,420	11,835	(10,591)	-	-	(423)	21,241
National Endowment for Democracy	-	37,000	(24,379)	-	-	-	12,621
World Bank	20,791	-	(10,750)	-	-	-	10,041
Palestine Telecommunications Company	12,707	-	(5,069)	-	(2,596)	-	5,042
Arab Region Parliamentarians Against Corruption	1,342	-	-	-	-	-	1,342
The Italian Cooperation	100	2,742	(1,903)	-	-	-	939
	<u>2,137,578</u>	<u>1,134,502</u>	<u>(1,202,648)</u>	<u>(27,922)</u>	<u>(23,267)</u>	<u>16,326</u>	<u>2,034,569</u>

10. Projects' Expenses

	Enhancing integrity, transparency and accountability in the Palestinian society	Pro Poor Integrity	Fighting Corruption Through Education	Defending the Right of Assembly and Association in Palestine	Strengthening Palestinian Electoral Participation	Corruption survey	Transparency International Mediterranean Advocacy & Legal Advice Centers (ALAC)	NGO Good Governance Certificate (GGC)	
	Norway, Netherlands and Luxembourg	TIRI	NED	Friedrich Naumann Foundation	The Italian Cooperation	World Bank	Palestine Telecommunications Company	Foundation for Future	Subtotal
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	270,989	18,804	14,224	-	-	-	-	29,281	333,298
Project expenses	126,008	-	-	-	-	-	-	-	126,008
Employees' indemnity	23,226	1,583	1,145	-	-	-	-	2,194	28,148
Experts honoraria and training fees	151,130	6,984	1,217	5,642	1,194	400	-	5,000	171,567
Utilities, stationery and supplies	18,383	50	798	-	-	-	-	1,945	21,176
Professional fees	10,500	-	-	-	-	-	-	-	10,500
Office equipment and hall rental	29,759	716	-	184	-	-	-	1,800	32,459
Workshops expenses	17,675	6,391	2,078	1,514	518	780	-	112	29,068
Travel and accommodation	16,514	6,729	2,081	205	69	127	-	-	25,725
Information and publications	112,526	3,586	2,185	3,046	122	9,443	5,069	360	136,337
Postage, telephone, fax and internet	9,665	259	611	-	-	-	-	608	11,143
Sundry	11,113	55	40	-	-	-	-	52	11,260
Total	797,488	45,157	24,379	10,591	1,903	10,750	5,069	41,352	936,682

Projects' expenses (continued)

	Subtotal	Independent Judiciary	Addressing Corruption through Information and Organized Networking - ACTION	Measuring Anti- Corruption Efforts and Building Demand for Effective National Integrity Systems in Egypt & the Arab World (MABDA)	Transparency International Mediterranean Advocacy & Legal Advice Centers (ALAC West Bank)	Transparency International Mediterranean Advocacy & Legal Advice Centers (ALAC Gaza)	Total	Total
	European Commission	T.I	Transparency International	Transparency International	Transparency International	Transparency International	2011	2010
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	333,298	48,297	9,879	4,215	43,175	5,217	444,081	383,479
Project expenses	126,008	-	3,000	-	-	-	129,008	11,500
Employees' indemnity	28,148	3,823	715	354	4,142	573	37,755	36,062
Experts honoraria and training fees	171,567	24,278	406	4,765	13,710	2,740	217,466	158,082
Utilities, stationery and supplies	21,176	887	-	-	-	846	22,909	26,188
Professional fees	10,500	2,258	-	-	3,250	2,450	18,458	10,000
Office equipment and hall rental	32,459	-	-	-	-	-	32,459	28,405
Workshops expenses	29,068	5,012	1,423	467	803	-	36,773	50,133
Travel and accommodation	25,725	4,435	319	462	65	-	31,006	40,148
Information and publications	136,337	33,552	1,424	10,573	20,889	6,890	209,665	342,224
Postage, telephone, fax and internet	11,143	-	528	-	-	109	11,780	12,914
Sundry	11,260	-	-	-	-	28	11,288	7,394
Total	936,689	122,542	17,694	20,836	86,034	18,853	1,202,648	1,106,529

11. Other expenses

	<u>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Employees honoraria and bonuses	34,908	-
Currency exchange	20,111	14,868
Provision for legal cases	-	13,666
Loss from sale of property and equipment	-	357
Sundry	185	-
	<u>55,204</u>	<u>28,891</u>

12. Related party transactions

This represents transaction with key management personnel:

	<u>2011</u>	<u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Key management personnel compensation:		
Short-term benefits	<u>74,617</u>	<u>72,455</u>
Termination benefits	<u>3,600</u>	<u>3,813</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. Financial liabilities consist of accounts payable and accruals.

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

14.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.

	Increase in currency exchange rate to U.S. \$ <u> % </u>	Effect on results of activities <u> U.S. \$ </u>
<u>2011</u>		
EURO	+5	5,613
British Pound	+5	(1,634)
Norwegian Krone	+5	(9,044)
<u>2010</u>		
New Israel Shekel	+5	280
EURO	+5	(7,524)
British Pound	+5	(3,752)
Norwegian Krone	+5	(17,591)

15.Concentration of Risk in Geographic Area

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