

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

**Financial Statements  
and Independent Auditor's Report  
For the Year Ended December 31, 2015**

**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, 2015 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.

### **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.

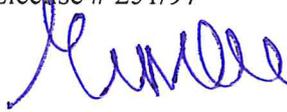
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2015 and its financial performance and cash flows for the year then ended in accordance with the financial and accounting policies described in note (2).

Talal Abu – Ghazaleh & Co. International  
License # 251/97



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

Muneer M. "Alihassan" IACPA  
Certified Accountant License # (130/2003)  
Gaza on January 24, 2016

**Natuf Organization for Environment & Community Development**

**Gaza – Palestine**

**Statement of Financial Position as at December 31, 2015**

**Exhibit (A)**

**(Amounts are expressed in NIS)**

		<b>December 31</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents	<b>3</b>	774,244.98	291,636.46
Pledge Receivable	<b>6</b>	2,824,310.50	19,500.00
Accounts Receivable		—	21,742.00
Other Assets	<b>4</b>	3,150.50	5,784.15
<b>Total Current Assets</b>		<b>3,601,705.98</b>	<b>338,662.61</b>
<b><u>Non-Current Assets</u></b>			
Property, Plant and Equipment, Net	<b>5</b>	174,717.03	177,466.86
<b>Total Non-Current Assets</b>		<b>174,717.03</b>	<b>177,466.86</b>
<b>Total Assets</b>		<b>3,776,423.01</b>	<b>516,129.47</b>
<b><u>Liabilities and Net Assets</u></b>			
<b><u>Liabilities</u></b>			
Deferred Revenues	<b>6</b>	3,278,759.95	—
Accrued Liabilities	<b>7</b>	22,715.61	29,808.62
<b>Total Current Liabilities</b>		<b>3,301,475.56</b>	<b>29,808.62</b>
<b><u>Net Assets</u></b>			
Net Assets - Beginning of the Year		486,320.85	471,398.21
Net Assets for the Year - Exhibit (B)		(11,373.40)	14,922.64
Net Assets - End of the Year - Exhibit (C)		474,947.45	486,320.85
<b>Total Liabilities and Net Assets</b>		<b>3,776,423.01</b>	<b>516,129.47</b>

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, 2015**      **Exhibit (B)**

**(Amounts are expressed in NIS)**

		<u>December 31</u>	
	<u>Note</u>	<u>2015</u>	<u>2014</u>
<b><u>Revenues</u></b>			
Grants' and Projects' Revenues	8	4,037,667.94	2,872,239.92
Other Revenues	9	158,351.99	44,558.02
<b>Total Revenues</b>		<b><u>4,196,019.93</u></b>	<b><u>2,916,797.94</u></b>
<b><u>Expenditures</u></b>			
Grants' and Projects' Expenses	10	4,015,497.14	2,792,280.85
General and Administrative Expenses	11	151,249.79	87,882.25
This Year Depreciation	5	35,706.83	21,712.20
Prior Years Adjustments		4,939.57	---
<b>Total Expenditures</b>		<b><u>4,207,393.33</u></b>	<b><u>2,901,875.30</u></b>
<b>Net Assets for the Year – Exhibit (A)</b>		<b><u>(11,373.40)</u></b>	<b><u>14,922.64</u></b>

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, 2015      Exhibit (C)

(Amounts are expressed in NIS)

	Net Assets	Investment in Property, Plant and Equipment	Total
<b>Net Assets on January 1, 2015</b>	308,853.99	177,466.86	486,320.85
Net Assets for the Year - Exhibit (B)	(11,373.40)	---	(11,373.40)
Deprecation of Property, Plant and Equipment	35,706.83	(35,706.83)	---
Additions to Property, Plant & Equipment	(32,957.00)	32,957.00	---
<b>Net Assets on December 31, 2015 – Exhibit (A)</b>	<b>300,230.42</b>	<b>174,717.03</b>	<b>474,947.45</b>
<b>Net Assets on January 1, 2014</b>	344,934.85	126,463.36	471,398.21
Net Assets for the Year - Exhibit (B)	14,922.64	---	14,922.64
Deprecation of Property, Plant and Equipment	21,712.20	(21,712.20)	---
Additions to Property, Plant & Equipment	(72,715.70)	72,715.70	---
<b>Net Assets on December 31, 2014 – Exhibit (A)</b>	<b>308,853.99</b>	<b>177,466.86</b>	<b>486,320.85</b>

