

# **PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
AND INDEPENDENT AUDITORS' REPORT**

**PRICEWATERHOUSECOOPERS** 

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# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and the 2004

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**INDEPENDENT AUDITORS' REPORT**

**TO THE BOARD OF TRUSTEES OF  
PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA**

We have audited the accompanying statements of financial position of the Palestinian Bussineswomen's Association - Asala (hereinafter the "Association") as of December 31, 2005 and 2004 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association'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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 the 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 referred to above present fairly in all material respects, the financial position of the Association as of December 31, 2005 and 2004 and the results of its activities and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Sa'adi, Orfaly, Daher  


**Ramallah: March 5, 2006**

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and the 2004

## STATEMENTS OF FINANCIAL POSITION

(All amounts in US Dollars)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	(3)	420,169	569,419
Loans receivable, net	(4)	1,369,473	869,550
Prepayments and other current assets		<u>26,255</u>	<u>30,533</u>
<b>Total current assets</b>		<b>1,815,897</b>	<b>1,469,502</b>
Assets limited as to use	(5)	47,326	-
Fixed assets, net	(6)	<u>96,122</u>	<u>80,755</u>
<b>Total assets</b>		<b><u>1,959,345</u></b>	<b><u>1,550,257</u></b>
<b>Liabilities and net assets</b>			
<b>Current liabilities</b>			
Accounts payable	(7)	-	22,796
Other liabilities		29,648	21,334
<b>Total current liabilities</b>		<b><u>29,648</u></b>	<b><u>44,130</u></b>
Long term loan	(8)	100,000	-
Provision for severance pay	(9)	<u>63,015</u>	<u>50,776</u>
<b>Total liabilities</b>		<b><u>192,663</u></b>	<b><u>94,906</u></b>
<b>Net assets</b>			
Unrestricted net assets – General fund		1,336,927	1,263,146
Temporarily restricted assets		289,755	52,205
Permanently restricted net assets		<u>140,000</u>	<u>140,000</u>
<b>Total net assets</b>		<b><u>1,766,682</u></b>	<b><u>1,455,351</u></b>
<b>Total liabilities and net assets</b>		<b><u>1,959,345</u></b>	<b><u>1,550,257</u></b>

- Notes to the financial statements form an integral part thereof.

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Ms. Nisreen Hanbali  
Chairman - Board of Directors

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Ms. Reem Abboushi  
Executive Director

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and the 2004

## STATEMENTS OF ACTIVITIES

(All amounts in US Dollars)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
<b>Changes in unrestricted assets:</b>			
<b>Grants, revenues and gains</b>			
Interest revenue on loans		261,745	237,627
Service charges		19,409	17,237
Other revenues	(10)	126,307	18,946
Grants		52,500	-
Total unrestricted grants, revenues and gains		<u>459,961</u>	<u>273,810</u>
Net assets released from restrictions		52,205	437,078
<b>Total unrestricted grants, revenues, gains and other support</b>		<u><b>512,166</b></u>	<u><b>710,888</b></u>
<b>Expenses and losses</b>			
Salaries and related benefits	(11)	264,012	240,657
General and administrative expenses	(12)	172,276	236,060
Finance loss	(13)	2,097	16,218
<b>Total expenses and losses</b>		<u><b>438,385</b></u>	<u><b>492,935</b></u>
<b>Increase in unrestricted net assets</b>		<u><b>73,781</b></u>	<u><b>217,953</b></u>
<b>Changes in temporarily restricted assets:</b>			
Grants	(14)	289,755	489,283
Net assets released from restrictions	(15)	(52,205)	(437,078)
<b>Net changes in temporarily restricted assets</b>		<u><b>237,550</b></u>	<u><b>52,205</b></u>
Changes in net assets for the year		311,331	270,158
Net assets, beginning of the year		<u>1,455,351</u>	<u>1,185,193</u>
<b>Net assets, end of the year</b>		<u><b>1,766,682</b></u>	<u><b>1,455,351</b></u>

- Notes to the financial statements form an integral part thereof.

