

Alshayeb Auditing & Accountancy Co.

Independent Member Of GENEVA GROUP INTERNATIONAL

**The Palestinian Association For Empowerment and Local
Development - REFORM**

Independent Auditor's Report and Financial Statements

31 December 2014

Certified Public Accountants



Geneva Group International
Independent member

The Palestinian Association For Empowerment and Local Development -REFORM

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Independent Auditor's Report

To the Board of Directors of
The Palestinian Association For Empowerment and Local Development -REFORM
Ramallah – Palestine

Report on the financial statements

We have audited the accompanying statement of financial position of **The Palestinian Association For Empowerment and Local Development - REFORM (Not for Profit Association)** as of **31 December 2014** and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and a summary of significant accounting policies and other explanatory notes.

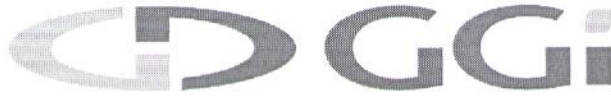
Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit Associations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 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 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 Association'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 internal control of the Association



Independent Auditor Report (Cont.)

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 referred to above present fairly, in all material respects, the financial position of **The Palestinian Association For Empowerment and Local Development - REFORM (Not for Profit Association)** as of 31 December 2014 and the results of its operations, its cash flows and its functional expenses for the year then ended in accordance with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit Associations.

AlShayeb Auditing & Accountancy Co.
Independent Member of Geneva Group International
Issa Abu Farha
Engagement Partner


25.03.2015
ISSA ABU FARHA
C.P.A
LICENSE NO 34

Bethlehem
25 March 2015



The Palestinian Association For Empowerment and Local Development - REFORM

Statement of Financial Position


As of 31 December 2014

	Note	31/12/2014 NIS	31/12/2013 NIS
Current Assets			
Cash on hand and at banks	3	584,069	145,351
Prepaid Expenses	4	1,151	8,334
Non - Current Assets			
Property, Plant & Equipment	5	73,640	69,358
Total Assets		658,860	223,043
Liabilities and Net Assets			
Liabilities:			
Payables and accruals	6	164,541	117,621
End of Service Indemnity	7	24,534	41,216
Total liabilities		189,075	158,837
Net Assets :			
Unrestricted		(56,147)	(137,554)
Temporarily restricted		525,932	201,760
Total net assets - (Statement - C)		469,785	64,206
Total liabilities and Net Assets		658,860	223,043

See Notes to Financial Statements



Chairman of Board Of Director



Treasurer

The Palestinian Association For Empowerment and Local Development - REFORM
Statement of Activities and Changes in Net Assets
Year Ended 31 December 2014

		Unrestricted	Temporarily Restricted	For The Period Ended 31/12/2014	For The Period Ended 31/12/2013
	Note	NIS	NIS	NIS	NIS
Operating revenues:					
Grants for projects	8	-	1,401,537	1,401,537	364,229
Donations		134,921	-	134,921	-
Contributions		18,328	-	18,328	10,410
In Kind Donation		12,082	-	12,082	-
Total operating revenues		165,331	1,401,537	1,566,868	374,639
Net assets released from restrictions	9	1,032,470	(1,032,470)	-	-
		1,197,801	369,067	1,566,868	374,639
Projects Expenses	9	1,028,420	-	1,028,420	354,721
Total Projects Expense		1,028,420	-	1,028,420	354,721
Operating and Administrative expenses :					
Management and general expenses	10	119,178	-	119,178	26,990
Depreciation	5	14,153	-	14,153	3,519
Total Operating and Administrative expenses		133,331	-	133,331	30,509
Total expenses		1,161,751	-	1,161,751	385,230
Grain (Loss) from Currency Varriance		549	-	549	-
Increase (decrease) in net assets		36,599	369,067	405,666	(10,591)

See Notes to Financial Statements


Chairman of Board Of Director


Treasurer

The Palestinian Association For Empowerment and Local Development - REFORM
Statement of Changes in Net Assets
Year Ended 31 December 2014