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, 2015**

**Exhibit (D)**

**(Amounts are expressed in NIS)**

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b><u>Cash Flows from Operating Activities</u></b>		
Net Assets for the Year	(11,373.40)	14,922.64
<b><u>Adjustments to Reconcile Net Assets for the Year to Net Cash</u></b>		
<b><u>Flows Provided by Operating Activities</u></b>		
Depreciation of Property, Plant and Equipment	35,706.83	21,712.20
Change in Pledge Receivable	(2,804,810.50)	—
Change in Accounts Receivable	21,742.00	694.00
Change in Other Assets	2,633.65	31,483.65
Change in Deferred Revenues	3,278,759.95	(1,458,119.33)
Change in Accrued Liabilities	(7,093.01)	1,542,103.80
Net Cash Flows Generated by Operating Activities	<u>515,565.52</u>	<u>152,796.96</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Additions to Property, Plant and Equipment	(32,957.00)	(72,715.70)
Net Cash Flows (Used in) Investing Activities	<u>(32,957.00)</u>	<u>(72,715.70)</u>
Net Cash Flows Generated During the Year	482,608.52	80,081.26
Cash and Cash Equivalents, Beginning of the Year	291,636.46	211,555.20
<b>Cash and Cash Equivalents, End of the Year – Exhibit (A) – Note (3)</b>	<b><u>774,244.98</u></b>	<b><u>291,636.46</u></b>

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)

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### **1. General Information**

#### **1-1 Legal Status**

Natuf Organization for Environment & Community Development was established in Gaza Strip – Palestine on July 29, 2002 under registration no. (7196) pursuant 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 embodying the following objectives:

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

### **2. Significant Accounting Policies**

#### **2-1 Basis of Financial Statements Preparation**

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

#### **2-2 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 rate on December 31, 2015 was as follows:

- US Dollar = 3.91 N.I.S

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

#### **2-3 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 and the depreciation ratios was modified according to the depreciation ratios listed in NGOs' financial and procedures manual as specified in note (5).

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

#### **2-4 Projects' Expenses**

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

#### **2-5 General and Administrative Expenses**

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

#### **2-6 Revenues and Expenses**

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

#### **2-7 Cash and Cash Equivalents**

For the purpose of the cash flows preparation, cash and cash equivalent comprise cash on hand and current balances at banks and short-term deposits which matures within three months.

#### **2-8 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**

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b><u>Cash on Hand</u></b>		
Petty Cash	---	2,418.00
Total Cash on Hand	---	2,418.00
<b><u>Cash at Banks</u></b>		
<b><u>Palestinian Islamic Bank</u></b>		
A/C – 2028991 – USD	685,790.42	351.98
A/C – 2028991 – NIS	8,631.39	862.11
Total Cash at Palestinian Islamic Bank	694,421.81	1,214.09
<b><u>Al Quds Bank</u></b>		
A/C – 68639 USD	513.89	272,094.73
A/C – 68639 NIS	718.28	15,909.64
A/C – 68639– 0 USD – Term Deposits	78,591.00	---
Total Cash at Al Quds Bank	79,823.17	288,004.37
Total Cash at Banks	---	289,218.46
<b>Total Cash and Cash Equivalents – Exhibit (A)</b>	<b>774,244.98</b>	<b>291,636.46</b>

### **4. Other Assets**

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash Insurance	3,150.50	2,145.00
Prepaid Expenses	–	696.40
Advances to Staff	–	2,942.75
<b>Total Other Assets – Exhibit (A)</b>	<b>3,150.50</b>	<b>5,784.15</b>

5. Property, Plant and Equipment, Net

	Furniture	Computers & Printers	Electrical Devices	Office Equipment	Accounting Software	Generator	Tools & Kits	Total
<u>Cost</u>								
January 1, 2015	71,388.30	67,509.30	10,542.66	22,190.91	4,299.48	39,905.00	1,354.14	217,189.79
Additions	5,976.20	—	26,980.80	—	—	—	—	32,957.00
<b>December 31, 2015</b>	<b>77,364.50</b>	<b>67,509.30</b>	<b>37,523.46</b>	<b>22,190.91</b>	<b>4,299.48</b>	<b>39,905.00</b>	<b>1,354.14</b>	<b>250,146.79</b>
<u>Accumulated Depreciation</u>								
January 1, 2015	8,413.87	18,887.33	2,145.86	4,326.64	1,755.13	3,979.57	214.53	39,722.93
This Year Depreciation	7,382.93	13,274.06	665.12	9,653.87	428.77	3,979.57	322.51	35,706.83
<b>December 31, 2015</b>	<b>15,796.80</b>	<b>32,161.39</b>	<b>2,810.98</b>	<b>13,980.51</b>	<b>2,183.90</b>	<b>7,959.14</b>	<b>537.04</b>	<b>75,429.76</b>
<u>Net Book Value on</u>								
December 31, 2015	61,567.70	35,347.91	34,712.48	8,210.40	2,115.58	31,945.86	817.10	174,717.03
December 31, 2014	62,974.43	48,621.97	8,396.80	17,864.27	2,544.35	35,925.43	1,139.61	177,466.86

