

NAJDA SOCIAL ASSOCIATION

FINANCIAL STATEMENTS

For the year ended December 31, 2017

AND INDEPENDENT AUDITORS' REPORT

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بسم الله الرحمن الرحيم

ABD EL-HAKEEM ALAMI
Certified Public Accountants

مكتب عبد الحكيم العلمي
محاسبون قانونيون

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF El Najda Social Association

Report on the financial statements

We have audited the accompanying financial statements of El Najda Social Association (hereinafter the "Association"), which comprise the statement of the financial position as of December 31, 2017, the statement of activities and changes in net assets, and statement of cash flows for the year then ended and summary of the significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the 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 of material misstatements, 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 conduct 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 of material misstatements.

An audit involves audit 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 misstatements of the financial statements whether due to fraud or error. In making those risk assessments, the auditor's considers internal controls relevant to the company'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 company's internal control. An audit also includes the evaluation of 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 accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2017, and the results of its activities and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Auditor name

Gaza: Februaire 13, 2018
Abdel Hakeem El Alami



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عمارة الاندلس - الطابق الاول

NAJDA SOCIAL ASSOCIATION
Balance Sheet
As of December 31, 2017
Amounts in NIS

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Fixed Assets (net)	4	1,386,025.39	1,474,741.40
Current Assets			
Cash on hand & at Banks	5	34,566.62	104,004.07
Other Current Assets	7	78,388.91	10,424.86
Accounts receivable	8	80,414.90	66,842.00
Ending Inventory - Factory		5,304.00	5,304.00
Total Current Assets		<u>198,674.43</u>	<u>186,574.93</u>
<u>TOTAL ASSETS</u>		<u><u>1,584,699.82</u></u>	<u><u>1,661,316.33</u></u>
<u>Net Assets and Liabilities</u>			
Current Liabilities			
Accrued Expenses	10	38,003.54	16,987.64
Account Payables	9	91,178.42	8,121.40
Outstanding Cheques		600.00	1,575.00
Total Current Liabilities		<u>129,781.96</u>	<u>26,684.04</u>
Fund Balance		1,454,917.86	1,634,632.29
TOTAL NET ASSETS & LIABILITIES		<u><u>1,584,699.82</u></u>	<u><u>1,661,316.33</u></u>

The accompanying notes from an integral part of this statement

NAJDA SOCIAL ASSOCIATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended Dec. 31, 2017
Amounts in NIS

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenues	10	307,709.92	1,596,393.04
TOTAL REVENUES		307,709.92	1,596,393.04
General & Administrative Expense:	11	393,514.56	278,641.42
Projects Expenses		0.00	1,233,709.32
Depreciation	4	88,716.01	110,468.14
Foreign Exchange		5,193.78	10,431.80
TOTAL EXPENSES		487,424.35	1,633,250.68
Net Change in Net Asstes		-179,714.43	-36,857.64
Net Assets at beginning of the period		1,634,632.29	1,670,311.83
Prior period adjustment		0.00	1,178.10
Net Assets end of the period		1,454,917.86	1,634,632.29

The accompanying notes from an integral part of this statement

NAJDA SOCIAL ASSOCIATION
Statement Of Cash Flows
For the year ended Dec. 31,2017
Amounts in NIS

Cash Flows From Operating Activities	<u>2017</u>	<u>2016</u>
Net Income	-179,714.43	-36,857.64
Prior period adjustment	0.00	1,178.10
Depreciation	88,716.01	110,468.14
Operating Income	<u>-90,998.42</u>	<u>74,788.60</u>
Increase / Decrease of Other Current Assets	-67,964.05	-8,840.51
Increase / Decrease of Account Receivable	-13,572.90	-33,572.00
Increase / Decrease of Inventory	0.00	0.00
Increase / Decrease of Accrued Expenses	21,015.90	-15,000.46
Increase / Decrease of Account Payables	83,057.02	-43,966.12
Increase / Decrease of Outstanding Cheques	-975.00	396.90
Increase / Decrease of In-kind Donation	0.00	-5,775.00
Net Out Cash Flows From Operating Activities	<u>-69,437.45</u>	<u>-31,968.59</u>
 Cash Flows From Investing Activities		
Addition to the Fixed Assets	0.00	-700.00
Deductions of the Fixed Assets	0.00	0.00
Net Out Cash Flows From Investing Activities	<u>0.00</u>	<u>-700.00</u>
 Net Out Cash Flows	<u>-69,437.45</u>	<u>-32,668.59</u>
Beginning Cash Balance as of Jan. 1 , 2017	104,004.07	136,672.66
Ending Cash Balance as of Dec. 31, 2017	<u><u>34,566.62</u></u>	<u><u>104,004.07</u></u>