	Unrestricted	Temporarily Restricted	Total
	NIS	NIS	NIS
Net Assets at beginning of 01/01/2014	(137,554)	201,760	64,206
Prior Period Adjustment	(87)		(87)
Adjusted Net Assets at beginning of 01/01/2014	(137,641)	201,760	64,119
Increase in net assets during the year-Statement (B)	36,599	369,067	405,666
Transfer from Restricted to Unrestricted Net Assets	44,895	(44,895)	-
Net Assets as at 31 December 2014	(56,147)	525,932	469,785

See Notes to Financial Statements

The Palestinian Association For Empowerment and Local Development - REFORM

Statement of Cash Flows
Year Ended 31 December 2014

	12/31/2014	12/31/2013
	NIS	NIS
Cash flows from operating activities:		
Grants received from contributors	1,401,537	364,229
Donations & Other Revenues	165,331	10,410
Cash paid to employees and suppliers	(1,109,716)	(352,615)
Cash flows provided (used in) operating activities	457,152	22,024
Cash flows from investing activities:		
Procurement of fixed assets	(18,434)	(7,546)
Cash flows (used in) investing activities	(18,434)	(7,546)
Decrease in cash during the year	438,718	14,478
Cash on hand and at banks at beginning of year	145,351	130,873
Cash on hand and at banks at end of year	584,069	145,351
Adjustments to reconcile change in net assets		
to net cash provided from (used in) operating activities:		
Change in net assets	405,666	(10,591)
Depreciation	14,153	3,519
Prior year Adjustment	(87)	28
(Increase) in Payables and others	46,920	21,477
(Increase) in End of Service Indemnity	(16,682)	6,383
(Increase) in Prepaid Expenses	7,183	1,208
Total cash (used in) operating activities	457,153	22,024

See Notes to Financial Statements

The Palestinian Association For Empowerment and Local Development- REFORM

Notes to Financial Statements Year Ended 31 December 2014

1. The Association Overview:

The Palestinian Association For Empowerment and Local Development - REFORM is a non-profit and independent Palestinian Association established in 2012. It has been licensed under No. RA-22795-HR, REFORM strives for a Palestinian society where everyone has the capacity to participate effectively, individual and collective rights are respected and pluralism is ensured in an independent Palestinian state.

General and Sub - Strategic Objectives:

- Empower marginalized and disadvantaged groups.
- Engage in sustainable community development process and establish an alternative production system.
- Facilitate citizens' equal access to public utilities without discrimination.
- Improve policy making processes and strengthen communal participation.

2. Summary of Significant Accounting Policies:

The financial statements of The Palestinian Association For Empowerment and Local Development - REFORM have been prepared on Modified accrual basis of accounting using the historical cost convention, and in conformity with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit Associations.

2.1 Adoption of new and revised International Financial Reporting Standards (IFRSs):

In the current year, The Association management considered all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of IASB, relevant to its activities, that were issued and effective for annual reporting periods ending on 31 December 2014. The application of the new standards and interpretations has no effect on the financial position or the results of operations of the Association.

2. Summary of Significant Accounting Policies: (Continued)

2.2 Significant accounting policies followed are as described below:

a. The Palestinian Association For Empowerment and Local Development-REFORM maintains its accounts in accordance with principles of fund accounting under which the net assets of the Association and changes there in are classified and reported as follows:

- **Unrestricted net assets** - Net assets whose use by the Association is not subject to donor-imposed restrictions.
- **Temporarily Restricted Net Assets** - Net assets whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of the Association pursuant to those donor-imposed stipulations.
- **Grants Receivables** - represents amounts due from funding Associations for expenses incurred through 31 December 2014.
- **Revenues** - are reported as increase in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decrease in unrestricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

b. Fixed Assets

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 7% to 20%.

When the expected recoverable amount is less than the net book value, the fixed assets amount is reduced to the lower of the cost or net realizable value and the difference (if any) is included in the statement of activities.

The useful lives of fixed assets are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being as a change in estimate.

