

Natuf Organization for Environment
& Community Development
Gaza – Palestine

Financial Statements
and Independent Auditor's Report
for the Year Ended December 31, 2016

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, 2016	3	(A)
Statement of Activities for the Year Ended December 31, 2016	4	(B)
Statement of Changes in Net Assets for the Year Ended December 31, 2016	5	(C)
Statement of Cash Flows for the Year Ended December 31, 2016	6	(D)
Notes to the Financial Statements	7-14	—

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, 2016 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.

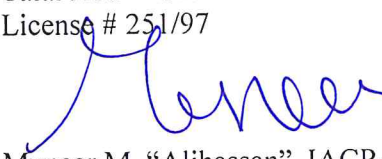
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2016 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


Muneer M. "Alihassan", IACPA
Certified Accountant License # (130/2003)
Gaza on March 12, 2017



تالال 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, 2016

Exhibit (A)

(Amounts are expressed in NIS)

	<u>Note</u>	<u>December 31</u>	
		<u>2016</u>	<u>2015</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Cash Equivalents	3	694,418.21	774,244.98
Pledge Receivable	4	1,528,679.75	2,824,310.50
Other Assets	5	3,112.00	3,150.50
Total Current Assets		2,226,209.96	3,601,705.98
<u>Non-Current Assets</u>			
Property, Plant and Equipment, Net	6	145,615.23	174,717.03
Total Non-Current Assets		145,615.23	174,717.03
Total Assets		2,371,825.19	3,776,423.01
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
Deferred Revenues	7	1,886,017.71	3,278,759.95
Accrued Liabilities	8	10,189.53	22,715.61
Total Liabilities		1,896,207.24	3,301,475.56
<u>Net Assets</u>			
Net Assets - Beginning of the Year		474,947.45	486,320.85
Net Assets for the Year - Exhibit (B)		670.50	(11,373.40)
Net Assets - End of the Year - Exhibit (C)		475,617.95	474,947.45
Total Liabilities and Net Assets		2,371,825.19	3,776,423.01

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, 2016

Exhibit (B)

(Amounts are expressed in NIS)

		<u>December 31</u>	
	<u>Note</u>	<u>2016</u>	<u>2015</u>
<u>Revenues</u>			
Grants' and Projects' Revenues	9	2,337,837.29	4,037,667.94
Other Revenues	10	153,972.69	158,351.99
Total Revenues		<u>2,491,809.98</u>	<u>4,196,019.93</u>
<u>Expenditures</u>			
Grants' and Projects' Expenses	11	2,337,837.29	4,015,497.14
General and Administrative Expenses	12	136,186.99	151,249.79
This Year Depreciation	6	36,869.18	35,706.83
Total Expenditures		<u>2,510,893.46</u>	<u>4,202,453.76</u>
Net Assets from the Activity		(19,083.48)	(6,433.83)
<u>Other Items</u>			
Prior Years Adjustments	13	19,753.98	(4,939.57)
Total Other Items		<u>19,753.98</u>	<u>(4,939.57)</u>
Net Assets for the Year – Exhibit (A)		<u>670.50</u>	<u>(11,373.40)</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, 2016 **Exhibit (C)**
(Amounts are expressed in NIS)

	Net Assets	Investment in Property, Plant and Equipment	Total
Net Assets on January 1, 2016	300,230.42	174,717.03	474,947.45
Net Assets for the Year - Exhibit (B)	670.50	---	670.50
Deprecation of Property, Plant and Equipment	36,869.18	(36,869.18)	---
Additions to Property, Plant & Equipment	(7,767.38)	7,767.38	---
Net Assets on December 31, 2016 – Exhibit (A)	330,002.72	145,615.23	475,617.95
Net Assets on January 1, 2015	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	---
Net Assets on December 31, 2015 – Exhibit (A)	300,230.42	174,717.03	474,947.45

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, 2016

Exhibit (D)

(Amounts are expressed in NIS)

	December 31	
	2016	2015
<u>Cash Flows from Operating Activities</u>		
Net Assets for the Year	670.50	(11,373.40)
<u>Adjustments to Reconcile Net Assets for the Year to Net Cash</u>		
<u>Flows Provided by Operating Activities</u>		
Depreciation of Property, Plant and Equipment	36,869.18	35,706.83
Change in Accounts Receivable	---	21,742.00
Change in Pledge Receivable	1,295,630.75	(2,804,810.50)
Change in Accrued Liabilities	(12,526.08)	(7,093.01)
Change in Other Assets	38.50	2,633.65
Change in Deferred Revenues	(1,392,742.24)	3,278,759.95
Net Cash Flows (Used in) Generated by Operating Activities	(72,059.39)	515,565.52
<u>Cash Flows from Investing Activities</u>		
Additions to Property, Plant and Equipment	(7,767.38)	(32,957.00)
Net Cash Flows (Used in) Investing Activities	(7,767.38)	(32,957.00)
Net Cash Flows (Used) Generated During the Year	(79,826.77)	482,608.52
Cash and Cash Equivalents, Beginning of the Year	774,244.98	291,636.46
Cash and Cash Equivalents, End of the Year – Exhibit (A) – Note (3)	694,418.21	774,244.98

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 occupation 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, 2016 was as follows:

- US Dollar = 3.84 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 forward 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).

