

THE PALESTINIAN INITIATIVE FOR THE PROMOTION  
OF GLOBAL DIALOGUE AND DEMOCRACY (MIFTAH)  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2005  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

■ **RAMALLAH**  
P.O. Box 1373  
Sixth Floor  
Trust Bldg., Jerusalem St.  
Ramallah – Palestine  
Tel.: (02) 240 – 1011  
Fax: (02) 240 – 2324

■ **GAZA**  
P.O. Box 5315, Omar Al Mokhtar  
Third Floor, Suite 307  
Al Jala' Tower, Ahmad Abdel Aziz St.  
Gaza – Palestine  
Tel.: (08) 2821004  
Fax: (08) 2828647

## Independent Auditors' Report

To the Board of Trustees  
The Palestinian Initiative for the Promotion of Global  
Dialogue and Democracy (MIFTAH)

We have audited the accompanying statement of financial position of the Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH) as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of MIFTAH's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Palestinian Initiative for the Promotion of Global Dialogue and Democracy as of December 31, 2005, and the results of its operations, and its cash flows for the year then ended in conformity with International Financial Reporting Standards.



Ramallah, Palestine  
November 1, 2006

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

---

**Statement of Financial Position**

As of December 31, 2005

(Currency: U.S. \$)

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
<b><u>Assets</u></b>			
<b>Current Assets:</b>			
Cash	4	583,552	441,932
Contributions receivable	5	271,844	292,141
Other current assets		26,079	8,770
<b>Total Current Assets</b>		<u>881,475</u>	<u>742,843</u>
Property and equipment, net	6	<u>33,554</u>	<u>59,039</u>
<b>Total Assets</b>		<u><u>915,029</u></u>	<u><u>801,882</u></u>
<b><u>Liabilities and Net Assets</u></b>			
<b>Liabilities:</b>			
<b>Current Liabilities</b>			
Temporary restricted contributions	7	655,743	634,852
Other accounts payable		37,913	23,173
Accrued expenses		23,130	16,907
<b>Total Current Liabilities</b>		<u>716,786</u>	<u>674,932</u>
Deferred revenues	8	26,354	36,002
Provision for severance pay	9	71,345	66,348
<b>Total Liabilities</b>		<u>814,485</u>	<u>777,282</u>
<b>Net Assets:</b>			
Unrestricted net assets		<u>100,544</u>	<u>24,600</u>
<b>Total Net Assets</b>		<u>100,544</u>	<u>24,600</u>
<b>Total Liabilities and Net Assets</b>		<u><u>915,029</u></u>	<u><u>801,882</u></u>

The attached notes from 1 to 17 form part of these financial statements.

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

---

**Statement of Activities**

For the Year Ended December 31, 2005

(Currency: U.S. \$)

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>			
Temporarily restricted contributions released from restrictions	10	742,100	690,900
Unrestricted contributions	11	175,000	75,000
Deferred revenues recognized	8	7,695	7,505
Interest revenue		1,055	2,196
Sundry		4,788	7,420
<b>Total revenues</b>		<u>930,638</u>	<u>783,021</u>
<b>Expenses</b>			
Projects' expenses	12	742,100	690,900
Administration and general	13	112,594	117,128
<b>Total expenses</b>		<u>854,694</u>	<u>808,028</u>
<b>Change in net assets</b>		75,944	(25,007)
Net assets, beginning of year		<u>24,600</u>	<u>49,607</u>
<b>Net assets, end of year</b>		<u><u>100,544</u></u>	<u><u>24,600</u></u>

The attached notes from 1 to 17 form part of these financial statements.

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

---

**Statement of Cash Flows**

For the Year Ended December 31, 2005

(Currency: U.S. \$)

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	75,944	(25,007)
<b>Adjustments:</b>		
<b>Non cash items:</b>		
Depreciation	19,062	25,605
Deferred revenues recognized	(7,695)	(7,505)
Provision for severance pay	4,997	2,310
	<u>92,308</u>	<u>(4,597)</u>
<b>Change in working capital</b>		
Decrease in contributions receivable	41,188	9,951
Increase in other current assets	(17,309)	(4,781)
Accrued expenses	6,223	(21,771)
Other accounts payable	14,740	(5,329)
Deferred revenues	(1,953)	18,926
	<u>(1,953)</u>	<u>18,926</u>
<b>Net cash flows from (used in) operating activities</b>	<u>135,197</u>	<u>(7,601)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(10,228)	(18,924)
Exclusion of AMAN's balances (Note 2)	16,651	-
	<u>16,651</u>	<u>-</u>
<b>Net cash flows from (used in) investing activities</b>	<u>6,423</u>	<u>(18,924)</u>
<b>Net increase (decrease) in cash</b>	141,620	(26,525)
Cash, beginning of year	<u>441,932</u>	<u>468,457</u>
<b>Cash, end of year</b>	<u><u>583,552</u></u>	<u><u>441,932</u></u>

The attached notes from 1 to 17 form part of these financial statements.

# THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL DIALOGUE AND DEMOCRACY (MIFTAH)

---

## **Notes to the Financial Statements**

As of December 31, 2005

(Currency: U.S. \$)

### **1. General**

The Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH) is a non-governmental non-partisan Jerusalem-based institution dedicated to fostering democracy and good governance within the Palestinian society through promoting public accountability, transparency, the free flow of information and ideas, and challenging of stereotyping at home and abroad. Established in December 1998, with Dr. Hanan Ashrawi as its Secretary General, MIFTAH's aim is to serve as a Palestinian platform for global dialogue and cooperation guided by the principles of democracy, human rights, gender equity, and participatory governance. To this end, MIFTAH undertakes the pro-active generation and presentation of policy proposals and the focused dissemination of reliable information. Since its establishment, MIFTAH has established the cogency of its positions in Palestine and in the region, and has formulated long and short-term policies and strategies to deal with particular pressing issues. Through networking with like-minded organizations locally, regionally and internationally, and with Palestinian expatriate communities, MIFTAH has forged lasting relationships and partnerships in pursuit of a common vision of dialogue and democracy.

These financial statements were authorized for issue based on MIFTAH Board of Trustees resolution on November 1, 2006.

### **2. The Financial Statements**

During 2000, MIFTAH with other Palestinian not-for-profit organizations organized the Coalition for Accountability and Integrity - AMAN, which was hosted by MIFTAH from 2001 to September 30, 2005. The objective of the coalition is to assess the integrity in the Palestinian organizations.

The financial statements of MIFTAH of 2004 include the balances of AMAN. However, during 2005 AMAN was officially registered and started to prepare its own financial statements; therefore, the balances of AMAN were excluded from the financial statements of MIFTAH of 2005.

### **3. Summary of Significant Accounting Policies**

#### **- Basis of preparation**

The financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards.

Currently, the International Financial Reporting Standards do not include any specific requirements regarding the not-for-profit organizations in connection with the accounting policies or the presentation of the financial statements.

The financial statements have been presented in U.S. Dollar (U.S. \$).

- **Donation revenues**

Donors' unconditional pledges are those pledges where donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follows:

- Unconditional pledges that are not restricted for specific purpose or time are recognized when the pledge is obtained.
- Unconditional pledges that are temporary restricted by donors for specific purpose or time are recognized when such purpose or time is satisfied.

- **Deferred revenues**

Donations related to property and equipment are stated at fair value, recorded as deferred revenues and recognized as revenue on a systematic basis over the useful life of the property and equipment.

- **Expenses recognition**

Expenses are recognized when incurred based on the accrual basis of accounting.

- **Cash**

Cash comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less.

- **Contributions receivable**

Contributions receivable from donors are the amounts not collected from the unconditional pledges.

- **Property and equipment**

Property and equipment are stated at cost on the date of acquisition or, in the case of gifts, at fair market value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the property and equipment using the following annual depreciation rates:

	<u>%</u>
Office furniture	15
Office equipment	20
Computers - hardware and software	25
Leasehold improvements	20

The carrying value of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset is included in the statement of activities in the period the item is derecognized.

– **Provision for severance pay**

A provision for severance pay to cover the commitments of MIFTAH towards the employees' end-of-service indemnity was made in accordance with the prevailing labor law in Palestine.

– **Income taxes**

MIFTAH is a not-for-profit organization; accordingly, it is not subject to income tax.

– **Foreign currency transactions**

Transactions denominated in currencies other than U.S. Dollar (U.S. \$), occurring during the year, are translated to U.S. \$ using the exchange rate at the date of each transaction. Monetary assets and liabilities, which are denominated in foreign currencies are translated into U.S. \$ using the rate of exchange at the financial statements date. Gains or losses arising from exchange differences are reflected in the statement of activities.

