

ARAB THOUGHT FORUM

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
AND INDEPENDENT AUDITORS' REPORT**

DRAFT

ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011

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Independent Auditors' Report

To the Board of Trustees of Arab Thought Forum

Report on the financial statements

We have audited the accompanying financial statements of the Arab Thought Forum (ATF) which comprise the balance sheet as at December 31, 2011 and the statement of activities and changes in net assets and cash flow statements 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.

Auditor's 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 of 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 auditor's 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 in 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 accompanying financial statements present fairly, in all material respects, the financial position of the Arab Thought Forum as of December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Sa'adi, Eed, Daher - PwC
Jerusalem, May 27, 2012.

ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011 and 2010

BALANCE SHEET

(all amounts in USD)

	<u>Note</u>	<u>2011</u>	<u>2010</u>
Assets			
Current assets			
Cash and cash equivalents	(3)	133,648	146,306
Other current assets		2,015	4,182
Contributions receivable	(4)	<u>359,645</u>	<u>178,000</u>
		495,308	328,488
Non Current assets			
Available-for-sale investments	(5)	2,363	2,126
Fixed assets, net	(6)	<u>16,258</u>	<u>13,495</u>
		18,621	15,621
Total assets		<u>513,929</u>	<u>344,109</u>
Liabilities and net assets			
Current liabilities			
Payables and accruals		60,746	59,530
Non Current liabilities			
Reserve for severance pay, net	(7)	<u>45,462</u>	<u>50,769</u>
Total liabilities		<u>106,208</u>	<u>110,299</u>
Net assets			
Unrestricted net assets			
From operations		17,359	10,358
For fixed assets		<u>16,258</u>	<u>13,495</u>
		33,617	23,853
Cumulative change in fair value		921	684
Temporarily restricted net assets	(8)	<u>373,183</u>	<u>209,273</u>
Total net assets		<u>407,721</u>	<u>233,810</u>
Total liabilities and net assets		<u>513,929</u>	<u>344,109</u>

- Notes to the financial statements form an integral part thereof.

Abdel Rahman Abu Arafah
General Director

Azam Abu Elsaud
Treasurer

ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011 and 2010

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(all amounts in USD)

	Note	2011	2010*
Change in Unrestricted Net Assets			
Revenues			
Unrestricted contributions		1,275	9,325
Other revenues		3,498	4,303
Currency exchange		1,101	-
		<u>5,874</u>	<u>13,628</u>
Net Assets Released from Temporary Restrictions	(8)	435,669	472,910
Total revenues		<u>441,543</u>	<u>486,538</u>
Expenses			
Projects' expenses	(9)	428,135	469,187
Depreciation	(6)	3,644	3,584
Total expenses		<u>431,779</u>	<u>472,771</u>
Increase (Decrease) In Unrestricted Net Assets		9,764	13,767
Changes In Temporarily Restricted Net Assets			
Restricted Contributions Received	(8)	599,579	593,956
Net Assets Released from Temporary Restrictions	(8)	(435,669)	(472,910)
		-	(15,636)
Increase (Decrease) in Temporarily Restricted Net Assets		163,910	105,410
Increase (Decrease) in Net Assets during the year		173,674	119,177
Net assets at the beginning of the year		233,810	116,985
Change in fair value		237	-
Prior Period adjustment		-	(2,352)
Net assets at the end of the year		<u>407,721</u>	<u>233,810</u>

- * As resorted

- Notes to the financial statements form an integral part thereof.

ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011 and 2010

STATEMENT OF CASH FLOW

(All amounts in USD)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities :		
Increase (decrease) in net assets for the year	173,674	119,177
Adjustments to reconcile change in net assets to Net cash provided by operating activities :		
Depreciation	3,644	3,584
Decrease (Increase) in other current assets	2,167	434
Decrease (Increase) in contributions receivable	(181,645)	(30,738)
Increase (Decrease) in payables and accruals	1,216	24,228
Increase (Decrease) in reserve for severance pay	(5,307)	19,915
Net cash provided from (used in) operating activities	(6,251)	136,600
Cash flows from investing activities :		
Purchase of fixed assets	(7,534)	(3,723)
Sales of fixed assets	1,128	-
Decrease (increase) in available for sale investments	-	(62)
Net cash used in investing activities	(6,406)	(3,785)
Increase (Decrease) in cash and cash equivalents	(12,658)	132,815
Cash and cash equivalent, beginning year	146,306	13,491
Cash and cash equivalent, end of year	133,648	146,306

Notes to the financial statements form an integral part thereof

ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011 and 2010

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

1. GENERAL

Arab Thought Forum (ATF) was established in Jerusalem in 1977 as an independent institution, not affiliated with any government, political party or organization, and dedicated to development, education, research and analysis.

On October 28, 1983, ATF was legally registered as a not for profit organization under registration number 58-000-769-8 in accordance with the applicable law in Jerusalem. On August 21, 1997, ATF was legally registered in Palestine with the Palestinian Ministry of Interior under registration number 1019R.

2. BASIS OF PREPARATION

The financial statements are prepared in accordance with International Financial Reporting Standards under the Historical Cost convention for not for profit Organizations.

