

**Independent Auditors' Report to the Board of Trustees of  
The Palestinian Initiative for the Promotion of Global Dialogue and Democracy  
(MIFTAH)**

We have audited the accompanying financial statements of the Palestinian Initiative for the Promotion of Global Dialogue and Democracy (MIFTAH), which comprise the statement of financial position as at December 31, 2012, and the statement of activities and changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' 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 auditors' 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 for 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 financial statements present fairly, in all material respects, the financial position of MIFTAH as at December 31, 2012 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young - Middle East



April 4, 2013  
Ramallah, Palestine

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

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**Statement of Financial Position**  
As at December 31, 2012

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<b>Assets</b>		
<b>Non - current assets</b>		
Property and equipment	12,008	16,693
<b>Current assets</b>		
Contributions receivable	416,384	99,321
Due from Board of Trustees	-	45,000
Other current assets	-	9,726
Cash and cash equivalents	778,119	604,153
	<u>1,194,503</u>	<u>758,200</u>
<b>Total Assets</b>	<u>1,206,511</u>	<u>774,893</u>
<b><u>Net Assets and Liabilities</u></b>		
<b>Net assets</b>		
Unrestricted net assets	<u>201,275</u>	<u>207,188</u>
<b>Total net assets</b>	<u>201,275</u>	<u>207,188</u>
<b>Non - current liabilities</b>		
Deferred revenues	11,632	15,606
Provision for employees' indemnity	181,692	174,944
	<u>193,324</u>	<u>190,550</u>
<b>Current liabilities</b>		
Accounts payable and accruals	70,997	66,669
Temporarily restricted contributions	740,915	310,486
	<u>811,912</u>	<u>377,155</u>
<b>Total Liabilities</b>	<u>1,005,236</u>	<u>567,705</u>
<b>Total Net Assets and Liabilities</b>	<u>1,206,511</u>	<u>774,893</u>

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
DIALOGUE AND DEMOCRACY (MIFTAH)

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**Statement of Activities and Changes in Net Assets**  
Year ended December 31, 2012

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<b>Revenues</b>		
Temporarily restricted contributions released from restriction	725,052	777,219
Unrestricted contributions	-	49,421
Deferred revenues recognized	10,523	16,697
Other revenues	645	2,116
Foreign exchange gain	-	7,740
	<u>736,220</u>	<u>853,193</u>
<b>Expenses</b>		
Projects' expenses	725,052	777,219
Administrative expenses	-	38,293
Depreciation of property and equipment	11,234	17,431
Foreign exchange loss	5,847	-
	<u>742,133</u>	<u>832,943</u>
<b>(Decrease) increase in net assets</b>	(5,913)	20,250
Net assets, beginning of year	<u>207,188</u>	<u>186,938</u>
<b>Net assets, end of year</b>	<u>201,257</u>	<u>207,188</u>

THE PALESTINIAN INITIATIVE FOR THE PROMOTION OF GLOBAL  
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**Statement of Cash Flows**  
Year ended December 31, 2012

	<u>2012</u> U.S. \$	<u>2011</u> U.S. \$
<b>Operating Activities:</b>		
(Decrease) increase in net assets	(5,913)	20,250
<b>Adjustments:</b>		
Depreciation of property and equipment	11,234	17,431
Deferred revenues recognized	(10,523)	(16,697)
Provision for employees' indemnity	28,236	27,130
	<u>23,034</u>	<u>48,114</u>
<b>Changes in working capital</b>		
Contributions receivable	(317,063)	153,040
Due from Board of Trustees	45,000	-
Other current assets	9,726	18,292
Temporarily restricted contributions	430,429	(246,406)
Accounts payable and accruals	4,328	(31,604)
Deferred revenues	6,549	2,144
Employees' indemnity paid	(21,488)	(5,872)
<b>Net cash from (used in) operating activities</b>	<u>180,515</u>	<u>(62,292)</u>
<b>Investing Activities:</b>		
Purchase of property and equipment	(6,549)	(2,144)
<b>Net cash used in investing activities</b>	<u>(6,549)</u>	<u>(2,144)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	173,966	(64,436)
Cash and cash equivalents, beginning of year	<u>604,153</u>	<u>668,589</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>778,119</u></u>	<u><u>604,153</u></u>