

Muwatin

The Palestinian Institute for the Study of Democracy

**Financial Statements
For the year ended December 31st, 2006**

MUWATIN
The Palestinian Institute for the Study of Democracy
Financial Statements
For the Year Ended December 31st, 2006

- Contents -

	<u>PAGE</u>
Auditors' Report	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Statement of Operational Expenses	7
Notes to the Financial Statements	8

To The Board of Trustees of
Muwatin the Palestinian Institute for the Study of Democracy

Auditors' Report

We have audited the financial position of **Muwatin The Palestinian Institute for the Study of Democracy** (hereinafter Muwatin), as of December 31st, 2006 and 2005 and the statement of activities, cash flow statement and statement of operational expenses for the years then ended. These financial statements are the responsibility of the Muwatin's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, in a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provide basis for our opinion.

The above mentioned financial statements are presented according to the historical cost convention in nominal values. Information regarding the effect of the changes in the purchase power of the local currency is not included in these financial statements.

In our opinion, except for not including the information mentioned in the previous paragraph, the financial statement referred to above present fairly, in all material aspect, the financial position of **Muwatin** as of December 31st, 2006 and 2005 and the result of its operations for the years then ended in conformity with Generally Accepted Accounting Principles, under the historical cost convention.

Baransi & Co. CPA ACCA
Certified Public Accountant C.P.A
Members of the Association of Chartered Certified Accountants ACCA (UK)

Ramallah – October 1st, 2007

MUWATIN
The Palestinian Institute for the Study of Democracy
Statement of Financial Position
As at December 31st, 2006

	<u>Note</u>	<u>2006</u> <u>NIS</u>	<u>2005</u> <u>NIS</u>
Current Asset -			
Cash and Cash Equivalent	(3)	1723643	1834982
Short Term Bank Deposits		2020520	2136222
Other Accounts Receivable	(4)	<u>38253</u>	<u>98236</u>
		3782416	4069440
		-----	-----
Fixed Assets, Net -	(5)	487269	487982
		-----	-----
Total Assets		<u>4269685</u>	<u>4557422</u>
 Current Liabilities -			
Accounts Payable	(6)	166418	217736
Other Accounts Payable	(7)	<u>99717</u>	<u>52076</u>
		266135	269812
		-----	-----
Provision for Severance Pay -		224424	188751
		-----	-----
 Long Term Liabilities -			
Loan from Board Members	(8)	16900	18412
		-----	-----
Total Liabilities		<u>507459</u>	<u>476975</u>
		-----	-----
 Net Assets -			
Unrestricted Net Assets -			
For Operations		1273048	1496073
For Fixed Assets		<u>487269</u>	<u>487982</u>
		1760317	1984055
		-----	-----
Restricted Net Assets -		<u>2001909</u>	<u>2096392</u>
Total Net Assets		3762226	4080447
		-----	-----
Total Liabilities and Net Assets		<u>4269685</u>	<u>4557422</u>

- Notes to the Financial Statements Form an Integral Part Thereof.

Dr. George Giacaman
General Director

Mrs. May Jayyusi
Executive Director

MUWATIN
The Palestinian Institute for the Study of Democracy
Statement of Activities
For the Year Ended December 31st, 2006

	<u>Note</u>	<u>2006</u> <u>NIS</u>	<u>2005</u> <u>NIS</u>
Support and Revenue -			
Revenues Released from Restrictions		1445441	1813036
Other Donations		3764	1603
Sales of Publication	(9)	<u>15363</u>	<u>34834</u>
		1464568	1849473
		-----	-----
Operational Expenses -		1157808	1467546
		-----	-----
Net Revenues before General and Administrative Expenses		306760	381927
		-----	-----
General and Administrative Expenses -	(10)	359296	387661
		-----	-----
Net Revenues/ (Loss) before Finance Expenses		(52536)	(5734)
Finance Expense/ (Revenues), Net	(11)	205656	(216696)
		-----	-----
Excess/ (Deficit) of Support and Revenues Over Expenses for the year -		(258192)	210962
Revenues Released to Cover Fixed Assets		34454	63104
Fund at the Beginning of the Year		<u>1984055</u>	<u>1709989</u>
Fund at the End of the Year		<u>1760317</u>	<u>1984055</u>

- Notes to the Financial Statements Form an Integral Part Thereof.

