

RASHEED FOR INTEGRITY TRANSPARENCY

(NON-PROFIT COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2018



Building a better
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Ernst & Young Jordan

P.O.Box 1140

Amman 11118

Jordan

Tel : 00 962 6580 0777/00 962 6552 6111

Fax: 00 962 6553 8300

www.ey.com/me

INDEPENDENT AUDITOR'S REPORT

**To the Partner of Rasheed for Integrity Transparency
Limited Liability Company (Non-Profit Company)
Amman- Jordan**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rasheed for Integrity Transparency Company (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Company as at the year ended on 31 December 2017 were audited by another auditor who expressed an unmodified opinion on 25 April 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records, which are in agreement with the financial statements.

Amman – Jordan
27 May 2019

Ernst & Young

RASHEED FOR INTEGRITY TRANSPARENCY LLC (NON-PROFIT COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
<u>ASSETS</u>			
Non-current assets			
Property and equipment	3	8,275	11,712
Current assets -			
Other debit balances	5	17,689	11,335
Cash on hand and at banks	4	17,714	8,354
		<u>35,403</u>	<u>19,689</u>
Total Assets		<u>43,678</u>	<u>31,401</u>
<u>NET ASSETS AND LIABILITIES</u>			
Net Assets			
Paid in capital	7	1,925	1,750
Statutory reserve		1,385	1,385
Retained surplus		8,325	21,094
Total Net assets		<u>11,635</u>	<u>24,229</u>
Current Liabilities			
Accounts payable		6,475	827
Other credit balances		4,226	4,028
Deferred revenues	6	21,342	2,317
Total Current Liabilities		<u>32,043</u>	<u>7,172</u>
Total Net Assets and Liabilities		<u>43,678</u>	<u>31,401</u>

The attached notes from 1 to 14 form part of these financial statements

RASHEED FOR INTEGRITY TRANSPARENCY LLC (NON-PROFIT COMPANY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
Grants Revenues	8	108,807	215,992
Core program expenses		(36,647)	(126,162)
Non-core program expenses	9	(86,046)	(87,961)
Other revenues		<u>1,117</u>	<u>1,484</u>
(Deficit) surplus for the year		(12,769)	3,353
Add: Other comprehensive income items		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(12,769)</u>	<u>3,353</u>

The attached notes from 1 to 14 form part of these financial statements

RASHEED FOR INTEGRITY TRANSPARENCY LLC (NON-PROFIT COMPANY)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Paid in Capital	Statutory reserve	Retained surplus	Total
	JD	JD	JD	JD
2018-				
Balance as at 1 January 2018	1,750	1,385	21,094	24,229
Total comprehensive income for the year	-	-	(12,769)	(12,769)
Increase in paid in capital (Note 1)	175	-	-	175
Balance as at 31 December 2018	1,925	1,385	8,325	11,635
2017-				
Balance as at 1 January 2017	1,750	1,050	18,076	20,876
Total comprehensive income for the year	-	-	3,353	3,353
Statutory reserve	-	335	(335)	-
Balance as at 31 December 2017	1,750	1,385	21,094	24,229

The attached notes from 1 to 14 form part of these financial statements

RASHEED FOR INTEGRITY TRANSPARENCY LLC (NON-PROFIT COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
<u>OPERATING ACTIVITIES</u>			
(Deficit) Surplus for the year		(12,769)	3,353
Adjustments -			
Depreciation of property and equipment	3	5,827	6,557
Loss on disposal of property and equipment		821	-
Changes in working capital -			
Other debit balances		(6,354)	(3,211)
Trade payables		5,648	827
Other credit balances		198	2,312
Deferred revenues		19,025	(62,265)
Net cash flows from (used in) operating activities		<u>12,396</u>	<u>(52,427)</u>
<u>INVESTING ACTIVITIES</u>			
Purchase of property and equipment	3	(3,211)	(1,223)
Net cash flows used in investing activities		<u>(3,211)</u>	<u>(1,223)</u>
<u>FINANCING ACTIVITIES</u>			
Related parties		-	(125)
Increase of capital		175	-
Net cash flows from (used in) financing activities		<u>175</u>	<u>(125)</u>
Net increase (decrease) in cash and cash equivalents		9,360	(53,775)
Cash and cash equivalents at the beginning of the year		8,354	62,129
Cash and cash equivalents at the end of the year	4	<u>17,714</u>	<u>8,354</u>

