

CARE International - West Bank and Gaza

Financial Statements

For the Year ended June 30, 2013

Independent Auditors' Report to the management of CARE International - West Bank and Gaza

We have audited the accompanying financial statements of CARE International - West Bank and Gaza (CARE), which comprise the statement of financial position as at June 30, 2013, and the statement of activities and change 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 the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

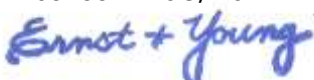
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CARE as at June 30, 2013 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

License # 206/2012



April 3, 2015

Ramallah - Palestine

Statement of Financial Position

As at June 30, 2013

	Notes	June 30, 2013 <u>U.S. \$</u>	June 30, 2012 <u>U.S. \$</u>
<u>Assets</u>			
Non-current assets			
Property and equipment	3	68,393	73,234
		<u>68,393</u>	<u>73,234</u>
Current assets			
Contributions receivable	4	7,167,527	9,442,394
Other current assets	5	1,836,147	503,196
Cash and cash equivalents	6	762,083	710,018
		<u>9,765,757</u>	<u>10,655,608</u>
Total assets		<u><u>9,834,150</u></u>	<u><u>10,728,842</u></u>
<u>Net assets and liabilities</u>			
Net assets			
Unrestricted net assets		<u>365,561</u>	<u>118,146</u>
Total net assets		<u><u>365,561</u></u>	<u><u>118,146</u></u>
Non-current liabilities			
Provision for employees' benefits	7	818,055	1,087,686
Deferred revenues	8	54,155	42,734
		<u>872,210</u>	<u>1,130,420</u>
Current liabilities			
Temporarily restricted contributions	9	7,457,059	9,042,534
Accounts payable and accruals	10	1,139,320	437,742
		<u>8,596,379</u>	<u>9,480,276</u>
Total liabilities		<u><u>9,468,589</u></u>	<u><u>10,610,696</u></u>
Total net assets and liabilities		<u><u>9,834,150</u></u>	<u><u>10,728,842</u></u>

The accompanying notes from 1 to 16 form part of these financial statements

Statement of Activities and Changes in Net Assets

For the year ended June 30, 2013

		June 30, 2013	June 30, 2012
	<u>Notes</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	9	7,044,077	9,311,620
Unrestricted contributions from Head Office		344,611	319,944
Deferred revenues recognized	8	33,579	23,460
Foreign currency exchange gains		67,251	-
Other revenues		<u>106,843</u>	<u>22,233</u>
Total revenues		<u><u>7,596,361</u></u>	<u><u>9,677,257</u></u>
<u>Expenses</u>			
Projects' expenses	11	7,044,077	9,311,260
Depreciation of property and equipment	3	49,841	28,400
General and administrative expenses	12	255,028	333,259
Foreign currency exchange losses		-	211,849
Total expenses		<u><u>7,348,946</u></u>	<u><u>9,884,768</u></u>
Increase (decrease) in net assets		247,415	(207,511)
Net assets, beginning of the year		<u>118,146</u>	<u>325,657</u>
Net assets, end of the year		<u><u>365,561</u></u>	<u><u>118,146</u></u>

Statement of Cash Flows

For the year ended June 30, 2013

	<u>Notes</u>	June 30, 2013 <u>U.S. \$</u>	June 30, 2012 <u>U.S. \$</u>
<u>Operating Activities</u>			
Increase (decrease) in net assets		247,415	(207,511)
Adjustments for:			
Depreciation of property and equipment		49,841	38,711
Provision for employees' benefits		344,017	321,785
Deferred revenues recognized		(33,579)	(23,460)
Non-cash items		218	301,303
		<u>607,912</u>	<u>430,828</u>
Changes in working capital:			
Contributions receivable		2,274,649	4,357,031
Other current assets		(1,332,951)	(503,196)
Temporarily restricted contributions		(1,540,475)	(4,257,137)
Accounts payable and accruals		701,578	437,742
Payments of employees' benefits		<u>(613,648)</u>	<u>(407,782)</u>
Net cash flows from operating activities		<u>97,065</u>	<u>57,486</u>
<u>Investing Activities</u>			
Purchase of property and equipment		<u>(45,000)</u>	<u>(47,300)</u>
Net cash flows used in investing activities		<u>(45,000)</u>	<u>(47,300)</u>
Increase in cash and cash equivalents		52,065	10,186
Cash and cash equivalents, beginning of the year		<u>710,018</u>	<u>699,832</u>
Cash and cash equivalents, end of year	6	<u><u>762,083</u></u>	<u><u>710,018</u></u>

The accompanying notes from 1 to 16 form part of these financial statements

Notes to the Financial Statements

June 30, 2013

1. General

CARE International (CARE) is a leading relief and development non-governmental organization fighting global poverty. CARE helps tackle underlying causes of poverty so that people can become self-sufficient.