Fixed Assets are disposed off when there is no expected future benefit from the use of that asset.

2. Summary of Significant Accounting Policies: (Continued)

c. Reserve for Staff Benefits:

Severance Pay:

The Association Calculate employees' severance pay according to Reform's Policy by paying a one month Salary for every year service.

d. Functional Expenses:

The Association allocates its expenses on a functional basis among its various programs and general administration. Expenses that can be identified with a specific program or administration are charged directly. Other expenses that are common to several functions are allocated between functions based on the best estimates and judgment of management.

e. Foreign Currency Transactions:

- The books of accounts are maintained in Shekel. Transactions which are denominated in foreign currencies other Shekel currencies are converted into N.I.S. equivalent at the spot exchange rate prevailing at the date of each transaction.
- Transactions and balances which are denominated or expressed in Shekel are presented at the actual Shekel received or paid.
- Fixed assets and related depreciation are translated at historical rates. Additions to cost were translated using the average rate of exchange prevailing during the year.

f. Estimates and assumptions:

The financial statements include certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the date of the statement of financial position, and the reporting of revenue, expenses, gains, and losses during the year. Actual results may differ from those estimates adopted by the Association's management. Estimates used in the preparation of the financial statements are the assessment of useful lives of fixed assets and all other provisions.

3. Cash at Hands and at Banks

Composition:

	31/12/2014	31/12/2013
	NIS	NIS
Petty Cash	7,863	9,752
Arab Bank -NIS	574,494	135,599
Arab Bank - End of Service-NIS	519	-
Arab Bank - US Dollar	1,163	-
Arab Bank - EURO	30	-
	584,069	145,351

4. Prepaid Expenses:

Composition:

	31/12/2014	31/12/2013
	NIS	NIS
Prepaid Insurance	1,151	4,834
Prepaid Accounting software	-	3,500
	1,151	8,334

5. Office furniture and equipment – Net of accumulated depreciation:

Composition: 31 December 2014:

	<u>Furniture & Fixtures</u>	<u>Office Equipment</u>	<u>Computers & Printers</u>	<u>Total</u>
<u>Cost:</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Balance at beginning of 01/01/2014	30,608	22,645	27,141	80,394
Disposal In 2014	-	(850)	(6,548)	(7,398)
Additions In 2014	6,980	4,663	11,808	23,451
Balance at end of year 2014	37,588	26,458	32,401	96,447

Accumulated Depreciation:

Balance beginning of 01/01/2014	2,859	2,969	5,208	11,036
Disposal In 2014	-	(261)	(2,121)	(2,382)
Depreciation expenses	3,672	4,815	5,666	14,153
Balance at end of year 2014	6,531	7,523	8,753	22,807
Net Book Value at end of year 2014	31,057	18,935	23,648	73,640
Net Book Value at end of year 2013	27,749	19,676	21,933	69,358

6. Payables and others

Composition:

	31/12/2014	31/12/2013
	NIS	NIS
Due To related parties*	110,980	105,576
Outstanding checks	44,045	6,950
Accrued Audit fees	9,300	3,000
Others	216	2,095
	164,541	117,621

* Referring to the board of director letter, this Balance includes the amounts paid by the general manager for administrative expense and obligations that were not financed by donors, which REFORM will pay it back according to the availability of financial resources

7. End of Severance Indemnity

Composition:

	31/12/2014	31/12/2013
	NIS	NIS
Balance at the beginning of the year	41,216	34,833
Addition	39,689	9,183
Payments	(56,371)	(2,800)
Balance at the end of the year	24,534	41,216

8. Grants for Projects (Temporarily Restricted Funds)

	31/12/2014	31/12/2013
	NIS	NIS
GIZ through Social and Cultural Fund		
Bridges Project	86,264	180,424
TATWEER Project	225,133	183,805
FASPAR		
Platform To Act Project	558,221	-
GRO Fund		
Path To Justice Project	144,470	-
AECID		
GUSU Project	387,449	-
	1,401,537	364,229

