

THE COALITION FOR ACCOUNTABILITY AND INTEGRITY - AMAN
FINANCIAL STATEMENTS
DECEMBER 31, 2014



Ernst & Young
P.O. Box 1373
7th Floor,
PADICO House Bldg.
Al-Masyoun
Ramallah-Palestine

Tel: +972 22421011
Fax: +972 22422324
www.ey.com



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, 2014, 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, 2014 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

March 19, 2015
Ramallah, Palestine

Statement of Financial Position

As at December 31, 2014

	<u>Notes</u>	<u>2014</u> U.S. \$	<u>2013</u> U.S. \$
<u>Assets</u>			
Non-current assets			
Property and equipment	3	42,403	51,599
		<u>42,403</u>	<u>51,599</u>
Current assets			
Contribution receivables	4	1,350,638	2,377,059
Other current assets	5	36,436	30,519
Cash and cash equivalents		672,797	738,223
		<u>2,059,871</u>	<u>3,145,801</u>
Total assets		<u><u>2,102,274</u></u>	<u><u>3,197,400</u></u>
<u>Net assets and liabilities</u>			
Net assets			
Unrestricted net assets		128,384	67,016
Total net assets		<u>128,384</u>	<u>67,016</u>
Non-current liabilities			
Deferred revenues	6	42,403	55,188
Provision for employees' indemnity	7	170,754	160,124
		<u>213,157</u>	<u>215,312</u>
Current liabilities			
Accounts payable and accruals	8	123,310	231,928
Temporarily restricted contributions	9	1,637,423	2,683,144
		<u>1,760,733</u>	<u>2,915,072</u>
Total liabilities		<u>1,973,890</u>	<u>3,130,384</u>
Total Net Assets and Liabilities		<u><u>2,102,274</u></u>	<u><u>3,197,400</u></u>

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2014

	<u>Notes</u>	<u>2014</u> U.S. \$	<u>2013</u> U.S. \$
Revenues			
Temporarily restricted contributions released from restriction	9	1,393,525	1,329,690
Deferred revenues recognized	6	23,434	18,371
Note Contributions	10	70,675	11,358
Currency variances		-	26,103
Total revenues		<u>1,487,634</u>	<u>1,385,522</u>
Expenses			
Projects' expenses	11	1,393,525	1,329,690
Depreciation of property and equipment	3	19,845	18,371
Other expenses	12	<u>12,896</u>	<u>8,979</u>
Total expenses		<u>1,426,266</u>	<u>1,357,040</u>
Increase in net assets		61,368	28,482
Net assets, beginning of the year		<u>67,016</u>	<u>38,534</u>
Net assets, end of year		<u>128,384</u>	<u>67,016</u>

Statement of Cash Flows

For the year ended December 31, 2014

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Operating activities:		
Increase in net assets	61,368	28,482
Adjustments:		
Depreciation of property and equipment	19,845	18,371
Provision for employee's indemnity	52,938	40,487
Written-off contributions	-	1,278
Deferred revenues recognized	<u>(23,434)</u>	<u>(18,371)</u>
	110,717	70,247
		(1,577,54
Contributions receivable	1,026,421	6)
Other current assets	(5,917)	(2,186)
Deferred revenues	10,649	22,191
	1,045,721)	1,319,23
Temporarily restricted contributions	(7
Accounts payable and accruals	(108,618)	30,059
Employee's indemnity paid	<u>(42,308)</u>	<u>(8,292)</u>
Net cash flows used in operating activities	<u>(54,777)</u>	<u>(146,290)</u>
Investing activities:		
Purchase of property and equipment	<u>(10,649)</u>	<u>(22,191)</u>
Net cash used in investing activities	<u>(10,649)</u>	<u>(22,191)</u>
Decrease in cash and cash equivalents	(65,426)	(168,481)
Cash and cash equivalents, beginning of the year	<u>738,223</u>	<u>906,704</u>
Cash and cash equivalents, end of year	<u><u>672,797</u></u>	<u><u>738,223</u></u>

Notes to the Financial Statements

December 31, 2014

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, 2014 were authorized for issuance by the Board of Trustees on March 19, 2015.

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 and intangible assets

Management reassesses the useful lives of tangible and intangible 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. \$
Cost:			
At January 1, 2014	35,689	129,918	165,607
Additions	<u>1,796</u>	<u>8,853</u>	<u>10,649</u>
At December 31, 2014	<u>37,485</u>	<u>138,771</u>	<u>176,256</u>
Accumulated depreciation:			
At January 1, 2014	21,574	92,434	114,008
Depreciation charge for the year	<u>3,479</u>	<u>16,366</u>	<u>19,845</u>
At December 31, 2014	<u>20,053</u>	<u>108,800</u>	<u>133,853</u>
Net book value:			
At December 31, 2014	<u>12,432</u>	<u>29,971</u>	<u>42,403</u>
At December 31, 2013	<u>14,115</u>	<u>37,484</u>	<u>51,599</u>

Property and equipment include U.S. \$90,174 and U.S. \$ 72,871 of fully depreciated assets that are still being used in AMAN's activities as at December 31, 2014 and 2013, respectively.

