

**Al Haq- Law in the Service of Man**

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**Auditors' Report  
and  
Financial Statements**

**December 31, 2006**

# Al Haq- Law in the Service of Man

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To the Board of Trustees of  
Al-Haq Law in the Service of Man  
Ramallah,

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## INDEPENDENT AUDITOR'S REPORT

### *Report on the financial statements*

We have audited the accompanying financial statements of **Al-Haq-Law in the Service of Man (Not for Profit Entity)**, which comprise of the statement of financial position as at 31 December 2006, and the statement of activities and changes in net assets, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's 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 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.

# Deloitte.

## *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of **Al-Haq- Law in the Service of Man** as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte & Touche*

Deloitte Touche (M.E)  
31 March 2007

## Al Haq - Law in the Service of Man

### Statement of Financial Position

As of 31 December 2006

		<u>2006</u>	<u>2005</u>
	<u>Note</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<b>Assets</b>			
Cash on Hand and at Banks	3	252,782	268,567
Deposits with Banks Restricted for Staff Benefits		171,944	105,015
Loans and advances to Staff	4	15,789	17,477
Other Assets	5	10,712	9,466
Fixed Assets and library resources - Net of Accumulated Depreciation	6	158,392	156,100
<b>Total Assets</b>		<b><u>609,619</u></b>	<b><u>556,625</u></b>
 <b>Liabilities and Net Assets</b>			
<b>Liabilities :</b>			
Payables and Accruals	7	15,385	21,825
Reserves for Severance Pay and Provident Fund	8	179,276	159,631
<b>Total liabilities</b>		<b><u>194,661</u></b>	<b><u>181,456</u></b>
 <b>Net Assets :</b>			
Unrestricted		249,655	231,522
Temporarily Restricted		165,303	143,647
<b>Total Net Assets ( Statement-B)</b>		<b><u>414,958</u></b>	<b><u>375,169</u></b>
<b>Total Liabilities and Net Assets</b>		<b><u>609,619</u></b>	<b><u>556,625</u></b>

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 2006

	Note	Temporarily		Total	
		Unrestricted	Restricted	2006	2005
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Grants and Revenues:</b>					
Grants	10		755,353	755,353	867,104
Other Revenues	9	15,840		15,840	17,543
<b>Total</b>		<b>15,840</b>	<b>755,353</b>	<b>771,193</b>	<b>884,647</b>
Net assets released from restrictions	2.a	733,697	(733,697)		
		<b>749,537</b>	<b>21,656</b>	<b>771,193</b>	<b>884,647</b>
<b>Administrative Expenses:</b>					
Salaries, honoraria and related expenses		103,270		103,270	84,338
Professional services		6,138		6,138	8,120
Occupancy costs		2,305		2,305	2,246
Communication and advertisement		3,490		3,490	7,277
Stationery, office supplies and hospitality		1,601		1,601	2,914
Repairs and maintenance		1,422		1,422	950
Other Operating Expenses		3,377		3,377	0
<b>Total Administrative Expenses:</b>		<b>121,603</b>	<b>0</b>	<b>121,603</b>	<b>105,845</b>
<b>Program Expenses:</b>					
Salaries, honoraria, researches and related expenses		398,082		398,082	368,436
Staff development costs		11,731		11,731	12,823
International travel / per diem and outside conferences		22,330		22,330	21,949
Transportation		10,606		10,606	7,959
Printings, publications and translation		35,431		35,431	28,702
Volunteers residency costs		7,553		7,553	6,671
Resource material / film production		0		0	5,338
Occupancy costs		13,669		13,669	12,710
Communication and advertisement		24,139		24,139	29,120
Stationery, office supplies and hospitality		20,932		20,932	8,744
Repairs and maintenance		9,558		9,558	5,390
Bank charges		703		703	1,368
Workshops and local conferences		31,106		31,106	26,313
Media campaign and film processing		3,264		3,264	7,584
Library resources and other program expenses		4,250		4,250	1,378
<b>Total Program Expenses:</b>		<b>593,354</b>	<b>0</b>	<b>593,354</b>	<b>544,485</b>
<b>Other Expenses:</b>					
External Evaluation and Eperets Seminar		1,232		1,232	101,876
Depreciation		22,936		22,936	22,227
Loss (Gain) on currency fluctuations		(7,722)		(7,722)	2,813
<b>Total Other Expenses:</b>		<b>16,446</b>	<b>0</b>	<b>16,446</b>	<b>126,916</b>
<b>Total Expenses</b>		<b>731,404</b>	<b>0</b>	<b>731,404</b>	<b>777,246</b>
Excess (Deficit) of grants and revenues over (under) expenses		<b>18,133</b>	<b>21,656</b>	<b>39,789</b>	<b>107,401</b>
Refund from the European Commission for Secretriarte Project				-	<b>40,230</b>
Net assets at beginning of year		231,522	143,647	375,169	227,538
<b>Net Assets at End of Year ( Statement-A)</b>		<b>249,655</b>	<b>165,303</b>	<b>414,958</b>	<b>375,169</b>