The attached notes from 1 to 14 form part of these financial statements

RASHEED FOR INTEGRITY TRANSPARENCY (NON-PROFIT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

(1) GENERAL

The Company was established and registered as a non-profit limited liability Company under number (449) on 22 September 2013 with a paid-in capital of JD 1,050 divided into 1,050 shares with a par value of JD 1 each. The Company has increased the paid in capital to reach JD 1,750 divided into 1,750 shares with a par value of JD 1. The general assembly of the Company decided at its extraordinary meeting held on 23 July 2018 to approve the increase of the Company's capital by JD 175 through cash paid by a new partner to reach a capital of JD 1,925 divided into 1,925 shares at a par value of JD 1 per share.

The main activities of the Company are:

- Provide training in the field of good governance and promoting the principles of integrity, transparency, justice and tolerance without certificate issuance.
- Conduct necessary studies to implement the Company's objectives according to the applicable legislations.

The company address is P.O. Box 852662 Amman 111585 – Hashemite kingdom of Jordan.

The financial statements were approved by the Board of Directors in its meeting on 27 May 2019.

(2-1) BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements are presented in Jordanian Dinars, which represents the functional currency of the Company.

(2-2) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the financial statements for the year ended 31 December 2018 are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017 except that the Company has applied some of the standards starting from 1 January 2018. These applications do not have any impact on the Company's financial statements.

(2-3) USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

(2-4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment -

Property and equipment are stated at cost when purchased or at fair value at the donation date in case they are donated. When property and equipment are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

Depreciation is computed on a straight-line basis over the estimated useful lives using the following rates:

	<u>%</u>
Furniture and Fixtures	15
Computers	25
Equipment	20-25

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying amount of property and equipment is reviewed for impairment when events or changes in circumstances indicates that the carrying amount not be recoverable. When such indications exist and when carrying amount exceeds its recoverable amount, the property and equipment are written down to their recoverable amount and the impairment provision is recognized in the statement of comprehensive income.

Any gain or loss arising on the disposal or retirement of an item of property and equipment which represents the difference between the sales proceeds and the carrying amount of the asset is recognized in the statement of income.

Cash and cash equivalents

For the purpose of the preparation of statement of cash flows, cash and cash equivalents consist of cash on hand, cash at banks, and short term deposits with maturity date of three months or less deducting banks overdraft.

Accounts receivable and other debit balances

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts in accordance with IFRS (9) or expected credit losses. The company applies the simplified approach when calculating expected credit losses. Therefore, the Company does not track changes in credit risk but recognizes a provision for loss on the basis of expected credit losses over the life of the debt at the reporting date. The Company has developed an allocation matrix for provision based on its past credit experience, adjusted according to forward-looking factors for debtors and the economic environment.

Accounts Payable and Other Credit Balances

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

Income tax

The Company's was established as a non-for profit entity, hence it is not subject to income tax in accordance with income tax law No.34 of 2014.

Revenue and Expenses Recognition

Revenue from services is recognized in accordance with International Financial Reporting Standards (IFRS 15), when control of the services is transferred to the customer and at the carrying amount that the Company expects to collect for these services. The Company is the main party in the service contracts concluded with the customers and does not operate through agents, since they have control over the service provided to customers.

Grants Income

Grants income from unconditional donor Pledges is recognized as follows:

- Unconditional pledges that are temporarily restricted by the donor for a specific purpose or time are restricted for a specific purpose or time are recognized when the pledge is obtained. recognized as a "restricted grant" liability and are recognized as income in the same manner as the expenses for which the grant is credited.
- Unconditional pledges that are not restricted for a specific purposes or time are recognized when the pledge is obtained.

Foreign Currency

Foreign currency transactions during the year are recorded using exchange rates that were in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to US Dollar using the Central Bank of Jordan average exchange rates prevailing of year-end. Foreign exchange gains or losses are reflected in statement of comprehensive income.