MUWATIN
The Palestinian Institute for the Study of Democracy
Statement of Changes in Net Assets
For the year Ended December 31st, 2006

	<u>Note</u>	<u>Unrestricted</u>		<u>Restricted</u>		<u>Total</u> <u>NIS</u>
		<u>Operational</u> <u>Activities</u> <u>NIS</u>	<u>Fixed</u> <u>Assets</u> <u>NIS</u>	<u>Temporary</u> <u>NIS</u>	<u>Permanent</u> <u>NIS</u>	
Balance As of January 1st, 2005		1241379	468610	2061492	-	3771481
Additions Through the Year 2005:						
Donations	(12)	-	-	1911040	-	1911040
Excess/ (Deficit) of Support and Revenues Over Expense-		210962	-	-	-	210962
Deductions Through the Year 2005:						
Net Assets Released from Restrictions		-	-	(1813036)	-	(1813036)
Unrestricted Net Assets Used for Fixed Assets		-	63104	(63104)	-	-
Amounts Transferred to Cover Depreciation		43732	(43732)	-	-	-
Amounts Transferred to Cover Donations for Fixed Assets		-	-	-	-	-
Balance As of January 1st, 2006		1496073	487982	2096392	-	4080447
Additions Through the Year 2006:						
Donations	(12)	-	-	1385412	-	1385412
Excess/ (Deficit) of Support and Revenues Over Expenses-		(258192)	-	-	-	(258192)
Deductions Through the Year 2006:						
Net Assets Released From Restrictions-		-	-	(1445441)	-	(1445441)
Unrestricted Net Assets Used for Fixed Assets		-	34454	(34454)	-	-
Amounts Transferred to Cover Depreciation		35167	(35167)	-	-	-
Amounts Transferred to Cover Donations for Fixed Assets		-	-	-	-	-
Balance As of December 31st, 2006		1273048	487269	2001909	-	3762226

MUWATIN
The Palestinian Institute for the Study of Democracy
Statement of Cash Flows
For the Year Ended December 31st, 2006

	2006	2005
	NIS	NIS
Cash Flows from Operating Activities		
Excess of Support and Revenues Over Expenses	(258192)	210962
Adjustments to Reconcile Excess of Support and Revenues Over Expenses to Net Cash Used for (Generated from) Activities		
Depreciation	35167	43732
Reserve for Severance Pay	35673	29058
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	-	1107
(Increase) Decrease in Other Accounts Receivable	59983	(47920)
Increase (Decrease) in Board Member's Loan	(1512)	1180
Increase (Decrease) in Accounts Payable	(3677)	21072
Net Cash from (Used for) Operating Activities	(132558)	259191
	-----	-----
Cash Flows used for Investment Activities		
Purchase of Fixed Assets	(34454)	(63104)
Net Cash from (Used for) Investment Activities	(34454)	(63104)
	-----	-----
Cash Flows from Finance Activities		
Net Assets Released for Fixed Assets	34454	63104
Increase (Decrease) in Restricted Net Assets	(94483)	34900
Net Cash from (Used for) Finance Activities	(60029)	98004
	-----	-----
Net Increase (Decrease) in Cash	(227041)	294091
Cash and Cash Equivalents, Beginning of year	3971204	3677113
Cash and Cash Equivalents, End of year	3744163	3971204

MUWATIN
The Palestinian Institute for the Study of Democracy
Statements of Operational Expenses
For the Year Ended December 31st, 2006

	<u>2006</u>	<u>2005</u>
	<u>NIS</u>	<u>NIS</u>
Authors and Researchers	295079	345929
Coordinators, Editors and Journalists	428146	407651
Books and Printing Costs	261262	427274
Training, Workshops and Seminars	120203	207024
Travel and Transportation	15142	9851
Advertisements	22535	17147
Translation	15441	50658
Other Expenses	-	2012
	<u>1157808</u>	<u>1467546</u>

MUWATIN
The Palestinian Institute for the Study of Democracy
Notes to the Financial Statements
For the Year Ended December 31st, 2006

Note (1) - General -

Muwatin, the Palestinian Institute for the Study of Democracy, was founded in January 1992 to promote the development of democracy in Palestine and in the region. Muwatin was founded at a critical juncture in Palestine life and is committed to playing a full role at this crucial time, which marks a period of transformation for Palestinian life.

As an institute whose main focus is on issues of democracy, it is first of its kind in the area. Founded by a group of scholar and academics, Muwatin has already been widely active in holding symposia and seminars on issues of public importance, and in publishing divers of varied audiences.

One of the main aims of Muwatin is to initiate a full and wide- ranging debate on democratic issues and to provide a public space for debate on the need for a democratic transformation of Palestinian Political and civil life.

Muwatin is also actively engaged in the practical dissemination of democratic ideas and culture through its series of publications.

Muwatin is actively in the Palestinian NGO Network (PNGO), in the belief that building a strong network of independent NGOs is one way of insuring the correct institutional frame for a democratic process on Palestine.

Muwatin's activities are many sided. The core program includes five series of publications, a continuing series of symposia and workshops, a research program involving publications and the exchange of scholar, a training program for democratic education, and the establishment of a specialized research library.

Note (2) - Accounting Policies -
Fund Accounting -

The above mentioned financial statements are stated according to the fund accounting standards to represent the limitations of the use of the funds received.

The accompanying financial statements represent the financial status and the results of operations of Muwatin. A cash flow report is included therein.

Fixed Assets -

Fixed assets are stated at cost and are depreciated using the straight- line method, with depreciation rates are considered to be adequate to write-off the cost of the assets during their useful economic life.

Inflation and Currency Differentials -

The financial statements are stated in NIS at nominal value. No adjustments have been made therein to reflect the changes of the purchase power of the reporting currency.

