

Al Haq / Law in the Service of Man
Ramallah

Financial Statements
and
Auditors' Report

31 December 2005

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 2005* and the related Statements of Activities and Change in Net Assets and Cash Flows for the year ended 31 December 2005. 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 2005*, the results of its operations, change in its net assets and its cash flows for the year then ended in conformity with *International Financial Reporting Standards*.

**Peter Husarry
Deloitte Touche Middle East
Certified Public Accountants**

Ramallah

27 March 2006

Al Haq - Law in the Service of Man

Balance Sheet

As of 31 December 2005

With Comparative Figures for 2004

	<u>Note</u>	<u>2005</u> U.S. \$	<u>2004</u> U.S. \$
Assets			
Cash on Hand and at Banks	3	268,567	71,506
Deposits with Banks Restricted for Staff Benefits		105,015	112,628
Loans to Staff and advances	4	17,477	8,604
Grants Receivable - CIDA		-	20,000
Other Assets	5	9,466	10,122
Fixed Assets and library resources - Net of Accumulated Depreciation	6	156,100	150,696
Total Assets		<u>556,625</u>	<u>373,556</u>
 Liabilities and Net Assets			
Liabilities :			
Payables and Accruals	7	21,825	12,185
Reserves for Severance Pay and Provident Fund	8	159,631	133,833
Total liabilities		<u>181,456</u>	<u>146,018</u>
 Net Assets :			
Unrestricted		231,522	132,618
Temporarily Restricted		143,647	94,920
Total Net Assets (Statement-B)		<u>375,169</u>	<u>227,538</u>
Total Liabilities and Net Assets		<u>556,625</u>	<u>373,556</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 2005
With Comparative Figures for 2004

	Note	Temporarily		Total	
		Unrestricted	Restricted	2005	2004
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
Grants and Revenues:					
Grants	9		853,604	853,604	589,923
Grants from Global Ministries of the United Protestant Churches in the Netherlands		13,500		13,500	-
Other Revenues		17,543		17,543	8,684
Total		31,043	853,604	884,647	598,607
Net assets released from restrictions	2.a	804,877	(804,877)		
		835,920	48,727	884,647	598,607
Administrative Expenses:					
Salaries, honoraria and related expenses		84,338		84,338	82,102
Professional services		8,120		8,120	8,992
Occupancy costs		2,246		2,246	1,937
Communication and advertisement		7,277		7,277	5,544
Stationery, office supplies and hospitality		2,914		2,914	3,425
Repairs and maintenance		950		950	1,178
Total Administrative Expenses:		105,845		105,845	103,178
Program Expenses:					
Salaries, honoraria, researches and related expenses		368,436		368,436	355,156
Staff development costs		12,823		12,823	3,010
International travel / per diem and outside conferences		21,949		21,949	25,778
Transportation		7,959		7,959	10,290
Printings, publications and translation		28,702		28,702	41,195
Volunteers residency costs		6,671		6,671	7,051
Resource material / film production		5,338		5,338	2,235
Occupancy costs		12,710		12,710	10,965
Communication and advertisement		29,120		29,120	22,170
Stationery, office supplies and hospitality		8,744		8,744	10,275
Repairs and maintenance		5,390		5,390	6,675
Bank charges		1,368		1,368	695
Workshops and local conferences		26,313		26,313	4,027
Media campaign and film processing		7,584		7,584	23,430
Other program expenses		1,378		1,378	1,672
Total Program Expenses:		544,485	-	544,485	524,624
Other Expenses:					
External Evaluation		55,855		55,855	-
Experts Seminar		46,021		46,021	-
Depreciation		22,227		22,227	18,997
Loss (Gain) on currency fluctuations		2,813		2,813	1,195
Total Other Expenses:		126,916	-	126,916	20,192
Total Expenses		777,246	-	777,246	647,994
Excess (Deficit) of grants and revenues over (under) expenses		58,674	48,727	107,401	(49,387)
Refund from the European Commission for Secretriare Project		40,230		40,230	-
Net assets at beginning of year		132,618	94,920	227,538	276,925
Net Assets at End of Year (Statement-A)		231,522	143,647	375,169	227,538

