

# PALESTINIAN COUNSELING CENTER

## FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007 AND INDEPENDENT AUDITORS' REPORT



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**INDEPENDENT AUDITOR'S REPORT TO THE  
BOARD OF TRUSTEES OF PALESTINIAN COUNSELING CENTER**

**Report on the financial statements**

We have audited the accompanying financial statements of the Palestinian Counseling Center (hereinafter the "Center") which comprise the statement of the financial position as at December 31, 2007, the statement of activities, and the statement of cash flows 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 Center as of December 31, 2007 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Osama Daher  
  
Ramallah, April 23, 2008

**PALESTINIAN COUNSELING CENTER**

Financial statements for the year ended December 31, 2007

**STATEMENTS OF FINANCIAL POSITION**

(All amounts in New Israeli Shekel)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents, net	(5)	607,701	502,891
Pledges receivable	(6)	327,530	4,225
Other current assets	(7)	127,195	131,869
<b>Total current assets</b>		<b><u>1,062,426</u></b>	<b><u>638,985</u></b>
Assets limited as to use	(8)	724,394	476,302
Fixed assets, net	(9)	325,838	368,716
<b>Total assets</b>		<b><u>2,112,658</u></b>	<b><u>1,484,003</u></b>
<b>Liabilities and net assets</b>			
Bank overdraft		83,404	-
Accounts payable	(10)	5,003	29,548
Other current liabilities	(11)	88,430	83,076
Provident fund	(12)	474,030	366,935
Reserve for severance pay	(13)	748,828	575,063
<b>Total liabilities</b>		<b><u>1,399,695</u></b>	<b><u>1,054,622</u></b>
<b>Net assets</b>			
Unrestricted net assets		235,056	217,965
Temporarily restricted assets	(14)	477,907	211,416
<b>Total net assets</b>		<b><u>712,963</u></b>	<b><u>429,381</u></b>
<b>Total liabilities and net assets</b>		<b><u>2,112,658</u></b>	<b><u>1,484,003</u></b>

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

\_\_\_\_\_  
Mr. Ahmad Aweidah  
Chairman Board of Directors

\_\_\_\_\_  
Mrs. Lina Masrouji  
Treasurer

\_\_\_\_\_  
Miss Rana Nashashibi  
Director

**PALESTINIAN COUNSELING CENTER**

Financial statements for the year ended December 31, 2007

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

(All amounts in New Israeli Shekel)

	<u>Note</u>	<u>2007</u>	<u>2006</u>
<b><u>Changes in unrestricted net assets:</u></b>			
<b>Grants, revenues and other support:</b>			
Grants	(15)	4,441,063	4,580,194
In-kind donations	(16)	16,500	-
Donations		2,966	42,910
Fees	(17)	148,978	142,119
Other revenues		20,847	13,397
Amount refunded to donor		(25,289)	-
		<u>4,605,065</u>	<u>4,778,620</u>
Net assets released from restrictions	(18)	211,416	-
<b>Total grants, revenues and other support:</b>		<u>4,816,481</u>	<u>4,778,620</u>
<b>Expenses:</b>			
Socio-educational department	(19)	2,193,083	1,904,547
Clinical department	(19)	1,429,284	1,614,318
Capacity building department	(19)	294,649	572,289
Advocacy department	(19)	418,018	414,042
General and administrative department	(19)	464,356	445,599
<b>Total expenses</b>		<u>4,799,390</u>	<u>4,950,795</u>
<b>Increase (decrease) in unrestricted net assets</b>		<u>17,091</u>	<u>(172,175)</u>
<b><u>Changes in temporarily restricted net assets</u></b>			
Temporary restricted assets	(14)	477,907	211,416
Net assets released from restrictions		(211,416)	-
<b>Changes in temporarily restricted net assets</b>		<u>266,491</u>	<u>211,416</u>
<b>Changes in net assets</b>		283,582	39,241
<b>Net assets, beginning of year</b>		<u>429,381</u>	<u>390,140</u>
<b>Net assets, end of year</b>		<u>712,963</u>	<u>429,381</u>

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

**PALESTINIAN COUNSELING CENTER**

Financial statements for the year ended December 31, 2007

**STATEMENTS OF CASH FLOWS**

(All amounts in New Israeli Shekel)

