

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN

FINANCIAL STATEMENTS

DECEMBER 31, 2015



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Independent Auditors' Report to the Board of Trustees 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, 2015, 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, 2015 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young - Middle East
License # 206/2012

April 7, 2016
Ramallah, Palestine

Statement of Financial Position

As at December 31, 2015

	<u>Notes</u>	<u>2015</u> <u>U.S. \$</u>	<u>2014</u> <u>U.S. \$</u>
<u>Assets</u>			
Non-current assets			
Property and equipment	3	29,161	42,403
		<u>29,161</u>	<u>42,403</u>
Current assets			
Contribution receivables	4	533,235	1,350,638
Other current assets	5	52,265	36,436
Cash and cash equivalents		567,461	672,797
		<u>1,152,961</u>	<u>2,059,871</u>
Total assets		<u><u>1,182,122</u></u>	<u><u>2,102,274</u></u>
<u>Net assets and liabilities</u>			
Net assets			
Unrestricted net assets		131,194	128,384
Total net assets		<u>131,194</u>	<u>128,384</u>
Non-current liabilities			
Deferred revenues	6	29,161	42,403
Provision for employees' indemnity	7	191,937	170,754
		<u>221,098</u>	<u>213,157</u>
Current liabilities			
Accounts payable and accruals	8	116,880	123,310
Temporarily restricted contributions	9	712,950	1,637,423
		<u>829,830</u>	<u>1,760,733</u>
Total liabilities		<u>1,050,928</u>	<u>1,973,890</u>
Total Net Assets and Liabilities		<u><u>1,182,122</u></u>	<u><u>2,102,274</u></u>

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2015

	<u>Notes</u>	<u>2015</u> U.S. \$	<u>2014</u> U.S. \$
Revenues			
Temporarily restricted contributions released from restriction	9	1,168,955	1,393,525
Deferred revenues recognized	6	20,015	23,434
Unrestricted Contributions	10	<u>11,738</u>	<u>70,675</u>
Total revenues		<u><u>1,200,708</u></u>	<u><u>1,487,634</u></u>
Expenses			
Projects' expenses	11	1,168,955	1,393,525
Depreciation of property and equipment	3	20,015	19,845
Other expenses	12	<u>8,928</u>	<u>12,896</u>
Total expenses		<u><u>1,197,898</u></u>	<u><u>1,426,266</u></u>
Increase in net assets		2,810	61,368
Net assets, beginning of the year		<u>128,384</u>	<u>67,016</u>
Net assets, end of year		<u><u>131,194</u></u>	<u><u>128,384</u></u>

Statement of Cash Flows

For the year ended December 31, 2015

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Operating activities:		
Increase in net assets	2,810	61,368
Adjustments:		
Depreciation of property and equipment	20,015	19,845
Provision for employee's indemnity	41,170	52,938
Deferred revenues recognized	<u>(20,015)</u>	<u>(23,434)</u>
	43,980	110,717
Contributions receivable	817,403	1,026,421
Other current assets	(15,829)	(5,917)
Temporarily restricted contributions	(917,700)	(1,035,072)
Accounts payable and accruals	(6,430)	(108,618)
Employee's indemnity paid	<u>(19,987)</u>	<u>(42,308)</u>
Net cash flows used in operating activities	<u>(98,563)</u>	<u>(54,777)</u>
Investing activities:		
Purchase of property and equipment	<u>(6,773)</u>	<u>(10,649)</u>
Net cash used in investing activities	<u>(6,773)</u>	<u>(10,649)</u>
Decrease in cash and cash equivalents	(105,336)	(65,426)
Cash and cash equivalents, beginning of year	<u>672,797</u>	<u>738,223</u>
Cash and cash equivalents, end of year	<u><u>567,461</u></u>	<u><u>672,797</u></u>

Notes to the Financial Statements

December 31, 2015

1. General

A group of Palestinian not-for-profit organizations founded the Coalition for Accountability and Integrity - AMAN. AMAN was officially registered on February 9, 2004 under registration number RA-22234-5.5 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, propose draft legislations and regulations and work closely with the Palestinian Legislative Council.

