



THE COALITION FOR ACCOUNTABILITY AND
INTEGRITY – AMAN
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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**Independent Auditors' Report to the Executive Board 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, 2006, and the statement of activities 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, 2006 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



July 9, 2007
Ramallah, Palestine

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN

Statement of Financial Position

December 31, 2006

	Notes	2006 U.S. \$	2005 U.S. \$
Assets			
Non-current assets			
Property and equipment	3	27,200	29,387
Current assets			
Contributions receivable	4	576,181	879,989
Other current assets		15,384	9,880
Cash and cash equivalents		263,623	406,213
		<u>855,188</u>	<u>1,296,082</u>
Total Assets		<u>882,388</u>	<u>1,325,469</u>
Net Assets and Liabilities			
Net assets			
Unrestricted net assets		<u>5,040</u>	<u>3,112</u>
Total net assets		<u>5,040</u>	<u>3,112</u>
Non-current liabilities			
Deferred revenues	5	27,200	29,387
Provision for severance pay	6	24,885	9,255
		<u>52,085</u>	<u>38,642</u>
Current liabilities			
Accounts payable and accruals	7	31,069	41,121
Temporarily restricted contributions	8	794,194	1,242,594
		<u>825,263</u>	<u>1,283,715</u>
Total liabilities		<u>877,348</u>	<u>1,322,357</u>
Total Net Assets and Liabilities		<u>882,388</u>	<u>1,325,469</u>

The attached notes 1 to 13 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, 2006

	Notes	2006 U.S. \$	2005 U.S. \$
Revenues			
Temporarily restricted contributions released from restrictions	8	571,165	161,906
Deferred revenues recognized	5	10,782	7,735
Other revenue		2,611	-
		<u>584,558</u>	<u>169,641</u>
Expenses			
Projects' expenses	9	571,165	161,906
Depreciation	3	10,782	6,987
Loss on disposal of property and equipment		-	748
Write-off of contributions receivable	4	683	-
		<u>582,630</u>	<u>169,641</u>
Increase in net assets		1,928	-
Net assets, beginning of year		<u>3,112</u>	<u>3,112</u>
Net assets, end of year		<u>5,040</u>	<u>3,112</u>

The attached notes 1 to 13 form part of these financial statements.

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN

Cash Flow Statement

Year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
	U.S. \$	U.S. \$
Operating Activities:		
Increase in net assets	1,928	-
Adjustments:		
Depreciation	10,782	6,987
Provision for severance pay	15,630	5,346
Deferred revenue recognized	(10,782)	(7,735)
Loss on disposal of property and equipment	-	748
Write off of contributions receivable	683	-
	<u>18,241</u>	<u>5,346</u>
Changes in working capital		
Contributions receivable	(145,275)	318,987
Other current assets	(5,504)	(9,030)
Accounts payable and accruals	(10,052)	37,808
Deferred revenues	8,595	19,725
	<u>(133,995)</u>	<u>372,836</u>
Net cash flows (used in) from operating activities		
	<u>(133,995)</u>	<u>372,836</u>
Investing Activities:		
Purchase of property and equipment	(8,595)	(19,725)
	<u>(8,595)</u>	<u>(19,725)</u>
Net cash flows used in investing activities		
	<u>(8,595)</u>	<u>(19,725)</u>
(Decrease) increase in cash and cash equivalents	<u>(142,590)</u>	<u>353,111</u>
Cash and cash equivalents, beginning of year	406,213	53,102
Cash and cash equivalents, end of year	<u>263,623</u>	<u>406,213</u>

The attached notes 1 to 13 form part of these financial statements.

Notes to the Financial Statements

December 31, 2006

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 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, 2006 were authorized for issuance by the Executive Board on July 9, 2007.

2. Summary of Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Currently, the International Financial Reporting Standards do not include any specific requirements regarding the not-for-profit organization in connection with the accounting policies or the presentation of the financial statements.

The financial statements have been presented in U.S. Dollars.

The accounting policies are consistent with those used in the previous year.

Donation revenues

Donors' unconditional pledges are those pledges where donor 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.

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 at the following annual depreciation rates:

	%
Office furniture	15
Office equipment	20 - 25

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 expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditures are recognised in the statement of activities as the expense is incurred.

Income taxes

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

Provision for severance pay

Provision for employees' end of service benefits 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 financial position and results of activities 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 currency transactions

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 retranslated at the rate of exchange ruling at the statement of financial position date. All differences are recognized in the statement of activities.

3. Property and equipment

	<u>Office furniture</u>	<u>Office equipments</u>	<u>Total</u>
	U.S. \$	U.S. \$	U.S. \$
<u>Cost:</u>			
At January 1, 2006	6,169	41,797	47,966
Additions	2,350	6,245	8,595
At December 31, 2006	<u>8,519</u>	<u>48,042</u>	<u>56,561</u>
<u>Depreciation:</u>			
At January 1, 2006	2,341	16,238	18,579
Depreciation charge for the year	972	9,810	10,782
At December 31, 2006	<u>3,313</u>	<u>26,048</u>	<u>29,361</u>
<u>Net book value:</u>			
At December 31, 2006	<u>5,206</u>	<u>21,994</u>	<u>27,200</u>
At December 31, 2005	<u>3,828</u>	<u>25,559</u>	<u>29,387</u>

Property and equipment include U.S. \$ 8,510 of fully depreciated assets that are still operating as of December 31, 2006.