Impairment of financial assets

The Company recognizes an expected credit loss for all debt instruments that are not held at fair value through profit or loss. The expected credit losses are based on the differences between contractual cash flows payable in accordance with the contract and all cash flows that the Company expects to receive, discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the contractual terms (if any).

The Company's management calculations the provision based on its historical credit loss experience adjusted for the future factors of debtors and the economic environment.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Fair value

Fair value represents the price received in exchange for financial assets sold, or price paid to settle a sale between market participants at the date of financial statements.

The fair value is measured based on the assumption that the sale of assets or transfer of liabilities facilitated through an active market for financial assets and liabilities respectively.

In case there is no active market, a market best fit for financial assets and liabilities is used instead.

The Company needs to acquire opportunities to access the active market or the best fit market.

The Company measures the fair value of financial assets and liabilities using the pricing assumptions used by market participants to price financial assets and liabilities, assuming that market participants behave according to their economic interests.

The fair value measurement of non-financial assets considers the ability of market participants to utilize the assets efficiently in order to generate economic benefits, or to sell them to other participants who will utilize them in the best way possible.

RASHEED FOR INTEGRITY TRANSPARENCY (NON-PROFIT COMPANY)
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The Company uses valuation techniques that are appropriate and commensurate with the circumstances, and provides sufficient information for fair value measurement. Also, it illustrates clearly the use of inputs that are directly observable, and minimizes the use of inputs that are not directly observed.

The Company uses the following valuation methods and alternatives in measuring and recording the fair value of financial instruments.

All assets and liabilities for which fair value is measured or disclosed in the financial statements or have been written off are categories within the fair value hierarchy, described as follows, based on the lowest level input which can be observed indirectly:

- Level 1- Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have accrued between levels in the hierarchy by reassessing categorization (based on the lowest level input that significant to the fair value measurement as a whole) at the end of each reporting period.

For the disclosure of fair value, the Company classifies assets and liabilities based on their nature, their risk, and the level of fair value measurement.

RASHEED FOR INTEGRITY TRANSPARENCY (NON-PROFIT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
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(3) PROPERTY AND EQUIPMENT

	Furniture and fixtures	Computers	Equipment	Total
	JD	JD	JD	JD
2018 –				
Cost				
Balance at 1 January 2018	11,350	12,242	10,292	33,884
Additions	541	1,120	1,550	3,211
Disposals	-	(560)	(3,132)	(3,692)
Balance at 31 December 2018	<u>11,891</u>	<u>12,802</u>	<u>8,710</u>	<u>33,403</u>
Accumulated Depreciation				
Balance at 1 January 2018	6,076	8,907	7,189	22,172
Depreciation	1,702	2,249	1,876	5,827
Disposals	-	(105)	(2,766)	(2,871)
Balance at 31 December 2018	<u>7,778</u>	<u>11,051</u>	<u>6,299</u>	<u>25,128</u>
Net book value at 31 December 2018	<u><u>4,113</u></u>	<u><u>1,751</u></u>	<u><u>2,411</u></u>	<u><u>8,275</u></u>
2017 –				
Cost				
Balance at 1 January 2017	11,350	11,019	10,292	32,661
Additions	-	1,223	-	1,223
Balance at 31 December 2017	<u>11,350</u>	<u>12,242</u>	<u>10,292</u>	<u>33,884</u>
Accumulated Depreciation				
Balance at 1 January 2017	4,373	6,121	5,121	15,615
Depreciation	1,703	2,786	2,068	6,557
Balance at 31 December 2017	<u>6,076</u>	<u>8,907</u>	<u>7,189</u>	<u>22,172</u>
Net book value at 31 December 2017	<u><u>5,274</u></u>	<u><u>3,335</u></u>	<u><u>3,103</u></u>	<u><u>11,712</u></u>

The value of fully depreciated property and equipment is JD 9,579 as at 31 December 2018 (2017: JD 1,300)

RASHEED FOR INTEGRITY TRANSPARENCY (NON-PROFIT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

(4) CASH AND BANK BALANCES

	<u>2018</u>	<u>2017</u>
	JD	JD
Cash on hand	28	203
Cash at banks	17,686	8,151
	<u>17,714</u>	<u>8,354</u>