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities:</b>		
Change in net assets for the year	283,582	39,241
<b>Adjustments to reconcile change in net assets to net cash from operating activities:</b>		
Depreciation	97,990	105,165
Increase in assets limited as to use	(248,092)	(157,432)
Provision for severance pay	216,360	174,098
Decrease (increase) in pledges receivables	(323,305)	626,227
Decrease (increase) in other current assets	4,674	(25,334)
(Decrease) increase in accounts payable	(24,545)	29,008
Increase (decrease) in other current liabilities	5,354	(121,704)
Increase in provident fund	107,095	30,025
Leaving indemnities paid	(42,595)	(150,717)
<b>Net cash provided by operating activities</b>	<u><b>76,518</b></u>	<u><b>548,577</b></u>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(55,112)	(156,059)
<b>Net cash used in investing activities</b>	<u><b>(55,112)</b></u>	<u><b>(156,059)</b></u>
<b>Cash flows from financing activities:</b>		
Increase in bank overdraft	83,404	-
<b>Net cash used in financing activities</b>	<u><b>83,404</b></u>	<u><b>-</b></u>
Increase in cash and cash equivalents	104,810	392,518
Cash and cash equivalents, beginning of year	502,891	110,373
<b>Cash and cash equivalents, end of year</b>	<u><u><b>607,701</b></u></u>	<u><u><b>502,891</b></u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in New Israeli Shekel)

### **NOTE (1) - GENERAL**

The Palestinian Counseling Center (the “Center”) is a not-for-profit organization registered both in Jerusalem in accordance with the Israeli laws under the name “Arab Counseling Center for Education - registered society” and in the Palestinian Authority Area with the Ministry of Interior.

The Center is a community based counseling organization that advocates for positive mental health and well being for the Palestinians in the Occupied Palestinian Territories through provision of quality care and capacity building.

The objectives of the Center are to work towards improving the psychological, social and educational functioning of Palestinians and towards the development of a national code of ethics for professional and high quality services in the field of mental health. In addition the Center aims to contribute towards and participate in building a civil democratic society based on the rule of law and respect for human rights and to participate in awareness and empowerment of the Palestinian society in the field of mental health.

The Center currently depends on contributions, local donations, and fees generated from activities to accomplish its stated objectives.

In accordance with prevailing laws applied in Jerusalem and the Palestinian Areas, not-for-profit organizations contributions are neither subject to income tax nor to value added tax.

Financial Statements were approved by the Board of Trustees on April 22, 2008.

### **NOTE (2) - BASIS OF PREPARATION**

The accompanying financial statements are prepared according to International Financial Reporting Standards and they combine the operations of the Arab Counseling Center and the Palestinian Counseling Center. Following are the Center’s significant accounting policies:

**a) *General purchasing power***

No disclosure has been given therein to the effects of changes in the general purchasing power of the local currency, which is the New Israeli Shekel (NIS), on the accompanying financial statements.

**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	6%
Office equipment	15-33%

**c) *Reserve for severance pay***

Benefits payable to the employees of the Center at the end of their services are provided for in accordance with the guidelines set by the local labor laws.

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in New Israeli Shekel)

**d) Translation of foreign currencies**

The accompanying financial statements are denominated in NIS. Transactions denominated in foreign currency during the year were translated according to prevailing rates at the time each transaction took place. Monetary assets and liabilities denominated in foreign currencies are translated into NIS by applying the exchange rates prevailing at the financial statements reporting date. Exchange gains or losses that arise from the above mentioned points are reflected in the statement of activities.

Exchange rates as of the financial statements dates are as follows:

	<u>2007</u>	<u>2006</u>
U.S. Dollar	3.846	4.225
Euro	5.659	5.564
Jordanian Dinar	5.425	5.959

**e) Revenue Recognition**

Revenue is recognized when contributions and/or donations are pledged and when services are performed.

**f) Contributions whose restrictions are met in the same period**

In accordance with Financial Accounting Standards Board Pronouncement number 116, the Center elects to report donor-restricted contributions as unrestricted revenues, since such contribution restrictions are met in the same reporting period.

**NOTE (3) - USE OF ESTIMATES**

In the process of its accounting policies, PCC makes estimates and judgements that have an impact on the amounts recognized and reported in the financial statements such as depreciation expense and accumulated depreciation. These estimates are based on historical experience, observable market data; international and scientific studies published information and other information including expectation of future events that are believed to be reasonable under the circumstances.

**NOTE (4) - RISK MANAGEMENT**

**I - Liquidity Risk:**

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. PCC mitigates this risk by engaging with financially well-positioned third parties in addition to keeping its investment ready for liquidation to meet any immediate obligations.