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and the 2004

## STATEMENTS OF CASH FLOWS

(All amounts in US Dollars)

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities</b>		
Changes in net assets for the year	311,331	270,158
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</b>		
Depreciation	15,386	12,627
Provision for doubtful accounts	(144,981)	104,620
Increase in net loans receivable	(354,942)	(70,301)
Decrease (Increase) in prepayments and other current Assets	4,278	(15,881)
Decrease in accounts payable	(22,796)	(16,774)
Increase (decrease) in loan payable	100,000	(50,000)
Provision for severance pay	12,239	20,269
Increase in other liabilities	8,314	15,292
<b>Net cash provided by ( used in) operating activities</b>	<u>(71,171)</u>	<u>270,010</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(30,753)	(25,745)
<b>Net cash used in investing activities</b>	<u>(30,753)</u>	<u>(25,745)</u>
<b>Cash flows from financing activities</b>		
Cash restricted for leaving indemnity	(47,326)	-
<b>Net cash used in financing activities</b>	<u>(47,326)</u>	<u>-</u>
(Decrease)increase in cash and cash equivalents	(149,250)	244,265
Cash and cash equivalents, beginning of the year	569,419	325,154
<b>Cash and cash equivalents, end of the year</b>	<u>420,169</u>	<u>569,419</u>

- Notes to the financial statements form an integral part thereof.

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and 2004

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (1) - GENERAL

The Palestinian Businesswomen's Association – Asala, (hereinafter the “Association”) is a membership-based organization that was created as an NGO working in Palestine through Ramallah, Jenin and Gaza offices. Prior to the establishment of Asala, Oxfam Quebec has managed the Center for Women Economic Project that had similar goals and objectives. In June 1, 2001, the Project's revolving fund has been transferred to Asala.

Asala was established to achieve the following objectives:

- Increase women's employment opportunities in the Palestinian society;
- Improve women's lives and enhance their standard of living and income by providing loans for women's economic projects;
- Provide technical and administrative consultation;
- Educate the general public about the importance of Palestinian women economic role; and
- Improve the legal and social environment for women's small and medium scale projects.

### NOTE (2) - BASIS OF PREPARATION

The financial statements are prepared according to International Financial Reporting Standards. Following is a summary of the association's significant accounting policies:

Net assets of ASALA and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets whose use by Asala, which is not subject to donor-imposed restrictions.
- *Temporarily restricted net assets* - Net assets whose use by Asala is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of Asala pursuant to those donor-imposed stipulations.
- *Permanently restricted net assets* - Net assets whose use by Asala is limited by donor-imposed stipulations.

#### a) *Loans receivable*

Loans receivable is stated at the amount of outstanding principal, net of allowance for doubtful loans. In a period where allowance for doubtful accounts decreases, the allowance is reversed and the amount of the reversal is recognized as revenue.

The Association established general and specific Allowances for doubtful loans based on past collection experience and other factors that may affect collectability:

*Specific allowance:* The total outstanding balance of all loans (group and individual) which were delayed 180 days or more.

*General Allowance:* This allowance is calculated on the remaining amount of the loans after deducting the specific allowance. The general allowance is calculated as percentage of the loan outstanding balance, based on the amounts past due in each aging category and according to each loan type. The following rates are used to calculate the provision during 2005 and 2004:

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and 2004

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

<u>Aging in days</u>	<u>Group lending</u>	<u>Micro Lending \$1,000-\$5,000</u>	<u>Small Loans ≥ \$ 5,500</u>
31-60	10%	10%	10%
61-90	25%	25%	25%
91-120	50%	50%	50%
121-180	75%	75%	75%
Over 180	100%	100%	100%

**b) Fixed assets**

Fixed assets 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 percentage rates:

Office furniture	7%
Office equipment	15-25%

**c) Reserve for severance pay**

Benefits payable to the employees of the Association at the end of their services is provided for in accordance with the guidelines set by the local labour laws, by accruing one month compensation for each year of service based on last salary paid.

