

Ta'awon for Conflict Resolution Association
Main Branch - Jerusalem
Ramallah - Palestine

Independent auditor's report and the financial statements
for the year ended December 31, 2011

Palestine Auditing & Accounting Co.
Members of (IGAF POLARIS)
Certified Accountants & Financial Consultants

Ta'awon for Conflict Resolution Association
Main Branch - Jerusalem
Ramallah - Palestine

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Independent Auditor's Report

**To: M/s Members General Assembly
Ta'awon for Conflict Resolution Association
Ramallah – Palestine**

Report on the financial statements

We have audited the accompanying financial statements of Ta'awon for Conflict Resolution Association which comprise of statement of financial position as at December 31, 2011, statement of activities and changes in net assets and statement of cash flows for the year ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management 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. 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. Except as explained in the following paragraph: 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 about 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 project preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the used project 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 statement present fairly, in all material respects, the financial position of Ta'awon for Conflict Resolution Association as of December 31, 2011 and its financial performance and its cash flows for the year then ended, in conformity with International Financial Reporting Standards .

Other matters

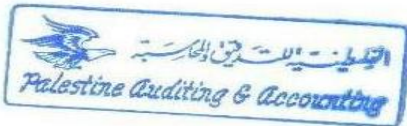
The financial statements for the year ended December 31, 2010 were audited by other auditors whom issue an unqualified opinion on it on May 23, 2011.

Yousef Mohammad Hammodeh

License NO. 103/98



Ramallah on June23, 2012



Ta'awon for Conflict Resolution Association
Main Branch - Jerusalem
Ramallah - Palestine
Statement of financial position as at December 31, 2011
Amounts are expressed in USD

Exhibit "A"

<u>Assets</u>	<u>Note</u>	<u>2011</u>	<u>2010</u>
<u>Current assets</u>			
Cash in hand & at banks	(3)	599	914
Prepaid expenses & other receivables	(4)	<u>16,031</u>	<u>49,389</u>
Total current assets		<u>16,630</u>	<u>50,303</u>
<u>Fixed assets</u>			
At cost	(5)	46,599	35,761
Accumulated depreciation	(5)	<u>(30,613)</u>	<u>(29,280)</u>
Net book value of fixed assets		<u>15,986</u>	<u>6,481</u>
Total assets		<u>32,616</u>	<u>56,784</u>
<u>Liabilities and net assets</u>			
<u>Current liabilities</u>			
Due to Banks		36,888	36,346
Accrued expenses & other payables	(6)	<u>23,504</u>	<u>78,749</u>
Total Current liabilities		<u>60,392</u>	<u>115,095</u>
Saving fund for employees		<u>28,624</u>	<u>23,878</u>
Provision for end-of-service indemnity		<u>37,198</u>	<u>31,836</u>
Net assets – Exhibit "B"		<u>(93,598)</u>	<u>(114,025)</u>
Total liabilities and net assets		<u>32,616</u>	<u>56,784</u>

"Attached notes constitutes an integral part of this statement"

Ta'awon for Conflict Resolution Association

Main Branch - Jerusalem

Ramallah - Palestine

Statement of activities & changes in net assets

For the year ended December 31, 2011 Exhibit "B"

Amounts are expressed in USD

	<u>Note</u>	<u>2011</u>	<u>2010</u>
Project Revenues	(7)	193,439	310,975
Donations revenues		2,367	4,000
Unearned revenues		16,031	-----
Other income		<u>33,620</u>	<u>30,491</u>
Total revenues		<u>245,457</u>	<u>345,466</u>
<u>Expenses</u>			
Project expenses	(7)	(209,085)	(383,083)
General and administrative expenses	(8)	(56,086)	(29,714)
Depreciation expense		(1,333)	(4,571)
Currency variances		<u>2,431</u>	<u>118</u>
Total expenses		<u>(264,073)</u>	<u>(417,250)</u>
Net change of assets during the year		<u>(18,616)</u>	<u>(71,784)</u>
<u>Net change of assets</u>			
Net change of assets during the year		(18,616)	(71,784)
Net assets at beginning of the year		(114,025)	(43,908)
Prior years adjustments		<u>39,043</u>	<u>1,667</u>
Net assets end of the year – Exhibit "A"		<u>(93,598)</u>	<u>(114,025)</u>

"Attached notes constitute an integral part of this statement"

Ta'awon for Conflict Resolution Association
Main Branch - Jerusalem
Ramallah - Palestine
Statement of cash flows
for the year ended December 31, 2011
Amounts are expressed in USD

Exhibit "C"