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in New Israeli Shekel)

PCC pays its dues on time without delays. Management estimates that its cash out flow to cover its obligations in 2008 will be as follows:

Description	Amount	Aging			
		0-6 months	7-12 months	12-24 months	More than 24 months
Payables	88,407	88,407	-	-	-
Other payables	106,007	106,007	-	-	-
Employees benefits	1,217,928	49,000	-	244,000	924,928
Total	1,412,342	243,414	-	244,000	924,928

The PCC management made available highly liquid funds to meet the above shown obligations. These funds are in the form of short term deposits in the amount that mature in the first three months of each year.

There are several risk management procedures that carried out to ensure the above mentioned:

- Checks are given to suppliers only if PCC have positive balance in banks
- The cash outflow is done according to specific line item in the budget
- Reviewing the budget and comparing it with the actual expenses each 3 months
- Monthly financial reports at the management level.
- About 40% of expenses are dedicated to special projects
- Special deposit in bank to cover Severance pay and Pension fund liabilities
- Long term contracts with donors (core donors:3years)
- Strong PR department with high qualification in fund raising

**II - Credit Risk:**

The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The risk is divided into the following sections:

*Firstly: Fully Performing Assets:*

Description	Amount	Description of collateral held	Credit Quality
Cash and cash equivalents	1,332,095	-	High
Pledges receivable	327,530	-	High
Other current assets	126,038	-	High

PCC has long term contracts with donors, and with core donors, who supply strong security.

**1. Pledges receivable**

Pledges receivable represent amounts pledged from donors for the year 2007, with no risk with regards to its collection.

## PALESTINIAN COUNSELING CENTER

Financial statements for the year ended December 31, 2007

### NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekel)

#### 2. Other current assets

PCC extends loans only to its staff on the basis of well prepared analysis and on the basis of valid reasons. These loans are guaranteed by collaterals in form of severance pay rights.

### III - Market Risk

Market risk is defined as the risk that an entity is exposed to due to changes in currency exchange rates, interest rates, and stock prices in financial markets.

#### Firstly - Currency exchange rates

This risk represents the changes in the currency exchange rates in the market.

To evaluate the effect of the changes of currency exchange rates on the NIS balances, PCC prepared sensitivity analysis using an average rate of 4.11 NIS for the dollar compared to the used rate of NIS 3.846 for the dollar as of December 31, 2007.

If the currency exchange rate of USD against the NIS remained on the average rate of 4.11, PCC might have gained about 0.264 for each dollar owned in 2007, compared to a gain 0.225 for each dollar owned in 2006.

#### Secondly - Interest rates

The average interest rate of PCC's deposits in 2007 was about 3.28%. In 2006 the average interest of deposits was 3.215%.

### NOTE (5) - CASH AND CASH EQUIVALENTS

Details -

	<u>2007</u>	<u>2006</u>
Cairo Amman Bank	1,318,013	721,939
Cash on hand	11,045	8,640
Palestine Bank	3,037	3,037
Mercantile Discount Bank	-	245,577
	<u>1,332,095</u>	<u>979,193</u>
Less: Assets limited as to use		
Cairo Amman Bank	<u>(724,394)</u>	<u>(476,302)</u>
	<u>607,701</u>	<u>502,891</u>

**PALESTINIAN COUNSELING CENTER**

Financial statements for the year ended December 31, 2007

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in New Israeli Shekel)

**NOTE (6) - PLEDGES RECEIVABLES**

Details -

	<b>2007</b>	<b>2006</b>
Welfare Association	192,300	-
Naseej	57,690	-
ACSUR	35,859	-
Save the Children – UK	23,149	-
NGO's Development Center – NDC	9,615	-
Medicines Du Monde	8,917	-
Belgian technical cooperation	-	4,225
	<b><u>327,530</u></b>	<b><u>4,225</u></b>

**NOTE (7) - OTHER CURRENT ASSETS**

Details -

	<b>2007</b>	<b>2006</b>
Prepaid rent	98,231	128,071
Employees accounts receivable	28,789	3,798
Advances to suppliers	175	-
	<b><u>127,195</u></b>	<b><u>131,869</u></b>

**NOTE (8) - ASSETS LIMITED AS TO USE**

Amounts of NIS 724,394 NIS 476,302 were internally designated for the severance pay and provident fund liability in the years 2007 and 2006 respectively.

