

**Natuf Organization for Environment
& Community Development
Gaza - Palestine**

**Financial Statements
and Independent Auditor's Report
for the Year Ended December 31, 2013**

**Talal Abu Ghazaleh & Co. International
Certified Public Accountants**



**Natuf Organization for Environment
& Community Development
Gaza - Palestine**

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Independent Auditor's Report

**Messrs. Members of General Assembly
Natuf Organization for Environment & Community Development
Gaza - Palestine**

We have audited the accompanying financial statements of **Natuf Organization for Environment & Community Development**, which comprise the statement of financial position as at December 31, 2013 and the statement of activities and statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements for the year ended December 31, 2012 were audited by other auditor whose report thereon dated March 24, 2013 was unqualified.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial and accounting policies described in note (2). 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 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 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.

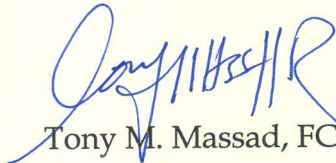
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 financial statements present fairly, in all material respects, the financial position of **Natuf Organization for Environment & Community Development**, as of December 31, 2013 and its financial performance and changes in net assets and cash flows for the year then ended in accordance with the financial and accounting policies described in note (2).

For Talal Abu - Ghazaleh & Co. International



Tony M. Massad, FCCA
Certified Accountant License # (1/2011)
Gaza on March 23, 2014



طلال أبو غزالة وشركاه
Talal Abu-Ghazaleh & Co.
مكتب غزة GAZA OFFICE

Natuf Organization for Environment & Community Development
Gaza - Palestine

Statement of Financial Position as at December 31, 2013

Exhibit (A)

(Amounts are expressed in NIS)

	<u>Note</u>	<u>December 31</u>	
		<u>2013</u>	<u>2012</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	3	211,555.20	1,025,832.46
Accounts Receivable		22,436.00	111,443.00
Other Debit Balances	4	37,267.80	39,993.80
Accrued Revenues	5	1,604,086.51	—
Total Current Assets		<u>1,875,345.51</u>	<u>1,177,269.26</u>
<u>Non-Current Assets</u>			
Property, Plant and Equipment, Net	6	126,463.36	40,323.85
Total Non-Current Assets		<u>126,463.36</u>	<u>40,323.85</u>
Total Assets		<u>2,001,808.87</u>	<u>1,217,593.11</u>
<u>Liabilities and Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable		27,201.33	65,608.41
Accrued Liabilities	7	1,503,209.33	479,246.62
Total Current Liabilities		<u>1,530,410.66</u>	<u>544,855.03</u>
<u>Net Assets</u>			
Net Assets - Beginning of the Year		648,572.92	211,041.14
Net Assets for the Year		<u>(177,174.71)</u>	<u>461,696.94</u>
Net Assets - End of the Year - Exhibit (C)		<u>471,398.21</u>	<u>672,738.08</u>
Total Liabilities and Net Assets		<u>2,001,808.87</u>	<u>1,217,593.11</u>

The accompanying notes constitute an integral part of these financial statements

Natuf Organization for Environment & Community Development
Gaza - Palestine

Statement of Activities for the Year Ended December 31, 2013

Exhibit (B)

(Amounts are expressed in NIS)

	<u>Note</u>	<u>December 31</u>	
		<u>2013</u>	<u>2012</u>
<u>Revenues</u>			
Grants' and Projects' Revenues	8	6,229,232.10	3,470,081.68
Membership Fees Revenues		1,300.00	1,000.00
Other Revenues		22,073.00	11,649.33
Total Revenues		<u>6,252,605.10</u>	<u>3,482,731.01</u>
<u>Expenses</u>			
Grants' and Projects' Expenses	9	(6,194,434.35)	(2,852,024.85)
General and Administrative Expenses	10	(129,237.94)	(163,527.48)
Depreciation	6	(7,082.99)	(5,481.74)
Currency Differences		(99,024.53)	—
Total Expenses		<u>(6,429,779.81)</u>	<u>(3,021,034.07)</u>
Net Assets for the Year - Exhibit (A)		<u>(177,174.71)</u>	<u>461,696.94</u>

The accompanying notes constitute an integral part of these financial statements

Natuf Organization for Environment & Community Development
Gaza - Palestine

Statement of Changes in Net Assets for the Year Ended December 31, 2013 Exhibit (C)

(Amounts are expressed in NIS)