CARE has been an active participant in relief and development in the occupied Palestinian territories since 1948 and was registered in the Ministry of Interior on September 21, 2000 under registration number QR-008-F.

For over 60 years, CARE has worked to promote dignity, social justice and equity within marginalized segments of Palestinian society by using CARE's global resources and experiences to support the aspirations of local communities in order to facilitate lasting and empowering change.

CARE's mission is to serve individuals and families in the poorest communities in the world, Drawing strength from CARE's global diversity, resources and experience. CARE promotes innovative solutions and are advocates for global responsibility.

The financial statements have been approved for issuance by CARE management on April 3, 2015.

2.1 Basis of preparation:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by international accounting standards board.

The Financial statements have been prepared on a historical cost basis.

The financial statements have been presented in United States Dollars, which is the functional currency of CARE.

2.2 Significant Accounting Policies

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Furthermore, several standards and interpretations have been issued but are not yet mandatory, CARE's management believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

2.3 Summary of significant accounting policies

Estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions, It also requires CARE's management to exercise its judgment in the process of applying the accounting policies, CARE's management continually evaluates its estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

Useful lives of tangible assets

CARE's management reassesses the useful lives of tangible assets, and makes adjustments if applicable, at each financial year end.

Donation revenues

Donor's unconditional pledges are those pledges where donor does not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donations revenue from unconditional pledges are recognized as follows:

- Unconditional pledges that are not restricted by donor for a specific purpose or time are recognized as revenue when the pledge is obtained;
- Unconditional pledges that are temporarily restricted by donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

Deferred revenues

Donations related to property and equipment are stated at fair value, recorded as deferred revenues and recognized as revenue on a systematic basis over the useful life of the asset.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired, If such evidence exists, any impairment loss is recognized in the statement of activities and changes in net assets. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognized in the statement of activities and changes in net assets;
- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less, net of restricted cash balances.

Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full unconditional pledge is no longer probable.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Useful life (Years)</u>
Vehicles	3
Machinery and equipment	3

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Income taxes

CARE is a not-for-profit organization; accordingly, it is not subject to income tax.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

Foreign currencies

Transactions denominated in other currencies are translated to U.S. \$ using the exchange rate in effect at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are recognized in the statement of activities and changes in net assets.

3. Property and equipment

	<u>Vehicles</u>	<u>Machinery and equipment</u>	<u>Total</u>
June 30, 2013	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cost			
Balance, beginning of year	91,000	48,176	139,176
Additions	-	45,000	45,000
Balance, end of year	<u>91,000</u>	<u>93,176</u>	<u>184,176</u>
Accumulated depreciation			
Balance, beginning of year	43,917	22,025	65,942
Depreciation charge for year	<u>23,664</u>	<u>26,177</u>	<u>49,841</u>
Balance, end of year	<u>67,581</u>	<u>48,202</u>	<u>115,783</u>
Net carrying amount			
As at June 30, 2013	<u>23,419</u>	<u>44,974</u>	<u>68,393</u>
As at June 30, 2012	<u>47,083</u>	<u>26,151</u>	<u>73,234</u>

4. Contributions receivable

Contributions receivable comprise of unconditional pledges to give as at June 30, 2013 from the following donors:

	Balance, beginning of year	Additions during the year	Cash received	Write Off	Foreign currency exchange difference	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
United States Agency for International Development (USAID)	2,079,933	-	(1,002,929)	-	-	1,077,004
European Commission's Directorate General for Humanitarian Aid	3,879,780	1,879,870	(3,171,052)	-	96,070	2,684,668
Federal Ministry for Economic Cooperation and Development	124,380	1,416,194	(1,068,116)	-	50,435	522,893
Canadian International Development Agency	2,099,384	-	(1,000,000)	-	(93,884)	1,005,500
Care International UK	218	-	-	(218)	-	-
Australian Government	1,258,699	-	(790,296)	-	(14,615)	453,788
European Union	-	1,896,434	(469,814)	-	(3,587)	1,423,033
Federal Ministry of Foreign Affairs-Luxemburg	-	426,826	(407,483)	-	(18,702)	641
	<u>9,442,394</u>	<u>5,619,324</u>	<u>(7,909,690)</u>	<u>(218)</u>	<u>15,717</u>	<u>7,167,527</u>

5. Other current assets

	June 30, 2013	June 30, 2012
	<u>U.S. \$</u>	<u>U.S. \$</u>
Advances to other project implementing partners*	1,591,766	128,626
Prepaid expenses	173,434	61,477
Accounts receivable	68,486	18,871
Employees' advances	2,324	1,633
Due from Care International - Head Office	-	291,304
Others	137	1,285
	<u>1,836,147</u>	<u>503,196</u>

* CARE provides cash advances to partners to complete each phase of the partnership projects. Once the work of each phase is completed, advances are recorded as project expenses.

