



THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN
FINANCIAL STATEMENTS
DECEMBER 31, 2009



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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 of December 31, 2009, and the statement of activities and changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 give a true and fair view of the financial position of the Coalition for Accountability and Integrity - AMAN as of December 31, 2009 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

April 29, 2010
Ramallah, Palestine

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN

Statement of Financial Position

As of December 31, 2009

	Notes	2009 U.S. \$	2008 U.S. \$
<u>Assets</u>			
Non-current assets			
Property and equipment	3	20,208	21,991
Current assets			
Contributions receivable	4	1,321,138	1,887,018
Other current assets		12,287	31,474
Cash and cash equivalents		183,847	166,765
		<u>1,517,272</u>	<u>2,085,257</u>
Total Assets		<u>1,537,480</u>	<u>2,107,248</u>
<u>Net Assets and Liabilities</u>			
Net assets			
Unrestricted net assets		76,590	24,976
Total net assets		<u>76,590</u>	<u>24,976</u>
Non-current liabilities			
Deferred revenues	5	19,042	20,347
Provision for employees' indemnity	6	57,816	37,913
		<u>76,858</u>	<u>58,260</u>
Current liabilities			
Accounts payable and accruals	7	105,450	90,971
Temporarily restricted contributions	8	1,278,582	1,933,041
		<u>1,384,032</u>	<u>2,024,012</u>
Total liabilities		<u>1,460,890</u>	<u>2,082,272</u>
Total Net Assets and Liabilities		<u>1,537,480</u>	<u>2,107,248</u>

The attached notes 1 to 14 form part of these financial statements.

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN

Statement of Activities and Changes in Net Assets

Year ended December 31, 2009

	Notes	2009 U.S. \$	2008 U.S. \$
Revenues			
Temporarily restricted contributions released from restriction	8	945,253	638,891
Unrestricted contributions		54,347	39,794
Deferred revenues recognized	5	9,997	17,553
Total revenues		<u>1,009,597</u>	<u>696,238</u>
Expenses			
Projects' expenses	9	945,253	638,891
Depreciation	3	10,475	15,661
Administrative expenses	10	-	16,602
Other expenses		2,255	2,080
Total expenses		<u>957,983</u>	<u>673,234</u>
Increase in net assets		51,614	23,004
Net assets, beginning of the year		<u>24,976</u>	<u>1,972</u>
Net assets, end of year		<u><u>76,590</u></u>	<u><u>24,976</u></u>

The attached notes 1 to 14 form part of these financial statements.

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN

Cash Flow Statement

Year ended December 31, 2009

	2009 U.S. \$	2008 U.S. \$
Operating activities:		
Increase in net assets	51,614	23,004
Adjustments:		
Depreciation	10,475	15,661
Provision for employee's indemnity	28,771	22,998
Loss from sale of property and equipment	-	188
Deferred revenue recognized	(9,997)	(17,553)
	80,863	44,298
Changes in working capital		
Contributions receivable	565,880	(1,551,696)
Other current assets	19,187	(23,973)
Deferred revenues	8,692	8,534
Temporarily restricted contribution	(654,459)	1,549,011
Accounts payable and accruals	14,479	39,118
Employees' indemnity paid	(8,868)	(12,737)
Net cash from operating activities	25,774	52,555
Investing activities:		
Purchase of property and equipment	(8,692)	(10,243)
Proceeds from sale of property and equipment	-	1,769
Net cash used in investing activities	(8,692)	(8,474)
Increase in cash and cash equivalents	17,082	44,081
Cash and cash equivalents, beginning of the year	166,765	122,684
Cash and cash equivalents, end of year	183,847	166,765

The attached notes 1 to 14 form part of these financial statements.

Notes to the Financial Statements

December 31, 2009

1. Activities

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 of December 31, 2009 were authorized for issuance by the Executive Board on April 29, 2010.

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 revised IFRS. Adoption of these new and revised standards and interpretations did not have any effect on the financial performance or position of AMAN.

IFRS 7 - Financial Instruments (Revised).

IAS 1 - Presentation of Financial Statements (Revised).

IAS 24 - Related Party Disclosures (Revised).

2.3 Summary of Significant accounting policies

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 uncollectibility 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. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognized in the statement of activities and changes in net assets;
- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Cash and cash equivalent

Cash and cash equivalent 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 less accumulated depreciation and any impairment in value.