	General Net Assets	Investment in Property, Plant and Equipment	Total
Net Assets on January 1, 2013	632,414.23	40,323.85	672,738.08
Adjustments on Net Assets at Beginning of the Year (Closing Qatar Charity's Account)	(24,165.16)	—	(24,165.16)
Net Assets for the Year - Exhibit (B)	(177,174.71)	—	(177,174.71)
Deprecation of Property, Plant and Equipment	7,082.99	(7,082.99)	—
Additions to Property, Plant & Equipment	(94,115.18)	94,115.18	—
Disposals from Property, Plant & Equipment	2,030.00	(2,030.00)	—
Adjustments on Accumulated Depreciation	16.09	(16.09)	—
Disposals from Accumulated Depreciation	(1,153.41)	1,153.41	—
Net Assets on December 31, 2013 - Exhibit (A)	<u>344,934.85</u>	<u>126,463.36</u>	<u>471,398.21</u>
Net Assets on January 1, 2012	203,567.75	7,473.39	211,041.14
Net Assets for the Year - Exhibit (B)	461,696.94	—	461,696.94
Deprecation of Property, Plant and Equipment	5,481.74	(5,481.74)	—
Additions to Property, Plant & Equipment	(38,332.20)	38,332.20	—
Net Assets on December 31, 2012 - Exhibit (A)	<u>632,414.23</u>	<u>40,323.85</u>	<u>672,738.08</u>

The accompanying notes constitute an integral part of these financial statements

Natuf Organization for Environment & Community Development
Gaza - Palestine

Statement of Cash Flows for the Year Ended December 31, 2013

Exhibit (D)

(Amounts are expressed in NIS)

	December 31	
	2013	2012
<u>Cash Flows from Operating Activities</u>		
Net Assets for the Year	(177,174.71)	461,696.94
<u>Adjustments to Reconcile Net Assets for the Year to Net Cash Flows Provided by Operating Activities</u>		
Depreciation of Property, Plant and Equipment	7,082.99	5,481.74
Change in Accounts Receivable	89,007.00	30,601.50
Change in Accrued Revenues	(1,604,086.51)	—
Change in Other Debit Balances	2,726.00	(74,034.92)
Change in Accounts Payable	(38,407.08)	6,583.66
Change in Accrued Liabilities	1,023,962.71	475,073.83
Net Cash Flows (Used in) Generated by Operating Activities	(696,889.60)	905,402.75
<u>Cash Flows from Investing Activities</u>		
Additions to Property, Plant and Equipment	(94,115.18)	(38,332.20)
Disposals from Property, Plant and Equipment	2,030.00	—
Accumulated Depreciation of Disposed Assets	(1,153.41)	—
Adjustments on Accumulated Depreciation	16.09	—
Net Cash Flows (Used in) Investing Activities	(93,222.50)	(38,332.20)
<u>Cash Flows from Financing Activities</u>		
Adjustments on Net Assets (Deferred)	(24,165.16)	—
Net Cash Flows (Used in) Financing Activities	(24,165.16)	—
Net Cash Flows (Used) Generated During the Year	(814,277.26)	867,070.55
Cash and Cash Equivalents, Beginning of the Year	1,025,832.46	158,761.91
Cash and Cash Equivalents, End of the Year - Exhibit (A) - Note (3)	211,555.20	1,025,832.46

The accompanying notes constitute an integral part of these financial statements

Natuf Organization for Environment & Community Development
Gaza - Palestine
Notes to the Financial Statements
(Amounts are expressed in NIS)

1. General Information

1-1 Legal Status

Natuf Organization for Environment & Community Development was established in Gaza Strip - Palestinian on July 29, 2002 under registration no. (7196) according to the Non-Profit Societies Law. No. (1) for the year 2000. The Society is interested in the affairs of the environment, community development and awareness programs and researches that encourage the development of a healthy society and environment.

1-2 Goals & Objectives

Natuf Organization for Environment & Community Development seeks towards achieving and embodiment the following objectives:

1. Work to treat the fundamental problems related to the environment and infrastructure and to find appropriate solutions that work on improvement and development.
2. Contribute to upgrade the level of occupational health institutions and improve the quality of provided services.
3. Contribute to improve the social and economic conditions of marginalized groups to improve the community living and life.
4. Contribute to improve the quality of education by providing the necessary support for the development of the educational process.

2. Summary of Significant Accounting Policies

2-1 General Framework for the Preparation of Financial Statements

The Financial Statements have been prepared in accordance with International Financial Reporting Standards.

2-2 Basis of Financial Statements Preparation

The financial statements have been prepared on historical cost basis and the accrual basis of accounting.

