

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

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
AND INDEPENDENT AUDITOR'S REPORT**

**PRICEWATERHOUSECOOPERS** 

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# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

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**INDEPENDENT AUDITOR'S REPORT TO THE  
BOARD DIRECTORS OF PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA**

**Report on the financial statements**

We have audited the accompanying financial statements of the Palestinian Businesswomen's Association - Asala (hereinafter the "Association") which comprise the statement of the financial position as at December 31, 2006, the statement of activities, and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

**Management's 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. 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 whether the financial statements are free of 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 entity'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 entity's 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 accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2006 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PRICEWATERHOUSECOOPERS 

Osama Daher  
March 18, 2007  
Ramallah

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

## STATEMENTS OF FINANCIAL POSITION

(All amounts in US Dollars)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	(3)	673,032	420,169
Loans receivable, net	(4)	1,239,670	1,369,473
Pledge receivables		233,078	-
Prepayments and other current assets		22,815	26,255
<b>Total current assets</b>		<b><u>2,168,595</u></b>	<b><u>1,815,897</u></b>
Assets limited as to use	(5)	63,015	47,326
Fixed assets, net	(6)	92,922	96,122
<b>Total assets</b>		<b><u>2,324,532</u></b>	<b><u>1,959,345</u></b>
<b>Liabilities and net assets</b>			
<b>Current liabilities</b>			
Other liabilities		48,314	29,648
<b>Total current liabilities</b>		<b><u>48,314</u></b>	<b><u>29,648</u></b>
Cordaid long term loan	(7)	100,000	100,000
Islamic Bank long term loan	(15)	200,000	-
Provision for severance pay	(8)	90,566	63,015
<b>Total liabilities</b>		<b><u>438,880</u></b>	<b><u>192,663</u></b>
<b>Net assets</b>			
Unrestricted net assets – General fund		1,448,081	1,336,927
Temporarily restricted assets		297,571	289,755
Permanently restricted net assets		140,000	140,000
<b>Total net assets</b>		<b><u>1,885,652</u></b>	<b><u>1,766,682</u></b>
<b>Total liabilities and net assets</b>		<b><u>2,324,532</u></b>	<b><u>1,959,345</u></b>

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

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Ms. Nisreen Hanbali  
Chair of the 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, 2006 and 2005

## STATEMENTS OF ACTIVITIES

(All amounts in US Dollars)

	<u>Note</u>	<u>2006</u>	<u>2005</u>
<b>Changes in unrestricted assets:</b>			
<b>Grants, revenues and gains</b>			
Interest revenue on loans		224,806	261,745
Service charges		18,584	19,409
Other revenues	(9)	10,141	6,181
Grants		-	52,500
Total unrestricted grants, revenues and gains		<u>253,531</u>	<u>339,835</u>
Net assets released from restrictions		<u>609,836</u>	<u>52,205</u>
<b>Total unrestricted grants, revenues, gains and other support</b>		<u><b>863,367</b></u>	<u><b>392,040</b></u>
<b>Expenses and losses</b>			
Salaries and related benefits	(10)	286,939	264,012
General and administrative expenses	(11)	<u>459,947</u>	<u>52,150</u>
<b>Total expenses and losses before finance (income) loss</b>		<u><b>746,886</b></u>	<u><b>316,162</b></u>
Finance (income) loss	(12)	<u>5,327</u>	<u>2,097</u>
<b>Increase in unrestricted net assets</b>		<u><b>111,154</b></u>	<u><b>73,781</b></u>
<b>Changes in temporarily restricted assets:</b>			
Grants	(13)	817,652	289,755
Net assets released from restrictions	(14)	(609,836)	(52,205)
Prior period adjustment	(15)	<u>(200,000)</u>	-
<b>Net changes in temporarily restricted assets</b>		<u><b>7,816</b></u>	<u><b>237,550</b></u>
Changes in net assets for the year		118,970	311,331
Net assets, beginning of the year		<u>1,766,682</u>	<u>1,455,351</u>
<b>Net assets, end of the year</b>		<u><b>1,885,652</b></u>	<u><b>1,766,682</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, 2006 and 2005

