

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF  
GLOBAL DIALOGUE AND DEMOCRACY (MIFTAH)

FINANCIAL STATEMENTS

DECEMBER 31, 2012

**Independent Auditors' Report to the Board of Trustees of  
The Palestinian Initiative for the Promotion of Global Dialogue and Democracy  
(MIFTAH)**

We have audited the accompanying financial statements of the Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH), which comprise the statement of financial position as at December 31, 2012, and the statement of activities and changes in net assets and the 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 MIFTAH as at December 31, 2012 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



April 4, 2013  
Ramallah, Palestine

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

**Statement of Financial Position**  
As at December 31, 2012

	<u>Notes</u>	<u>2012</u> U.S. \$	<u>2011</u> U.S. \$
<b>Assets</b>			
<b>Non - current assets</b>			
Property and equipment	3	12,008	16,693
<b>Current assets</b>			
Contributions receivable	4	416,384	99,321
Due from Board of Trustees	5	-	45,000
Other current assets		-	9,726
Cash and cash equivalents	6	778,119	604,153
		<u>1,194,503</u>	<u>758,200</u>
<b>Total Assets</b>		<u>1,206,511</u>	<u>774,893</u>
<b>Net Assets and Liabilities</b>			
<b>Net assets</b>			
Unrestricted net assets		<u>201,275</u>	<u>207,188</u>
<b>Total net assets</b>		<u>201,275</u>	<u>207,188</u>
<b>Non - current liabilities</b>			
Deferred revenues	7	11,632	15,606
Provision for employees' indemnity	8	181,692	174,944
		<u>193,324</u>	<u>190,550</u>
<b>Current liabilities</b>			
Accounts payable and accruals	9	70,997	66,669
Temporarily restricted contributions	11	740,915	310,486
		<u>811,912</u>	<u>377,155</u>
<b>Total Liabilities</b>		<u>1,005,236</u>	<u>567,705</u>
<b>Total Net Assets and Liabilities</b>		<u>1,206,511</u>	<u>774,893</u>

The attached notes 1 to 17 form part of these financial statements

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

**Statement of Activities and Changes in Net Assets**  
Year ended December 31, 2012

	<u>Notes</u>	<u>2012</u> U.S. \$	<u>2011</u> U.S. \$
<b>Revenues</b>			
Temporarily restricted contributions released from restriction	11	725,052	777,219
Unrestricted contributions	10	-	49,421
Deferred revenues recognized	7	10,523	16,697
Other revenues		645	2,116
Foreign exchange gain		-	7,740
		<u>736,220</u>	<u>853,193</u>
<b>Expenses</b>			
Projects' expenses	12	725,052	777,219
Administrative expenses	13	-	38,293
Depreciation of property and equipment	3	11,234	17,431
Foreign exchange loss		5,847	-
		<u>742,133</u>	<u>832,943</u>
<b>(Decrease) increase in net assets</b>		(5,913)	20,250
Net assets, beginning of year		<u>207,188</u>	<u>186,938</u>
<b>Net assets, end of year</b>		<u>201,257</u>	<u>207,188</u>

The attached notes 1 to 17 form part of these financial statements

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

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**Statement of Cash Flows**

Year ended December 31, 2012

	Note	2012 U.S. \$	2011 U.S. \$
<b>Operating Activities:</b>			
(Decrease) increase in net assets		(5,913)	20,250
<b>Adjustments:</b>			
Depreciation of property and equipment		11,234	17,431
Deferred revenues recognized		(10,523)	(16,697)
Provision for employees' indemnity		28,236	27,130
		<u>23,034</u>	<u>48,114</u>
<b>Changes in working capital</b>			
Contributions receivable		(317,063)	153,040
Due from Board of Trustees		45,000	-
Other current assets		9,726	18,292
Temporarily restricted contributions		430,429	(246,406)
Accounts payable and accruals		4,328	(31,604)
Deferred revenues		6,549	2,144
Employees' indemnity paid		(21,488)	(5,872)
<b>Net cash from (used in) operating activities</b>		<u>180,515</u>	<u>(62,292)</u>
<b>Investing Activities:</b>			
Purchase of property and equipment		(6,549)	(2,144)
<b>Net cash used in investing activities</b>		<u>(6,549)</u>	<u>(2,144)</u>
<b>Increase (decrease) in cash and cash equivalents</b>		173,966	(64,436)
Cash and cash equivalents, beginning of year		<u>604,153</u>	<u>668,589</u>
<b>Cash and cash equivalents, end of year</b>	6	<u><u>778,119</u></u>	<u><u>604,153</u></u>

