

Al Haq / Law in the Service of Man
Ramallah

Financial Statements
and
Auditors' Report

31 December 2004

Al Haq / Law in the Service of Man

Ramallah

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**To the Board of Trustees / Director of
Al Haq / Law in the Service of Man, Incorporated
Ramallah**

Auditors' Report

We have audited the balance sheet of *AL Haq* as of *31 December 2004* and the related Statements of Activities and Change in Net Assets and Cash Flows for the year ended 31 December 2004. These financial statements are the responsibility of the organizations. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *AL Haq* as of *31 December 2004*, the results of its operations, change in its net assets and its cash flows for the year then ended in conformity with *International Accounting Standards*.

Peter Husarry
Certified Public Accountant

Ramallah
5 May 2005

Al Haq - Law in the Service of Man

Balance Sheet

As of 31 December 2004

With Comparative Figures for 2003

		<u>2004</u>	<u>2003</u>
	<u>Note</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Assets			
Cash on Hand and at Banks	3	71,506	145,445
Deposits with Banks Restricted for Staff Benefits		112,628	124,672
Receivables and Staff Advances		8,604	9,531
Grants Receivable	4	20,000	1,089
Other Assets	5	10,122	9,482
Fixed Assets and library resources - Net of Accumulated Depreciation	6	150,696	139,489
Total Assets		<u>373,556</u>	<u>429,708</u>
 Liabilities and Net Assets			
Liabilities :			
Payables and Accruals	7	12,185	19,530
Reserves for Severance Pay and Provident Fund	8	133,833	133,253
Total liabilities		<u>146,018</u>	<u>152,783</u>
 Net Assets :			
Unrestricted		132,618	142,931
Temporarily Restricted		94,920	133,994
Total Net Assets (Statement-B)		<u>227,538</u>	<u>276,925</u>
Total Liabilities and Net Assets		<u>373,556</u>	<u>429,708</u>

See Notes to Financial Statements

Al Haq - Law in the Service of Man
Statement of Activities and Change in Net Assets
Year Ended 31 December 2004
With Comparative Figures for 2003

	Note	Temporarily		Total	
		Unrestricted	Restricted	2004	2003
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
Grants and Revenues:					
Grants	9		589,923	589,923	559,663
Other Revenues		8,684		8,684	9,183
Total		8,684	589,923	598,607	568,846
Net assets released from restrictions	2.a	628,997	(628,997)		
		637,681	(39,074)	598,607	568,846
Administrative and Program Expenses:					
Salaries, honoraria and related expenses		410,509		410,509	383,046
Legal researchers and consultants		26,749		26,749	25,349
Staff development costs		3,010		3,010	1,189
Professional services		8,992		8,992	30,712
Printings, publications and translation		41,195		41,195	36,867
Volunteers residency costs		7,051		7,051	5,868
Resource material / film production		2,235		2,235	24,731
Occupancy costs		12,902		12,902	12,466
Communication and advertisement		27,714		27,714	24,554
Stationery, office supplies and hospitality		13,700		13,700	8,075
International travel / per diem and outside conferences		25,778		25,778	19,023
Transportation		10,290		10,290	9,347
Repairs and maintenance		7,853		7,853	8,916
Software		-		-	6,798
Bank charges		695		695	1,865
Workshops and local conferences		4,027		4,027	12,328
Media campaign and film processing		23,430		23,430	-
Other expenses		1,672		1,672	655
Depreciation		18,997		18,997	9,259
Loss (Gain) on currency fluctuations		1,195		1,195	(1,167)
Total Expenses		647,994	-	647,994	619,881
Excess (Deficit) of grants and revenues over (under) expenses		(10,313)	(39,074)	(49,387)	(51,035)
Capitalization of library resources		-		-	82,045
Net assets at beginning of year		142,931	133,994	276,925	245,915
Net Assets at End of Year (Statement-A)		132,618	94,920	227,538	276,925