See Notes to Financial Statements

Al Haq - Law in the Service of Man

Statement of Cash Flows Year Ended 31 December 2005 With Comparative Figures for 2004

	2005	2004
	U.S. \$	U.S. \$
Cash flows from operating activities:		
Grants received	927,334	571,012
Other revenues	17,543	8,684
Cash paid to employees and suppliers	(727,798)	(635,475)
Net cash provided by (used in) operating activities	217,079	(55,779)
Cash flows from investing activities:		
Procurement of fixed assets	(27,631)	(30,204)
Increase (Decrease) in cash during the year	189,448	(85,983)
Cash on hand and deposits with banks at beginning of year	184,134	270,117
Cash on hand and deposits with banks at end of year	373,582	184,134
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	147,631	(49,387)
Provision for staff benefits	25,798	580
Depreciation	22,227	18,997
Decrease (Increase) in contributions receivable	20,000	(18,911)
Decrease (Increase) in receivables and staff advances	(8,873)	927
Decrease (Increase) in other assets	656	(640)
Increase (Decrease) in payables and accruals	9,640	(7,345)
Net cash provided by operating activities	217,079	(55,779)

See Notes to Financial Statements

Al Haq - Law in The Service of Man

Notes to Financial Statements

Year Ended 31 December 2005

With Comparative Figures for 2004

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 2005.

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>2005</u>	<u>2004</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on Hand	96	95
Deposits with banks in Shekel	11,521	(14,185)
Deposits with banks in US Dollar	233,251	75,767
Deposits with banks in EURO	<u>23,699</u>	<u>9,829</u>
	<u>268,567</u>	<u>71,506</u>

4. Loans to Staff and Advances:

Composition of this account is as follows:

	<u>2005</u>	<u>2004</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Loans to Staff	13,221	6,500
Travel and Workshop Advances	<u>4,256</u>	<u>2,104</u>
	<u>17,477</u>	<u>8,604</u>

5. Other Assets:

Composition:

	<u>2005</u>	<u>2004</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Prepaid Expenses	3,857	4,513
Key money right	<u>5,609</u>	<u>5,609</u>
	<u>9,466</u>	<u>10,122</u>

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

Composition:

	<u>2005</u>	<u>2004</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Furniture	13,094	9,291
Equipment	77,310	64,783
Library Books	<u>132,861</u>	<u>121,560</u>
<i>Sub-total</i>	223,265	195,634
Accumulated Depreciation	<u>(67,165)</u>	<u>(44,938)</u>
	<u>156,100</u>	<u>150,696</u>

7. Payables and Accruals:

Composition:

	<u>2005</u>	<u>2004</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Professional Fees	4,060	7,020
Income Tax withheld	3,210	183
Due to service Providers and employees	13,506	4,322
Others	<u>1,049</u>	<u>660</u>
	<u>21,825</u>	<u>12,185</u>

8. Reserves for Severance Pay and Provident Fund:

Composition:

	<u>2005</u>	<u>2004</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Provident Fund	58,591	47,870
Severance Pay	101,040	85,963
	<u>159,631</u>	<u>133,833</u>

9 - Releases from temporarily restricted assets by funding source for the year ended December 31, 2005 is as follows:

	Unexpended	Available	Releases		Total	Unexpended	
	Grant as of	Grants	Fixed Assets	Program /	Released	Grant as of	
	31-12-04	Received	Grants	Administration	in 2005	31-12-05	
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Ford Foundation		140,000	140,000	7,631	132,369	140,000	-
Swedish International Development Agency (SIDA)		106,994	106,994	5,000	78,867	83,867	23,127
European Commission	6,837	15,387	22,224		22,224	22,224	-
Representative Office of the Kingdom of the Netherlands	38,447	362,346	400,793	15,000	367,793	382,793	18,000
Canadian International Development Agency		8,541	8,541		0	0	8,541
EED		66,420	66,420		40,152	40,152	26,268
OSI Development Foundation		50,000	50,000		37,500	37,500	12,500
Consulate of Spain		13,222	13,222		13,222	13,222	-
Christian Aid		20,000	20,000		15,000	15,000	5,000
Diakonia	49,636	70,694	120,330		70,119	70,119	50,211
Total	94,920	853,604	948,524	27,631	777,246	804,877	143,647