The accompanying notes from an integral part of this statement

NAJDA SOCIAL ASSOCIATION
Financial Statements for the year ended December 31, 2016

The draft for discussion

NOTE (1) – GENERAL

El Najda Association is a local NGO established in Gaza in 1995 at the Ministry of Interior under registration number 4024. Later It had registered again according to the Palestinian law for NGOs and charities (issued in the year 2000) on April 26, 2001.

The main objectives of the association are serving the women and children sectors in the Gaza Strip, public awareness, upgrading the educational and cultural level of the people in Gaza and providing health services to the community.

NOTE (2) – The Financial Statement of the **NAJDA SOCIAL ASSOCIATION** Statement of Financial Position , Statement of Activities & Changes In Net Assets and Statement of Cash Flow for the Year ended at Dec. 31, 2017

NOTE (3) – BASIS OF PREPARATION

The accompanying financial statements are prepared in accordance with the modified accrual basis of accounting, in such basis the revenues are recognized when received and expenses are recognized when incurred rather than when paid.

The financial statements have been presented in the Israeli Shekel Monetary Unit (NIS) which is the functional currency of association.

Following is a summary of the association's significant accounting policies:

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual rates:

	Rate
Furniture	10%
Equipment	10-20%
Computer and software	20%
Vehicles	15%
Electrical tool	20%
Kindergartens equipments	20%
Buildings	2%
Generator	10%

Cash and cash equivalents

Cash and cash equivalents includes cash at banks, cash on hand and short term deposits with a maturity of three months or less.

Impairment of assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indications exist and when the carrying values exceed the estimated recoverable amounts the values of the assets are decreased to the recoverable amount, and the difference is recognized in the statement of activities and changes in net assets. In the year 2010 a revaluation of fixed assets of NIS 1,294,232.56 was reflected in the financial statements.

NAJDA SOCIAL ASSOCIATION
Financial Statements for the year ended December 31, 2016

The draft for discussion

Provision for end of service indemnity

Benefits payable to the employees of the association at the end of their services which are provided for in accordance with the guidelines set by the Palestinian labour laws. However, such amount was not accounted for and reflected in the financial statements.

Other current liabilities

Accrued expenses and other current liabilities are recognized for the amounts to be paid in the future for goods and services received, whether billed by the suppliers or not.

Revenue Recognition

- Donation revenues from other donors are recognized on a cash basis and included as revenues in the statement of activities and changes in net assets.
- In kind donations are stated at fair value, recorded as In-kind donation and recognized as revenue through the statement of activities and change in net assets when received.

Expense recognition

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

Income taxes

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

Translation of foreign currencies

The accompanying financial statements are presented in USD. Transaction in other currencies is accounted for at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into USD using the exchange rates prevailing at the reporting date. Exchange gains or losses arising from the transactions are reflected in the statement of activities and changes in net assets. The exchange rates against USD as of December 31, 2017 were as follows:

Currency	2017
USD	3.47
JOD	4.90
Euro	4.07

Changes in the accounting policies

The accounting policies used are the same as those used in the previous year, unless where is otherwise stated.