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

	Useful Life (Year)
Office furniture	6-7
Office equipment	4-5

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property and equipment. All other expenditures are recognized in the statement of activities and changes in net assets as the expense is incurred.

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 at the rate of exchange ruling at the statement of financial position date. All differences are recognized in the statement of activities and changes in net assets.

3. Property and equipment

	Office furniture U.S. \$	Office equipment U.S. \$	Total U.S. \$
Cost:			
At January 1, 2009	15,315	54,517	69,832
Additions	2,247	6,445	8,692
At December 31, 2009	17,562	60,962	78,524
Depreciation:			
At January 1, 2009	6,255	41,586	47,841
Depreciation charge for the year	2,337	8,138	10,475
At December 31, 2009	8,592	49,724	58,316
Net book value:			
At December 31, 2009	8,970	11,238	20,208
At December 31, 2008	9,060	12,931	21,991

Property and equipment include U.S. \$ 32,580 of fully depreciated assets that are still being used in AMAN's activities as of December 31, 2009.

4. Contributions receivable

	Balance, beginning of year U.S. \$	Additions U.S. \$	Cash received U.S. \$	In Kind Contributions U.S. \$	Write off U.S. \$	Currency exchange difference U.S. \$	Balance, end of year U.S. \$
Norway and Netherlands	1,359,803	-	(572,344)	-	-	-	787,459
Transparency International	420,671	-	(139,842)	-	-	23,443	304,272
World Bank	-	138,677	(29,597)	-	-	-	109,080
United Nations Development Programme	61,210	-	(34,510)	-	(26,700)	-	-
Friedrich Nauman Foundation	22,153	22,077	(11,813)	-	-	2,483	34,900
German Technical Cooperation	-	2,000	(2,000)	-	-	-	-
Ministry of Finance	-	5,000	(5,000)	-	-	-	-
TIRI	-	96,130	(45,149)	-	-	-	50,981
PADICO	-	3,000	(3,000)	-	-	-	-
National Endowment for Democracy	-	32,700	(11,000)	-	-	-	21,700
Arab region parliamentarians against corruption	-	1,000	(1,000)	-	-	-	-
Palestine Telecommunications Company	23,181	-	(3,794)	(6,641)	-	-	12,746
	<u>1,887,018</u>	<u>300,584</u>	<u>(859,049)</u>	<u>(6,641)</u>	<u>(26,700)</u>	<u>25,926</u>	<u>1,321,138</u>

5. 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>2009</u>	<u>2008</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	20,347	29,366
Additions (Note 8)	8,692	8,534
Deferred revenues recognized	(9,997)	(17,553)
Balance, end of year	<u>19,042</u>	<u>20,347</u>

6. 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>2009</u>	<u>2008</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	37,913	27,652
Additions	28,771	22,998
Payments	(8,868)	(12,737)
Balance, end of year	<u>57,816</u>	<u>37,913</u>

7. Accounts payable and accruals

	<u>2009</u>	<u>2008</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Postponed checks	73,374	55,676
Due to suppliers	19,171	19,419
Accrued professional fees	7,000	7,000
Employees' payroll tax	4,297	2,242
Sundry	1,608	6,634
	<u>105,450</u>	<u>90,971</u>

8. 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 was as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Returned to donor	Currency exchange difference	Write off	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Norway and Netherlands	1,396,011	-	(689,422)	(3,924)	-	-	-	815,575
Transparency International	430,730	-	(143,352)	(2,212)	-	26,957	-	312,123
World Bank	-	138,677	(16,663)	-	-	-	-	122,014
United Nations Development Programme	68,232	-	(37,615)	(438)	(3,479)	-	(26,700)	-
Friedrich Naumann Foundation	10,645	22,077	(13,351)	-	-	2,124	-	21,495
German Technical Cooperation	-	2,000	(1,972)	-	-	-	-	28
Ministry of Finance	-	5,000	(3,298)	-	-	-	-	1,702
TIRI	-	96,130	(19,681)	(2,118)	-	-	-	74,331
PADICO	-	3,000	(3,000)	-	-	-	-	-
National Endowment for Democracy	4,242	32,700	(6,358)	-	-	-	-	26,342
Arab region parliamentarians against corruption	23,181	1,000	(3,900)	-	-	-	-	1,342
Palestine Telecommunications Company	-	-	(6,641)	-	-	-	-	16,540
	<u>1,933,041</u>	<u>300,584</u>	<u>(945,253)</u>	<u>(8,692)</u>	<u>(3,479)</u>	<u>29,081</u>	<u>(26,700)</u>	<u>1,278,582</u>

