

Alshayeb Auditing & Accountancy Co.

Independent Member Of GENEVA GROUP INTERNATIONAL

**The Palestinian Centre for Rapprochement
Between People**

Independent Auditor's Report

and

Financial Statements

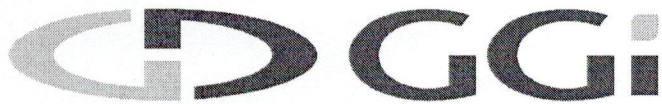
31 December 2013

Certified Public Accountants

The Palestinian Centre for Rapprochement Between People

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statements of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 18



Independent Auditor's Report

**To the Board of Trustees of
The Palestinian Centre for Rapprochement Between People
Beit Sahour**

Report on the financial statements

We have audited the accompanying statement of financial position of **The Palestinian Centre for Rapprochement Between People (Not for Profit Centre)** as of **31 December 2013** and the related statements of activities and changes in net assets, cash flows and functional expenses 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 and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit organizations. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 from 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 Centre'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 internal control of the Centre. 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.

Independent Auditor's Report (Cont.)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Palestinian Centre for Rapprochement Between People (Not for Profit Centre)** as of 31 December 2013, the results of its operations, its cash flows and its functional expenses for the year then ended in accordance with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit organizations.


12/05/2014
Issa Abu Farha

Issa Al Shayeb Abu Farha C.P.A
Certified Public Accountant License No. 34
AlShayeb Auditing & Accountancy Co.
Independent Member Of Geneva Group International

Bethlehem
12 May 2014



The Palestinian Centre for Rapprochement Between People
Statement of Financial Position
As of 31 December 2013

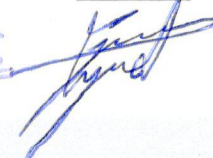
		<u>2013</u>	<u>2012</u>
	<u>Note</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Assets			
Cash on hand and at banks	3	160,692	106,386
Account Receivables & Others	4	8,273	12,198
Property, Plant & Equipment	5	22,369	33,894
Pledges Receivables	6	33,885	31,250
Total Assets		<u>225,219</u>	<u>183,728</u>
Liabilities and Net Assets			
Liabilities :			
Payables and accruals	7	66,190	78,806
Reserves for employees' end of service indemnity	8	30,835	24,218
Unearned Group Revenue	9	98,305	41,022
Total liabilities		<u>195,330</u>	<u>144,046</u>
Net Assets :			
Unrestricted		8,731	3,058
Temporarily restricted		21,158	36,624
Total net assets - (Statement - C)		<u>29,889</u>	<u>39,682</u>
Total liabilities and Net Assets		<u>225,219</u>	<u>183,728</u>

See Notes to Financial Statements

Head of Board of Trustee



Treasurer

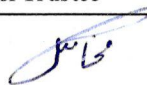



The Palestinian Centre for Rapprochement Between People
Statement of Activities and Changes in Net Assets
Year Ended 31 December 2013

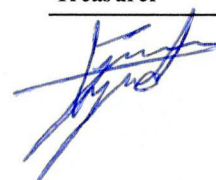
	Note	Temporarily		Total	
		Unrestricted	Restricted	2013	2012
		USD	USD	USD	USD
Operating revenues:					
Grants and donations for projects	10		35,977	35,977	96,905
Groups' Revenues		477,207	-	477,207	309,525
Guest House Revenue		11,724	-	11,724	-
Other Revenues		14,359	-	14,359	9,390
Total operating revenues		503,290	35,977	539,267	415,820
Net assets released from restrictions	10	51,443	(51,443)	-	-
		554,733	(15,466)	539,267	415,820
Projects' Expenses	11	51,443	-	51,443	77,288
Total projects' expenses		51,443	-	51,443	77,288
Operating and Administrative expenses :					
Groups' Expenses	12	358,666	-	358,666	213,179
Management and general Expenses	13	18,242	-	18,242	35,902
Siraj Project Expenses	14	102,776	-	102,776	71,764
Depreciation	5	13,991	-	13,991	8,790
Gain/Loss from currency fluctuations		3,942	-	3,942	3,105
		497,617	-	497,617	332,740
Total expenses		549,060	-	549,060	410,028
Increase (decrease) in net assets during the year		5,673	(15,466)	(9,793)	5,792