NAJDA SOCIAL ASSOCIATION

Financial Statements for the year ended December 31, 2017

4- Fixed Assets

components of assets and equipment at December 31,2017 and movement during the year as follows

	Balance 1/1/2017	Additions	Disposal	Balance 31/12/2017
Costs :				
Buildings and Constructions	1,484,519.85			1,484,519.85
Furniture	110,493.25			110,493.25
Office supplies	139,368.80			139,368.80
Kindergarten Equipments	49,325.80			49,325.80
Machinery and equipment	393,645.35			393,645.35
Cars	228,880.00			228,880.00
Total Fixed Assets :	2,406,233.05	0.00	0.00	2,406,233.05
Accumulated Depreciation :				
Buildings and Constructions	202,971.89	29,609.05		232,580.94
Furniture	55,960.20	11,019.05		66,979.25
Office supplies	135,247.24	4,121.56		139,368.80
Kindergartens Equipments	47,537.80	1,788.00		49,325.80
Machinery and equipment	263,816.18	39,256.69		303,072.87
Cars	225,958.34	2,921.66		228,880.00
Total Accumulated Depreciation:	931,491.65	88,716.01	0.00	1,020,207.66
Net Fixed Assets	1,474,741.40			1,386,025.39

5- Cash Equivalents

Cash Equivalents include the following

	2017	2016
Cash on hand	23.00	0.00
Bank of Palestine – 275652/0 (NIS)	255.44	3,151.61
Bank of Palestine – 275652/0 \$	0.00	256.78
Bank of Palestine – 275652/0 JD	980.00	0.00
Bank of Palestine -275652/0 EURO	1.18	35,232.00
Checkbooks / pledge	500.00	500.00
Term deposit	32,807.00	64,863.68
Total	34,566.62	104,004.07

6- Provision for end of service indemnity

Benefits payable to the employees of the association at the end of their services which are provided for in accordance with the guidelines set by the Palestinian labour laws. However, such amount **was not** accounted for and reflected in the financial statements.

7- Other Current Assets

Al-Andalusi distirct land Prepaid Rent-Rafah	71,261.16	0.00
Prepaid Rent for Rafah Kindergarten	5,650.89	6,160.00
Office Prepaid Rent	1,268.23	2,711.86
Prepaid Rent for factory	208.63	242.00
Prepaid license and insurance for car	0.00	1,311.00
Total	78,388.91	10,424.86

NAJDA SOCIAL ASSOCIATION
Financial Statements for the year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
8- Accounts receivable		
Wesam Masoud/ debit	80,414.90	62,342.00
Samah M. Kofaa	0.00	4,500.00
Total	<u><u>80,414.90</u></u>	<u><u>66,842.00</u></u>
9- Account Payables		
AL-Nahda Stationary shop	3,896.50	1,526.00
Hamouda Awad Supermarket	1,846.00	2,471.00
Gaza distribution company	829.08	503.04
Gaza Municipality	439.70	42.20
Sharp store for Electronics	940.00	320.00
Abd ElSalam Yaseen & Sons for potable water supply	285.00	300.00
Palestinian Communication	199.27	285.16
Abd ElHakeem AlAlami Accounting Office	4,384.00	2,674.00
Ziad Jargon	70,576.16	0.00
AlWasat Company for Media and Advertising	350.00	0.00
Al-A'sma Taxi Company	282.00	0.00
Rania Mohammed Ali Sa'do Al-A'wadi	4,600.71	0.00
Jebreeel Jamal Abd Al-Ftah Abo A'bdo	2,550.00	0.00
Total	<u><u>91,178.42</u></u>	<u><u>8,121.40</u></u>
10- Accrued Expenses		
Telephone and Internet Acc.Exp.	235.00	0.00
Water & Electricity Acc.Exp.	20,015.43	603.53
Fuels Acc.Exp.	600.00	0.00
Salaries and Wages Acc.Exp.	1,002.78	1,002.78
Maintenance Acc.Exp.	500.00	0.00
Transportation Acc.Exp.	795.00	343.00
Hospitality Acc.Exp.	346.00	4,393.00
Administrative Body Acc.Exp.	6,000.00	2,400.00
Cleaning Acc.Exp.	340.00	0.00
Salaries Income Tax Acc.Exp.	7,751.33	6,717.33
Legal fees Acc.Exp.	418.00	1,528.00
Income Tax Acc.Exp.	0.00	0.00
Intertainment Acc.Exp.	0.00	0.00
Stationry Acc.Exp.	0.00	0.00
Total	<u><u>38,003.54</u></u>	<u><u>16,987.64</u></u>