See Notes to Financial Statements

## Al Haq - Law in the Service of Man

### Statement of Cash Flows

Year Ended 31 December 2006

	<b>2006</b>	<b>2005</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
<b>Cash flows from operating activities:</b>		
Grants received	755,353	927,334
Other revenues	15,840	17,543
Cash paid to employees and suppliers	(761,750)	(720,185)
<b>Net cash provided by (used in) operating activities</b>	<b>9,443</b>	<b>224,692</b>
<b>Cash flows from investing activities:</b>		
Procurement of fixed assets	(25,228)	(27,631)
<b>Increase (Decrease) in cash during the year</b>	<b>(15,785)</b>	<b>197,061</b>
Cash on hand and deposits with banks at beginning of year	268,567	71,506
<b>Cash on hand and deposits with banks at end of year</b>	<b>252,782</b>	<b>268,567</b>
 <b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in net assets	39,789	147,631
Decrease (Increase) in Deposits restricted for staff benefits	(66,929)	7,613
Provision for staff benefits	19,645	25,798
Depreciation	22,936	22,227
Decrease (Increase) in contributions receivable		20,000
Decrease (Increase) in receivables and staff advances	1,688	(8,873)
Decrease (Increase) in other assets	(1,246)	656
Increase (Decrease) in payables and accruals	(6,440)	9,640
<b>Net cash provided by operating activities</b>	<b>9,443</b>	<b>224,692</b>

See Notes to Financial Statements

# **Al Haq - Law in The Service of Man**

## **Notes to Financial Statements**

### **Year Ended 31 December 2006**

### **With Comparative Figures for 2005**

#### **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 2005, 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 2006.

### 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>2006</u>	<u>2005</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on Hand	241	96
Deposits with banks in Shekel (overdrawn)	(14,617)	11,521
Deposits with banks in US Dollar	170,681	233,251
Deposits with banks in EURO	<u>96,477</u>	<u>23,699</u>
	<u><b>252,782</b></u>	<u><b>268,567</b></u>

### 4. Loans to Staff and Advances:

#### Composition of this account is as follows:

	<u>2006</u>	<u>2005</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Loans to Staff	12,237	13,221
Travel and Workshop Advances	<u>3,552</u>	<u>4,256</u>
	<u><b>15,789</b></u>	<u><b>17,477</b></u>

### 5. Other Assets:

#### Composition:

	<u>2006</u>	<u>2005</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Prepaid Expenses	5,103	3,857
Key money right	<u>5,609</u>	<u>5,609</u>
	<u><b>10,712</b></u>	<u><b>9,466</b></u>

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

#### Composition:

	<u>2006</u>	<u>2005</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Furniture	14,076	13,094
Equipment	90,953	77,310
Library Books	<u>143,465</u>	<u>132,861</u>
<i>Sub-total</i>	248,494	223,265
Accumulated Depreciation	<u>(90,102)</u>	<u>(67,165)</u>
	<u><b>158,392</b></u>	<u><b>156,100</b></u>

### 7. Payables and Accruals:

#### Composition:

	<u>2006</u>	<u>2005</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Professional Fees	5,573	4,060
Income Tax withheld	1,775	3,210
Due to service Providers and employees	7,467	13,506
Others	<u>570</u>	<u>1,049</u>
	<u><b>15,385</b></u>	<u><b>21,825</b></u>

## 8. Reserves for Severance Pay and Provident Fund:

### Composition:

	<u>2006</u>	<u>2005</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Provident Fund	58,414	58,591
Severance Pay	<u>120,862</u>	<u>101,040</u>
	<u>179,276</u>	<u>159,631</u>

## 9. Other Revenues:

### Composition:

	<u>2006</u>
	<u>U.S. \$</u>
Refunded Travel Costs	5,875
Bank Interests	870
Others	<u>9,095</u>
	<u>15,840</u>

**10 - Releases from temporarily restricted assets by funding source for the year ended December 31, 2006 is as follows:**

	Unexpended		Available	Releases		Total	Unexpended
	Grant as of	Grants	Grants	Fixed Assets	Program /	Released	Grant as of
	31-12-05	Received	2006	and Library	Administration	in 2006	31-12-06
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Ford Foundation		100,000	<b>100,000</b>	1,916	48,084	<b>50,000</b>	<b>50,000</b>
Swedish International Development Agency (SIDA)	23,127	-	<b>23,127</b>	886	22,241	<b>23,127</b>	-
Representative Office of the Kingdom of the Netherlands	18,000	170,799 *	<b>188,799</b>	7,235	181,564	<b>188,799</b>	-
Canadian International Development Agency	8,541	8,654	<b>17,195</b>		17,195	<b>17,195</b>	-
EED	26,268	65,547	<b>91,815</b>	3,520	88,295	<b>91,815</b>	-
OSI Development Foundation	12,500	85,000	<b>97,500</b>	2,590	65,000	<b>67,590</b>	<b>29,910</b>
Christian Aid	5,000	30,000	<b>35,000</b>	1,341	33,659	<b>35,000</b>	-
Diakonia	50,211	7,958	<b>58,169</b>		58,169	<b>58,169</b>	-
Irish Aid		125,000	<b>125,000</b>	2,592	65,037	<b>67,629</b>	<b>57,371</b>
Representative Office of Norway		62,395	<b>62,395</b>	1,317	33,056	<b>34,373</b>	<b>28,022</b>
Mu'assasat		100,000	<b>100,000</b>	3,832	96,168	<b>100,000</b>	-
<b>Total</b>	<b>143,647</b>	<b>755,353</b>	<b>899,000</b>	<b>25,229</b>	<b>708,468</b>	<b>733,697</b>	<b>165,303</b>

\* Net of U.S. \$ 18,000 refunded to the donor during the year 2006