**4. Cash**

	<u>2005</u>	<u>2004</u>
Cash on hand	371	469
Current accounts at banks in U.S. \$	167,731	58,075
Current accounts at banks in other currencies	45,093	35,418
Deposits at banks in U.S. \$	<u>370,357</u>	<u>347,970</u>
	<u>583,552</u>	<u>441,932</u>

Cash includes the following:

- U.S. \$ 68,323 (2005 - U.S. \$ 68,119) restricted for severance pay.
- Deposits at bank are due within three months from the financial statements date. Interest rate on the deposits as of December 31, 2005 amounted to 1.8%.



## 5. Contributions receivable

Contributions receivable comprise pledges to give as of December 31, 2005 and 2004 from the following donors:

	<u>2005</u>	<u>2004</u>
International Republican Institute (IRI)	65,348	148,034
The Ford Foundation	125,000	
United Nation Population Fund (UNFPA)	5,632	24,372
UNDP - Media and Information Program	-	10,000
UNDP - Mass Media Campaign	27,864	-
National Endowment for Democracy (NED)	20,000	30,000
Kvinna Till Kvinna	28,000	28,000
International Media Support	-	18,508
Palestine Cellular Communications Company Ltd (PALCEL)	-	10,500
Swiss Federal Department of Foreign Affairs (Swiss)	-	5,000
UNDP- AMAN	-	9,126
Sundry	-	8,601
	<u>271,844</u>	<u>292,141</u>

## 6. Property and equipment

Components of property and equipment as of December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
<b>Cost:</b>		
Office furniture	56,680	60,884
Office equipment	58,061	62,151
Computers - hardware and software	85,679	95,398
Leasehold improvements	2,737	2,737
	<u>203,157</u>	<u>221,170</u>
<b>Accumulated Depreciation:</b>		
Office furniture	34,909	44,334
Office equipment	51,315	46,233
Computers - hardware and software	81,198	69,806
Leasehold improvements	2,181	1,758
	<u>169,603</u>	<u>162,131</u>
<b>Net Book Value</b>	<u>33,554</u>	<u>59,039</u>

## 7. Temporarily restricted contributions

This item comprises temporarily restricted contributions subject to purpose or time restriction. These amounts represent the excess of donations received over the expenditures made out to satisfy the purposes stipulated by the donors.

The temporarily restricted contributions comprise the following as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
International Republican Institute (IRI)	(19,905)	124,970
The Ford Foundation	174,718	-
Special donation	268,332	292,126
National Endowment for Democracy (NED)	22,702	26,007
United Nation Population Fund (UNFPA)	9,293	35,791
Kvinna Till Kvinna	45,875	29,450
Consolidated Contractors International Company (CCC)	26,759	26,759
International Media Support	-	14,433
Palestine Cellular Communications Company Ltd (PALCEL)	-	11,444
The European Commission through Keshev	28,209	-
UNDP- An End to Occupation and Publication	10,690	14,363
UNDP- Mass Media Campaign	15,275	
UNDP- Miscellaneous	3,304	542
Representative Office of Norway	70,491	-
Norwegian Agency for Development Cooperation and Netherlands Representative Office (Norway and Netherlands) - AMAN	-	51,877
Konrad Adenauer Stitung- AMAN		3,467
UNDP- AMAN	-	1,248
Sundry- AMAN	-	501
Sundry	-	1,874
	<u>655,743</u>	<u>634,852</u>

Movement on temporarily restricted contributions during the year was as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	634,852	581,342
Exclusion of AMAN's balances (Note 2)	(57,094)	-
Additions during the year *	865,428	763,336
Write- off during the year	(39,907)	-
Restricted interest revenue	4,632	-
Temporarily restricted contributions released from restriction (note 10)	(742,100)	(690,900)
Deferred revenues (note 8)	(10,068)	(18,926)
Balance, end of year	<u>655,743</u>	<u>634,852</u>

\* Additions to temporarily restricted contributions have been received and pledged during the year from the following donors:

	<u>2005</u>	<u>2004</u>
The Ford Foundation	250,000	-
International Republican Institute (IRI)	203,848	222,367
Swiss Federal Department of Foreign Affairs (Swiss)	-	30,000
United Nation Population Fund (UNFPA)	43,343	12,626
United Nations Development Programme (UNDP)	64,461	38,699
Representative Office of Norway	96,813	71,903
Friedrich Ebert Stiftung (FES)	11,906	17,840
Kvinna Till Kvinna	64,800	44,980
National Endowment for Democracy (NED)	30,000	30,000
International Media Support	-	19,278
The British Consulate and European Commission (BC and EU)	-	10,154
UNDP and Faculty for Israeli Palestinian Peace	-	8,219
The European Commission through Keshev	100,257	43,807
Palestine Cellular Communications Company Ltd (PALCEL)	-	15,000
Norwegian Agency for Development Cooperation and the Netherlands Representative Office - AMAN	-	159,543
Konrad Adenauer Stiftung, Heinrich Boll Foundation and Transparency International (KAS and others)- AMAN	-	21,380
UNDP- AMAN	-	17,540
	<u>865,428</u>	<u>763,336</u>

## 8. Deferred revenues

This item represents property and equipment acquired during the year out of the temporary restricted contributions. Such property and equipment is recorded as deferred revenues and recognized as revenues on a systematic basis over the useful lives of the property and equipment. Movement on deferred revenues during the year was as follows:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	36,002	24,581
Additions (Note 7)	10,068	18,926
Deferred revenues recognized	(7,695)	(7,505)
Exclusion of AMAN's balances (Note 2)	(12,021)	-
Balance, end of year	<u>26,354</u>	<u>36,002</u>

## 9. Provision for severance pay

Following is a summary of the movement on the provision for severance pay during the year:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	66,348	64,038
Additions during the year	22,494	22,188
Payments during the year	(11,224)	(19,878)
Exclusion of AMAN's balances (Note 2)	(6,273)	-
Balance, end of year	<u>71,345</u>	<u>66,348</u>

**10. Temporarily restricted contributions released from restrictions**

This item represents the revenue recognized as a result of satisfying the purpose of restricted donations during year.

**11. Unrestricted contributions**

	<u>2005</u>	<u>2004</u>
Consolidated Contractors International Company (CCC)	50,000	50,000
A.M. Qattan Foundation - London	50,000	25,000
Prince Abdallah Bin Abdul Aziz- Saudi Arabia	50,000	-
Ms. Sawsan Fahoum Jafar	25,000	-
	<u>175,000</u>	<u>75,000</u>

## 2. Projects' expenses

Components of projects' expenses are as follows:

	<i>Institutional Support and Policy Formulation</i>	<i>Empowerment of Women in Peace</i>	<i>Enhancing Accountability in the Public Sector</i>	<i>Empowerment of Women in Elections</i>	<i>Advocacy in Reproductive Health</i>	<i>Training-Gender Based Violence</i>	<i>RAGSNB 1 *</i>	<i>Empowerment of Young Community Leaders</i>	<i>Empowerment of Young Leaders through Media</i>	<i>Media Capacity Building for Young Leaders</i>
	<i>The Ford Foundation</i>	<i>The Ford Foundation</i>	<i>The Ford Foundation</i>	<i>IRI</i>	<i>UNFPA</i>	<i>UNFPA</i>	<i>Kvinna Till Kvinna</i>	<i>FES</i>	<i>NED</i>	<i>NED</i>
Salaries and related expenses	24,911	8,868	10,599	132,764	20,149	10,502	23,899	1,256	8,117	3,181
Severance pay	8,185	-	-	-	-	3,375	-	-	640	385
Experts honoraria and training fees	-	-	-	-	-	-	668	-	-	-
Office, equipment and hall rental	10,300	-	-	31,563	1,800	-	5,300	-	2,160	540
Workshop expenses	-	-	-	20,088	4,472	-	690	1,982	-	-
Travel and accommodation	587	12	-	12,226	397	368	472	1,264	363	39
Information and publications	2,102	450	600	44,230	18,047	3,955	10,324	1,677	12,672	-
Professional fees	1,200	-	-	1,495	592	405	600	-	400	-
Training expenses	-	-	-	38,785	251	1,254	1,380	4,355	-	1,911
Hosting delegations and meetings	667	566	-	7,679	402	36	1,161	1,454	111	364
Postage, telephone and fax	2,728	-	-	13,817	855	869	1,612	-	732	220
Information technology expenses	715	-	-	578	273	76	276	-	64	-
Utilities	2,355	124	-	4,046	758	785	1,365	-	971	413
Sundry	80	-	-	438	90	130	128	-	19	3
<b>Total</b>	<b>53,830</b>	<b>10,020</b>	<b>11,199</b>	<b>307,709</b>	<b>48,086</b>	<b>21,755</b>	<b>47,875</b>	<b>11,988</b>	<b>26,249</b>	<b>7,056</b>

1 \* Kvinna Till Kvinna funded the project named "Raising Awareness to a Gender - Sensitive National Budget (RAGSNB).