Category	Annual Ratio (%)
Furniture	%10
Accounting Software	%20
Electrical Devices	%20
Computers & Printers	%20
Generator	%10
Office Equipment	%20
Tools & Kits	%10

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

2-7 Cash and Cash Equivalent

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

Cash at Banks

Palestinian Islamic Bank

A/C – 2028991 – USD

A/C – 2028991 – NIS

A/C – 2028991 – EURO

Total Cash at Palestinian Islamic Bank

Al Quds Bank

A/C – 68639 USD

A/C – 68639 NIS

A/C – 68639 USD – Sub-Account 3

A/C – 68639 NIS – Sub-Account 3

A/C – 68639– 0 USD – Term Deposits

Total Cash at Al Quds Bank

Total Cash at Banks

Total Cash and Cash Equivalents – Exhibit (A)

December 31	
2016	2015
669,334.47	685,790.42
8,636.33	8,631.39
(8.68)	---
<u>677,962.12</u>	<u>694,421.81</u>
14,834.38	513.89
752.68	718.28
869.07	---
(0.04)	---
---	78,591.00
<u>16,456.09</u>	<u>79,823.17</u>
<u>694,418.21</u>	<u>774,244.98</u>
<u>694,418.21</u>	<u>774,244.98</u>

4. Pledge Receivable

Fakhora Scholarships Project for University Students

Project of Improve the Economical Situation of Youth Phase 2

Project of Improve the Economical Situation of Youth Phase 1

Total Pledge Receivable – Exhibit (A)

December 31	
2016	2015
1,094,375.75	2,330,008.30
434,304.00	---
---	494,302.20
<u>1,528,679.75</u>	<u>2,824,310.50</u>

5. Other Assets

Amounts Held in Trust

Total Other Assets – Exhibit (A)

December 31	
2016	2015
3,112.00	3,150.50
<u>3,112.00</u>	<u>3,150.50</u>

<u>6. Property, Plant and Equipment, Net</u>		Furniture	Computers & Printers	Electrical Devices	Office Equipment	Accounting Software	Generator	Tools & Kits	Total
<u>Cost</u>									
January 1, 2016	77,364.50		67,509.30	37,523.46	22,190.91	4,299.48	39,905.00	1,354.14	250,146.79
Additions	3,297.38		---	---	4,470.00	---	---	---	7,767.38
December 31, 2016	<u>80,661.88</u>		<u>67,509.30</u>	<u>37,523.46</u>	<u>26,660.91</u>	<u>4,299.48</u>	<u>39,905.00</u>	<u>1,354.14</u>	<u>257,914.17</u>
<u>Accumulated Depreciation</u>									
January 1, 2016	15,796.80		32,161.39	2,810.98	13,980.51	2,183.90	7,959.14	537.04	75,429.76
This Year Depreciation	8,340.32		12,548.10	7,504.69	3,920.21	429.95	3,990.50	135.41	36,869.18
December 31, 2016	<u>24,137.12</u>		<u>44,709.49</u>	<u>10,315.67</u>	<u>17,900.72</u>	<u>2,613.85</u>	<u>11,949.64</u>	<u>672.45</u>	<u>112,298.94</u>
<u>Net Book Value on</u>									
December 31, 2016	<u>56,524.76</u>		<u>22,799.81</u>	<u>27,207.79</u>	<u>8,760.19</u>	<u>1,685.63</u>	<u>27,955.36</u>	<u>681.69</u>	<u>145,615.23</u>
December 31, 2015	<u>61,567.70</u>		<u>35,347.91</u>	<u>34,712.48</u>	<u>8,210.40</u>	<u>2,115.58</u>	<u>31,945.86</u>	<u>817.10</u>	<u>174,717.03</u>

7. Deferred Revenues

December 31	
2016	2015
Fakhora Scholarships Project	2,330,008.30
Project of Improve the Economical Situation of Youth – Phase 2	---
Golden Hands Project for the Empower the Women Economically	---
Joy and Fun Festival for the Children and their Mothers	---
Project of Improve the Economical Situation of Youth	948,751.65
Total Deferred Revenues – Exhibit (A)	3,278,759.95

December 31	
2016	2015
1,087,866.20	2,330,008.30
777,970.31	---
13,283.48	---
6,897.72	---
---	948,751.65
<u>1,886,017.71</u>	<u>3,278,759.95</u>

8. Accrued Liabilities

Accrued Administrative Expenses	4,529.53
Fakhora Scholarships Project Dues	18,186.08
Total Accrued Liabilities – Exhibit (A)	22,715.61