**d) Revenue Recognition**

Revenue recognized when contributions and/or donations are pledged. Interests on loans and services charges, as well as other revenues are recorded when earned.

Interest income on loans that are considered doubtful is suspended and excluded from income until it is received. Thereafter, interest income on the doubtful loans will be recognized only upon collection.

**e) Translation of foreign currencies**

The accompanying financial statements are denominated in US Dollars. Transactions with other currencies are accounted for at the exchange rates prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into U.S Dollars by applying the exchange rates prevailing at the reporting date. Exchange gains or losses arising from the above transactions are reflected in the statements of activities. The exchange rates against USD as of December 31, 2005 and 2004 as follows:

<u>Currency</u>	<u>2005</u>	<u>2004</u>
NIS	0.217	0.2321
EURO	1.848	1.3641
CAD	0.887	0.8307

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and 2004

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (3) - CASH AND CASH EQUIVALENTS

Details -

	<u>2005</u>	<u>2004</u>
Cash on hand	963	397
Cash at banks	419,206	569,022
	<u><b>420,169</b></u>	<u><b>569,419</b></u>

### NOTE (4) - LOANS RECEIVABLE, NET

Details -

	<b>Small Lending Program</b>	<b>Micro Lending Program</b>	<b>Total 2005</b>	<b>Total 2004</b>
Beginning loan balance	517,032	715,693	1,232,725	1,165,436
Issued loans	413,000	1,312,800	1,725,800	1,281,900
Less: Loans repayment	(196,890)	(1,182,980)	(1,379,870)	(1,215,500)
Add: Net rescheduled loans	10,885	-	10,885	889
Add: Interest receivable	22,783	25,742	48,525	54,019
Ending loan balance	<u>766,810</u>	<u>871,255</u>	<u>1,638,065</u>	<u>1,286,744</u>
<i>Less: Allowance for doubtful accounts and suspended interest</i>				
Specific allowance	131,435	63,380	194,815	323,458
General allowance	7,547	24,808	32,355	48,693
Interest in Suspense	22,547	18,875	41,422	45,043
Total allowance for doubtful accounts and suspended interest	<u>161,529</u>	<u>107,063</u>	<u>268,592</u>	<u>417,194</u>
<b>Loans receivable, net</b>	<u><b>605,281</b></u>	<u><b>764,192</b></u>	<u><b>1,369,473</b></u>	<u><b>869,550</b></u>

The changes in general and specific bad debts during the year 2005 were as follows:

	<u>General</u>	<u>Specific</u>	<u>Total</u>
Beginning balance	48,693	323,458	372,151
Change during the year	(16,338)	(128,643)	(144,981)
<b>Ending balance</b>	<u><b>32,355</b></u>	<u><b>194,815</b></u>	<u><b>227,170</b></u>

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

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(All amounts in US Dollars)

The changes in suspended interest during 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Beginning balance	45,043	29,445
Change during the year	(3,621)	15,598
<b>Ending balance</b>	<b><u>41,422</u></b>	<b><u>45,043</u></b>

### NOTE (5) - ASSETS LIMITED AS TO USE

During the year 2005, Asala's management opened a specific bank account at Arab Bank designated for severance pay. This account was restricted by the Board of Trustees of the association.

### NOTE (6) - FIXED ASSETS, NET

Details -

	<u>Furniture</u>	<u>Equipment</u>	<u>Software</u>	<u>Vehicles</u>	<u>Total</u>
<b>Cost</b>					
Beginning of year	52,703	42,600	15,755	22,000	133,058
Additions	3,578	27,175	-	-	30,753
Disposals	-	1,403	-	-	1,403
End of year	<u>56,281</u>	<u>68,372</u>	<u>15,755</u>	<u>22,000</u>	<u>162,408</u>
<b>Accumulated depreciation</b>					
Beginning of year	25,536	6,780	9,608	10,379	52,303
Additions	3,576	5,621	2,889	3,300	15,386
Disposals	-	1,403	-	-	1,403
End of year	<u>29,112</u>	<u>10,998</u>	<u>12,497</u>	<u>13,679</u>	<u>66,286</u>
<b>Book value</b>	<b><u>27,169</u></b>	<b><u>57,374</u></b>	<b><u>3,258</u></b>	<b><u>8,321</u></b>	<b><u>96,122</u></b>