## STATEMENTS OF CASH FLOWS

(All amounts in US Dollars)

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities</b>		
Changes in net assets for the year	118,970	311,331
<b>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</b>		
Depreciation	20,619	15,386
Provision for doubtful accounts	257,443	(144,981)
Increase in net loans receivable	(127,640)	(354,942)
Increase in pledges receivables	(233,078)	-
Decrease in prepayments and other current assets	3,440	4,278
Decrease in accounts payable	-	(22,796)
Increase in loan payable	200,000	100,000
Provision for severance pay	27,551	12,239
Increase in other liabilities	18,666	8,314
<b>Net cash provided by ( used in) operating activities</b>	<u><b>285,971</b></u>	<u><b>(71,171)</b></u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(17,419)	(30,753)
<b>Net cash used in investing activities</b>	<u><b>(17,419)</b></u>	<u><b>(30,753)</b></u>
<b>Cash flows from financing activities</b>		
Cash restricted for leaving indemnity	(15,689)	(47,326)
<b>Net cash used in financing activities</b>	<u><b>(15,689)</b></u>	<u><b>(47,326)</b></u>
Increase (decrease) in cash and cash equivalents	252,863	(149,250)
Cash and cash equivalents, beginning of the year	420,169	569,419
<b>Cash and cash equivalents, end of the year</b>	<u><b>673,032</b></u>	<u><b>420,169</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, 2006 and 2005

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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's 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 2006 and 2005:

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

## 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, 2006 and 2005 are as follows:

<u>Currency</u>	<u>2006</u>	<u>2005</u>
NIS	0.237	0.217
EURO	0.180	1.183
CAD	0.862	0.860

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

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

Details -

	<u>2006</u>	<u>2005</u>
Cash on hand	1,387	963
Cash at banks	671,645	419,206
	<u><b>673,032</b></u>	<u><b>420,169</b></u>

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

Details -

	<b>Small Lending Program</b>	<b>Micro Lending Program</b>	<b>Total 2006</b>	<b>Total 2005</b>
Beginning loan balance	744,027	845,513	1,589,540	1,232,725
Issued loans	102,000	1,137,085	1,239,085	1,725,800
Less: Loans repayment	(242,789)	(871,898)	(1,114,687)	(1,379,870)
Add: Net rescheduled loans	1,530	-	1,530	10,885
Add: Interest receivable	29,865	35,149	65,014	48,525
Ending loan balance	634,633	1,145,849	1,780,482	1,638,065
<i>Less: Allowance for doubtful accounts and suspended interest</i>				
Specific allowance	218,958	168,396	387,354	194,815
General allowance	49,454	47,805	97,259	32,355
Interest in Suspense	26,892	29,307	56,199	41,422
Total allowance for doubtful accounts and suspended interest	295,304	245,508	540,812	268,592
<b>Loans receivable, net</b>	<u><b>339,329</b></u>	<u><b>900,341</b></u>	<u><b>1,239,670</b></u>	<u><b>1,369,473</b></u>

The changes in general and specific bad debts during the year 2006 were as follows:

	<u>General</u>	<u>Specific</u>	<u>Total</u>
Beginning balance	32,355	194,815	227,170
Change during the year	64,904	192,539	257,443
<b>Ending balance</b>	<u><b>97,259</b></u>	<u><b>387,354</b></u>	<u><b>484,613</b></u>

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

The changes in suspended interest during 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Beginning balance	41,422	45,043
Change during the year	14,777	(3,621)
<b>Ending balance</b>	<b><u>56,199</u></b>	<b><u>41,422</u></b>

