

Palestinian Youth Union (PYU)
Non-Governmental Association (NGO)
Ramallah – Palestine

Independent Auditor's Report and
Financial Statements
for the year ended December 31, 2015

Talal Abu-Ghazaleh & Co.
Certified Public Accountants



Palestinian Youth Union (PYU)
Non-Governmental Association (NGO)
Ramallah – Palestine

CONTENTS

	<u>Exhibit</u>	<u>Page</u>
– Independent Auditor’s Report		1
– Statement of Financial Position as of December 31, 2015	“A”	2
– Statement of Activities and changes in net assets for the year ended December 31, 2015	“B”	3
– Statement of program Expenditures for the year ended December 31, 2015	“C”	4
– Statement of Cash Flows for the year ended December 31, 2015	“D”	5
– Notes to Financial Statements		6-13



Independent Auditors' Report

To M/s Members and Board of Directors
Palestinian Youth Union (PYU)
Ramallah – Palestine

We have audited the accompanying financial statements of **Palestinian Youth Union (PYU)**, which comprise the statement of financial position as of December 31, 2015 and the statement of activities, changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management responsibility for 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 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 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

- We sent confirmations request to the donors but we did not receive confirmation letters to confirm the accounts related projects.

Auditor's opinion

In our opinion, and except the effects of such adjustments, if any, the financial statements present fairly, in all material respects, the financial position of the **Palestinian Youth Union (PYU)** as of December 31, 2015 and of its financial performance and its cash flows for the year then ended, in conformity with the accounting policies described in note (No. 2).

Talal Abu-Ghazaleh & Co.
Licenses No 251/1997
Jamal Milhem
Certified Accountant License # (100/98)
Ramallah, February 4, 2016



Green Tower Building
3rd Floor, Al-Nuzha Street

Tel.: +970 229 88 220/ 1

Fax: +970 229 88 219

P.O.Box: 1110 Ramallah, West Bank, Palestine tagco.ramallah@tagi.com

MEMBER OF THE
FORUM OF FIRMS

tagi.com

بنية البرج الاخضر
الطابق الثالث، شارع النزهة
هاتف: +970 229 88 220/1
فاكس: +970 229 88 219
ص ب: 1110 رام الله، الضفة الغربية، فلسطين

Palestinian Youth Union (PYU)
Non-Governmental Association (NGO)
Ramallah – Palestine
Statement of Financial Position as of December 31, 2015 **Exhibit "A"**

	<u>Note</u>	<u>2015</u> NIS	<u>2014</u> NIS
<u>Assets</u>			
<u>Current assets</u>			
Cash in hand and at Bank	(3)	823,663	245,606
Pledges receivable	(4)	523,718	2,473,438
Other receivables	(5)	96,855	14,543
Total current assets		1,444,236	2,733,587
<u>Fixed assets</u>			
At cost	(6)	810,241	808,178
Accumulated Depreciation		(719,174)	(683,291)
Net fixed assets		91,067	124,887
Total assets		1,535,303	2,858,474
<u>Liabilities and net assets</u>			
<u>Current liabilities</u>			
Deferred checks		91,399	571,518
Accrued expenses & other payables	(7)	50,023	27,257
Total Current liabilities		141,422	598,775
Provision for end-of-service indemnity	(8)	182,747	156,420
<u>Net assets</u>			
Unrestricted net assets end of year – Exhibit "B"		(561,758)	(161,643)
Temporary restricted net assets	(9)	1,772,892	2,264,922
Total net assets – Exhibit "B"		1,211,134	2,103,279
Total liabilities and net assets		1,535,303	2,858,474

“The accompanying notes constitute an integral part of this statement”

Palestinian Youth Union (PYU)
Non-Governmental Association (NGO)
Ramallah – Palestine
Statement of Activities and Changes
in Net assets for the year ended December 31, 2015 ***Exhibit "B"***