9. Projects' Expenses

	Enhancing integrity, transparency and accountability in the Palestinian society		National Campaign for advocating and supporting the adaptation of the United Nations Conventions against Corruption (UNCAC)		Pro Poor Integrity		Fighting Corruption Through Education		Enhancing the legal framework of Associations in the Arab World through national dialogue and empowerment of civil society		Translation and Printing of ITA in water Sector		Translation of AMAN's reports		Transparency International Mediterranean Advocacy & Legal Advice Centers (ALAC)		Subtotal
	U.S.\$	Norway and Netherlands	UNDP	U.S.\$	TIRI	NED	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	259,591		11,634		12,400	2,835		1,500									287,960
Projects implemented by local NGO's	112,910		-		-	-	-	-									112,910
Employee indemnity	22,088		894		1,550	238											24,770
Experts honoraria and training fees	33,252		15,583		2,628	-		3,737									55,200
Utilities, stationery and supplies	9,241		12		-	-		-									9,253
Professional fees	10,000		3,000		-	-		-									13,000
Office, equipment and hall rental	32,403		281		-	-		499									33,183
Workshop expenses	471		-		-	-		-									471
Travel and accommodation	21,009		880		1,322	265		223									23,699
Information and publications	136,760		4,886		171	3,000		2,881									172,824
Training expenses	37,981		341		1,410	-		4,188					16,663		6,641		44,070
Postage, telephone, fax and internet	8,705		93		200	-		293									9,291
Sundry	5,011		11		-	20		30									5,072
Total	689,422		37,615		19,681	6,358		13,351			1,972		16,663		6,641		791,703

Projects' expenses (continued)

	Subtotal	Conferences and Public Hearing	Transparency in Revenues	Transparency Festival	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)	Total	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	2009	2008
Salaries and related expenses	287,960	-	-	-	24,574	42,780	355,314	311,290
Project expenses	112,910	-	-	-	-	-	112,910	-
Employee indemnity	24,770	-	-	-	1,726	2,276	28,772	22,998
Experts honoraria and training fees	55,200	-	3,900	-	11,705	1,900	72,705	81,361
Utilities, stationery and supplies	9,253	-	-	3,000	-	898	13,151	10,376
Professional fees	13,000	-	-	-	-	-	13,000	7,000
Office, equipment and hall rental	33,183	-	-	-	-	2,150	35,333	28,354
Workshop expenses	471	-	-	-	-	-	471	1,596
Travel and accommodation	23,699	-	-	-	425	4,876	29,000	34,152
Information and publications	172,824	1,071	-	-	16,661	24,354	214,910	66,406
Training expenses	44,070	2,227	-	-	4,275	3,068	53,640	42,554
Postage, telephone, fax and internet	9,291	-	-	-	30	1,616	10,937	10,261
Sundry	5,072	-	-	-	-	38	5,110	22,543
Total	791,703	3,298	3,900	3,000	59,396	83,956	945,253	638,891

10. Administrative expenses

	<u>2009</u>	<u>2008</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Training fees	-	4,769
Salaries and related expenses	-	4,400
Rent	-	3,433
Information and publications	-	2,132
Sundry	-	1,868
	<u>-</u>	<u>16,602</u>

11. Related party transactions

This represents transaction with key management personnel:

	<u>2009</u>	<u>2008</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Key management personnel compensation:		
Short-term benefits	<u>71,036</u>	<u>69,489</u>
Termination benefits	<u>3,347</u>	<u>3,406</u>

12. 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.

13. 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 month.

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 Israeli Sheqel (ILS) and the European Monetary Unit (EURO) 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 / decrease in ILS rate to U.S. \$ %	Effect on results of activities U.S. \$	Increase / decrease in EURO rate to U.S.\$ %	Effect on results of activities U.S. \$
2009				
U.S.\$	+5	(185)	+5	(5,534)
2008				
U.S.\$	+5	(216)	+5	1,220

14. 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.