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

During the year 2005, Asala's management opened a specific bank account at a local 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	56,281	68,372	15,755	22,000	162,408
Additions	4,265	13,154	-	-	17,419
Disposals	-	-	-	-	-
End of year	<u>60,546</u>	<u>81,526</u>	<u>15,755</u>	<u>22,000</u>	<u>179,827</u>
<b>Accumulated depreciation</b>					
Beginning of year	29,112	10,998	12,497	13,679	66,286
Additions	3,094	11,336	2,889	3,300	20,619
Disposals	-	-	-	-	-
End of year	<u>32,206</u>	<u>22,334</u>	<u>15,386</u>	<u>16,979</u>	<u>86,905</u>
<b>Book value</b>	<b><u>28,340</u></b>	<b><u>59,192</u></b>	<b><u>369</u></b>	<b><u>5,021</u></b>	<b><u>92,922</u></b>

### NOTE (7) - LONG TERM LOAN

CORDAID signed an agreement with Asala in 2005 under which CORDAID provided 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 May 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 statement of financial position.

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (8) - PROVISION FOR SEVERANCE PAY

Details -

	<u>2006</u>	<u>2005</u>
Balance, beginning of the year	63,015	50,776
Add: provision made during the year	27,551	22,675
Less: payments made during the year	-	(10,436)
Balance, end of the year	<u>90,566</u>	<u>63,015</u>

### NOTE (9) - OTHER REVENUES

This balance represents miscellaneous income that does not fit in any of the normal revenue categories, such as interest earned from bank deposits, revenue generated from the renting Jenin hall.

### NOTE (10) - SALARIES AND RELATED BENEFITS

Details -

	<u>2006</u>	<u>2005</u>
Director	45,768	34,870
Project officers	125,534	144,037
Financial manager	-	16,000
Assistance	7,330	7,548
Program Coordinator	23,120	-
Administrative staff	43,380	31,246
Severance pay expenses	27,551	22,675
Employees insurance	8,260	5,763
Cleaner	5,996	-
Vacation expense	-	1,873
	<u>286,939</u>	<u>264,012</u>

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (11) - GENERAL AND ADMINISTRATIVE EXPENSES

Details -

	<u>2006</u>	<u>2005</u>
Bad debt expenses	257,443	(120,126)
Office rent	25,773	26,691
Stationary and office supplies	7,352	8,544
Training	18,086	21,934
Printing and publications	3,550	2,008
Electricity and water	4,551	5,859
Communication	26,398	25,361
Cars related expenses	8,641	9,628
Transportation	16,302	11,760
Maintenance	7,008	6,121
Professional fees	39,890	24,855
Hospitality	5,186	2,532
Cleaning	4,297	5,435
Advertising	635	970
Depreciation	20,619	15,385
Accommodations and per diem expenses	13,007	3,311
Others	1,209	1,882
	<u>459,947</u>	<u>52,150</u>

### NOTE (12) - FINANCE (INCOME) LOSS

Details -

	<u>2006</u>	<u>2005</u>
Currency differences	(2,552)	940
Interest and bank charges	1,879	1,157
Interest expense	6,000	-
	<u>5,327</u>	<u>2,097</u>

# PALESTINIAN BUSINESSWOMEN'S ASSOCIATION - ASALA

Financial statements for the years ended December 31, 2006 and 2005

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## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

### NOTE (13) - GRANTS - TEMPORARILY RESTRICTED

Details -

	<u>2006</u>	<u>2005</u>
Codespa	220,626	-
Codespa (EU project)	41,900	-
Aust Care	438,800	-
Cordiad	22,426	-
Oxfam	53,900	-
Orlando	-	9,755
AguFund	40,000	80,000
Islamic Bank	-	200,000
	<u>817,652</u>	<u>289,755</u>

### NOTE (14) - NET ASSETS RELEASED FROM RESTRICTIONS

Details -

	<u>2006</u>	<u>2005</u>
Codespa	110,271	52,205
Codespa (EU project)	41,900	-
Aust Care	280,000	-
Cordiad	22,426	-
Oxfam	25,484	-
AguFund	40,000	-
Orlando	9,755	-
AguFund	80,000	-
	<u>609,836</u>	<u>52,205</u>

### NOTE (15) – PRIOR PERIOD ADJUSTMENT

This amount represents a long term loan granted by Islamic Bank to Asala in year 2005, which was incorrectly classified as grants due to the ambiguity of the signed agreement. In year 2006 this loan was reclassified as loans payables.