	<u>Note</u>	<u>2015</u>		<u>2014</u>
		<u>Unrestricted</u> NIS	<u>Temporary</u> <u>Restricted</u> NIS	<u>Total</u> NIS
<u>Grants and Revenues</u>				
Donor Revenues	(9)	--	852,861	852,861
Activities revenues	(10)	22,785	--	22,785
Other revenues	(11)	3,339	--	3,339
Currency variance	(9)	(256,665)	--	(256,665)
Total Revenues		(230,541)	852,861	622,320
Released from temporarily restrictions	(9)	1,344,891	(1,344,891)	--
Total revenues		1,114,350	(492,030)	622,320
Projects expenses	(12)	(1,344,891)	--	(1,344,891)
General & administrative expenses	(13)	(133,691)	--	(133,691)
Depreciation expenses	(6)	(35,883)	--	(35,883)
Total expenses		(1,514,465)	--	(1,514,465)
Net assets – during the year		(400,115)	(492,030)	(892,145)
<u>Net assets</u>				
Change in net assets during the year		(400,115)	(492,030)	(892,145)
Net assets beginning of year		(161,643)	2,264,922	2,103,279
Net assets ending of year – Exhibit "A"		(561,758)	1,772,892	1,211,134

“The accompanying notes constitute an integral part of this statement”

Palestinian Youth Union (PYU)
Non-Governmental Association (NGO)
Ramallah – Palestine

Statement of Program Expenditures for the year ended December 31, 2015 **Exhibit “C”**

Item	<u>Mednet</u> <u>2015</u> <u>NIS</u>	<u>Ministry of</u> <u>Culture project</u> <u>NIS</u>	<u>NSA –</u> <u>PROJECT</u> <u>NIS</u>	<u>Olof palme</u> <u>core</u> <u>NIS</u>	<u>PALPASS</u> <u>Project- Cospe</u> <u>NIS</u>	<u>Pontifical</u> <u>Mission</u> <u>NIS</u>	<u>2015</u> <u>NIS</u>	<u>2014</u> <u>NIS</u>
Salaries	95,654	--	170,213	454,866	17,117	23,291	761,141	776,452
End of service indemnity	--	--	--	15,828	--	--	15,828	--
Stationary	135	--	9,820	3,353	--	4,391	17,699	21,461
Training	28,543	--	54,025	--	--	25,024	107,592	51,114
Translation	--	--	360	232	--	--	592	19,778
Transportation and accommodation	20,925	3,760	39,708	5,623	--	8,375	78,391	120,600
Audit fees	--	--	8,654	13,685	--	--	22,339	13,650
Hospitality	2,101	--	25,426	16,089	50	466	44,132	19,212
Cleaning	--	--	7,490	--	--	--	7,490	6,700
Electricity	2,645	--	600	10,049	--	--	13,294	16,107
Centers rent	--	--	--	--	--	--	--	43,310
Food & Beverage- WS	8,355	--	--	--	--	--	8,355	--
Fuel	--	--	184	268	--	--	452	424
Hall rent	--	--	16,859	1,797	--	3,105	21,761	13,418
Bank charges	380	--	2,920	4,153	--	1,244	8,697	15,500
Maintenance	--	--	300	5,776	--	--	6,076	36,760
Grants-Deep project	--	--	--	--	--	--	--	1,266,451
Newspaper subscription	603	--	--	253	--	--	856	1,361
Office rent	4,436	--	19,059	33,330	--	--	56,825	57,196
CBO'S FURNITURES	--	--	--	--	--	--	--	28,948
Subscription fees	225	--	392	4,457	--	--	5,074	5,946
Communications	3,725	1,767	6,112	20,316	--	--	31,920	35,637
Printing	352	2,274	30,816	3,636	--	--	37,078	89,531
Volunteers	--	--	62,402	--	--	--	62,402	66,915
Production of radio programs	--	--	--	--	8,836	--	8,836	1,785
Hospitality – workshops	--	--	--	--	--	--	--	17,149
Water	1,900	--	--	500	--	--	2,400	2,305
Consulting	--	--	13,404	--	--	--	13,404	34,799
Activities	3,322	--	--	--	--	8,763	12,085	2,489
Currency variance	14,206	30	--	(21,487)	951	--	(6,300)	--
Others	4,018	--	--	1,552	140	762	6,472	101,048
Total	191,525	7,831	468,744	574,276	27,094	75,421	1,344,891	2,866,046

“The accompanying notes constitute an integral part of this statement”

Palestinian Youth Union (PYU)
Non-Governmental Association (NGO)
Ramallah – Palestine
Statement of Cash flows for the Year Ended December 31, 2015 *Exhibit "D"*