AMAN's financial statements as at December 31, 2015 were authorized for issuance by the Board of Trustees on April 7, 2016.

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 policies 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, 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 policies,

Contribution 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 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 in the statement of activities and changes in net assets on a systematic basis over the useful life of the property and equipment.

Expenses recognition

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

Impairment 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.

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.

Significant accounting policies, estimates and assumptions

AMAN's financial position and changes in assets, liabilities, revenues and expenses 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, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Useful lives of tangible assets

Management reassesses the useful lives of tangible assets, and makes adjustments if applicable, at each financial year end.

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 statement 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, 2015	37,485	138,771	176,256
Additions	<u>998</u>	<u>5,775</u>	<u>6,773</u>
At December 31, 2015	<u>38,483</u>	<u>144,546</u>	<u>183,029</u>
<u>Accumulated depreciation:</u>			
At January 1, 2015	25,053	108,800	133,853
Depreciation charge for the year	<u>3,549</u>	<u>16,466</u>	<u>20,015</u>
At December 31, 2015	<u>28,602</u>	<u>125,266</u>	<u>153,868</u>
<u>Net book value:</u>			
At December 31, 2015	<u>9,881</u>	<u>19,280</u>	<u>29,161</u>
At December 31, 2014	<u>12,432</u>	<u>29,971</u>	<u>42,403</u>

Property and equipment include U.S. \$ 112,279 and U.S. \$ 90,174 of fully depreciated assets that are still being used in AMAN's activities as at December 31, 2015 and 2014, respectively.

4. Contributions receivable

	Balance, beginning of year	Additions	Cash received	Currency exchange differences	Balance, end of year
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Government of Norway, Netherlands and Luxembourg	1,149,035	-	(757,350)	-	391,685
Transparency International	95,701	23,869	(58,936)	(9,329)	51,305
International Budget Partnership	5,000	-	(5,000)	-	-
Oxfam Novib	47,694	-	(39,479)	(3,868)	4,347
European Commission	31,798	-	-	(3,180)	28,618
British Council	21,410	150,240	(171,650)	-	-
World bank	-	32,400	(3,240)	-	29,160
United Nations Development Programme	-	80,000	(51,880)	-	28,120
	<u>1,350,638</u>	<u>286,509</u>	<u>(1,087,535)</u>	<u>(16,377)</u>	<u>533,235</u>

5. Other current assets

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Employees' receivables	25,780	6,984
Prepaid expenses	19,942	21,223
Other receivables	6,543	8,229
	<u>52,265</u>	<u>36,436</u>

6. Deferred revenues

Movement on deferred revenues during the year was as follows:

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Balance, beginning of year	42,403	55,188
Additions (Note 9)	6,773	10,649
Deferred revenues recognized	(20,015)	(23,434)
Balance, end of year	<u>29,161</u>	<u>42,403</u>

7. Provision for employees' indemnity

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

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Balance, beginning of year	170,754	160,124
Additions during the year	41,170	52,938
Payments during the year	(19,987)	(42,308)
Balance, end of year	<u>191,937</u>	<u>170,754</u>

8. Accounts payable and accruals

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Due to suppliers	70,584	49,364
Postponed checks	38,815	61,272
Accrued expenses	4,048	5,027
Accrued employees' payroll tax	3,433	4,806
Accrued professional fees	-	2,841
	<u>116,880</u>	<u>123,310</u>

9. Temporarily restricted contributions

This item comprises temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of contributions received over the expenditures made out to satisfy the purposes stipulated by the donors. Movement on the temporarily restricted contributions as at December 31, 2015 is as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Returned to Donors	Currency exchange differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Government of Norway, Netherlands and Luxembourg	1,256,344	-	(739,704)	(4,537)	-	-	512,103
Transparency International	135,485	23,869	(118,656)	-	(2,303)	(12,269)	26,126
International Budget Partnership	8,077	-	(5,699)	-	-	-	2,378
European Commission	126,946	-	(80,686)	(621)	-	(11,312)	34,327
Oxfam Novib	95,917	-	(81,212)	(895)	-	(9,370)	4,440
British Council	14,654	150,240	(100,336)	(720)	-	-	63,838
World Bank	-	32,400	(7,424)	-	-	-	24,976
United Nations Development Programme	-	80,000	(35,238)	-	-	-	44,762
	<u>1,637,423</u>	<u>286,509</u>	<u>(1,168,955)</u>	<u>(6,773)</u>	<u>(2,303)</u>	<u>(32,951)</u>	<u>712,950</u>