2-3 Foreign Currencies

The financial statements are presented in the currency of the primary economic environment in which the Society operates which is the Israeli Shekel (NIS). Transactions in currencies other than the Israeli Shekel are converted to Israeli Shekel (NIS) according to the exchange rates prevailing on the date of transaction. At the date of each statement of financial position monetary items denominated in other currencies are translated to the Israeli Shekel (NIS) at rates prevailing at that date (closing date). The rates on December 31, 2013 were as follows:

US Dollar = 3.47 N.I.S

Exchange differences arising are recognized in the statement of activities for the year.

2-4 Property, Plant and Equipment

Property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

After initial recognition, the property, plant and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment, Land is not depreciated. The depreciation charge for each year is recognized in the statement of activities. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Society over the estimated useful life of the assets.

The Society follows the straight line method in depreciating fixed assets according to the depreciation ratios approved by the Ministry of Interior and listed in NGOs' financial and management procedures manual as specified in note (6).

Furniture	%10	Computers & Printers	%20	Electrical Devices	%20
Office Equipment	%20	Accounting Software	%20	Generator	%10
Tools & Kits	%10				

2-5 Provisions

The Society's management did not established a provision for end of service indemnity for its employees in accordance with the Palestinian Labor Law for the year ended December 31, 2013.

2-6 Projects' Expenses

The Expenses of activities that resulted from the provision of services to beneficiaries and which is the main objective of the Society.

2-7 General and Administrative Expenses

The Expenses which related to the management and not included within the projects' expenses.

2-8 Revenues and Expenses

- Revenues are recognized when earned.
- Expenses are recognized when incurred and recorded including V.A.T.

2-9 Cash and Cash Equivalent

For the purpose of the cash flows preparation, cash and cash equivalent on December 31, 2013 Comprise cash on hand and current balances and short-term deposits which matures within three months.

2-10 Other Liabilities

Liabilities are recognized for amounts payable in the future for purchases or services received, whether or not claimed by the suppliers.

3. Cash and Cash Equivalents

	December 31	
	2013	2012
<u>Cash on Hand</u>		
Cash - NIS	40.00	60.00
Cash - USD	—	18,104.80
Total Cash on Hand	40.00	18,164.80
<u>Cash at Banks</u>		
<u>Palestinian Islamic Bank</u>		
A/C - 2028991 - 0 USD	131,366.32	7,852.00
A/C - 2028991 - 1 USD	3,211.76	33,207.58
A/C - 2028991 - 3 USD	97,036.88	324,192.11
A/C - 2028991 - 0 NIS	9,120.33	22,086.46
Total Cash at Palestinian Islamic Bank	240,735.29	387,338.15
<u>Al Quds Bank</u>		
A/C - 68639 USD	12,948.09	6,414.37
A/C - 68639 NIS	779.67	1,052.70
A/C - 68639- 1 USD	22,955.81	564,717.50
A/C - 68639- 2 USD	—	55,831.79
Total Cash at Al Quds Bank	36,683.57	628,016.36
<u>Post - Dated Checks</u>		
Post - Dated Checks - NIS	(11,693.00)	(1,180.00)
Post - Dated Checks - USD	(54,210.66)	(6,506.85)
Total Post - Dated Checks	(65,903.66)	(7,686.85)
Total Cash at Banks	211,515.20	1,007,667.66
Total Cash and Cash Equivalents - Exhibit (A)	211,555.20	1,025,832.46

4. Other Debit Balances

	December 31	
	2013	2012
Prepaid Rent	35,359.30	37,953.30
Cash Deposits for Others	1,908.50	2,040.50
Total Other Debit Balances - Exhibit (A)	37,267.80	39,993.80

5. Accrued Revenues

This item of USD (462,272.77) equivalent to NIS (1,604,086.01) is represented by the amount due to the Society for furnishing 12 Schools in Gaza Strip Project funded by the Eslah Society (Bahrain) for the year ended December 31, 2013.