<u>Item</u>	<u>Note</u>	<u>2015</u> NIS	<u>2014</u> NIS
<u>Cash flow from Operating activities</u>			
Changes on net assets for the year- Exhibit (B)		(892,145)	1,280,832
Adjustments to reconcile changes in net assets during the period to net cash used for (provided from) activities:			
<u>Non cash items</u>			
Depreciation expenses		35,883	55,007
End of service		26,327	12,881
Changes in assets and liabilities:			
(Increase) decrease in Donor receivables		1,949,720	(1,635,608)
(Increase) decrease in other receivables		(82,312)	(5,673)
(Decrease) increase in Deferred checks		(480,119)	451,960
(Decrease) increase in Accrued expenses & other payables		22,766	(3,839)
Net cash flows provided from operating activities		580,120	155,560
<u>Cash flow from investing activities</u>			
Purchasing fixed assets		(2,063)	(34,932)
Net cash flows used from investing activities		(2,063)	(34,932)
Increase in cash and cash equivalents for the period			
Cash and cash equivalents – beginning of period		245,606	124,978
Cash and cash equivalents – End of period – Exhibit "A"	(3)	823,663	245,606

"The accompanying notes constitute an integral part of this statement"

Palestinian Youth Union (PYU)
Non-Governmental Association (NGO)
Ramallah – Palestine
Notes to the financial statements

1. Background:

The Palestinian Youth Union (PYU) was established in 1992, formally registered after Palestinian Authority came at Ministry of Interior under registration number RA-229-CU as a non governmental (NGO), non-profit, voluntary youth organization, that assemble all youth groups and children regardless of any divisions.

- **PYU mission:**

Developing of Palestinian youth abilities (male and females), so as to contribute to the building of the Palestinian society, through various constructive activities and programs.

- **PYU objectives are to:**

- a. Strengthen youth role in Palestinian community and participation in decision making.
- b. Create youth cadres and develop their skills to enable them to lead and manage youth organizations as well as to emphasize the idea of volunteerism and its importance.
- c. Promote the economic and social well being of families living in rural areas, and develop local communities as well as activate organizations that exist within.
- d. Prompt and strengthen the role of women in participation in building society on all levels.
- e. Network and cooperate with national, Arab and international to gain experience and exchange information.
- f. The number of staff was (17) employees at December 31, 2015.

2. Significant accounting policies:

The financial statements have been prepared in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board (IFRS). The following is a summary of the significant accounting policies applied.

a. Basis of preparation:

The financial statements have been prepared under the historical cost convention. And using the accrual basis.

b. Fixed assets:

Fixed assets are recorded at cost. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets at the following estimated annual rates:

– Cars	20%
– Office equipment	15-25%
– Office Furniture	15%-25%
– Computers and printers	20%
– Medical Equipment	20-25%
– Other assets	15%

c. Foreign currencies translations:

PYU basic functional currency is NIS. Transactions in foreign currencies are translated at the rate prevailing at the time of each transaction. Monetary assets and liabilities in other currencies are translated into NIS at exchange rates prevailing at the financial position date. Gain and losses arising from these translations reflected in the statement of activities.

<u>Currency</u>	<u>2015</u>	<u>2014</u>
- USD	3.898	3.9
- EURO	4.113	4.92

d. Grants and Revenues:

Revenue is recognized when contributions and/or donations are received or when services are performed. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulation that limits the use of the donation. When donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

e. Provision for end- of service indemnity:

Provision for end- of service indemnity is calculated to cover contractual and legal commitments of the employees' services in accordance with the labor law in Palestine.

f. Income taxes:

Palestinian Youth Union (PYU) is a non-profit-organization and it is exempted from income tax.

3. Cash in hand at bank:

This item consists of:

	<u>2015</u>	<u>2014</u>
	<u>NIS</u>	<u>NIS</u>
Cash in hand	2,325	325
Al-Quds Bank – USD	(15,874)	(4,049)
Al-Quds Bank – NIS	13,945	7,515
Al-Quds Bank – EURO	823,267	241,815
Total	<u>823,663</u>	<u>245,606</u>

4. Pledges receivables:

This item consists of:

<u>Donor</u>	<u>Balance at Beginning Of the year</u> NIS	<u>Additions</u> NIS	<u>Amounts Received During the Period</u> NIS	<u>Currency Variances</u> NIS	<u>Balance at End of the year</u> NIS
OLOF PALME	--	637,229	(636,692)	(537)	--
Mednet	294,808	131,155	(163,945)	(50,012)	212,006
Pontifical Mission	109,200	--	(47,434)	(379)	61,387
NSA-Project	1,596,518	--	(1,211,908)	(174,984)	209,626
UNDP Deep – 2	472,912	--	(478,663)	5,751	--
Cospe	--	52,004	(16,900)	(2,200)	32,904
Tavolla Valdeez	--	24,678	(25,462)	784	--
Ministry of culture	--	7,795	--	--	7,795
Total	2,473,438	852,861	(2,581,004)	(221,577)	523,718

5. Other receivables:

This item consists of:

	<u>2015</u> NIS	<u>2014</u> NIS
Cospe/partner-NSA*	94,733	--
Employees receivable	930	5,728
Other receivable	1,192	8,815
Total	96,855	14,543

*This balance represents amounts transferred to a project implementation partner but the implementation partner did not provided us with the required invoices to settle the balance.

6. Fixed Assets:

a. This item consists of:

	<u>Office furniture</u> NIS	<u>Office equipment</u> NIS	<u>Books</u> NIS	<u>Agriculture tools</u> NIS	<u>Centers</u> NIS	<u>Computers and printers</u> NIS	<u>Medical equipment</u>	<u>Electronic tools</u>	<u>Total</u> NIS
Cost:									
Balance as at 1/1/2015	207,443	218,548	43,871	5,990	182,391	95,993	5,550	48,392	808,178
Additions	--	684	--	--	--	1,379	--	--	2,063
Balance as at 31/12/2015	207,443	219,232	43,871	5,990	182,391	97,372	5,550	48,392	810,241
Accumulated Depreciation:									
Balance as at 1/1/2015	(183,930)	(195,355)	(43,871)	(5,990)	(165,822)	(57,993)	(5,383)	(24,947)	(683,291)
Additions	(6,436)	(3,103)	--	--	(13,969)	(5,621)	(167)	(6,587)	(35,883)
Balance as at 31/12/2015	(190,366)	(198,458)	(43,871)	(5,990)	(179,791)	(63,614)	(5,550)	(31,534)	(719,174)
Net book value as at:									
31/12/2015	17,077	20,774	--	--	2,600	33,758	--	16,858	91,067
31/12/2014	23,513	23,193	--	--	16,569	38,000	167	23,445	124,887

7. Accrued expenses and other payables:

This item consists of:

	<u>2015</u>	<u>2014</u>
	NIS	NIS
Accrued rent expenses	30,520	18,037
Accrued audit expenses	13,172	9
Employees income tax	6,331	9,211
Total	<u><u>50,023</u></u>	<u><u>27,257</u></u>

8. Provision for end – of service indemnity:

This item consists of:

	<u>2015</u>	<u>2014</u>
	NIS	NIS
Balance beginning of the year	156,420	143,539
Released to general & administrative expenses	56,899	43,808
Payment during the year	(30,239)	(28,833)
Currency variance	(333)	(2,094)
Balance end of year	<u><u>182,747</u></u>	<u><u>156,420</u></u>

9. Temporary restricted net assets:

This item consists of:

<u>Project</u>	<u>Unexpended</u> <u>Grants at</u> <u>Beginning</u> <u>of the year</u>	<u>Additions</u>	<u>Released from</u> <u>restricted to</u> <u>unrestricted</u>	<u>Temporary</u> <u>Restricted</u> <u>at end of</u> <u>year</u>
	NIS	NIS	NIS	NIS
PALPASS Project- Cospe	--	76,682	(27,094)	49,588
NSA-Project	1,799,349	--	(468,744)	1,330,605
OLOF PALME	--	637,229	(574,276)	62,953
Pontifical Mission	126,238	--	(75,421)	50,817
Mednet	339,335	131,155	(191,525)	278,965
Ministry of culture	--	7,795	(7,831)	(36)
Total	<u><u>2,264,922</u></u>	<u><u>852,861</u></u>	<u><u>(1,344,891)</u></u>	<u><u>1,772,892</u></u>

10. Activities revenues:

This item consists of:

	<u>2015</u>	<u>2014</u>
	NIS	NIS
Radio promotion and advertising	16,324	62,415
Hall rents	--	9,855
Equipments rent	3,153	1,197
GIZ revenues	--	4,950
Centers revenues	--	3,770
Other Donations	3,308	--
Total	<u><u>22,785</u></u>	<u><u>82,187</u></u>