4. Contributions Receivable

	Balance, beginning of year	Additions	Cash received	Write off	Currency exchange difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Norway and Netherlands United Nations Development Programme (UNDP)	841,835	-	(376,588)	-	92,013	557,260
TIRI	15,000	-	(15,000)	-	-	-
Konrad Adenauer Stiftung	15,221	-	(10,469)	-	(1,631)	3,121
Transparency International (TI)	683	-	-	(683)	-	-
The World Bank Group	-	1,202	(1,202)	-	-	-
Cooperative Housing Fund (CHF)	7,250	-	(7,250)	-	-	-
	-	18,960	(3,160)	-	-	15,800
	<u>879,989</u>	<u>20,162</u>	<u>(413,669)</u>	<u>(683)</u>	<u>90,382</u>	<u>576,181</u>

5. Deferred Revenues

This item represents property and equipment acquired during the year out of the temporary restricted contributions. Such property and equipment is recorded 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:

	2006	2005
	U.S. \$	U.S. \$
Balance, beginning of year	29,387	17,397
Additions (Note 8)	8,595	19,725
Deferred revenues recognized	(10,782)	(7,735)
Balance, end of year	<u>27,200</u>	<u>29,387</u>

6. Provision for severance pay

Following is a summary of the movement on the provision for severance pay during the year:

	2006	2005
	U.S. \$	U.S. \$
Balance, beginning of year	9,255	3,909
Additions during the year	15,630	5,346
Balance, end of year	<u>24,885</u>	<u>9,255</u>

7. Accounts Payable and Accruals

	2006	2005
	U.S. \$	U.S. \$
Due to MIFTAH	-	23,292
Accrued professional fees	12,365	6,640
Employees' income tax payable	7,642	764
Other accrued expense	4,639	5,133
Other payables	6,423	5,292
	<u>31,069</u>	<u>41,121</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 is as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Currency exchange difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Norway and Netherlands	1,183,050	-	(520,980)	(6,075)	109,167	765,162
United Nations Development Programme (UNDP)	25,908	-	(24,661)	(1,247)	-	-
TIRI	24,682	-	(15,695)	-	2,031	11,018
Konrad Adenauer Stiftung	6,773	-	(6,773)	-	-	-
Transparency International (TI)	2,181	1,202	(1,060)	-	-	2,323
Cooperative Housing Foundation (CHF)	-	18,960	(1,996)	(1,273)	-	15,691
	<u>1,242,594</u>	<u>20,162</u>	<u>(571,165)</u>	<u>(8,595)</u>	<u>111,198</u>	<u>794,194</u>

9. Projects' Expenses

	ASPIDI*		Setting-up AMAN office in Gaza City		Corruption in post-conflict reconstruction		Other projects								
	Norway and Netherlands		UNDP		TIRI		Konrad Adenauer Stiftung		Transparency International		CHF				
	U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$		U.S. \$				
Salaries and related expenses	209,739		9,930		-		-		-		1,233		220,902		80,456
Severance pay	14,707		923		-		-		-		-		15,630		5,346
Experts honoraria and training fees	34,865		600		15,133		-		115		-		50,713		11,776
Utilities, stationery & supplies	17,840		943		-		-		-		643		19,426		6,926
Office, equipment and hall rental	21,843		3,150		-		-		-		-		24,993		6,254
Workshop expenses	4,090		164		-		-		-		-		4,254		4,677
Travel and accommodation	14,883		589		-		-		-		-		15,472		679
Information and publications	151,575		4,411		562		6,743		394		-		163,685		40,378
Training expenses	33,589		610		-		-		-		-		34,199		1,050
Hosting delegations and meetings	3,107		-		-		-		-		-		3,107		473
Postage, telephone, fax and internet	7,811		2,075		-		-		551		-		10,437		2,794
Other	6,931		1,266		-		30		-		120		8,347		1,097
Total	520,980		24,661		15,695		6,773		1,060		1,996		571,165		161,906

* Norway and Netherlands funded the project named "AMAN Strategy for Programmatic/Institutional Development and Implementation".

10. Related party transactions

This represents transaction with key management personnel:

	2006	2005
	U.S. \$	U.S. \$
Key management personnel compensation	45,900	19,500

11. 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.

12. 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.

Foreign currency risk

Financial statements balances that are subject to foreign currencies risk are as follow:

	2006		2005	
	Euro	NIS	Euro	NIS
<u>Assets</u>				
Contributions receivable	560,381	-	857,056	-
Cash and cash equivalents	214,153	34,548	132,995	1,276
	<u>774,539</u>	<u>34,548</u>	<u>990,051</u>	<u>1,276</u>
<u>Liabilities</u>				
Temporarily restricted contribution	(776,180)	-	(1,207,732)	-
	<u>(776,180)</u>	<u>-</u>	<u>(1,207,732)</u>	<u>-</u>
Net Assets (liabilities)	<u>(1,646)</u>	<u>34,548</u>	<u>(217,681)</u>	<u>1,276</u>

13. 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.