See Notes to Financial Statements

Al Haq - Law in the Service of Man

Statement of Cash Flows Year Ended 31 December 2004 With Comparative Figures for 2003

	2004	2003
	U.S. \$	U.S. \$
Cash flows from operating activities:		
Grants received	571,012	564,433
Other revenues	8,684	9,183
Cash paid to employees and suppliers	(635,475)	(566,775)
Net cash provided by operating activities	(55,779)	6,841
Cash flows from investing activities:		
Procurement of fixed assets	(30,204)	(33,824)
Increase (Decrease) in cash during the year	(85,983)	(26,983)
Cash on hand and deposits with banks at beginning of year	270,117	297,100
Cash on hand and deposits with banks at end of year	184,134	270,117
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	(49,387)	(51,035)
Provision for staff benefits	580	50,930
Depreciation	18,997	9,259
Decrease (Increase) in contributions receivable	(18,911)	7,770
Decrease (Increase) in receivables and staff advances	927	(4,084)
Decrease (Increase) in other assets	(640)	(809)
Increase (Decrease) in payables and accruals	(7,345)	(5,190)
Net cash provided by operating activities	(55,779)	6,841

See Notes to Financial Statements

Al Haq - Law in The Service of Man

Notes to Financial Statements

Year Ended 31 December 2004

With Comparative Figures for 2003

1. Organization:

Al Haq - Law in the Service of Man Incorporated, (Not For Profit Organization) is an affiliate of the International Commission of Jurists and was formed in 1979 by a group of West Bank Palestinians to develop and uphold the principles of the rule of law in the territory, carry out legal researches and provide legal services for the community.

The International Commission of Jurists, whose headquarters are in Geneva Switzerland, is a non-governmental organization devoted to promote the understanding and observance of the rule of law and the legal protection of human rights throughout the world.

For legal purposes and for maximum operation efficiency under local laws and prevailing conditions, *Al-Haq* had been organized as *a non-profit corporation* rather than a "Charitable Society" or a volunteer organization. This explains the "Share Capital" line item appearing in the accompanying financial statements. The article of incorporation, however, clearly indicates the non-profit nature of the organization, and prohibits the shareholders from collecting profits from the corporation or benefiting from the assets upon liquidation.

On 30 November 2003, the general assembly of Al-Haq Inc. decided to voluntarily dissolve the organization (as a non-profit corporation) for the purpose of registering the organization as a Non Governmental Organization according to the Palestinian law of NGO's. Main points of the decision of the general assembly were as follows:

- All assets and liabilities of the organization as of 30 November 2003 are to be transferred to the organizing committee of Al-Haq society "The new entity",
- The organizing committee of the new entity accepted to bear the responsibility of the expenses and the revenues of Al-Haq Inc. during the liquidation period,
- The values of share capital and organization costs of Al-Haq Inc. are to be written off.

During May 2004, the company's registrar had officially approved the liquidation of the corporation and based on that the Ministry of Interior approved the registration of the new entity as an NGO.

2. Summary of Significant Accounting Policies:

a. Basis of Accounting and Presentation:

The financial statements have been prepared on the accrual basis of accounting and in conformity with International Accounting Standards.

The net assets of Al Haq and changes therein are classified as follows:

- Unrestricted net assets - Net assets whose use by Al Haq is not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets whose use by Al Haq is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of Al Haq pursuant to those donor-imposed stipulations.

2. Summary of Significant Accounting Policies: (continued)

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on disposition of fixed assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by donors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported as net assets released from restrictions.

b. Grants:

Grants are recorded when received; contribution receivable represents amounts due from funding organizations for expenses and costs incurred through 31 December 2004.

c. Non Operating Revenues:

Donated property and equipment are recorded at the fair market value at the date of donation and are recorded under "Non Operating Revenue" in the statement of activities.

d. Fixed Assets and Depreciation:

Fixed Assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets ranging from 6% to 20%.