11. Other revenues:

This item consists of:

	<u>2015</u>	<u>2014</u>
Donations	1,005	16,000
Others	2,334	2,312
Total	<u><u>3,339</u></u>	<u><u>18,312</u></u>

12. Projects Expenditures:

This item consists of:

Item	<u>Mednet</u>	<u>Ministry of</u>	<u>NSA –</u>	<u>Olof palme</u>	<u>PALPASS</u>	<u>Pontifical</u>	<u>2015</u>	<u>2014</u>
	<u>2015</u>	<u>Culture project</u>	<u>PROJECT</u>	<u>core</u>	<u>Project- Cospe</u>	<u>Mission</u>		
	NIS	NIS	NIS	NIS	NIS	NIS	NIS	NIS
Salaries	95,654	--	170,213	454,866	17,117	23,291	761,141	776,452
End of service indemnity	--	--	--	15,828	--	--	15,828	--
Stationary	135	--	9,820	3,353	--	4,391	17,699	21,461
Training	28,543	--	54,025	--	--	25,024	107,592	51,114
Translation	--	--	360	232	--	--	592	19,778
Transportation and accommodation	20,925	3,760	39,708	5,623	--	8,375	78,391	120,600
Audit fees	--	--	8,654	13,685	--	--	22,339	13,650
Hospitality	2,101	--	25,426	16,089	50	466	44,132	19,212
Cleaning	--	--	7,490	--	--	--	7,490	6,700
Electricity	2,645	--	600	10,049	--	--	13,294	16,107
Centers rent	--	--	--	--	--	--	--	43,310
Food & Beverage- WS	8,355	--	--	--	--	--	8,355	--
Fuel	--	--	184	268	--	--	452	424
Hall rent	--	--	16,859	1,797	--	3,105	21,761	13,418
Bank charges	380	--	2,920	4,153	--	1,244	8,697	15,500
Maintenance	--	--	300	5,776	--	--	6,076	36,760
Grants-Deep project	--	--	--	--	--	--	--	1,266,451
Newspaper subscription	603	--	--	253	--	--	856	1,361
Office rent	4,436	--	19,059	33,330	--	--	56,825	57,196
CBO'S FURNITURES	--	--	--	--	--	--	--	28,948
Subscription fees	225	--	392	4,457	--	--	5,074	5,946
Communications	3,725	1,767	6,112	20,316	--	--	31,920	35,637
Printing	352	2,274	30,816	3,636	--	--	37,078	89,531
Volunteers	--	--	62,402	--	--	--	62,402	66,915
Production of radio programs	--	--	--	--	8,836	--	8,836	1,785
Hospitality – workshops	--	--	--	--	--	--	--	17,149
Water	1,900	--	--	500	--	--	2,400	2,305
Consulting	--	--	13,404	--	--	--	13,404	34,799
Activities	3,322	--	--	--	--	8,763	12,085	2,489
Currency variance	14,206	30	--	(21,487)	951	--	(6,300)	--
Others	4,018	--	--	1,552	140	762	6,472	101,048
Total	191,525	7,831	468,744	574,276	27,094	75,421	1,344,891	2,866,046

13. General and administrative expenses

This item consists of:

	<u>2015</u>	<u>2014</u>
	NIS	NIS
Salaries expenses	6,346	8,538
Audit fees	13,564	--
Hospitality	292	--
End of service indemnity	28,601	43,808
Gifts	3,757	--
Interest & Bank Charges	8,159	17,974
Office Rent	34,413	--
Participation fee	3,540	--
Communications	2,100	1,114
Printing Expense	1,898	--
Rent – centers	9,808	1,797
Transportations and accommodation	6,568	2,738
Currency variance	8,139	(4,663)
Others	6,506	--
Total	<u>133,691</u>	<u>71,306</u>

14. Lawsuits filed against PYU:

A lawsuit is brought against PYU since the year 2008 in magistrate court in the amount of USD 5,000 under the number 262/2008 and it was appealed under the number 153/2009 but the legal position of the PYU is weak and it is expected to be obligated as per mentioned in the lawyer letter dated February 4, 2016.

15. Comparative figures:

Certain comparative figures have been reclassified to comply with the current financial statements presentation.