THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN

FINANCIAL STATEMENTS

DECEMBER 31, 2007

ERNST & YOUNG

P.O. Box 1373
Sixth Floor, Trust Building
Jerusalem Street
Tel: +972 22421011
Fax: +972 22422324
www.ey.com

**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 of the statement of financial position as of December 31, 2007, 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, 2007 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

April 21, 2008
Ramallah, Palestine

Statement of Financial Position

As of December 31, 2007

	Notes	2007 U.S. $	2006 U.S. $
Assets			
Non-current assets			
Property and equipment	3	29,366	27,200
Current assets			
Contributions receivable	4	335,322	576,181
Other current assets		7,501	15,384
Cash and cash equivalent		122,684	263,623
		465,507	855,188
Total Assets		494,873	882,388
Net Assets and Liabilities			
Net assets			
Unrestricted net assets		1,972	5,040
Total net assets		1,972	5,040
Non-current liabilities			
Deferred revenues	5	29,366	27,200
Provision for employees` indemnity	6	27,652	24,885
		57,018	52,085
Current liabilities			
Accounts payable and accruals	7	51,853	31,069
Temporarily restricted contributions	8	384,030	794,194
		435,883	825,263
Total liabilities		492,901	877,348
Total Net Assets and Liabilities		494,873	882,388

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

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2007

	Notes	2007 U.S. $	2006 U.S. $
Revenues			
Temporarily restricted contributions released from restrictions	8	790,361	571,165
Unrestricted contributions		21,202	-
Deferred revenues recognized	5	14,187	10,782
Other revenues		-	2,611
Total revenues		825,750	584,558
Expenses			
Projects expenses	9	790,361	571,165
Depreciation	3	14,187	10,782
Other Expenses		24,270	683
Total expenses		828,818	582,630
(Decease) increase in net assets		(3,068)	1,928
Net assets, beginning of year		5,040	3,112
Net assets, end of year		1,972	5,040

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

Cash Flow Statement

For the year ended December 31, 2007

	2007	2006
	U.S. $	U.S. $
Operating Activities:		
(Decease) increase in net assets	(3,068)	1,928
Adjustments:		
Depreciation	14,187	10,782
Provision for employee's indemnity	17,425	15,630
Deferred revenue recognized	(14,187)	(10,782)
Write off of contributions receivable	-	683
	14,357	18,241
Changes in working capital		
Contributions receivable	240,859	303,125
Other current assets	7,883	(5,504)
Deferred revenues	16,353	8,595
Temporarily restricted contribution	(410,164)	(448,400)
Accounts payable and accruals	20,784	(10,052)
Employees` indemnity paid	(14,658)	-
Net cash used in operating activities	(124,586)	(133,995)
Investing Activities:		
Purchase of property and equipment	(16,353)	(8,595)
Net cash used in investing activities	(16,353)	(8,595)
Decrease in cash and cash equivalents	(140,939)	(142,590)
Cash and cash equivalents, beginning of year	263,623	406,213
Cash and cash equivalents, end of year	122,684	263,623

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

Notes to the Financial Statements

December 31, 2007

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 of December 31, 2007 were authorized for issuance by the Executive Board on April 21, 2008.

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.

Changes in accounting policies

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. Adoption of these revised standards did not have any effect on the financial performance or position of AMAN. They did however give rise to additional disclosures:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of AMAN's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the result of activities or financial position, comparative information has been revised where needed.

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.

Impairment and uncollectibility of financial assets

An assessment is made at each financial statement 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' 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`s financial position and results of activates 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 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	Office equipments	Total
	U.S. $	U.S. $	U.S. $
Cost:			
At January 1, 2007	8,519	48,042	56,561
Additions	2,434	13,919	16,353
At December 31, 2007	10,953	61,961	72,914
Depreciation:			
At January 1, 2007	3,313	26,048	29,361
Depreciation charge for the year	1,228	12,959	14,187
At December 31, 2007	4,541	39,007	43,548
Net book value:			
At December 31, 2007	6,412	22,954	29,366
At December 31, 2006	5,206	21,994	27,200

Property and equipment include U.S. $ 8,510 of fully depreciated assets that are still in operation as of December 31, 2007.