9. Project Expenses:

Expenses Tites	Bridges Project		TATWEER Project		Platform To Act Project		Path To Justice Project		GUSU Project		For The Period Ended 2014		For The Period Ended 2013	
	NIS		NIS		NIS		NIS		NIS		NIS		NIS	
1 Fixed Assets														
2 Salaries	105,063	130,650	303,824	46,236	-	-	585,773	186,922						
3 Initiative Expense	-	88,209	105	-	-	-	88,314							
4 Training Expense	4,500	-	5,000	-	-	-	9,500							
5 End of Service compensation	18,988	19,058	-	1,644	-	-	39,690	9,183						
6 Stationary Expense	4,324	-	9,994	5,799	-	-	20,117	5,510						
7 Utilities Expense	-	-	-	1,163	738	1,901								
8 Radio & TV Broadcasting Expense	-	-	-	10,400	-	10,400								
9 Telecommunication Expense	3,259	3,159	7,039	1,930	144	15,531	3,500							
10 Office Rent	-	-	-	3,527	12,969	16,496								
11 Accounting Software Expense	-	-	-	-	608	608	1,084							
12 Transportation Expense	22,883	7,714	25,007	18,587	-	74,191	19,444							
13 Hotel Accommodation Expense	23,470	-	11,744	-	-	35,214	92,400							
14 Refreshment Expense	3,878	3,940	26,355	6,853	-	41,026	20,248							
15 Insurance Expense	4,727	3,307	7,484	2,212	-	17,730	4,708							
16 Design & Printing Fees	8,714	4,558	2,890	10,532	-	26,694	1,450							
17 Hall Rent	6,600	1,200	1,750	24,198	-	33,748	1,200							
18 Tools & Supplies	-	61	3,300	-	-	3,361								
19 Other Expense	-	-	986	1,440	-	2,426	2,825							
20 Auditing Fees	-	-	-	5,700	-	5,700	6,248							
Total Projects Expenses	206,406	261,856	405,478	140,221	14,459	1,028,420	354,721							
Grand Total	206,406	261,856	405,478	144,271	14,459	1,032,470	366,827							

10. Management and general expenses:

	31/12/2014	31/12/2013
	NIS	NIS
Salaries	39,397	3,240
Stationary Expense	335	-
Electricity Expense	8,823	1,824
Water Expense	1,883	146
Telecommunication Expense	2,181	1,388
Interest & Bank Charges	1,254	334
Office Rent	31,189	11,748
Cleaning Expense	654	10
Maintenance Expense	1,191	-
Audit Fees	9,300	-
Accounting Software Expense	3,500	-
Transportation Expense	1,611	420
Gifts & Souvenirs	1,765	-
Refreshment Expense	2,463	-
Tools & Supplies	2,244	2,160
Donations Expense	5,017	-
Internet Subscription & other	1,829	360
Design & Printing Fees	3,902	1,266
Rewards & Incentives	-	350
Other Expense	640	3,744
Total	119,178	26,990

11. Financial Instruments, Fair values and Risks Management:

- **Fair Values of Financial Assets and Liabilities:**

The carrying book value of financial assets and liabilities are not materially different from their fair values at the date of the statement of financial position.

- **Operational Risk**

The costs of the programs, administrative as well as fixed assets procurements are fully financed by donors through donations. The management believes that the funding level in the year 2014 will be sufficient to finance all of its disbursements and will be consistent with the funding level in the prior years. Furthermore, the management believes that the political and economical conditions prevailing in the area will not materially affect its operations.

- **Credit Risk:**

The Palestinian Association For Empowerment and Local Development-REFORM credit risk is primarily attributable to its liquidity funds and receivables. The credit risk on liquid funds is limited because liquid assets are placed with reputable financial Associations.

- **Currency Risk:**

Currency risk arises from the possibility that changes in the exchange rates may affect negatively the value of the financial assets and liabilities in case the Association does not hedge its currency exposure by means of hedging instruments. The management usually distributes its liquid assets over its functional currencies to minimize any possible loss from currency rates fluctuation.