<u>Exhibit</u>	<u>2011</u>	<u>2010</u>
<u>Cash flow from operating activities</u>		
Net change of assets during the year – Exhibit “B”	(18,616)	(71,784)
<u>Adjustments to reconcile change in net assets during the year to net cash flows</u>		
<u>Non cash items</u>		
Depreciation	1,333	4,571
End of service indemnity	5,362	5,299
Saving fund for employees	4,746	5,889
<u>Changes in operating assets and liabilities</u>		
Prepaid expenses and other receivables	33,358	(42,961)
Accrued expenses and accounts payable	<u>(16,202)</u>	<u>33,644</u>
Total cash flows provided from (used in) operating activities	<u>9,981</u>	<u>(65,342)</u>
<u>Cash flows from investing activities</u>		
Purchase of fixed assets	<u>(10,838)</u>	-----
Total cash flows used in investing activities	<u>(10,838)</u>	-----
<u>Cash flows from financing activities</u>		
Due to banks	542	36,346
Total cash flows provided from financing activities	<u>542</u>	<u>36,346</u>
Net decrease in cash and cash equivalents	(315)	(28,996)
Cash and cash equivalents beginning of the year	914	29,910
Cash and cash equivalents ending of the year	<u>599</u>	<u>914</u>

"Attached notes constitute an integral part of this statement"

Ta'awon for Conflict Resolution Association
Main Branch - Jerusalem
Ramallah - Palestine
Notes on the financial statement
Amounts are expressed in USD

1- Background:

- Ta'awon for Conflict Resolution Association was established on March 2002 as a non-governmental youth association seeks to contribute in building a free and democratic Palestinian state and modern & to generate peace & dialogue culture, & the association was aiming their at Ministry of Interior & registered under registration number RA-22403-SC according to Charity Law #1 of 2000 on 10/9/2005.
- The Association aims to build the capacity of target groups, particularly young people in schools and universities, institutions and youth clubs and women in the areas of constructive engagement and peaceful with conflicts. It also aims to integrate the concepts of peace, dialogue and reconciliation and non-violence in programs, plans and policies of the Palestinian institutions. Encouraging and deepen the internal dialogue, particularly among young people.
- The association also aims to build Palestinian information source specializing in the field of conflict and peace as well as deepen the culture of volunteerism as an input for sustainable development.
- The number of association staff of six employees during the year 2011.
- The financial statements were approved by management on June 25, 2011.

2- Significant accounting policies:

Summary of significant accounting policies used for preparing the financial statements as follows:

a) Basis of Presentation:

The financial statements have been prepared in accordance with historical cost and according to International Financial Reporting Standards issued by the International Accounting Standards Board, and currency records in U.S. dollar.

b) Fixed assets:

Fixed assets are recorded at cost. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets at the following estimated annual rates:

- | | |
|--|-----|
| - Furniture | 10% |
| - Office equipment & internal communication system | 15% |
| - Computers & software | 25% |

The Study decrease the book value of fixed assets when there are circumstances or events indicate a lack of the recoverability of the book value, in these cases is to reduce the book value of the value expected to be recovered.

c) Saving fund:

Saving fund is calculated by deducting 5% monthly from employee's salaries and 5% contributed by the association.

d) Provision for end – of service indemnity:

Provision for end- of service indemnity is calculated to cover contractual and legal commitments of the employees' services in accordance with the labor law in Palestine.

e) Revenues:

Revenues are recorded according to received amounts from donors to implement the projects; the organization uses the cash basis to record its revenues.

f) **Foreign currencies translations:**

Transactions in foreign currencies are translated at the rates prevailing at the time of each transaction into USD. Monetary assets and liabilities in foreign currencies were presented at exchange rates prevailing at the financial position date. Gain and losses arising from these translations are presented in the statements of activities.

g) **Cash flows:**

- Cash flows statements were prepared by using indirect method.
- For the purpose of statement of cash flows, deposits maturing within three months or less from the financial position date are considered as cash equivalents.

3- **Cash in hand & balances at banks:**

This item consists of:

<u>Exhibit:</u>	<u>2011</u>	<u>2010</u>
Cash in hand	599	264
Cash at banks	-----	650
Total	<u>599</u>	<u>914</u>

4- **Prepaid expenses and other receivables:**

This item consists of:

<u>Exhibit:</u>	<u>2011</u>	<u>2010</u>
Advance payments for employees	-----	2,425
Prepaid expenses	-----	1,854
Account receivable – donors	16,031	45,110
Total	<u>16,031</u>	<u>49,389</u>

5- **Fixed assets:**

This item consists of:

	<u>Furniture</u>	<u>Office equipment</u>	<u>Computers</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>Cost</u>					
Balance as at 31/12/2010	7,038	18,168	10,555	-----	35,761
Additions	220	-----	6,289	4,329	10,838
Balance as at 31/12/2011	<u>7,258</u>	<u>18,168</u>	<u>16,844</u>	<u>4,329</u>	<u>46,599</u>
<u>Accumulated depreciation</u>					
Balance as at 31/12/2010	4,546	14,655	10,079	-----	29,280
Additions	716	113	504	-----	1,333
Balance as at 31/12/2011	<u>5,262</u>	<u>14,768</u>	<u>10,583</u>	<u>-----</u>	<u>30,613</u>
<u>Net book value as at</u>					
31/12/2011	<u>1,996</u>	<u>3,400</u>	<u>6,261</u>	<u>4,329</u>	<u>15,986</u>
31/12/2010	<u>2,492</u>	<u>3,513</u>	<u>476</u>	<u>-----</u>	<u>6,481</u>