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 and Netherlands	557,260	-	(489,159)	26,671	94,772
United Nations Development Programme	-	280,633	(83,322)	-	197,311
TIRI	3,121	-	(5,553)	2,432	-
Friedrich Nauman Foundation	-	15,088	(11,467)	868	4,489
The NGO Development Centre	-	45,000	(11,250)	-	33,750
Palestine Securities Exchange	-	5,000	-	-	5,000
Cooperative Housing Fund	15,800	-	(15,840)	40	-
	576,181	345,721	(616,591)	30,011	335,322

5. Deferred Revenues

This item represents the value of property and equipment acquired using the temporary 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:

	2007	2006
	U.S. $	U.S. $
Balance, beginning of year	27,200	29,387
Additions (Note 8)	16,353	8,595
Deferred revenues recognized	(14,187)	(10,782)
Balance, end of year	29,366	27,200

6. Provision for Employees' Indemnity

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

	2007	2006
	U.S. $	U.S. $
Balance, beginning of year	24,885	9,255
Additions	17,425	15,630
Payments	(14,658)	-
Balance, end of year	27,652	24,885

7. Accounts Payable and Accruals

	2007	2006
	U.S. $	U.S. $
Due to suppliers	45,248	6,423
Accrued professional fees	6,500	12,365
Employees' payroll tax	-	7,642
Other accrued expense	105	4,639
	51,853	31,069

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	765,162	-	(685,905)	(8,423)	51,935	122,769
United Nations Development Programme	-	280,633	(79,015)	(7,740)	-	193,878
TIRI	11,018	-	(5,606)	-	(2,290)	3,122
Friedrich Naumann Foundation	-	15,088	(12,930)	-	1,184	3,342
Transparency International	2,323	-	-	-	-	2,323
The NGO Development Centre	-	45,000	(2,750)	-	-	42,250
Palestinian Securities Exchange	-	5,000	(4,155)	-	-	845
Cooperative Housing Foundation	15,691	-	-	(190)	-	15,501
	794,194	345,721	(790,361)	(16,353)	50,829	384,030

9. Projects' Expenses

	ASPIDI*	Corruption in post-conflict reconstruction	The National Anti-Corruption Campaign " UNCAC"	Introducing Transparency and Accountability Standards to the Code of Conduct	Enhancing the legal Framework of Associations in the Arab World through national dialogue and empowerment of civil society			
	Norway and Netherlands	TIRI	UNDP	NDC	FN	PSE	Total 2007	Total 2006
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Salaries and related expenses	204,740	-	16,275	-	442	-	221,457	220,902
Severance pay	15,960	-	1,465	-	-	-	17,425	15,630
Experts honorariea and training fees	101,495	3,939	16,350	2,500	8,577	-	132,861	50,713
Utilities, stationery & supplies	67,903	-	8,394	247	1,149	726	78,419	19,426
Office, equipment and hall rental	43,395	120	1,724	-	703	-	45,942	24,993
Workshop expenses	7,819	-	5,573	-	64	-	13,456	4,254
Travel and accommodation	15,413	-	5,965	3	-	156	21,537	15,472
Information and publications	156,524	1,533	15,386	-	1,192	3,000	177,635	163,685
Training expenses	50,749	-	3,319	-	366	273	54,707	34,199
Hosting delegations and meetings	1,151	-	-	-	301	-	1,452	3,107
Postage, telephone, fax and internet	13,086	-	870	-	136	-	14,092	10,437
Other	7,670	14	3,694	-	-	-	11,378	8,347
Total	**685,905**	**5,606**	**79,015**	**2,750**	**12,930**	**4,155**	**790,361**	**571,165**

* 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:

	2007	2006
	U.S. $	U.S. $
Key management personnel compensation:		
Short-term benefits	48,420	42,370
Termination benefits	4,035	3,530

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.

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:-

	Increase / decrease in ILS rate to U.S. $	Effect on results of activities	Increase / decrease in EURO rate to U.S.$	Effect on results of activities
	%	U.S. $	%	U.S. $
2007				
U.S.$	+5	(106)	+5	2,623
U.S.$	-5	106	-5	(2,623)
2006				
U.S.$	+5	1,727	+5	(82)
U.S.$	-5	(1,727)	-5	82

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.