### NOTE (7) - ACCOUNTS PAYABLE

Asala obtained an interest free loan from Oxfam Quebec during the year 2002 to be repaid on seven payments. The total amount of the loan is \$60,867. The loan was repaid in full during the year 2005.

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and 2004

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (8) - LONG TERM LOAN

CORDAID signed an agreement with Asala in 2005 under which CORDAID will provide Asala with a \$ 100,000, 6%, 4-year loan to be used in providing loans to women. The loan terms provide for semiannual payments on March 1 and November 1; starting on May 1, 2006 and ending on November 1, 2009. According to the repayment schedule of the loan, the first two installments to be paid in 2006 are \$3,000 each which represents interest payments only and not from the principle. Therefore, the whole amount of \$100,000 is classified as long-term in the balance sheet.

### NOTE (9) - PROVISION FOR SEVERANCE PAY

Details -

	<u>2005</u>	<u>2004</u>
Balance, beginning of the year	50,776	30,508
Add: provision made during the year	22,675	20,268
Less: payments made during the year	(10,436)	-
Balance, end of the year	<u>63,015</u>	<u>50,776</u>

### NOTE (10) - OTHER REVENUES

This account represents income earned from the decrease of allowance for doubtful accounts during the year 2005.

### NOTE (11) - SALARIES AND RELATED BENEFITS

Details -

	<u>2005</u>	<u>2004</u>
Director	34,870	32,760
Project officers	144,037	127,592
Financial manager	16,000	10,000
Assistance	7,548	15,060
Administrative staff	31,246	29,503
Severance pay expenses	22,675	20,267
Employees insurance	5,763	5,475
Vacation expense	1,873	-
	<u>264,012</u>	<u>240,657</u>

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and 2004

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (12) - GENERAL AND ADMINISTRATIVE EXPENSES

Details -

	<u>2005</u>	<u>2004</u>
Bad debt expenses	-	104,620
Office rent	26,691	25,928
Stationary and office supplies	8,544	6,647
Training	21,934	500
Printing and publications	2,008	2,564
Electricity and water	5,859	4,309
Communication	25,361	22,686
Cars related expenses	9,628	8,427
Transportation	11,760	7,820
Maintenance	6,121	5,271
Professional fees	24,855	22,161
Hospitality	2,532	1,233
Cleaning	5,435	4,230
Advertising	970	617
Depreciation	15,385	12,627
Accommodations and per diem expenses	3,311	5,644
Others	1,882	776
	<u>172,276</u>	<u>236,060</u>

### NOTE (13) - FINANCE LOSS

Details -

	<u>2005</u>	<u>2004</u>
Currency Differences	940	15,388
Interest and bank charges	1,157	865
Late interest charges	-	(35)
	<u>2,097</u>	<u>16,218</u>

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2005 and 2004

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (14) - GRANTS - TEMPORARILY RESTRICTED

Details -

	<u>2005</u>	<u>2004</u>
Codespa	-	343,972
Nivarra (Codespa)	-	78,814
Catholic Relief Services	-	50,000
Oxfam	-	9,000
Orlando	9,755	7,497
AguFund	80,000	-
Islamic Bank	200,000	-
	<u>289,755</u>	<u>489,283</u>

### NOTE (15) - NET ASSETS RELEASED FROM RESTRICTIONS

Details -

	<u>2005</u>	<u>2004</u>
Codespa	52,205	291,768
Nivarra (Codespa)	-	78,814
Catholic Relief Services	-	50,000
Oxfam	-	9,000
Orlando	-	7,496
	<u>52,205</u>	<u>437,078</u>