Library Books:

The balance of this account includes the cost of all books, encyclopedias and periodicals acquired by Al-Haq and the fair values of donated books at the date of donation.

e. Reserves for Staff Benefits:

Severance Pay:

Al Haq provides for employees' severance pay by accruing for one month compensation for each year of service based on the last salary paid during the year.

Provident Fund:

Al Haq has a defined provident fund scheme that covers all employees. Employer and employees contributions are set at 5 % and 2.5 % of basic salaries. Contributions are funded in separate bank accounts earmarked for those purposes.

f. Foreign Currency Transactions:

The books of accounts are maintained in U.S. Dollar and Israeli Shekel. Transactions, which are denominated in currencies other than U.S. Dollar, are converted into U.S. Dollar as follows:

- Transactions, including grants received, which are expressed or denominated in currencies other than U.S. Dollar are converted into U.S. Dollar at the actual exchange rate prevailing at the date of each transaction.
- Balances of assets and liabilities in currencies other than U.S. Dollar are translated to U.S. Dollar at the exchange rate prevailing at the balance sheet date.
- Exchange differences arising from the translation of assets and liabilities is charged to the statement of activities and change in net assets.

3. Cash on Hand and at Banks:

Composition:

	<u>2004</u>	<u>2003</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on Hand	95	444
Deposits with banks in Shekel	(14,185)	(2,141)
Deposits with banks in US Dollar	75,767	139,440
Deposits with banks in EURO	<u>9,829</u>	<u>7,702</u>
	<u>71,506</u>	<u>145,445</u>

4. Grants Receivable:

Composition of this account as of 31 December 2004 by funding source is as follows:

	<u>2004</u>	<u>2003</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
CIDA	20,000	-
German Fund	-	1,089
	<u>20,000</u>	<u>1,089</u>

5. Other Assets:

Composition:

	<u>2004</u>	<u>2003</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Prepaid Expenses	4,513	3,873
Key money right	<u>5,609</u>	<u>5,609</u>
	<u>10,122</u>	<u>9,482</u>

6. Fixed Assets and library resources– Net of Accumulated Depreciation:

Composition:

	<u>2004</u>	<u>2003</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Furniture	9,291	8,651
Equipment	64,783	51,988
Library Books	<u>121,560</u>	<u>104,791</u>
<i>Sub-total</i>	195,634	165,430
Accumulated Depreciation	<u>(44,938)</u>	<u>(25,941)</u>
	<u>150,696</u>	<u>139,489</u>

7. Payables and Accruals:

Composition:

	<u>2004</u>	<u>2003</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Professional Fees	7,020	12,703
Income Tax withheld	183	3,929
Due to service Providers and employees	4,322	1,541
Others	660	1,357
	<u>12,185</u>	<u>19,530</u>

8. Reserves for Severance Pay and Provident Fund:

Composition:

	<u>2004</u>	<u>2003</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Provident Fund	47,870	48,894
Severance Pay	85,963	84,359
	<u>133,833</u>	<u>133,253</u>

9 - Releases from temporarily restricted assets by funding source for the year ended December 31, 2004 is as follows:

	Unexpended Grant as of 31-12-03 U.S. \$	Grants Received U.S. \$	Available Grants 2004 U.S. \$	Released Grants in 2004 U.S. \$	Unexpended Grant as of 31-12-04 U.S. \$
<u>Restricted Grants:</u>					
Ford Foundation		100,000	100,000	100,000	-
International Commission of Jurists (ICJ of Sweden)		107,694	107,694	107,694	-
European Union		35,287	35,287	28,450	6,837
Representative Office of the Kingdom of the Netherlands	103,994	239,097	343,091	304,644	38,447
Canadian International Development Agency	30,000	20,000	50,000	50,000	-
Global Ministries of the Uniting Protestant Churches in the Netherlands		12,526	12,526	12,526	-
Diakonia		75,319	75,319	25,683	49,636
Total	133,994	589,923	723,917	628,997	94,920