NAJDA SOCIAL ASSOCIATION
 Financial Statements for the year ended December 31, 2017

11- Revenues

	<u>2017</u>	<u>2016</u>
Foreign Donation	87,077.46	36,555.00
Local Donation	11,692.00	3,811.25
In-kind Donation	61,082.00	21,874.00
Membership Fees	1,240.00	740.00
Bet Lahia Kindergarten Revenues	0.00	5,000.00
Gaza Kindergarten Rev.	29,120.00	35,505.00
Sales of fixed assets Rev.	2,600.00	0.00
Hall Rent Rev.	5,859.90	12,984.99
UNDP/DEEP Donation	0.00	1,251,781.32
Bet Lahia Kindergarten Rev.	6,565.00	5,835.00
Vegetables Frozen Factory Rent Rev.	2,920.00	36,672.00
Bids fee Rev.	2,100.00	24,000.00
Center Rev.	350.00	0.00
Rafah Kindergarten Rev.	96,832.00	136,467.00
Hall Rent Rev.	0.00	1,500.00
Rent Kitchen/ Opening the Space for Enhanced Food	0.00	11,400.00
Revenue of Opening the space for Enhance Operating	0.00	12,000.00
Benefits payable Rev.	271.56	267.48
Total	<u><u>307,709.92</u></u>	<u><u>1,596,393.04</u></u>

NAJDA SOCIAL ASSOCIATION
 Financial Statements for the year ended December 31, 2017

12- Administrative and General Expenses (Association & Factory)

	<u>2017</u>	<u>2016</u>
Salaries & Wages	108,616.00	131,861.90
Equipment maintenance	1,083.00	3,142.52
Repair & Maintenance of Buildings	822.00	1,692.00
Advertising	700.00	900.00
Communications	4,905.11	4,647.41
Electricity & Water	8,907.54	3,641.24
Stationary & Printing	3,600.50	3,868.00
Bank charges & fees	757.91	469.11
Miscellaneous	1,890.00	4,232.00
Transportation	4,515.00	975.00
Government Fees	600.00	30.00
Rent Fees	10,058.62	8,907.21
auditing Fees	2,450.00	4,966.00
Transportation	6,307.00	5,065.00
Hospitality	3,577.00	2,956.00
Attorneys' fees	1,103.00	3,056.00
Fuel	6,788.00	16,642.00
Cars Expenses	7,032.00	10,030.00
Car Insurance and License	0.00	2,797.00
End of service Rewards	23,975.00	0.00
Stationery and Bags distribution	35,285.88	0.00
Membership subscription fees	0.00	377.00
Kindergarten Uniforms	7,012.00	0.00
Kindergarten Books	3,122.00	0.00
Management Transportation	6,000.00	8,293.00
In-Kind Aid	61,082.00	16,099.00
Consulting and Translation	0.00	1,362.00
Rewards	39,100.00	25,550.00
Income tax deduction	0.00	799.03
Games Maintenance	350.00	350.00
Expenses Maintenance	0.00	0.00
Cleaning kits expenses	770.00	1,148.00
Hall Rent	700.00	0.00
Education Project after school exp.	0.00	0.00
Bails distribution	42,405.00	13,185.00
Zakat and aids	0.00	1,600.00
Total Expenses	<u>393,514.56</u>	<u>278,641.42</u>

NAJDA SOCIAL ASSOCIATION

Financial Statements for the year ended December 31, 2017

13- Centers :-

Statement	Revenues	Expenses	Surplus/Deficit
Central Office	174,800.92	258,444.73	-83,643.81
Biet-Lahia Kindergarten	6,565.00	16,400.50	-9,835.50
Gaza Kindergarten	29,316.00	29,725.00	-409.00
Rafah Kindergarten	97,028.00	94,138.11	2,889.89
Total	307,709.92	398,708.34	