See Notes to Financial Statements

Head of Board of Trustee



Treasurer




The Palestinian Centre for Rapprochement Between People
Statement of Changes in Net Assets
Year Ended 31 December 2013

	Temporarily		Total
	Unrestricted	Restricted	
	U.S. \$	U.S. \$	U.S. \$
Net Assets at beginning of year 2012	3,058	36,624	39,682
Increase in net assets during the year-Statement (B)	5,673	(15,466)	(9,793)
Net Assets as at 31 December 2013	8,731	21,158	29,889

See Notes to Financial Statements

The Palestinian Centre for Rapprochement Between People
Statement of Cash Flows
Year Ended 31 December 2013

	<u>2013</u>	<u>2012</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash flows from operating activities:		
Grants received from contributors	35,977	83,518
Groups Revenues & Others	488,931	309,525
Other Revenues	14,359	9,390
Cash paid to employees and suppliers	(482,495)	(345,479)
<i>Cash flows provided (used in) operating activities</i>	<u>56,772</u>	<u>56,954</u>
Cash flows from investing activities:		
Procurement of fixed assets	(2,466)	(2,359)
<i>Cash flows (used in) investing activities</i>	<u>(2,466)</u>	<u>(2,359)</u>
Decrease in cash during the year	54,306	54,595
Cash on hand and at banks at beginning of year	106,386	51,791
Cash on hand and at banks at end of year	<u>160,692</u>	<u>106,386</u>
Adjustments to reconcile change in net assets		
to net cash provided from (used in) operating activities:		
Change in net assets	(9,793)	5,792
Prior Period Adjustment		(26,668)
Depreciation	13,991	8,790
(Increase) in Unearned Revenues	57,283	41,022
(Increase) in Reserves for employees' end of service indemnity	6,617	(5,715)
(Increase) in Payables and accruals	(12,616)	24,883
(Increase) in pledges receivables	(2,635)	4,177
(Increase) in Account Receivables & Others	3,925	5,050
Total cash (used in) operating activities	<u>56,773</u>	<u>57,331</u>

The Palestinian Centre for Rapprochement Between People

Notes to Financial Statements Year Ended 31 December 2013

1. The Centre:

The Palestinian Centre for Rapprochement Between People is a non-profit non-governmental organization registered at the Palestinian National Authority, registration number (BL-447-S) since 2004.

The Palestinian Centre for Rapprochement Between People fully adopts and teaches peaceful means to solve conflicts on different levels.

Our Mission:

The Palestinian Centre for Rapprochement Between People works to bridge the gap between Palestinians and peoples from all around the world, informing the public about the reality in Palestine, and empowering the community through nonviolent direct action.

Our Goals:

- 1) Promote arriving at a just and peaceful Palestine
- 2) Promote harmony and rapprochement within society and between societies
- 3) Raise awareness Provide accurate and first-hand information about Palestine
- 4) Enhance civic duty and civic responsibility especially for empowering youth, women, and for marginalized segments of our society.

Attempting to match these issues, PCR has recently developed four departments, where all its activities fall under, namely the Media Department which is running the International Middle East Media Center, Travel Department which is running the Siraj Center for Holy Land Studies and the Community Service and Development Departments which is running the Angelo Frammartino Educational Center and the Advocacy Department which is running the Palestine Justice Network.

2. Summary of Significant Accounting Policies:

The financial statements of The Palestinian Centre for Rapprochement Between People have been prepared on accrual basis of accounting using the historical cost convention, and in conformity with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124 related to financial statements of Not-For-Profit organizations.