6- **Accrued expenses & other payables:**

This item consists of:

<u>Exhibit:</u>	<u>2011</u>	<u>2010</u>
Income tax deduction	1,963	587
Accounts payable	12,491	36,611
Accrued expenses	9,050	2,508
Accrued income	-----	39,043
Total	<u>23,504</u>	<u>78,749</u>

7- **Project expenses and revenues:**

This item consists of:

<u>Exhibit:</u>	<u>Partners for change</u>	<u>Olof Palme good governance project</u>	<u>US Consulate step T.peace Dialogue Project</u>	<u>Total 2011</u>	<u>Total 2010</u>
Project revenues	<u>43,709</u>	<u>76,167</u>	<u>73,563</u>	<u>193,439</u>	<u>310,975</u>
Salaries	21,522	19,060	27,500	68,082	89,424
Saving fund	-----	-----	-----	-----	2,746
Severance fund	1,794	-----	-----	1,794	4,279
Coordinator fees	-----	-----	-----	-----	25,474
Trainer fees	1,200	2,240	9,400	12,840	11,670
Initiatives fees	-----	-----	4,186	4,186	3,090
Stick gidlines	-----	-----	-----	-----	5,690
Design works	2,000	-----	-----	2,000	1,124
Satisfaction cards	-----	-----	-----	-----	1,100
Moderation fees	-----	800	498	1,298	3,340
Stickers	84	67	400	551	3,585
Hospitality	3,333	17,328	2,693	23,354	45,283
Transportation	589	1,253	2,399	4,241	5,235
Postal and telephone	406	735	1,156	2,297	4,952
Stationary expenses	568	3,066	4,195	7,829	9,546
Films and documentation expenses	950	-----	1,660	2,610	2,310
Accommodation	1,910	3,760	2,259	7,929	9,529
Hall rental	875	4,400	6,802	12,077	15,354
Transportation of participants	836	6,053	2,862	9,751	15,278
Brochure	800	1,000	1,300	3,100	2,920
Office rent	1,720	4,000	3,333	9,053	5,903
Electricity expenses	-----	252	302	554	608
Water expenses	-----	467	-----	467	553
Cleaning	45	231	271	547	379
Printing & designs	-----	1,757	6,150	7,907	2,699
Consultancies	-----	-----	-----	-----	9,419
Advertising & publications	-----	16	302	318	5,700
Bank charges	-----	1,300	15	1,315	49
Heat and fuel	-----	1,774	769	2,543	1,505
Office supplies (computer)	994	-----	-----	994	2,375
Software and website	2,000	-----	2,000	4,000	572
Miscellaneous	-----	-----	-----	-----	1,028
Project expenses – General	-----	13	1,081	1,094	11,445
Booklets and publication	-----	-----	-----	-----	8,300
Conference expenses	-----	-----	1,944	1,944	3,549
Workshops & conferences	-----	-----	-----	-----	7,688
Round table discussions	-----	-----	-----	-----	2,280
Project public meetings	-----	-----	-----	-----	685
Stipends	-----	-----	-----	-----	6,150
Books	-----	4,500	-----	4,500	781
Audio visual services	-----	-----	-----	-----	556
Radio and TV production and broadcasting	-----	-----	8,000	8,000	31,737
Currency differences	-----	1,250	-----	1,250	3,873
Training materials	-----	-----	495	495	471
Banners and rollups	-----	-----	-----	-----	2,107
Certificates	-----	-----	-----	-----	1,011
Project admin expenses	-----	-----	-----	-----	3,436
Printing materials	-----	-----	-----	-----	4,500
Celebration	-----	-----	-----	-----	1,641
Office supplies	40	65	60	165	154
Total	<u>41,666</u>	<u>75,387</u>	<u>92,032</u>	<u>209,085</u>	<u>383,083</u>

8- General and administrative expenses:

This item consists of:

<u>Exhibit:</u>	<u>2011</u>	<u>2010</u>
Salaries	22,243	9,482
Currency variance	9,811	-----
End of service indemnity	5,471	1,636
Professional fees	1,850	2,004
Training	200	-----
Hospitality	30	768
Transportation	1,646	2,165
Insurance	1,678	2,080
Telecommunication & postage	1,014	2,074
Electricity and water	913	1,051
Maintenance of machines	1,151	722
Cleaning supplies	1,871	2,266
Advertisements	72	65
Banks charges	174	145
Project expenses	706	-----
Magazines and newspaper	-----	354
Translation	186	47
Stationery and office supplies	164	403
Designing and developing E- page	344	944
Proposals writing	2,050	-----
Rent	-----	1,677
Saving fund	4,076	981
Consulting	-----	600
Other	<u>436</u>	<u>250</u>
Total	<u>56,086</u>	<u>29,714</u>

9- Comparative figures :

Certain figures have been reclassified to comply with this year financial statements presentation.