**6. Deferred Revenues**

Fund Name	Donor Name	Pledge Receivable 1/1/2015	Project Contract Value	Receipt Amounts	Realized Revenues	Projects' Expenses			Deferred Revenue 31/12/2015	Pledge Receivable 31/12/2015
						Expenses	Fixed Assets	Total Expenses		
Environmental Leadership to Sustainable Community	EU-UNDP-GEF-SGP	--	67,061.97	67,061.97	67,061.97	67,061.97	--	67,061.97	--	--
The Role of Rural Women in Treatment with Climate Issues	GGF	--	8,521.16	8,521.16	8,521.16	8,521.16	--	8,521.16	--	--
Project of Settlement the Graduates' dues	Charitable People	--	14,305.38	14,305.38	14,305.38	14,305.38	--	14,305.38	--	--
Maintenance the Damaged Houses and Provision Alternative lighting Systems	IDRF	--	668,714.12	668,714.12	668,714.12	668,714.12	--	668,714.12	--	--
Fahkooora Project for Scholarships 2014	UNDP-FAKHORA-IDB	19,500.00	1,634,956.01	1,654,456.01	1,634,956.01	1,612,785.21	22,170.80	1,634,956.01	--	--
Fahkooora Project for Scholarships 2015	UNDP-FAKHORA-IDB	--	3,919,393.07	1,589,385.77	1,589,385.77	1,589,385.77	--	1,589,385.77	2,330,008.30	2,330,008.30
Artistic designs Camp from Palestinian Heritage	SPF	--	21,500.58	21,500.58	21,500.58	21,500.58	--	21,500.58	--	--
Improve the Economical Situation of Youth	QDF-BOP	--	981,974.70	487,672.40	33,222.95	33,222.95	--	33,222.95	948,751.65	494,302.20
<b>Total</b>		<b>19,500.00</b>	<b>7,316,427.89</b>	<b>4,511,617.39</b>	<b>4,037,667.94</b>	<b>4,015,497.14</b>	<b>22,170.80</b>	<b>4,037,667.94</b>	<b>3,278,759.95</b>	<b>2,824,310.50</b>

**7. Accrued Liabilities**

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Accrued Administrative Expenses	4,529.53	4,016.94
Fahkoora Scholarships Project	18,186.08	20,380.36
Accrued Income Tax	—	5,411.32
<b>Total Accrued Liabilities – Exhibit (A)</b>	<b><u>22,715.61</u></b>	<b><u>29,808.62</u></b>

**8. Grants' and Projects' Revenue**

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Fahkoora Project for Scholarships for University Students	3,224,341.78	1,406,643.96
Project of Damaged Houses	668,714.12	—
Project of Global Green	8,521.16	—
Project of Environmental Leadership to Sustainable Community	67,061.97	—
Artistic Designs Camp from Palestinian Heritage	21,500.58	—
Natuf Project for Scholarships	14,305.38	—
Project of Improve the Economical Situation of Youth	33,222.95	—
Project of Furnishing (12) Schools in Gaza Strip	—	1,465,595.96
<b>Total Grants' and Projects' Revenue – Exhibit (B)</b>	<b><u>4,037,667.94</u></b>	<b><u>2,872,239.92</u></b>

**9. Other Revenues**

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Tenders Fees	9,193.96	5,451.00
Membership Fees	1,150.00	1,600.00
Gain Ratio from the Projects	123,302.46	35,483.02
In-Kind Donations	4,360.00	1,900.00
Deduct from the Staff	300.38	--
Currency Differences	20,045.19	--
Other Miscellaneous	--	124.00
<b>Total Other Revenues – Exhibit (B)</b>	<b><u>158,351.99</u></b>	<b><u>44,558.02</u></b>

**10. Grants' and Projects' Expenses**

	December 31	
	2015	2014
Fahkoora Project for Scholarships for University Students	3,202,170.98	1,326,684.89
Project of Damaged Houses	668,714.12	—
Project of Global Green	8,521.16	—
Project of Environmental Leadership to Sustainable Community	67,061.97	—
Natuf Project for Scholarships	14,305.38	—
Artistic Designs Camp from Palestinian Heritage	21,500.58	—
Project of Improve the Economical Situation of Youth	33,222.95	—
Project of Furnishing (12) Schools in Gaza Strip	—	1,465,595.96
<b>Total Grants' and Projects' Expenses – Exhibit (B)</b>	<b>4,015,497.14</b>	<b>2,792,280.85</b>

**11. General and Administrative Expenses**

	December 31	
	2015	2014
Premises Rent	11,697.00	9,432.85
Wages, Salaries and Remunerations	58,816.22	41,502.57
Electricity and Water	905.46	2,926.20
Audit Fees	5,178.73	5,198.92
Hospitality	3,802.76	5,818.66
Stationery and Printings	3,241.11	582.00
Telephone, Mobile and Internet	4,831.36	5,018.02
Transportation	2,067.88	4,720.00
Bank Commissions	8,843.70	2,120.09
General Maintenance	13,211.00	1,170.00
Attorneys' Fees	6,515.49	872.50
Miscellaneous Expenses	27,468.08	1,061.00
Generator Subscription Duties	4,671.00	—
Advertisements	—	2,500.00
Tower Services	—	1,881.00
Gifts	—	100.00
Municipality License Duties	—	60.00
Donations	—	492.93
Currency Differences	—	2,425.51
<b>Total General and Administrative Expenses – Exhibit (B)</b>	<b>151,249.79</b>	<b>87,882.25</b>

## **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.

### *A. 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.

### *B. 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.

### *C. 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. Comparative Figures**

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