The attached notes 1 to 17 form part of these financial statements

## **Notes to the Financial Statements**

December 31, 2012

### **1. General**

The Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH) was established in December 1998 as a non-governmental non-partisan Jerusalem-based institution dedicated to fostering democracy and good governance within the Palestinian society through promoting public accountability, transparency, the free flow of information and ideas, and challenging of stereotyping at home and abroad. MIFTAH's aim is to serve as a Palestinian platform for global dialogue and cooperation guided by the principles of democracy, human rights, gender equity, and participatory governance. To this end, MIFTAH undertakes the pro-active generation and presentation of policy proposals and the focused dissemination of reliable information. Since its establishment, MIFTAH has established the cogency of its positions in Palestine and in the region, and has formulated long and short-term policies and strategies to deal with particular pressing issues. Through networking with like-minded organizations locally, regionally and internationally, and with Palestinian expatriate communities, MIFTAH maintains lasting relationships and partnerships in pursuit of a common vision of dialogue and democracy.

MIFTAH's financial statements as at December 31, 2012 were approved by the Board of Trustees on April 4, 2013.

### **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 presented in U.S. Dollars, which is the functional currency of MIFTAH.

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

### **2.2 Changes in accounting policy 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. MIFTAH believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

### **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 follows:

- Unconditional pledges that are not restricted for a specific purpose or time are recognized when the pledge is obtained.
- Unconditional pledges that are temporarily restricted by donor for a 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 in the statement of activities and changes in Net assets 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 at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is 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 pledge 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 is 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 equipment	4-5
Office furniture	6-7
Leasehold improvements	5

Any 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**

MIFTAH 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.

### Judgements and estimation uncertainty

MIFTAH's financial position and results of activities are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the financial statements. MIFTAH 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 may 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 retranslated 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 equipment	Office furniture	Leasehold improvements	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Cost:</b>				
At January 1, 2012	201,028	64,507	28,495	294,030
Additions	6,168	381	-	6,549
At December 31, 2012	<u>207,196</u>	<u>64,888</u>	<u>28,495</u>	<u>300,579</u>
<b>Depreciation:</b>				
At January 1, 2012	188,282	62,216	26,839	277,337
Depreciation charge for the year	8,415	1,163	1,656	11,234
At December 31, 2012	<u>196,697</u>	<u>63,379</u>	<u>28,495</u>	<u>288,571</u>
<b>Net carrying value:</b>				
At December 31, 2012	<u>10,499</u>	<u>1,509</u>	<u>-</u>	<u>12,008</u>
At December 31, 2011	<u>12,746</u>	<u>2,291</u>	<u>1,656</u>	<u>16,693</u>

Property and equipment include U.S. \$ 259,961 and U.S. \$ 220,184 of fully depreciated assets that are still being used in MIFATH's activities as at December 31, 2012 and 2011, respectively.



#### 4. Contributions receivable

	Balance, beginning of year	Additions	Cash received	Currency difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
The Anna Lindh Foundation (ALF)	39,877	-	(39,877)	-	-
NGO Development Centre (NDC)	6,000	130,000	(123,000)	-	13,000
OXFAM Novib	-	109,929	-	-	109,929
UNDP	-	120,000	(84,970)	-	35,030
National Endowment for Democracy (NED)	-	33,600	(33,600)	-	-
UN Women	-	80,943	(20,449)	2,031	62,525
The OPIC Fund for International Development (OFID)	36,018	-	(35,708)	(310)	-
Henrich Boell Stiftung (HBS)	11,129	-	(11,129)	-	-
United Nations Population Fund (UNFPA)	6,297	65,152	(69,452)	(449)	1,548
Konrad Adenauer Stiftung in the Palestinian Autonomous Territories (KAS)	-	47,089	(44,198)	(2,891)	-
The Ministry for Foreign Affairs of Ireland (MFAI)	-	64,810	(64,970)	160	-
Representative Office of Norway	-	124,375	(130,906)	6,531	-
International Republic Institute (IRI)	-	376,847	(182,495)	-	194,352
	<u>99,321</u>	<u>1,152,745</u>	<u>(840,754)</u>	<u>5,072</u>	<u>416,384</u>

#### 5. Due from Board of Trustees

During 2011, a number of MIFTAH's members of Board of Trustees made commitments to donate unrestricted contributions of U.S. \$ 45,000. As at December 31, 2012 unrestricted contributions of U.S. \$ 45,000 were collected.