December 31	
2016	2015
5,152.89	4,529.53
5,036.64	18,186.08
<u>10,189.53</u>	<u>22,715.61</u>

9. Grants' and Projects' Revenue

Fakhora Project for Scholarships for University Students	3,224,341.78
Project of Improve the Economical Situation of Youth – Year 1	33,222.95
Project of Improve the Economical Situation of Youth – Year 1	---
Our Environment is Prettier with Our Hands Initiative	---
Joy and Fun Festival for the Children and their Mothers	---
Project of Construction of a Desalination Station	---
Golden Hands to Empower the Women Economically	---
Summer School Project for Bridge Program in Gaza – Year 1	---
Project of Your Summer Camp is Gorgeous	668,714.12
Essential Home Repairs & Lighting Systems	8,521.16
Project of Global Green	67,061.97
Environmental Leaders towards an Environment-Friendly Community	21,500.58
Artistic Designs of the Palestinian Heritage Camp	14,305.38
Natuf Program for Scholarships	---
Total Grants' and Projects' Revenue – Exhibit (B)	4,037,667.94

December 31	
2016	2015
1,127,345.78	3,224,341.78
793,668.73	33,222.95
93,178.16	---
16,617.00	---
5,137.45	---
48,857.92	---
13,511.69	---
218,237.37	---
21,283.19	---
---	668,714.12
---	8,521.16
---	67,061.97
---	21,500.58
---	14,305.38
<u>2,337,837.29</u>	<u>4,037,667.94</u>

10. Other Revenues

	December 31	
	2016	2015
Tenders Fees	5,779.00	9,193.96
Membership Fees	1,300.00	1,150.00
Gain Ratio from the Projects	46,006.41	123,302.46
In-Kind Donations	5,329.70	4,360.00
Currency Differences	92,298.94	20,045.19
Other Miscellaneous	1,228.26	300.38
Donation for Poor Family	2,030.38	--
Total Other Revenues – Exhibit (B)	153,972.69	158,351.99

11. Grants' and Projects' Expenses

	December 31	
	2016	2015
Fakhora Project for Scholarships for University Students	1,127,345.78	3,202,170.98
Improving the Economic Situation of the Young Orphans of 2014	793,668.73	33,222.95
Assault on Gaza & their Families – Year 1		---
Improving the Economic Situation of the Young Orphans of 2014	93,178.16	---
Assault on Gaza & their Families – Year 1	13,511.69	---
Golden Hands to Empower the Women Economically	218,237.37	---
Summer School Project for Bridge Program in Gaza – Year 1	21,283.19	---
Project of Your Summer Camp is Gorgeous	48,857.92	---
Project of Construction of a Desalination Station	16,617.00	---
Our Environment is Prettier with Our Hands Initiative	5,137.45	---
Joy and Fun Festival for the Children and their Mothers	---	668,714.12
Essential Home Repairs & Lighting Systems	---	8,521.16
Project of Global Green	---	67,061.97
Environmental Leaders towards an Environment-Friendly Community	---	14,305.38
Natuf Program for Scholarships	---	21,500.58
Artistic Designs Camp from Palestinian Heritage	---	---
Total Grants' and Projects' Expenses – Exhibit (B)	2,337,837.29	4,015,497.14

12. General and Administrative Expenses

	December 31	
	2016	2015
Premises Rent	11,790.00	11,697.00
Wages, Salaries and Remunerations	50,432.16	58,816.22
Electricity and Water	1,386.00	905.46
Audit Fees	5,143.50	5,178.73
Hospitality	3,610.77	3,802.76
Stationery and Printings	657.36	3,241.11
Telephone, Mobile and Internet	608.13	4,831.36
Transportation	1,361.00	2,067.88
Bank Commissions	4,272.08	8,843.70
General Maintenance	929.00	13,211.00
Attorneys' Fees	6,902.06	6,515.49
Miscellaneous Expenses	45,664.55	27,468.08
Generator Subscription Duties	1,400.00	4,671.00
Donation for Poor Family	2,030.38	—
Total General and Administrative Expenses – Exhibit (B)	136,186.99	151,249.79

13. Prior Years Adjustments

	December 31	
	2016	2015
Prior Years Adjustments	2,269.44	11,280.43
Currency Differences Adjustments	17,484.54	---
Expenses Fund Account Adjustment	---	(2,418.00)
Prior Years (Abed Aljawad) Account Adjustment	---	(13,802.00)
Total – Exhibit (B)	19,753.98	(4,939.57)

14. Legal Lawsuits

- According to the legal consultant affidavit No. 163/2017, one lawsuit has been brought against the society which represents in a labor suit no. (2485/2013) at a value of (8,623) USD up to the financial year ended on December 31, 2016.
- The society's management did not establish a provision of labor suit to encounter the burdens and judgments which result in case of losses the lawsuits according to the conservatism principle.

15. 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. 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.

16. 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.

17. Comparative Figures

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