2. Summary of Significant Accounting Policies: (Continued)

2.1 Adoption of new and revised International Financial Reporting Standards (IFRSs):

In the current year, The Centre management considered all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of IASB, relevant to its activities, that were issued and effective for annual reporting periods ending on 31 December 2013. The application of the new standards and interpretations has no effect on the financial position or the results of operations of the Centre.

2.2 Significant accounting policies followed are as described below:

a. The Palestinian Centre for Rapprochement Between People Centre maintains its accounts in accordance with principles of fund accounting under which the net assets of the Centre and changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets whose use by the Centre is not subject to donor-imposed restrictions.
- **Temporarily Restricted Net Assets** - Net assets whose use by the Centre is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of the Centre pursuant to those donor-imposed stipulations.
- **Grants Receivables** - represents amounts due from funding Centres for expenses incurred through 31 December 2013.
- **Revenues** - are reported as increase in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decrease in unrestricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

b. Fixed Assets

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 7% to 20%.

When the expected recoverable amount is less than the net book value, the fixed assets amount is reduced to the lower of the cost or net realizable value and the difference (if any) is included in the statement of activities.

The useful lives of fixed assets are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being as a change in estimate.

Fixed Assets are disposed off when there is no expected future benefit from the use of that asset.

2. Summary of Significant Accounting Policies: (Continued)

c. Reserve for Staff Benefits:

Severance Pay:

The Centre provides for employees' severance pay compensation in accordance with the Palestinian Labor Law based on the last salary paid during the year.

d. Functional Expenses:

The Centre allocates its expenses on a functional basis among its various programs and general administration. Expenses that can be identified with a specific program or administration are charged directly. Other expenses that are common to several functions are allocated between functions based on the best estimates and judgment of management.

e. Foreign Currency Transactions:

- The books of accounts are maintained in New Israeli Shekels. Transactions which are denominated in foreign currencies other than New Israeli Shekels. N.I.S. currencies are converted into N.I.S. equivalent at the spot exchange rate prevailing at the date of each transaction.
- Transactions and balances which are denominated or expressed in N.I.S are presented at the actual N.I.S. received or paid.
- All other income and expenses in local currency are converted into N.I.S. equivalent at the average rate of exchange prevailing during the year.
- Fixed assets and related depreciation are translated at historical rates. Additions to cost were translated using the average rate of exchange prevailing during the year.
- Exchange differences arising from currency conversion are charged to the statement of activities.

f. Estimates and assumptions:

The financial statements include certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the date of the statement of financial position, and the reporting of revenue, expenses, gains, and losses during the year. Actual results may differ from those estimates adopted by the Centre's management. Estimates used in the preparation of the financial statements are the assessment of useful lives of fixed assets and all other provisions.

3. Cash on hand and deposits with banks:

Composition:

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Cash On Hand - PCR	1,147	1,014
Cash On Hand - Siraj	1,165	3,998
Cash At Banks - PCR	17,907	5,780
Cash At Banks - Siraj	136,348	87,538
Fixed Deposits - PCR	-	2,269
Fixed Deposits - Siraj	4,125	5,787
	<u><u>160,692</u></u>	<u><u>106,386</u></u>

4. Receivables and staff advances:

Composition:

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Account Receivables	494	368
Arab Women's Union	6,000	10,996
Prepaid Expenses	1,779	834
	<u><u>8,273</u></u>	<u><u>12,198</u></u>

5. Office furniture and equipment – Net of accumulated depreciation:

Composition: As of 31 December 2013:

	<u>Office Equip.</u>	<u>Furniture</u>	<u>Electrical Equip.</u>	<u>Cars</u>	<u>Total</u>
	<u>US Dollar</u>	<u>US Dollar</u>	<u>US Dollar</u>	<u>US Dollar</u>	<u>US Dollar</u>
Cost as 31/12/2012	23,743	8,482	27,667	25,490	85,382
Additions	1,218	674	574	-	2,466
Cost as 31/12/2013	24,961	9,156	28,241	25,490	87,848
Accumulated Dep. as 31/12/2012	19,979	7,646	18,552	5,311	51,488
Depreciation for The Year	4,947	912	5,583	2,549	13,991
Accumulated Dep. as 31/12/2013	24,926	8,558	24,135	7,860	65,479
Net Book Value as 31/12/2013	35	598	4,106	17,630	22,369
Net Book Value as 31/12/2012	3,764	836	9,115	20,179	33,894