10. Unrestricted Contributions

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Other unrestricted contributions	11,738	2,349
Transferred from temporarily restricted contributions	-	68,326
	<u>11,738</u>	<u>70,675</u>

11. Projects' Expenses

	Enhancing Integrity, Transparency and Accountability in the Palestinian Society	National Integrity Systems Assessment	TIMP	Budget Monitoring	Influential power for increasing the key state institutions' responsiveness and accountability ¹	Tax Justice, Budget Monitoring and Citizens' Participation Pilot Project in OPT	Tajawob	Strengthening Complaints Handling Mechanisms	Strengthening the rule of law in the occupied Palestinian territory: justice and security for the Palestinian people		
	Governments of Norway, Netherlands and Luxembourg	Transparency International	Transparency International	International Budget Partnership	European commission	Oxfam	British Council	World bank	United Nations Development Programme	Total 2015	Total 2014
	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	326,222	10,823	29,105	-	27,748	27,951	51,974	-	16,007	489,830	538,423
Projects' expenses* Employees' indemnity	54,570	-	4,917	-	-	-	-	-	-	59,487	110,019
Experts honoraria and training fees	26,368	1,257	2,192	-	2,611	3,214	4,263	-	1,266	41,171	52,938
Utilities, stationery and supplies	65,776	3,016	24,735	964	18,597	13,623	10,290	-	1,900	138,901	175,477
Professional fees	15,569	862	64	-	36	3,570	2,085	-	2,465	24,651	33,862
Office equipment and hall rental	10,524	-	-	-	2,204	-	-	-	-	12,728	13,403
Workshops and training expenses	32,035	-	-	-	-	1,355	450	-	-	33,840	39,268
Travel and accommodation	37,526	4,814	6,082	1,215	3,335	4,382	7,521	-	2,967	67,842	91,859
Information and publications	28,309	105	2,047	90	2,576	1,842	14,494	300	1,268	51,031	89,162
Postage, telephone, fax and internet	120,888	4,346	21,195	3,430	21,842	25,204	8,477	7,100	7,740	220,222	221,390
Sundry	12,506	2,555	254	-	1,634	71	682	-	1,364	19,066	19,660
Total	9,411	270	17	-	103	-	100	24	261	10,186	8,064
	<u>739,704</u>	<u>28,048</u>	<u>90,608</u>	<u>5,699</u>	<u>80,686</u>	<u>81,212</u>	<u>100,336</u>	<u>7,424</u>	<u>35,238</u>	<u>1,168,955</u>	<u>1,393,525</u>

*This item represents amounts given to small institutions to implement projects related to AMAN.

12. Other expenses

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Currency variances	8,073	12,896
Administrative expenses	855	-
	<u>8,928</u>	<u>12,896</u>

13. Related party transactions

This item represents transactions with key management personnel:

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Key management personnel compensation:		
Short-term benefits	<u>70,938</u>	<u>48,505</u>
Long-term benefits	<u>3,303</u>	<u>2,077</u>

14. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of contributions receivable and cash and cash equivalents and other current assets. Financial liabilities consist of accounts payable and some of accruals and temporarily restricted contributions

The fair value of financial instruments is not materially different from their carrying values at the date of financial statements.

15. 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 decreases in foreign currency exchange rate is expected to be equal and opposite to the effect of the increases shown.

	Change in currency exchange rate to U.S. \$	Effect on statement of activities and changes in net assets
	<u>%</u>	<u>U.S. \$</u>
<u>2015</u>		
EURO	+10	7,231
ILS	+10	(428)
<u>2014</u>		
EURO	+10	15,824
British Pound	+10	(628)

16. Concentration of Risk in Geographic Area

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