

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

**Financial Statements
and Independent Auditor's Report
for the Year Ended December 31, 2014**

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

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

Table of Contents

	<u>Page</u>	<u>Exhibit</u>
Independent Auditor's Report	1	—
Statement of Financial Position as at December 31, 2014	3	(A)
Statement of Activities for the Year Ended December 31, 2014	4	(B)
Statement of Changes in Net Assets for the Year Ended December 31, 2014	5	(C)
Statement of Cash Flows for the Year Ended December 31, 2014	6	(D)
Notes to the Financial Statements	7-13	—

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, 2014 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.

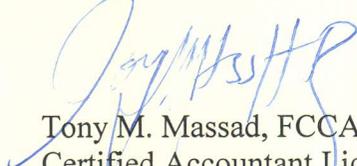
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2014 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



Tony M. Massad, FCCA
Certified Accountant License # (1/2011)
Gaza on April 28, 2015



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, 2014

Exhibit (A)

(Amounts are expressed in NIS)

	<u>Note</u>	<u>December 31</u>	
		<u>2014</u>	<u>2013</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	3	291,636.46	211,555.20
Accounts Receivable		21,742.00	22,436.00
Accrued Revenues	4	19,500.00	1,604,086.51
Other Debit Balances	5	5,784.15	37,267.80
Total Current Assets		338,662.61	1,875,345.51
<u>Non-Current Assets</u>			
Property, Plant and Equipment, Net	6	177,466.86	126,463.36
Total Non-Current Assets		177,466.86	126,463.36
Total Assets		516,129.47	2,001,808.87
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
Accrued Liabilities	7	29,808.62	72,291.33
Deferred Revenues - Project of Furnishing (12) School		—	1,458,119.33
Total Current Liabilities		29,808.62	1,530,410.66
<u>Net Assets</u>			
Net Assets - Beginning of the Year		471,398.21	648,572.92
Net Assets for the Year - Exhibit (B)		14,922.64	(177,174.71)
Net Assets - End of the Year - Exhibit (C)		486,320.85	471,398.21
Total Liabilities and Net Assets		516,129.47	2,001,808.87

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, 2014

Exhibit (B)

(Amounts are expressed in NIS)

	<u>Note</u>	<u>December 31</u>	
		<u>2014</u>	<u>2013</u>
<u>Revenues</u>			
Grants' and Projects' Revenues	8	2,872,239.92	6,229,232.10
Tenders Fees Revenues		5,575.00	22,073.00
Membership Fees Revenues		1,600.00	1,300.00
Other Revenues		37,383.02	---
Total Revenues		<u>2,916,797.94</u>	<u>6,252,605.10</u>
<u>Expenses</u>			
Grants' and Projects' Expenses	9	(2,792,280.85)	(6,194,434.35)
General and Administrative Expenses	10	(85,456.74)	(129,237.94)
This Year Depreciation	6	(21,712.20)	(7,082.99)
Currency Differences		(2,425.51)	(99,024.53)
Total Expenses		<u>(2,901,875.30)</u>	<u>(6,429,779.81)</u>
Net Assets for the Year – Exhibit (A)		<u>14,922.64</u>	<u>(177,174.71)</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, 2014 **Exhibit (C)**
(Amounts are expressed in NIS)

	Net Assets	Investment in Property, Plant and Equipment	Total
Net Assets on January 1, 2014	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	---
Net Assets on December 31, 2014 – Exhibit (A)	308,853.99	177,466.86	486,320.85
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)	344,934.85	126,463.36	471,398.21

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, 2014

Exhibit (D)

(Amounts are expressed in NIS)

	December 31	
	2014	2013
<u>Cash Flows from Operating Activities</u>		
Net Assets for the Year	14,922.64	(177,174.71)
<u>Adjustments to Reconcile Net Assets for the Year</u> <u>to Net Cash Flows Provided by Operating Activities</u>		
Depreciation of Property, Plant and Equipment	21,712.20	7,082.99
Change in Accounts Receivable	694.00	89,007.00
Change in Accrued Revenues	1,584,586.51	(1,604,086.51)
Change in Other Debit Balances	31,483.65	2,726.00
Change in Accrued Liabilities	(42,482.71)	985,555.63
Change in Deferred Revenues	(1,458,119.33)	---
Net Cash Flows Generated by (Used in) Operating Activities	<u>152,796.96</u>	<u>(696,889.60)</u>
<u>Cash Flows from Investing Activities</u>		
Additions to Property, Plant and Equipment	(72,715.70)	(94,115.18)
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	<u>(72,715.70)</u>	<u>(93,222.50)</u>
<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 Generated (Used) During the Year	80,081.26	(814,277.26)
Cash and Cash Equivalents, Beginning of the Year	211,555.20	1,025,832.46
Cash and Cash Equivalents, End of the Year – Exhibit (A) – Note (3)	<u>291,636.46</u>	<u>211,555.20</u>

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 – 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 embodiment 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. Summary of 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, 2014 were as follows:

- US Dollar = 3.90 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 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	Tools & Kits	%10
Electrical Devices	%20	Accounting Software	%20	Generator	%10
Office Equipment	%20				

2-4 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, 2014.