6. Pledges Receivables:**Composition:**

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
UN HABITAT	8,010	20,000
A la Calle	8,441	9,250
Palestine Pilgrimage	17,434	-
Abd Al Mohsen Kattan Association	-	2,000
	<u>33,885</u>	<u>31,250</u>

7. Payables and accruals:**Composition:**

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Due To Vendors	13,812	20,335
PDC Payables	368	148
Staff Payable- George Saliba	-	5,438
Staff Payable- Michael Awad	-	5,435
Accrued Salaries	50,850	46,300
Accrued Audit Fees	1,160	1,150
	<u>66,190</u>	<u>78,806</u>

8. Employees' End of Service Indemnity

Composition: PCR

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Balance at beginning of year	20,165	18,793
Provision for the year	3,301	1,372
Paid	(1,362)	-
Balance at end of year	<u>22,104</u>	<u>20,165</u>

Composition: SIRAJ Project

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Balance at beginning of year	4,053	2,381
Provision for the year	4,813	2,237
Paid	(134)	(565)
Balance at end of year	<u>8,732</u>	<u>4,053</u>

Grant Total

<u>30,836</u>	<u>24,218</u>
----------------------	----------------------

9. Unearned Groups Revenue

Composition:

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Come & See	4,720	-
Fair Adventure Travel	5,465	-
Yeane Peacemaking Tour	17,212	-
Social Justice Pilgrimage	14,696	-
Lancaster Theological	32,491	-
Boston Collage Eve	23,721	26,052
Wright Tour 2013	-	14,970
	<u>98,305</u>	<u>41,022</u>

10. Releases from Temporarily restricted assets by funding source for the year ended 31 December 2013 is as follows:
Composition:

	Movement during 2013			
	Balance, beginning of year	Additions	Released to unrestricted net assets	Balance, end of year
<i>Masar Ibrahim</i>	-	15,503	(16,754)	(1,251)
<i>API- Spring Walk</i>	-	290	(250)	40
<i>HLCs Film</i>	-	-	(1,100)	(1,100)
<i>Tunes For Peace - A la Calle</i>	-	-	(12,317)	(12,317)
<i>IMEMC</i>	-	4,750	(11,266)	(6,516)
<i>Shepherds Night</i>	-	-	(7,902)	(7,902)
<i>Tunes For Peace - Palestine Pilgrimage</i>	-	15,434	-	15,434
<i>Through Young Eyes</i>	-	-	(1,854)	(1,854)
<i>Balance from 2012</i>	36,624	-	-	36,624
	36,624	35,977	(51,443)	21,158

11. Projects' Expenses:

Expenses Tites	Siraj		Through Young Eyes	Grand Total	
	Tunes for Peace	API Spring Walk		2013 USD	2012 USD
1 Salaries - General	3,530		1,641	27,961	24,725
2 Bank Charges - general		7,200		4	214
3 Cleaning				0	915
4 Groceries	88			88	1,194
5 Water				0	278
6 Office Rent	4,822	2,400		7,222	7,200
7 Guiding		250		250	
8 Maintenance				0	171
9 Fuel - General Expense				28	603
10 Property Tax				0	600
11 Stationary			51	160	944
12 Public Relation				0	172
13 Gifts				257	
14 Training	3,877			3,877	32
15 News Production - IMEMC		1,666		1,666	399
16 Overtime Work				290	800
17 Lunch & Dinner				1,227	717
18 Stage & Band and Candles				7,053	
19 Video production				1,100	39
20 Hospitality	12,317	250	162	260	828
			1,854	51,443	39,831
			1,100		
			16,754		
			7,902		
			11,266		

