

Al-Haq “Law in the Service of Man”

**Financial Statements
and
Independent Auditor’s Report**

**For the Year Ended
31 December 2009**

Al-Haq “Law in the Service of Man”

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **Al-Haq "Law in the Service of Man" (Not for Profit Organization)**, which comprise of the statement of financial position as at December 31, 2009, the statement of activities, change in net assets and cash flows 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 and United States of America Statements on Financial Accounting Standards No. 116, 117, and 124. 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 Organization'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 Organization'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 financial statements give a true and fair view of the financial position of **Al-Haq “Law in the Service of Man”** as of December 31, 2009, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the United States of America Statements on Financial Accounting Standards No. 116, 117, and 124.

A handwritten signature in blue ink that reads "Deloitte & Touche".

Deloitte & Touche (M.E.)

10 April 2010

Al-Haq "Law in the Service of Man"

Statement of Financial Position

As of 31 December 2009

	Note	2009 U.S. \$	2008 U.S. \$
Assets			
Current Assts			
Cash on Hand and at Banks	3	920,393	446,651
Grants Receivable	5	50,000	37,500
Loans and advances	6	42,360	39,769
Other Assets	7	16,882	13,291
Total Current Assets		1,029,635	537,211
Bank Deposits for Specific Purposes	4	384,464	466,895
Property, Equipment and Library Resources, Net	8	209,567	188,943
Land	9	87,500	-
Total Assets		1,711,166	1,193,049
Liabilities and Net Assets			
Liabilities :			
Payables and Accruals	10	83,887	41,809
Reserves for Severance Pay and Provident Fund	11	434,675	354,413
Total liabilities		518,562	396,222
Net Assets :			
Unrestricted (Statement-C)		309,111	207,211
Temporarily Restricted (Statement-C)		843,183	470,272
Board Designated Fund (Statement-C)		40,310	119,344
Total Net Assets		1,192,604	796,827
Total Liabilities and Net Assets		1,711,166	1,193,049

See Notes to Financial Statements

Al-Haq "Law in the Service of Man"

Statement of Activities

Year Ended 31 December 2009

Note	Temporarily		Total	
	Unrestricted	Restricted	2009	2008
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Grants and Revenues:				
Grants	13	-	1,561,859	1,311,480
Interest and Other Revenues		8,466	8,466	18,210
Total		8,466	1,570,325	1,329,690
Net Assets Released From Restrictions	13	1,188,948	(1,188,948)	
		1,197,414	372,911	1,570,325
Administrative Expenses:				
Salaries and Related expenses		160,610	160,610	158,333
Staff Training and Recreation		10,892	10,892	16,680
Professional services		6,298	6,298	7,023
Occupancy costs		17,010	17,010	18,050
Communication and advertisement		16,712	16,712	20,779
Stationery, office supplies and hospitality		7,513	7,513	7,870
Repairs and maintenance		16,622	16,622	13,004
Printings, Publications and Translation		924	924	3,885
Transportation		1,189	1,189	1,647
Volunteers Costs		13,328	13,328	13,355
Institutional Development		6,704	6,704	11,158
Other Expenses		754	754	3,821
Total Administrative Expenses:		258,556	-	275,605
Program Expenses:				
Salaries and Related expenses		484,282	484,282	501,388
Communication and advertisement		9,409	9,409	5,795
Stationery, office supplies and hospitality		12,404	12,404	5,977
Printings, Publications and Translation		20,845	20,845	13,185
Transportation		9,345	9,345	9,727
Library Resources		4,747	4,747	4,860
International Travel and Perdiem		46,920	46,920	34,803
Legal Litigation		13,007	13,007	20,602
Publicity and Media Campaign		6,919	6,919	14,208
Workshops, Local Conferences and Seminars		11,692	11,692	19,373
Al Haq 30th Anniversary Activities		51,132	51,132	-
Total Program Expenses:		670,702	-	629,918
Other Expenses:				
Special Project - Diakonia Project	12.a	148,152	148,152	155,953
Special Project - FORD Project	12.b	43,795	43,795	-
Special Project - ICCO & Kerk in Actie Project	12.c	11,896	11,896	-
Depreciation		35,223	35,223	34,555
Gain on currency fluctuations		6,224	6,224	(195)
Total Other Expenses:		245,290	-	190,313
Total Expenses		1,174,548	-	1,095,836
Increase (Decrease) in Net Assets During the Year (Statement-C)		22,866	372,911	233,854

See Notes to Financial Statements

Al-Haq "Law in the Service of Man"
Statement of Changes in Net Assets
Year Ended 31 December 2009