4. Contributions receivable

	Balance, beginning of year	Additions	Cash received	Written - off	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>	<u>U.S. \$</u>
Government of Norway, Netherlands and Luxembourg	1,906,701	-	(673,695)	(83,971)	-	1,149,035
Transparency International	194,660	338,533	(420,495)	-	(16,997)	95,701
International Budget Partnership	-	10,000	(5,000)	-	-	5,000
Oxfam Novib	-	97,552	(48,495)	-	(1,363)	47,694
European Commission	268,733	-	(224,685)	-	(12,250)	31,798
British Council	6,965	116,497	(102,052)	-	-	21,410
	<u>2,377,059</u>	<u>562,582</u>	<u>(1,474,422)</u>	<u>(83,971)</u>	<u>(30,610)</u>	<u>1,350,638</u>

5. Other current assets

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Prepaid expenses	21,223	14,366
Employees' receivables	6,984	8,562
Other receivables	8,229	7,591
	<u>36,436</u>	<u>30,519</u>

6. Deferred revenues

Movement on deferred revenues during the year was as follows:

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	55,188	51,368
Additions (Note 9)	10,649	22,191
Deferred revenues recognized	(23,434)	(18,371)
Balance, end of year	<u>42,403</u>	<u>55,188</u>

7. Provision for employees' indemnity

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

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	160,124	127,929
Additions during the year	52,938	40,487
Payments during the year	(42,308)	(8,292)
Balance, end of year	<u>170,754</u>	<u>160,124</u>

8. Accounts payable and accruals

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Postponed checks	61,272	129,484
Due to suppliers	49,364	68,044
Accrued expenses	5,027	21,234
Accrued employees' payroll tax	4,806	6,566
Accrued professional fees	2,841	6,600
	<u>123,310</u>	<u>231,928</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 is as follows:

	Balance, beginning of year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Written - off	Transferred to unrestricted contributions	Returned to Donors	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>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Government of Norway, Netherlands and Luxembourg	2,154,702	-	(740,876)	(5,185)	(83,971)	(68,326)	-	-	1,256,344
Transparency International	278,146	338,533	(446,515)	(4,605)	-	-	(1,016)	(29,058)	135,485
International Budget Partnership	-	10,000	(1,923)	-	-	-	-	-	8,077
European Commission	250,296	-	(102,368)	(859)	-	-	-	(20,123)	126,946
Oxfam Novib	-	97,552	-	-	-	-	-	(1,635)	95,917
British Council	-	116,497	(101,843)	-	-	-	-	-	14,654
	<u>2,683,144</u>	<u>562,582</u>	<u>(1,393,525)</u>	<u>(10,649)</u>	<u>(83,971)</u>	<u>(68,326)</u>	<u>(1,016)</u>	<u>(50,816)</u>	<u>1,637,423</u>

10. Unrestricted Contributions

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Transferred from temporarily restricted contributions (Note 9)	68,326	3,550
Other unrestricted contributions	<u>2,349</u>	<u>7,808</u>
	<u><u>70,675</u></u>	<u><u>11,358</u></u>

11. Projects' Expenses

	Enhancing Integrity, transparency and accountability in the Palestinian society	Influential power for increasing the key state institutions' responsiveness and accountability	Keep Your Eyes Open	Empowering and Strengthening Civil Society's Institutional. Organizational Capacities and Networks in Palestine to Address Corruption	National Integrity System	Gaza Emergency Project	Tajawoob	Budget Tracker		
	Governments of Norway, Netherlands and Luxembourg	European Commission	Transparency International	Transparency International	Transparency International	Transparency International	British Council	International Budget Partnership	Total 2014	Total 2013
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related expenses	326,889	47,898	-	102,868	15,118	-	45,650	-	538,423	489,506
Projects' expenses*	96,800	-	1,659	11,560	-	-	-	-	110,019	108,406
Employees' indemnity	33,005	4,772	-	10,073	1,164	-	3,924	-	52,938	40,487
Experts honoraria and training fees	55,852	15,360	3,677	64,968	20,088	859	14,469	204	175,477	204,175
Utilities, stationery and supplies	13,170	9	552	9,304	497	577	9,753	-	33,862	36,745
Professional fees	5,000	2,719	-	5,684	-	-	-	-	13,403	9,206
Office equipment and hall rental	31,240	1,986	102	2,396	-	-	3,544	-	39,268	31,422
Workshops and training expenses	35,662	5,641	4,563	28,529	4,099	491	12,524	350	91,859	74,388
Travel and accommodation	26,433	1,235	765	50,530	43	-	9,679	477	89,162	49,847
Information and publications	103,349	20,916	965	70,015	23,096	-	2,157	892	221,390	264,044
Postage, telephone, fax and internet	8,782	1,832	-	8,903	-	-	143	-	19,660	17,818
Sundry	4,694	-	-	3,294	76	-	-	-	8,064	3,646
Total	740,876	102,368	12,283	368,124	64,181	1,927	101,843	1,923	1,393,525	1,329,690

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

12. Other expenses

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Currency variances	12,896	-
Administrative expenses	-	7,701
Written-off contributions	-	1,278
	<u>12,896</u>	<u>8,979</u>

13. Related party transactions

This item represents transactions with key management personnel:

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Key management personnel compensation:		
Short-term benefits	<u>48,505</u>	<u>76,980</u>
Long-term benefits	<u>2,077</u>	<u>3,715</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>2014</u>		
EURO	+20	31,648
ILS	+20	(1,256)
Norwegian Krone	+20	-
<u>2013</u>		
EURO	+20	20,792
British Pound	+20	(3,028)
Norwegian Krone	+20	(9,596)

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.