2-5 Projects' Expenses

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

2-6 General and Administrative Expenses

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

2-7 Revenues and Expenses

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

2-8 Cash and Cash Equivalents

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

2-9 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	
	2014	2013
<u>Cash on Hand</u>		
Petty Cash	2,418.00	–
Cash – NIS	–	40.00
Total Cash on Hand	<u>2,418.00</u>	<u>40.00</u>
<u>Cash at Banks</u>		
<u>Palestinian Islamic Bank</u>		
A/C – 2028991 – 0 USD	351.98	131,366.32
A/C – 2028991 – 0 NIS	862.11	9,120.33
A/C – 2028991 – 1 USD	–	3,211.76
A/C – 2028991 – 3 USD	–	97,036.88
Total Cash at Palestinian Islamic Bank	<u>1,214.09</u>	<u>240,735.29</u>
<u>Al Quds Bank</u>		
A/C – 68639 USD	276,744.78	12,948.09
A/C – 68639 NIS	15,774.78	779.67
A/C – 68639– 1 USD	158.38	22,955.81
A/C – 68639– 3 NIS	158.21	–
A/C – 68639– 3 USD	(4,784.99)	–
A/C – 68639– 4 USD	(23.44)	–
A/C – 68639– 4 NIS	(23.35)	–
Total Cash at Al Quds Bank	<u>228,004.37</u>	<u>36,683.57</u>
<u>Post - Dated Checks</u>		
Post - Dated Checks - NIS	–	(11,693.00)
Post - Dated Checks - USD	–	(54,210.66)
Total Post - Dated Checks	<u>–</u>	<u>(65,903.66)</u>
Total Cash at Banks	<u>289,218.46</u>	<u>211,515.20</u>
Total Cash and Cash Equivalents – Exhibit (A)	<u>291,636.46</u>	<u>211,555.20</u>

4. Accrued Revenues

	December 31	
	2014	2013
Fahkoora Project	19,500.00	—
Project of Furnishing (12) School	—	1,604,086.51
Total Accrued Revenues – Exhibit (A)	19,500.00	1,604,086.51

5. Other Debit Balances

	December 31	
	2014	2013
Cash Insurance	2,145.00	1,908.50
Prepaid Expenses	696.40	—
Advances to Staff	2,942.75	—
Prepaid Rent	—	35,359.30
Total Other Debit Balances – Exhibit (A)	5,784.15	37,267.80

6. Property, Plant and Equipment, Net

	Furniture	Computers & Printers	Electrical Devices	Office Equipment	Accounting Software	Generator	Tools & Kits	Total
<u>Cost</u>								
January 1, 2014	44,673.98	39,111.33	9,537.00	5,830.30	4,299.48	39,905.00	1,117.00	144,474.09
Additions	26,714.32	28,397.97	1,005.66	16,360.61	—	—	237.14	72,715.70
December 31, 2014	71,388.30	67,509.30	10,542.66	22,190.91	4,299.48	39,905.00	1,354.14	217,189.79
<u>Accumulated Depreciation</u>								
January 1, 2014	3,763.34	10,095.24	226.16	2,498.51	1,326.36	—	101.12	18,010.73
This Year Depreciation	4,650.53	8,792.09	1,919.70	1,828.13	428.77	3,979.57	113.41	21,712.20
December 31, 2014	8,413.87	18,887.33	2,145.86	4,326.64	1,755.13	3,979.57	214.53	39,722.93
<u>Net Book Value</u>								
December 31, 2014	62,974.43	46,621.97	8,396.80	17,864.27	2,544.35	35,925.43	1,139.61	177,466.86
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

7. Accrued Liabilities

	December 31	
	2014	2013
Accrued Liabilities- Fahkoora Scholarships Project	20,380.36	37,393.96
Accrued Liabilities – General & Administrative	9,428.26	7,696.04
Other Liabilities "The Society"	–	27,201.33
Total Accrued Liabilities – Exhibit (A)	29,808.62	72,291.33

8. Grants' and Projects' Revenue

	December 31	
	2014	2013
Fahkoora Project for Scholarships to University Students	1,406,643.96	1,783,434.11
Project of Furnishing (12) Schools in Gaza Strip	1,465,595.96	4,445,797.99
Total Grants' and Projects' Revenue – Exhibit (B)	2,872,239.92	6,229,232.10

9. Grants' and Projects' Expenses

	December 31	
	2014	2013
Project of Furnishing (12) Schools in Gaza Strip	1,465,595.96	4,383,442.47
Faphkoora Project for Scholarships to University Students	1,326,684.89	1,739,459.16
Al Aqsa Doctor Teams, Psychological Support & Training Project	–	28,240.00
Restoration of Poor Families Homes Project	–	43,292.72
Total Grants' and Projects' Expenses – Exhibit (B)	2,792,280.85	6,194,434.35

10. General and Administrative Expenses

	December 31	
	2014	2013
Office Rent	9,432.85	9,715.20
Wages, Salaries and Remunerations	41,502.57	81,365.91
Electricity and Water	2,926.20	2,928.73
Audit Fees	5,198.92	4,684.50
Hospitality	5,625.66	3,615.98
Stationery and Printings	556.00	2,457.00
Telephone, Mobile and Internet	4,159.77	4,627.66
Couriers Transport	410.00	1,300.00
Advertisements	2,500.00	350.00
Tower Services	1,881.00	1,100.00
Transportation	4,720.00	3,370.33
Gifts	100.00	1,504.00
Bank Commissions	2,120.09	1,505.05
General Maintenance	1,170.00	960.00
Donations	492.93	1,667.68
Website Hosting Fees	448.25	2,195.90
Attorneys' Fees	872.50	300.00
Municipality License Fee	60.00	480.00
Miscellaneous Expenses	1,280.00	—
Vehicle Rent	—	5,110.00
Total General and Administrative Expenses – Exhibit (B)	85,456.74	129,237.94

11. 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.

12. 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.

13. Comparative Figures

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