Transaction in other currencies were translated to NIS using the official exchange rate at the date of the transaction, foreign currency balances were translated to NIS using the official exchange rate at the end of the year

MUWATIN
The Palestinian Institute for the Study of Democracy
Notes to the Financial Statements
For the Year Ended December 31st, 2006

Note (3) - Cash and Cash Equivalent -

Details	<u>2006</u> <u>NIS</u>	<u>2006</u> <u>FC</u>	<u>2005</u> <u>NIS</u>
Cash on Hand	4058	-	4257
Bank, Current Account - NIS	193621	-	163464
Bank, Current Account - USD	685314	162204 USD	833702
Bank, Current Account - EURO	784476	140984 EURO	768886
Bank, Current Account - JD	56174	10040 JD	64673
	<u>1723643</u>		<u>1834982</u>

Note (4) - Other Accounts Receivable -

Details-	<u>2006</u> <u>NIS</u>	<u>2005</u> <u>NIS</u>
Prepaid Expenses	24608	43068
Advances to Suppliers	-	37839
Loans	<u>13645</u>	<u>17329</u>
	<u>38253</u>	<u>98236</u>

Note (5) - Fixed Assets, Net -

Details	<u>Furniture &Equipment</u>	<u>leasehold Improvements</u>	<u>Real-Estate *</u>	<u>Total</u>
Cost -				
Beginning Balance	453661	17400	360692	831753
Additions During the Year	<u>34454</u>	<u>-</u>	<u>-</u>	<u>34454</u>
Total Cost	488115	17400	360692	866207
	-----	-----	-----	-----
Accumulated Depreciation -				
Beginning Balance	328346	15425	-	343771
Depreciation During the Year	<u>34999</u>	<u>168</u>	<u>-</u>	<u>35167</u>
Total Accumulated Depreciation	363345	15593	-	378938
	-----	-----	-----	-----
Net Assets, 2006 -	<u>124770</u>	<u>1807</u>	<u>360692</u>	<u>487269</u>
Net Assets, 2005 -	<u>125315</u>	<u>1975</u>	<u>360692</u>	<u>487982</u>

2. Depreciation Rates - From 6 % to 33 %

(*) The amount of NIS 360692 pertains to the cost of land. Muwatin intends to build its own permanent office on this land in order to economize on future rental expenses.

MUWATIN
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Notes to the Financial Statements
For the Year Ended December 31st, 2006

Note (6) - Accounts Payable -

Details-	<u>2006</u>	<u>2005</u>
	<u>NIS</u>	<u>NIS</u>
Accounts Payable	104380	4159
Outstanding Cheques	<u>62038</u>	<u>213577</u>
	<u>166418</u>	<u>217736</u>

Note (7) - Other Accounts Payable -

Details-	<u>2006</u>	<u>2005</u>
	<u>NIS</u>	<u>NIS</u>
Payroll Tax	23025	16136
Accrued Expenses	48215	27672
Provident Fund	<u>28477</u>	<u>8268</u>
	<u>99717</u>	<u>52076</u>

Note (8) - Loan from Board Members -

The loan from board members (2812.416 JD equivalent to 4000 USD) was given to the institute in 1992 for an unlimited period of repayment. The loan will be repaid according to the financial situation of Muwatin and after the approval of the board members' majority. In our report we have revalued the loan using the exchange rate at 31/12/2006.

Note (9) - Sales of Publications -

Parts of the publications of Muwatin are sold at cost price, many of which are distributed free of charge.

MUWATIN
The Palestinian Institute for the Study of Democracy
Notes to the Financial Statements
For the Year Ended December 31st, 2006

Note (10) - General and Administrative Expenses -

Details-	<u>2006</u>	<u>2005</u>
	<u>NIS</u>	<u>NIS</u>
Salaries and Social Benefits	138759	171155
Stationery and Office Supplies	20776	23233
Rental Expenses and Maintenance	102270	82312
Professional Fees	19351	26697
Communication and Postage	20365	21380
Advertisements	600	750
Local Transportation	6766	4804
Electricity, Water and Heat	13273	12994
Hospitality	1128	604
Depreciation	35167	43732
Other Expenses	841	-
	<u>359296</u>	<u>387661</u>

Note (11) - Finance Expense / (Revenues), Net -

Details-	<u>2006</u>	<u>2005</u>
	<u>NIS</u>	<u>NIS</u>
Bank Charges and Interests	3009	2557
Interest Income	(62741)	(42564)
Currency Differentials	265388	(176689)
	<u>205656</u>	<u>(216696)</u>

Note (12) - Donations -

Details-	<u>2006</u>	<u>2006</u>	<u>2005</u>
	<u>NIS</u>	<u>F. C</u>	<u>NIS</u>
The Heinrich Böell Foundation	310042	56175 EURO	379785
FORD Foundation	401310	90000 USD	-
Chr. Michlesen	196342	45842 USD	1103657
Global Ministries	424118	75000 EURO	-
CIDA	53600	11801 USD	-
Kerkinactie	-		427598
	<u>1385412</u>		<u>1911040</u>