**NOTE (9) - FIXED ASSETS, NET**

Details -

	<b>January 1, 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2007</b>
<b>Cost:</b>				
Equipments	575,125	42,442	-	617,567
Furniture	258,068	12,670	-	270,738
Vehicle	83,398	-	-	83,398
<b>Total cost</b>	<b><u>916,591</u></b>	<b><u>55,112</u></b>	<b><u>-</u></b>	<b><u>971,703</u></b>
<b>Accumulated depreciation:</b>				
Equipments	450,997	68,309	-	519,306
Furniture	88,080	17,231	-	105,311
Vehicle	8,798	12,450	-	21,248
<b>Total accumulated depreciation</b>	<b><u>547,875</u></b>	<b><u>97,990</u></b>	<b><u>-</u></b>	<b><u>645,865</u></b>
<b>Book value</b>	<b><u>368,716</u></b>			<b><u>325,838</u></b>

**PALESTINIAN COUNSELING CENTER**

Financial statements for the year ended December 31, 2007

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in New Israeli Shekel)

**NOTE (10) - ACCOUNTS PAYABLE**

This amount represents amounts payable to local suppliers for supplies purchases.

**NOTE (11) - OTHER CURRENT LIABILITIES**

Details -

	<u>2007</u>	<u>2006</u>
Accrued professional fees	24,218	25,953
Income tax authority	7,124	-
Other accrued expenses	57,088	56,753
Employees accounts payable	-	370
	<u><b>88,430</b></u>	<u><b>83,076</b></u>

**NOTE (12) - PROVIDENT FUND**

This represents employees saving fund, the Center deducts 5% from employees' salaries and another 5% is contributed by the Center.

**NOTE (13) - RESERVE FOR SEVERANCE PAY**

Details -

	<u>2007</u>	<u>2006</u>
Balance, beginning of the year	575,063	551,682
Provision for severance pay for the year	216,360	174,098
Severance payments made during the year	(42,595)	(150,717)
<b>Balance, end of the year</b>	<u><b>748,828</b></u>	<u><b>575,063</b></u>

To meet future obligations with respect to the Center's severance pay and provident fund liabilities, the Center's Management elected to consider NIS 724,394 and NIS 476,302 as of December 2007 and 2006 from cash and cash equivalents as assets limited to use from Cairo Amman Bank account as presented in Note (6). These amounts cover 60% and 51% of the total severance pay and provident fund liability for the years ended December 31, 2007 and 2006 respectively.

**NOTE (14) - TEMPORARILY RESTRICTED ASSETS**

Temporarily restricted assets represent an amount of NIS 264,097 (Euros 46,667), NIS 35,766 (Euros 6,320) and NIS 178,044 (USD 46,293) received from CordAid, MPDL and United Nations Development Fund for Women respectively during the year 2007 to be allocated according to the budget of the year 2008.

**PALESTINIAN COUNSELING CENTER**

Financial statements for the year ended December 31, 2007

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in New Israeli Shekel)

**NOTE (15) - GRANTS**

Details -

	<u>2007</u>	<u>2006</u>
Swiss Agency for Development and Cooperation	1,192,150	1,460,881
Evangelischer Entwicklungsdienst e.V.	802,255	483,371
Ford Foundation	412,600	446,000
DIAKONIA	354,913	361,974
NASEEJ	306,646	326,403
MPDL	304,210	-
ACSUR	214,884	-
CordAid	192,921	92,650
Welfare Association - Prize	192,300	-
Save the Children UK and welfare	114,349	-
Medicines Du Monde	67,885	26,201
Comite Catholique Contre la Faim et pour le Developpement	57,495	55,800
UCODEP	55,593	-
Welfare Association - Awareness project	42,750	-
General Consulate of Belgium	35,586	-
United Nations Development Fund for Women	30,891	300,618
Movimondo	23,555	37,888
MECA	20,155	-
NGO's Development Center – NDC	19,925	-
United Nations Children's Fund	-	377,936
Consulate General of Italy - Italian cooperation	-	345,697
Arab Gulf Programmed for United Nations Development Organizations	-	191,855
Belgian Technical Cooperation	-	42,975
Netherlands Representative Office	-	21,760
United Nations Development Program	-	8,185
	<u>4,441,063</u>	<u>4,580,194</u>

**NOTE (16) - IN-KIND DONATIONS**

This amount represents contributions in terms of computer, laptop and LCD with equivalent amount of NIS16,500 contributed by the Welfare Association.