6. Property, Plant and Equipment, Net

	<u>Furniture</u>	<u>Computer & Printers</u>	<u>Electrical Devices</u>	<u>Office Equipment</u>	<u>Accounting Software</u>	<u>Generator</u>	<u>Tools & Kits</u>	<u>Total</u>
<u>Cost</u>								
January 1, 2013	23,448.75	20,628.88	85.00	3,676.80	4,299.48	—	250.00	52,388.91
Additions	22,255.23	19,482.45	9,452.00	2,153.50	—	39,905.00	867.00	94,115.18
Disposals	(1,030.00)	(1,000.00)	—	—	—	—	—	(2,030.00)
December 31, 2013	44,673.98	39,111.33	9,537.00	5,830.30	4,299.48	39,905.00	1,117.00	144,474.09
<u>Accumulated Depreciation</u>								
January 1, 2013	1,694.40	7,564.41	85.00	1,748.66	897.59	—	75.00	12,065.06
This Year Depreciation	2,266.39	3,486.79	125.07	749.85	428.77	—	26.12	7,082.99
Adjustments	—	—	16.09	—	—	—	—	16.09
Disposals	(197.45)	(955.96)	—	—	—	—	—	(1,153.41)
December 31, 2013	3,763.34	10,095.24	226.16	2,498.51	1,326.36	39,905.00	101.12	18,010.73
<u>Net Book Value</u>								
December 31, 2013	40,910.64	29,016.09	9,310.84	3,331.79	2,973.12	39,905.00	1,015.88	126,463.36
December 31, 2012	21,754.35	13,064.47	—	1,928.14	3,401.89	—	175.00	40,323.85

7. Accrued Liabilities

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Miscellaneous Administrative Expenses	7,696.04	5,369.16
Fakhurah Project Expenses for Scholarships for University Students	37,393.96	30,408.40
Furnishing of 12 Schools in Gaza Strip Project Expenses	1,458,119.33	443,469.06
Total Accrued Liabilities - Exhibit (B)	<u>1,503,209.33</u>	<u>479,246.62</u>

8. Grants' and Projects' Revenue

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Fakhurah Project for Scholarships for University Students	1,783,434.11	2,239,176.53
Furnishing of 12 Schools in Gaza Strip Project	4,445,797.99	1,172,943.40
Restoration of Poor Families Home Project	—	57,961.75
Total Grants' and Projects' Revenue - Exhibit (B)	<u>6,229,232.10</u>	<u>3,470,081.68</u>

9. Grants' and Projects' Expenses

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Fakhurah Project for Scholarships for University Students	1,739,459.16	1,825,910.07
Al Aqsa Doctor Teams, Psychological Support & Training Project	28,240.00	514.00
Furnishing of 12 Schools in Gaza Strip Project	4,383,442.47	1,025,600.78
Restoration of Poor Families Homes Project	43,292.72	—
Total Grants' and Projects' Expenses - Exhibit (B)	<u>6,194,434.35</u>	<u>2,852,024.85</u>

10. General and Administrative Expenses

	December 31	
	2013	2012
Office Rent	9,715.20	17,452.40
Wages, Salaries and Remunerations	81,365.91	112,500.10
Electricity and Water	2,928.73	2,184.31
Audit Fees	4,684.50	3,710.00
Hospitality	3,615.98	3,203.00
Stationery and Printings	2,457.00	3,076.00
Telephone, Mobile and Internet	4,627.66	4,170.90
Couriers Transport	1,300.00	907.00
Advertisements	350.00	350.00
Tower Services	1,100.00	2,898.50
Transportation	3,370.33	4,816.56
Gifts	1,504.00	495.00
Bank Commissions	1,505.05	1,125.71
General Maintenance	960.00	4,266.40
Donations	1,667.68	1,000.00
Website Hosting Fees	2,195.90	322.60
Attorneys' Fees	300.00	—
Vehicle Rent	5,110.00	—
Municipality License Fee	480.00	—
Miscellaneous Expenses	—	1,049.00
Total General and Administrative Expenses - Exhibit (B)	129,237.94	163,527.48

11. Lawsuits

According to the Society's legal consultant letter dated 07/05/2014, the value of lawsuits brought against the Society during the year ended December 31, 2013 is USD (8,623) and represented by labor rights case.

The value of lawsuits brought by the Society against other during the year ended December 31, 2013 is USD (21,742) and represented by execution of obligatory bond case.

The Society did not establish a provision for the above lawsuits to meet any obligations that may arise.

12. Risk management

The management of the Society manages the financial risks relating to its operations and activities. These risks include: foreign exchange risk, credit risk, and liquidity risk.

Foreign currency risk:

The Society's management undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year. The Society maintains policies and procedures to manage the exchange rate risk exposure.

Credit risk:

Credit risk refers to the risk that a debtor will default in its contractual obligations resulting in financial loss to the Society. The Society maintains a credit policy that states dealing with only creditworthy parties and obtaining sufficient collateral where appropriate.

Liquidity risk

The Board of Directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with the Board of Directors.

13. Fair value of Financial Instruments

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

14. Number of Employees

The number of employees in the Society at the end of December 2013 was (6) employees and (2) volunteers.

15. Comparative Figures

Certain balances were reclassified to conform to the current year presentation.