*Projects' expenses - continued*

	<i>Printing of a Palestinian Photo- Essay</i>	<i>Monitoring Incitement in Palestinian Media</i>	<i>Monitoring Media Coverage during Presidential Elections</i>	<i>Support to MIFTAH's Prospectus for 2006</i>	<i>Mass Media Campaign for the Promotion of Active Citizenship</i>	<i>TOKTEN Palestinian Program</i>	<i>Publications</i>	<i>Other Projects</i>	<i>2005 Total</i>	<i>2004 Total</i>
	<i>PALCEL</i>	<i>Keshev through EC</i>	<i>IMS</i>	<i>Norway</i>	<i>UNDP</i>	<i>UNDP</i>	<i>UNDP</i>	<i>2*</i>		
Salaries and related expenses	489	58,405	4,400	14,746	14,938	18,000	-	-	355,224	359,638
Severance pay	-	-	-	8,185	-	-	-	-	20,770	5,818
Experts honoraria and training fees	-	200	-	-	-	-	-	8,350	9,218	20,753
Office, equipment and hall rental	-	-	-	-	1,500	-	-	-	53,163	38,510
Workshop expenses	-	229	-	-	1,828	-	-	-	29,289	32,917
Travel and accommodation	-	55	298	1,094	70	-	68	19,124	36,437	55,489
Information and publications	10,500	5,118	1,886	57	6,199	-	2,848	-	120,665	89,944
Professional fees	-	-	-	1,200	200	-	-	-	6,092	7,722
Training expenses	-	-	1,373	-	1,703	-	-	-	51,012	22,057
Hosting delegations and meetings	455	942	273	-	435	-	-	-	14,545	19,845
Postage, telephone and fax	-	687	275	887	1,635	-	600	-	24,917	21,597
Information technology expenses	-	-	-	-	50	-	-	-	2,032	1,505
Utilities	-	1,371	888	151	787	-	100	-	14,114	13,479
Sundry	-	3,287	307	2	81	-	57	-	4,622	1,626
<b>Total</b>	<b>11,444</b>	<b>70,294</b>	<b>9,700</b>	<b>26,322</b>	<b>29,426</b>	<b>18,000</b>	<b>3,673</b>	<b>27,474</b>	<b>742,100</b>	<b>690,900</b>

2 \* Other projects include the expenses of long-term research and special activities.

### 13. Administration and general

	<u>2005</u>	<u>2004</u>
Salaries and related expenses	77,227	68,874
Severance pay	769	16,370
Depreciation	19,062	25,605
Hosting delegations and meetings	852	44
Postage, telephone and fax	260	-
Information technology expenses	2,754	-
Travel and accommodation	4,244	1,175
Information and publication	1,069	-
Utilities	1,680	5,005
Sundry	4,677	55
	<u>112,594</u>	<u>117,128</u>

### 14. Related Party Transactions

MIFTAH considers its management and the Board of Trustees as related parties. The financial statements include the following related party transactions:

	<u>2005</u>	<u>2004</u>
Key management personnel compensation	<u>114,580</u>	<u>109,815</u>
Consolidated Contractors International Company (CCC)	<u>50,000</u>	<u>50,000</u>
A.M. Qattan Foundation - London	<u>50,000</u>	<u>25,000</u>

### 15. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash, contributions receivable and other current assets. Financial liabilities consist of accrued expenses, other accounts payable, temporary restricted contributions and deferred revenues.

The fair value of financial instruments is not materially different from their carrying values.

### 16. Risk management

#### Interest rate risk

MIFTAH is exposed to interest rate risk on the time deposits that are considered interest-bearing asset (Note 4).

#### Liquidity risk

MIFTAH limits its liquidity risk by maintaining adequate cash balances to meet its current obligations and to finance its operating activities. In addition, the operations of MIFTAH are financed by multiple donors.

**Foreign currency risk**

MIFTAH maintains its major assets and liabilities in one currency which is the U.S. \$. In addition, its major donation revenues are collected in U.S. \$ and most of its expenses are paid in U.S. \$.

**17. Concentration of risk in geographic area**

MIFTAH is carrying out all of its activities in Palestine. The political and economic situation in the area increases the risk of carrying out these activities and may adversely affect MIFTAH's performance.