**NOTE (17) - FEES**

Details -

	<u>2007</u>	<u>2006</u>
Social counseling fees	64,143	66,909
Summer camps and other activities	28,804	12,165
Training fees and other fees	56,031	63,045
	<u>148,978</u>	<u>142,119</u>

**PALESTINIAN COUNSELING CENTER**

Financial statements for the year ended December 31, 2007

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in New Israeli Shekel)

**NOTE (18) - NET ASSETS RELEASED FROM RESTRICTIONS**

	<u>2007</u>	<u>2006</u>
CordAid	189,186	-
Movimondo	22,230	-
	<u><b>211,416</b></u>	<u>-</u>

**NOTE (19) - PROGRAMS, GENERAL AND ADMINISTRATIVE EXPENSES:**

Details –

	<u>Socio- Educational Department</u>	<u>Clinical Department</u>	<u>Capacity Building Department</u>	<u>Advocacy Department</u>	<u>General and Admin.</u>	<u>Total 2007</u>	<u>Total 2006</u>
Salaries and related costs	1,138,612	765,279	207,552	216,395	263,740	<b>2,591,578</b>	<b>2,749,706</b>
Provident fund	28,499	20,079	5,182	5,829	5,182	<b>64,771</b>	<b>43,951</b>
Provision for severance pay	95,198	67,072	17,309	19,472	17,309	<b>216,360</b>	<b>174,097</b>
Rehabilitation expenses	-	28,697	-	-	-	<b>28,697</b>	-
Capacity building and training	92,263	47,471	2,033	384	7,097	<b>149,248</b>	<b>262,814</b>
Workshops and conferences	24,507	35,086	-	460	5,370	<b>65,423</b>	<b>130,173</b>
Researches	850	4,853	150	101,043	520	<b>107,416</b>	<b>51,930</b>
Media activities	73,707	400	-	-	-	<b>74,107</b>	<b>11,511</b>
Publication and printing	59,577	21,923	2,200	600	6,301	<b>90,601</b>	<b>143,621</b>
Educational materials and office supplies	32,527	21,974	686	1,578	2,780	<b>59,545</b>	<b>78,616</b>
Supervision and consulting expenses	35,995	99,989	4,386	-	-	<b>140,370</b>	<b>147,346</b>
Transportation and car expenses	48,929	36,657	8,706	7,446	12,495	<b>114,233</b>	<b>93,107</b>
Volunteers expenses	117,907	-	-	-	267	<b>118,174</b>	<b>151,684</b>
Gifts for staff	7,593	8,592	799	799	3,877	<b>21,660</b>	<b>22,214</b>
Communication expenses	35,734	34,095	5,283	4,600	4,546	<b>84,258</b>	<b>80,371</b>
Hospitality & entertainment	10,603	5,253	239	15,556	2,671	<b>34,322</b>	<b>32,605</b>
Summer camps and cultural activities	137,748	10,500	-	2,660	3,933	<b>154,841</b>	<b>90,315</b>
Rent and insurance	60,156	93,161	10,704	13,931	29,909	<b>207,861</b>	<b>235,203</b>
Municipal tax	14,030	4,007	2,484	3,161	8,379	<b>32,061</b>	<b>37,270</b>
Renovation of location	379	-	-	-	-	<b>379</b>	<b>39,207</b>
Utilities	29,528	13,083	2,577	1,450	4,275	<b>50,913</b>	<b>42,318</b>
Professional fees	24,080	16,965	4,378	4,925	4,378	<b>54,726</b>	<b>82,533</b>
Network and web hosting	5,932	1,497	872	-	589	<b>8,890</b>	<b>4,306</b>
Maintenance and cleaning	45,842	35,087	4,581	1,250	14,930	<b>101,690</b>	<b>80,190</b>
Depreciation expenses	39,196	34,297	7,839	7,839	8,819	<b>97,990</b>	<b>105,165</b>
Bank charges and interests	3,674	1,600	687	1,179	6,644	<b>13,784</b>	<b>19,236</b>
Currency losses	29,016	21,151	6,002	7,461	44,701	<b>108,331</b>	<b>40,304</b>
Other expenses	1,001	516	-	-	5,644	<b>7,161</b>	<b>1,002</b>
	<u><b>2,193,083</b></u>	<u><b>1,429,284</b></u>	<u><b>294,649</b></u>	<u><b>418,018</b></u>	<u><b>464,356</b></u>	<u><b>4,799,390</b></u>	<u><b>4,950,795</b></u>

**NOTE (20) - RECLASSIFICATION**

Certain reclassifications have been made to year 2006 financial statements to conform to the classifications used in 2007.