12. Groups' Expenses:

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Bank Charges	630	-
Accommodation	165,569	97,190
Transportation	72,090	43,869
Guiding & Escort	28,188	17,608
Equipment	-	651
Family Stay	18,970	-
Lunch & Dinner	29,463	21,500
Lecture & Training	10,248	2,164
Tour & visits the holy sites	11,692	18,635
Administration Fees & Misc. Expenses	326	150
Cable Car	-	2,544
Entrance Fees	-	589
Tax	2,795	-
Presentation	-	2,680
Bands Expense	2,600	1,250
Phone, Jawwal, & Internet	1,589	915
Gifts	964	-
Cleaning & Hospitality	433	441
Tools & Supplies	3,134	-
Fuel Expense	484	480
Stationary & Prints	5,246	1,378
Parking & tips	812	160
Rent & Fees	3,178	975
Medical Treatment	255	-
	<u>358,666</u>	<u>213,179</u>

13. Management and general expenses – PCR

	<u>2013</u>	<u>2012</u>
	<u>US.\$</u>	<u>US.\$</u>
Salaries expense	6,664	19,925
Bank Charges & Interest	467	465
Employees' End Of Service Indemnity	3,301	1,372
Public Relation & Travel Expense	221	-
Stationary & Prints	194	803
Professional Fees	1,425	1,650
Office Rent	-	4,800
Phone, Jawwal, & Internet	2,223	1,844
Office Maintenance	16	367
Property Tax & Registration Fees	218	600
Cleaning & Hospitality	1,890	1,621
Domain Name & Web Hosting	189	35
Electricity & Water	1,005	1,707
Hall Rental	-	350
News & Video Production	150	312
Post & Gifts Expense	250	31
Fuel Expense	29	20
	<u>18,242</u>	<u>35,902</u>

14. Management and general expenses – SIRAJ Project

	2013	2012
	US.\$	US.\$
Salaries expense	62,370	39,137
Bank & Interest Charges	497	450
Fuel Expense	4,094	4,519
Employees' End Of Service Indemnity	4,813	2,237
Office Rent	2,400	2,400
Stationary & Prints	3,280	4,608
Car Maintenance, Insurance & license	355	1,920
Maps' Expenses	-	413
Electricity & Water	1,968	1,518
Exhibition & Gifts	284	2,577
Professional Fees	320	-
Travel Expense	3,480	3,351
Phone, Jawwal, Internet and post fees	2,959	1,705
Office Maintenance & Insurance	3,521	273
Registration Fees & others	3,499	717
Cleaning & Hospitality & Misc. Expenses	3,386	1,352
Domain Name & Web Hosting	611	170
Stipend & Advertising Expenses	752	2,302
Lunch & Dinner & Hosting	1,219	989
Tax	2,118	200
Donation	500	-
Video Production Fees	-	500
Transportation	350	426
	102,776	71,764

15. Financial Instruments, Fair values and Risks Management:

- **Fair Values of Financial Assets and Liabilities:**

The carrying book value of financial assets and liabilities are not materially different from their fair values at the date of the statement of financial position.

- **Operational Risk**

The costs of the programs, administrative as well as fixed assets procurements are fully financed by donors through donations. The management believes that the funding level in the year 2013 will be sufficient to finance all of its disbursements and will be consistent with the funding level in the prior years. Furthermore, the management believes that the political and economical conditions prevailing in the area will not materially affect its operations.

15. Financial Instruments, Fair values and Risks Management: (continued):-

- **Credit Risk:**

The Palestinian Centre for Rapprochement Between People Institution credit risk is primarily attributable to its liquid funds and receivables. The credit risk on liquid funds is limited because liquid assets are placed with reputable financial institutions.

- **Currency Risk:**

Currency risk arises from the possibility that changes in the exchange rates may affect negatively the value of the financial assets and liabilities in case the Centre does not hedge its currency exposure by means of hedging instruments. The management usually distributes its liquid assets over its functional currencies to minimize any possible loss from currency rates fluctuation.