#### 6. Cash and cash equivalents

	2012	2011
	U.S. \$	U.S. \$
Cash in hand and at banks	297,135	146,578
Short-term deposits	480,984	457,575
	<u>778,119</u>	<u>604,153</u>

Short term deposits in U.S. \$ are due within three months after the financial statements date with an average interest rate of 0.5% and 0.80% , during the years ended December 31, 2012 and 2011, respectively.

Short-term deposits as at December 31, 2012 and 2011 include U.S. \$ 181,693 and U.S. \$ 175,541, respectively as restricted deposits against employees' indemnity.

#### 7. Deferred revenues

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

	2012	2011
	U.S. \$	U.S. \$
Balance, beginning of year	15,606	30,159
Additions (Note 11)	6,549	2,144
Deferred revenues recognized	(10,523)	(16,697)
Balance, end of year	<u>11,632</u>	<u>15,606</u>

## 8. Provision for employees' indemnity

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

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	174,944	153,686
Additions during the year	28,236	27,130
Payments during the year	<u>(21,488)</u>	<u>(5,872)</u>
Balance, end of year	<u><u>181,692</u></u>	<u><u>174,944</u></u>

## 9. Accounts payable and accruals

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Outstanding checks	45,763	29,680
Accounts payable	16,106	29,108
Accrued expenses	7,793	7,881
Other	1,335	-
	<u><u>70,997</u></u>	<u><u>66,669</u></u>

## 10. Unrestricted contributions

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Board of Trustees	-	45,000
Others	-	4,421
	<u><u>-</u></u>	<u><u>49,421</u></u>

### 11. 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	Interest revenue	Currency difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
NGO Development Centre (NDC)	-	130,000	(128,608)	(1,392)	-	-	-
Oxfam Novib	-	109,929	(5,272)	-	-	-	104,657
UNDP	-	120,000	(70,477)	-	-	-	49,523
National Endowment for Democracy (NED)	-	33,600	(31,883)	-	-	-	1,717
UN Women	-	80,943	(19,747)	-	-	1,851	63,047
The OPIC Fund for International Development (OFID)	12,971	-	(12,971)	-	-	-	-
United Nations Population Fund (UNFPA)	-	65,152	(64,506)	-	-	(646)	-
Konrad Adenauer Stiftung in the Palestinian Autonomous Territories (KAS)	-	47,089	(44,702)	-	-	(2,387)	-
The Ministry for Foreign Affairs of Ireland (MFAI)	66,680	64,810	(65,370)	(1,310)	-	160	64,970
Representative Office of Norway (NRO)	-	124,375	(129,611)	(1,295)	-	6,531	-
International Republic Institute (IRI)	-	376,847	(151,905)	(2,552)	-	-	222,390
Special donations	230,835	-	-	-	3,776	-	234,611
	<u>310,486</u>	<u>1,152,745</u>	<u>(725,052)</u>	<u>(6,549)</u>	<u>3,776</u>	<u>5,509</u>	<u>740,915</u>

## 12. Projects expenses

Components of projects expenses are as follows:

	<u>UN women</u>	<u>UNDP</u>	<u>OFID</u>	<u>UNFPA</u>	<u>IRI</u>	<u>OXFAM Novib</u>	
	Gender Responsive Budget	Supporting Young Palestinian Women Political Leaders	Empowerment of Women Through Small Grants for Income Generating	Gender Based Violence and Women's Empowerment	Elections Support	Supporting Women Transformative Leadership in Changing Times (AMAL)	Subtotal
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Salaries and related expenses	6,269	35,959	4,309	22,715	66,045	4,647	139,944
Office, equipment and hall rental	1,000	1,600	84	100	7,300	625	10,709
Utilities	-	1,498	28	205	478	-	2,209
Postage, telephone and fax	165	1,900	96	5	2,355	-	4,521
Travel and accommodation	61	1,926	402	1,773	3,949	-	8,111
Information, IT and publications	7,522	2,346	6,921	30,708	25,932	-	73,429
Training expenses	2,505	12,683	357	4,340	23,277	-	43,162
Hosting delegations and meetings	2,225	12,093	774	4,660	22,274	-	42,026
Professional fees	-	200	-	-	-	-	200
Others	-	272	-	-	295	-	567
<b>Total</b>	<b>19,747</b>	<b>70,477</b>	<b>12,971</b>	<b>64,506</b>	<b>151,905</b>	<b>5,272</b>	<b>324,878</b>

Projects expenses - continued

	<u>NDC</u>	<u>MFAI</u>	<u>NRO</u>	<u>KAS</u>	<u>NED</u>			
						Fostering Dialogue on Statehood among Palestinian Youth	Total Project Expenses 2012	Total Project Expenses 2011
	Core Fund			Critical Reading of Print Media				
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Salaries and related expenses	139,944	73,167	44,796	90,604	36,217	12,252	396,980	381,505
Office equipment and hall rental	10,709	7,100	4,125	6,716	-	1,850	30,500	28,950
Utilities	2,209	3,698	3,193	5,163	-	1,069	15,332	14,320
Postage, telephone and fax	4,521	906	836	1,423	-	877	8,563	8,936
Travel and accommodation	8,111	2,385	2,549	2,845	432	2,542	18,864	21,857
Information, IT and publications	73,429	15,032	1,887	9,725	7,220	882	108,175	212,376
Training expenses	43,162	14,750	1,784	5,089	-	6,775	71,560	34,553
Hosting delegations and meetings	42,026	8,876	2,742	3,032	833	4,851	62,360	46,479
Professional fees	200	2,000	1,400	1,950	-	450	6,000	21,268
Others	567	694	2,058	3,064	-	335	6,718	6,975
Total	<u>324,878</u>	<u>128,608</u>	<u>65,370</u>	<u>129,611</u>	<u>44,702</u>	<u>31,883</u>	<u>725,052</u>	<u>777,219</u>

### 13. Administrative expenses

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Salaries and related expenses	-	38,157
Others	-	136
	<u>-</u>	<u>38,293</u>

### 14. Related party transactions

Related parties represent members of the Board of Trustees and key management personnel of MIFTAH. Pricing policies and terms of these transactions are approved by MIFTAH's management.

Balances with related parties included in the statement of financial position are as follows:

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Due from Board of Trustees	-	45,000

Transactions with related parties included in the statement of activities and changes in net assets are as follows:

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Unrestricted contributions	-	45,000
Key management personnel compensation		
Short-term benefits	47,881	47,412
Termination benefits	4,044	3,964

### 15. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of contributions receivable, due from Board of Trustees and cash and cash equivalents. Financial liabilities consist of accounts payable and accruals.

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

## 16.Risk management

### Interest rate risk

MIFTAH is exposed to interest rate risk on its short-term deposit.

The following table demonstrates the sensitivity of the statement of activities and changes in net assets to reasonably possible changes in interest rates, with all other variables held constant, the effect of decreases in interest rate is expected to be equal and opposite to the effect of the increase shown:

	Increase in basis points	Effect on results of activities U.S.\$
<u>2012</u>		
U.S. \$	+20	962
<u>2011</u>		
U.S. \$	+20	915

### Liquidity risk

MIFTAH 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 MIFTAH are financed by multiple donors.

Most of MIFTAH's financial liabilities are due within a period of three months.

### Foreign currency risk

The table below indicates MIFTAH'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 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 in ILS rate to U.S. \$ <u>%</u>	Effect on results of activities <u>U.S. \$</u>	Increase in EURO rate to U.S. \$ <u>%</u>	Effect on results of activities <u>U.S. \$</u>
<u>2012</u>				
U.S. \$	+5	(4,346)	+5	4,021
<u>2011</u>				
U.S. \$	+5	61	+5	5,032

## 17.Concentration of risk in geographic area

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