6. Cash and cash equivalents

	June 30, 2013	June 30, 2012
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on hand	4,658	4,364
Current accounts at banks & Short term deposits at banks*	757,425	705,654
	<u>762,083</u>	<u>710,018</u>

* Deposits at banks as at June 30, 2013 are short term in nature. The average annual interest rates during the year on such deposits in U.S. \$ is 0.07%.

7. Provision for employees' benefits

Following is a summary of the movement on the provision for employees' benefits during the year:

	Balance, beginning of year	Additions during the year	Payments	Balance, end of year
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
End of service indemnity	512,184	192,153	(218,668)	485,669
Employees' saving fund	575,502	151,864	(394,980)	332,386
	<u>1,087,686</u>	<u>344,017</u>	<u>(613,648)</u>	<u>818,055</u>

8. Deferred revenues

The movement on deferred revenues during the year was as follows:

	June 30, 2013	June 30, 2012
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of year	42,734	49,394
Additions (Note 9)	45,000	16,800
Deferred revenues recognized	(33,579)	(23,460)
Balance, end of year	<u>54,155</u>	<u>42,734</u>

9. Temporarily restricted contributions

The movement on temporarily restricted contributions for the year ended June 30, 2013 is as follows:

	Balance, beginning of year	Additions during the year	Temporarily restricted contributions released from restrictions	Deferred revenues	Foreign currency exchange differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
United States Agency for International Development (USAID)	2,083,089	-	(1,231,689)	-	-	851,400
European Commission's Directorate General for Humanitarian Aid	3,466,291	1,879,870	(3,025,102)	-	(9,886)	2,311,173
Federal Ministry for Economic Cooperation and Development	92,729	1,416,194	(170,257)	-	(36,995)	1,301,671
Canadian International Development Agency	1,046,368	-	(1,035,583)	-	(10,785)	-
Australian Government	2,344,380	-	(1,146,368)	-	(609)	1,197,403
Care International USA	9,677	-	(5,107)	-	-	4,570
European Union	-	1,896,434	(74,291)	-	(81,522)	1,740,621
Federal Ministry of Foreign Affairs- Luxemburg	-	426,826	(355,680)	(45,000)	24,075	50,221
	<u>9,042,534</u>	<u>5,619,324</u>	<u>(7,044,077)</u>	<u>(45,000)</u>	<u>(115,722)</u>	<u>7,457,059</u>

10. Accounts payable and accruals

	June 30, 2013	June 30, 2012
	<u>U.S. \$</u>	<u>U.S. \$</u>
Accounts payable	796,482	245,393
Due to Care International - Head Office	187,108	-
Accrued employees' vacations	137,595	180,362
Accrued expenses	18,135	11,987
	<u>1,139,320</u>	<u>437,742</u>

11. Projects' expenses

Following are the components of projects' expenses:

	United States	European	Federal		Canadian				Total	
	Agency for	Commission's	Ministry for	Australian	International	Care	European	Federal	2013	2012
	International	Directorate	Economic	Government	Development	International	Union	Ministry of	U.S. \$	U.S. \$
	Development	General for	Cooperation		Agency	USA		Affairs-		
	(USAID)	Humanitarian	and					Luxemburg		
	U.S. \$	Aid	Development	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries & related expenses	330,419	998,266	107,756	318,310	213,910	-	55,973	42,541	2,067,175	2,189,949
Contractual services and joint projects	600,020	636,388	17,694	666,329	210,970	5,107	15,112	165,005	2,316,625	1,632,159
Construction	-	-	-	-	-	-	-	-	-	170,532
Agricultural activities	-	-	-	-	-	-	-	-	-	3,510,326
Projects equipment	62,537	1,015,264	15,817	13,494	487,800	-	-	117,743	1,712,655	329,983
Head office administrative expenses	148,912	-	-	-	-	-	-	-	148,912	-
Medical equipment	-	-	-	-	-	-	-	-	-	286,829
Professional fees	23,431	29,092	2,095	26,140	45,525	-	-	-	126,283	108,229
Training and workshops	9,676	2,477	482	5,599	2,508	-	10	-	20,752	125,654
Maintenance	13,009	52,792	4,733	39,123	5,949	-	254	3,190	119,050	27,387
Computers and equipment	21	4,849	19	6	13	-	-	47	4,955	336,429
Stationery	1,871	13,011	686	9,969	708	-	148	117	26,510	31,944
Transportation	-	31,593	2,955	3,760	7,347	-	359	97	46,111	66,120
Publications and printings	162	5,126	1,274	1,512	643	-	5	79	8,801	25,232
Hospitality	-	-	-	-	-	-	-	-	-	15,786
Vehicles expenses	1,269	31,732	4,609	-	14,364	-	253	7,994	60,221	128,585
Lodging and accommodation	1,880	5,907	227	4,572	2,140	-	536	44	15,306	-
Rent	28,847	80,636	6,491	26,927	27,305	-	426	13,961	184,593	166,596
Services and Insurance	7,996	624	611	1,647	4,961	-	-	-	15,839	41,551
Postage and telephone	-	87,362	3,395	19,861	4,932	-	937	3,805	120,292	98,975
Others	1,639	29,983	1,413	9,119	6,508	-	278	1,057	49,997	19,354
Total	1,231,689	3,025,102	170,257	1,146,368	1,035,583	5,107	74,291	355,680	7,044,077	9,311,620

12. General and administrative expenses

	June 30, 2013	June 30, 2012
	U.S. \$	U.S. \$
Salaries and related benefits	120,474	167,443
Professional fees	49,380	2,103
Transportation	40,220	76,282
Office supplies	13,654	14,238
Rent	9,995	18,009
Postal and telephone	8,999	7,607
Publications and printings	4,737	142
Stationery	3,056	5,608
Bank charges	2,842	-
Training and workshops	519	2,844
Services and insurance	421	1,587
Vehicles expenses	342	4,048
Write off	218	-
Hospitality	128	29,303
Maintenance	43	4,045
	<u>255,028</u>	<u>333,259</u>

13. Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and cash equivalents, contributions receivable and other some current assets. Financial liabilities consist of some accounts payable and accruals and temporarily restricted contributions.

The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

14. Related Party Transactions

This item represents transactions with Head Office and key management personnel. Following are the balances and transactions with related parties:

The statement of financial position includes the following balance with related parties:

	June 30, 2013	June 30, 2012
	U.S. \$	U.S. \$
Due from Head Office	-	291,304
Due to Head Office	<u>187,108</u>	<u>-</u>

The Statement of activities and change in net assets includes the following transactions with related parties:

	June 30, 2013	June 30, 2012
	U.S. \$	U.S. \$
Unrestricted contributions from Head Office	<u>344,611</u>	<u>319,944</u>
<u>Key management personnel compensation:</u>		
Short-term benefits	<u>628,263</u>	<u>506,953</u>
Post-employment benefits	<u>128,582</u>	<u>174,303</u>

15. Risk Management

Interest rate risk

CARE is exposed to interest rate risk on its interest bearing short-term deposits at banks (Note 6).

Liquidity risk

CARE limits its liquidity risk by maintaining adequate cash balances and funds from multiple donors to meet its current obligations and to finance its activities. Most of CARE's financial liabilities are due within a period of less than three months from the date of the financial statements.

Foreign currencies risk

The table below indicates the sensitivity of the statement of activities and changes in net assets, the analysis calculates the effect of a reasonably possible movement of the U.S. Dollar currency rate against New Israeli Shekels (ILS), European Monetary Unit (EURO), and other foreign currencies with all other variables held constant. The effect of decrease in foreign currency exchange rate is expected to be equal and opposite to the effect of the increase shown below:

	Increase in ILS rate to U.S. \$	Effect on statement of activities and changes in net assets for the year	Increase in EURO rate to U.S. \$	Effect on statement of activities and changes in net assets for the year	Increase in other foreign currencies rate to U.S. \$	Effect on statement of activities and changes in net assets for the year
	%	U.S. \$	%	U.S. \$	%	U.S. \$
<u>June 30, 2013</u>	20	44,206	20	(154,490)	20	(207,958)
<u>June 30, 2012</u>	20	77,498	20	89,028	20	(14,136)

16. Concentration of Risk in Geographic Area

CARE is carrying out all of its activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out business and could adversely affect CARE's performance.