The financial statements have been presented in U.S. Dollars which is the functional currency of ATF.

Following is a summary of the ATF significant accounting policies:

a) **Fixed assets**

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed using the straight – line method over the estimated useful lives of these assets bases on the following annual percentage rates:

Office furniture	6%
Office equipment	7%-33%
Vehicles	15%
Library	10%

b) **Impairment of assets**

The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indications exists and when the carrying values exceeds the estimated recoverable amounts the values of the assets are decreased to the recoverable amount, and the difference is recognized in the statement of activities.

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

c) Net assets

Net Assets of ATF and the changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets whose use by the centre, not subject to donor-imposed restrictions.
- Temporarily restricted net assets – Net assets whose use by the centre is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of the center pursuant to those donor-imposed stipulations.

d) Revenue

Revenue is recognized when contributions and/or donations are received or when services are performed. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulation that limits the use of donation. When donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions and/or donations that are not restricted for a specific purpose or time are reported in the statements of activities when received.

e) Expenses recognition

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

f) Translation of foreign currencies

The accompanying financial statements are denominated in the U.S.Dollars. Translations denominated in foreign currency during the years were translated according to prevailing rates at the time the transaction took place. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. Dollars by applying the exchange rates prevailing at the reporting date. Exchange gains or losses arising from the above transactions are reflected in the statement of activities. Exchange rates as of the financial statements dates are as follows:

	<u>December 2011</u>	<u>December 2010</u>
U.S. Dollar	3.821	3.549

g) Severance pay

Benefits payable to the employees of the ATF at the end of their services are provided for in accordance with the guidelines set by the local labor laws.

h) Statement of Functional Expenses

The ATF provides information about its expenses by functional classification, as further detailed in Note (9) to the financial statements.

i) Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods and services received whether billed by the supplier or not.

j) Income taxes

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

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

k) Available for sale investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in any other financial assets categories. After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses being recognized directly within net assets. When the investment is disposed of, the cumulative gain or loss previously recorded in net assets is recognized in the statement of activities and changes in net assets. Interest earned or paid on the investment is reported as interest income or expenses using the effective interest rate. Dividends earned on investments are recognized in the statement of activities and changes in net assets when the right of payment has been established.

l) Contributions receivable

Contributions receivable are stated at the original amount of the contribution less amounts received and any uncollectible amounts. An estimate for the uncollectible amount is made when the collection of the full amount of the contribution is no longer probable.

m) Risk Management

m.1. Credit Risk

ATF faces credit risk, which is defined as the risk that creditors will cause a financial loss to ATF by failing to discharge their obligations. Analysis of this risk is presented in the following section by quality of credit.

Fully performing assets:

Fully performing assets comprise of assets that are neither past due nor impaired. None of the following fully performing assets were a result of renegotiation with creditors.

	Carrying amount	Collateral held	Credit Quality
Cash and cash equivalents	133,648	None	High
Contributions receivable	359,645	None	High
Other current assets	2,015	None	High

m.2. Liquidity Risk

Liquidity risk is defined as the risk that ATF will encounter difficulty in meeting obligations associated with financial liabilities. The schedule below presents expected cash outflow resulting from financial liabilities broken down by time brackets:

	Expected timing of cash outflow				BS amount
	0-6 Months	7M-1Year	1-2 years	More than 2 years	
Payables and accruals	60,746	-	-	-	60,746

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

ATF manages its liquidity risk by managing its cash periodically. Moreover, ATF encounters a liquidity difficulty due to the shortage of liquid assets. ATF's management is continuing efforts to seek adequate cash balances from its donors.

m.3. Market risk

The main market risk, which is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices, is currency risk, which is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

ATF maintains its major assets and liabilities in U.S. Dollars. In addition, ATF's major contribution revenues are collected in U.S. Dollars and most of its expenditures are paid in U.S. Dollars. Therefore, ATF's management expects that fluctuations in foreign currencies have no material effect on the result of activities.

m.4. Concentration of risk in geographic area

ATF is carrying out its activities in Palestine. The political and economical situation in the area increases the risk of carrying out the activities and might adversely affect ATF's performance.

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ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011 and 2010

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

3. CASH AND CASH EQUIVALENTS

Details -

	<u>2011</u>	<u>2010</u>
Cash on hand	1,648	1,246
Cash at banks	132,000	145,060
	<u>133,648</u>	<u>146,306</u>

4. CONTRIBUTIONS RECEIVABLE

Details -

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Cash received</u>	<u>Write off</u>	<u>Balance end of year</u>
Representative Office of Norway	-	179,838	100,054	-	79,784
CRS	-	107,916	5,669	-	102,247
NGO Development Center	3,000	95,000	88,500	-	9,500
UNDP Ramallah\TRC	-	92,894	65,025	-	27,869
MEPI	-	58,130	47,685	-	10,445
UNDP - Jerusalem	-	50,000	30,000	-	20,000
UNISCO	-	15,800	6,000	-	9,800
Carter Center	75,000	-	75,000	-	-
PNA	100,000	-	-	-	100,000
	<u>178,000</u>	<u>599,577</u>	<u>417,932</u>	<u>-</u>	<u>359,645</u>

5. AVAILABLE-FOR-SALE INVESTMENTS

Available-for sale investments include equity shares listed in Palestine Securities Exchange.

ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011 and 2010

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

6. FIXED ASSETS, NET

A. Details -

	<u>Office Equipment</u>	<u>Office Furniture</u>	<u>Vehicles</u>	<u>Library</u>	<u>Total</u>
Cost					
Beginning of year	123,359	18,980	9,842	17,788	169,969
Additions	7,534	-	-	-	7,534
Deductions	-	-	9,842	-	9,842
End of year	<u>130,893</u>	<u>18,980</u>	<u>-</u>	<u>17,788</u>	<u>167,661</u>
Accumulated depreciation					
Beginning of year	113,374	17,645	8,365	17,091	156,475
Additions	2,547	356	349	390	3,642
Deductions	-	-	8,714	-	8,714
End of year	<u>115,921</u>	<u>18,001</u>	<u>-</u>	<u>17,481</u>	<u>151,403</u>
Net book value	<u>14,972</u>	<u>979</u>	<u>-</u>	<u>307</u>	<u>16,258</u>

B. Depreciation rates –

Office furniture 6% | Office equipment 7-33% | Vehicles 15% | Library 10%.

7. RESERVE FOR SEVERANCE PAY - NET

Details -

	<u>2011</u>	<u>2010</u>
Balance, beginning of the year	50,769	30,854
Provision for severance pay for the year	11,201	19,915
Payments made during the year	(16,508)	-
Balance, end of the year	<u>45,462</u>	<u>50,769</u>

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NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

8. TEMPORARILY RESTRICTED NET ASSETS

This item comprises temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of donations pledged over the expenditures made out to satisfy the purpose stipulated by the donor. The movement on temporarily restricted contributions was as follows:

	Balance, beginning of year	Additions during the year	Temporarily restricted contribution released from restriction	Fixed assets additions	Amounts written off	Balance, end of year
Representative Office of Norway	69,488	179,838	169,799	-	-	79,527
CRS	-	107,916	4,850	-	-	103,066
NGO Development Center	-	95,000	87,480	2,680	-	4,840
UNDP Ramallah\TRC	-	92,895	3,000	-	-	89,895
MEPI	-	58,130	36,950	1,200	-	19,980
UNDP - Jerusalem	-	50,000	15,009	-	-	34,991
UNISCO	-	15,800	15,800	-	-	-
Carter Center	137,402	-	95,247	3,654	-	38,501
PNA	2,383	-	-	-	-	2,383
	209,273	599,579	428,135	7,534	-	373,183

**Statement of Activities and
Changes in Net Assets**

ARAB THOUGHT FORUM

Financial Statements for the year ended December 31, 2011 and 2010

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

9. Projects' expenses

Components of projects' expenses are as follows:

	<u>Carter Center</u>	<u>Catholic Relief</u>	<u>NGO Development Center</u>	<u>MEPI</u>	<u>UNESCO</u>	<u>Representative Office of Norway</u>	<u>UNDP Jerusalem</u>	<u>UNDP Ramallah</u>	<u>Total 2011</u>	<u>Total 2010</u>
	<u>Building consensus and civic awareness</u>	<u>Education Reform in East Jerusalem</u>	<u>Human rights – core funding</u>	<u>Youth Advocacy Network</u>	<u>Social Movement</u>	<u>Civic coalition</u>	<u>Civic coalition</u>	<u>Civic Coalition</u>		
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Salaries and related benefits	43,782	3,678	60,415	25,748	6,550	86,262	6,317	-	232,752	222,430
Tax and national insurance	4,790	-	464	1,755	-	2,425	-	-	9,434	11,667
Workshops and field work	3,495	-	1,208	2,758	-	143	3,469	-	11,073	33,648
Maintenance ,rent and Utilities	9,716	1,172	10,954	193	-	9,116	2,504	-	33,655	39,376
Stationary, publications and printings	4,004	-	617	965	1,000	13,700	-	-	20,286	22,447
Travel and transportation	8,510	-	2,369	3,422	1,200	4,250	-	-	19,751	19,116
Other Services	9,147	-	2,530	1,730	5,050	35,942	2,461	3,000	59,860	82,323
Professional fees	1,400	-	7,286	-	-	7,090	-	-	15,776	12,615
Communication and advertisement	6,296	-	655	379	-	2,344	-	-	9,674	12,098
Translation & Editing	1,300	-	-	-	2,000	5,460	258	-	9,018	6,737
Hall rent	2,807	-	982	-	-	3,067	-	-	6,856	6,730
	95,247	4,850	87,480	36,950	15,800	169,799	15,009	3,000	428,135	469,187

NOTES TO THE FINANCIAL STATEMENTS

(all amounts in USD)

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of contributions receivable, available for sale investments, other current assets and cash equivalents. Financial liabilities consist of accounts payables and accruals.

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

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