(5) OTHER DEBIT BALANCES

	<u>2018</u>	<u>2017</u>
	JD	JD
Grantors receivables	11,150	5,158
Prepaid expenses	5,716	5,344
Employees receivables	823	833
	<u>17,689</u>	<u>11,335</u>

(6) DEFERRED REVENUES

	<u>2018</u>	<u>2017</u>
	JD	JD
National Advocacy to Advance Jordan's anti-corruption summit commitments	20,142	-
Deferred revenues from granted assets	1,200	2,317
	<u>21,342</u>	<u>2,317</u>

RASHEED FOR INTEGRITY TRANSPARENCY (NON-PROFIT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

(7) NET ASSETS

Paid in-capital

The authorized and paid in capital of the company is JD 1,925 with a par value of JD 1 each (2017: JD 1,750).

Statutory reserve

This amount represents appropriations at 10% of net income during this year that the total amount deducted for this reserve shall not exceed the Company's capital in accordance with the provisions of the Jordanian Companies Law. This reserve is not available for distribution to shareholders.

(8) GRANTS REVENUES

	<u>2018</u>	<u>2017</u>
	JD	JD
Rule of law program	77,881	-
Empowering Civil Society and citizen engagement for transparency and accountability	8,907	-
National Advocacy to Advance Jordan's anti-corruption summit commitments	8,351	-
Network reserve grant	8,324	-
Partnership project (TI)	3,946	121,723
Fighting corruption through education	1,398	-
Quality of health services project	-	46,532
Women in leadership	-	26,587
Enhancing the integrity of humanitarian operations in complex humanitarian context	-	10,589
Jordanian transparency debates	-	10,561
	<u>108,807</u>	<u>215,992</u>

RASHEED FOR INTEGRITY TRANSPARENCY (NON-PROFIT COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018

(9) NON-CORE PROGRAM EXPENSES

	<u>2018</u>	<u>2017</u>
	JD	JD
Salaries and related benefits	49,176	48,073
Rent	11,000	11,000
Company's contribution to social security	7,124	6,054
Depreciation	5,827	6,556
Insurance	4,898	2,965
Electricity and water	2,515	3,774
Professional fees	2,180	4,233
Cleaning	1,563	2,105
Governmental	891	586
Stationary and printings	318	1,467
Hospitality	279	452
Bank charges	185	199
Other expenses	90	497
	<u>86,046</u>	<u>87,961</u>

(10) Risk Management

Interest rate risk

Interest rate risk is a risk which arises from the fluctuations in the fair values or future cash flows of financial instruments due to the changes in interest rates on these instruments.

The Company is not exposed to interest rate risk on their financial assets and liabilities

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is not highly exposed to credit risk as it monitors and controls outstanding receivables. The Company seeks to limit its credit risk by dealing with reputable banks.

Liquidity risk-

Liquidity risk is the risk that the Company will not meet its obligations under its financial liabilities based on contractual maturity dates. The Company manages liquidity risk by dealing with accredited donors. Financial liabilities are maturing within 3 months.

Currency Risk

Foreign currency risk is the risk of change the value of financial instruments due to the changes in foreign currency rate.

Most of the Company's transactions are in Jordanian Dinars and US Dollars. The Dinar is pegged to a fixed rate with the US dollar (\$ 1.41 per dinar), so the impact of currency risk is not material to the financial statements.

(11) CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017.

Capital comprises paid in capital, statutory reserve, retained surplus, and is measured at JD 11,635 as at 31 December 2018 (2017: JD 24,229).

(12) FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and at banks, and some other current assets. Financial liabilities consist of accounts payable, and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

(13) STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE

The standards, interpretations and amendments that are issued but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company will start applying these amendments from the date of mandatory application:

IFRS (16) Leases

IFRS (17) Insurance Contracts

IFRIC Interpretation (23) Uncertainty over Income Tax Treatment

Amendments to IFRS (9): Pre-payment features with compensation with negative indicators

Amendments to IAS (19): Adjustment, reduction or settlement of a plan

(14) Comparative Figures

Some of the 2017 balances were reclassified to correspond to 2018 presentation with no effect on net assets for the year 2017.