	Net Assets			
	Unrestricted	Temporarily Restricted	Board Designated Fund	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>Year Ended 31 December 2009:</u>				
Balances at Beginning of Year	207,211	470,272	119,344	796,827
Change in Net Assets During the Year (Statement-B)	22,866	372,911	-	395,777
Release toward cost of land	87,500		(87,500)	-
Transfer to Board Designated Fund / Other Revenues	(8,466)		8,466	-
Net Assets at End of Year (Statement-A)	309,111	843,183	40,310	1,192,604
<u>Year Ended 31 December 2008:</u>				
Balances at Beginning of Year	215,529	246,310	101,134	562,973
Change in Net Assets During the Year (Statement-B)	9,892	223,962	-	233,854
Transfer to Board Designated Fund	(18,210)		18,210	-
Net Assets at End of Year (Statement-A)	207,211	470,272	119,344	796,827

See accompanying notes to financial statements

Al-Haq "Law in the Service of Man"
Statement of Cash Flows
Year Ended 31 December 2009

	2009	2008
	U.S. \$	U.S. \$
Cash flows from operating activities:		
Grants received	1,549,359	1,273,980
Other revenues	8,466	18,210
Cash paid to employees and suppliers	(940,736)	(1,184,602)
Net cash provided by operating activities	617,089	107,588
Cash flows from investing activities:		
Procurement of Property, Equipment and Library Resources	(55,847)	(26,042)
Procurement of land	(87,500)	0
	(143,347)	(26,042)
Increase (Decrease) in cash during the year	473,742	81,546
Cash on hand and deposits with banks at beginning of year	446,651	365,105
Cash on hand and deposits with banks at end of year	920,393	446,651
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Change in net assets	395,777	233,854
Increase in bank deposits restricted for special purposes	82,431	(194,939)
Provision for staff benefits, net of indemnities paid	80,262	82,638
Depreciation	35,223	34,555
Decrease (Increase) in grants receivable	(12,500)	(37,500)
Decrease (Increase) in Loans and advances	(2,591)	(3,526)
Decrease (Increase) in other assets	(3,591)	(3,306)
Increase (Decrease) in payables and accruals	42,078	(4,188)
Net cash provided by operating activities	617,089	107,588

See Notes to Financial Statements

Al-Haq “Law in the Service of Man”
Notes to Financial Statements
Year Ended 31 December 2009
(Amounts are presented in U.S Dollar)

1. Organization:

Al-Haq “Law in the Service of Man” (Al Haq), (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.

Al Haq is registered with all concerned ministries of the Palestinian Authority.

2. Summary of Significant Accounting Policies:

2.1 The financial statements of Al Haq have been prepared on accrual basis of accounting using the historical cost convention, International Financial Reporting Standard and United States of America Statements on Financial Accounting Standards No. 116, 117, and 124.

The significant accounting policies followed are described below:

Adoption of new and revised International Financial Reporting Standards (IFRSs):

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The organization has adopted the following (if relevant) and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009,
- IFRS 2 Share-based Payment: Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adoption is permitted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidation and Separate Financial Statements (Amended) effective 1 July 2009 (early adoption is permitted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39.
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009,
- IFRS 8 Operating Segments effective 1 January 2009,
- IAS 1 Presentation of Financial Statements effective 1 January 2009,
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009,

2. Summary of Significant Accounting Policies: (Continued)

- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective January 1 2009,
- IAS 39 Financial Instruments: Recombination and Measurement – Eligible Hedged Items effective 1 July 2009 (early adoption is permitted),
- IFRIS 9 Re-measurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009,
- IFRIC 31 Customer Loyalty Programs effective 1 July 2008,
- IFRIC 16 Hedged of a Net Investment in a Foreign Operation effective 1 October 2008,
- IFRIC 18 *Transfers of Assets From Customers* effective 1 July 2009 (early adoption is permitted),
- Improvements To IFRSs (May 2008),
- Improvements To IFRSs (April 2009 ,(Early adoption is permitted).

Those amendments to the standards had no effect on the financial position or the results of operation of Al Haq.

Standards issued but not yet effective

- Standards issued but not effective up to the date of issuance of the Al Haq's financial statements are listed below.
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*.

This Interpretation is effective for annual periods beginning on or after 1 July 2009 with (early adoption is permitted). It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and the liability. Al Haq does not expect IFRIC 17 to have an impact on its financial statements as Al Haq has not made non-cash distributions to owners in the past.

2. Summary of Significant Accounting Policies: (Continued)

2.2 Al-Haq maintains its accounts in accordance with the principles of fund accounting under which the resources for various purposes are classified into three classes of net assets as described below:

- *Unrestricted net assets* represent net assets whose use by Al-Haq is not subject to donor-imposed restrictions.
- *Temporarily restricted net assets* whose use by Al-Haq is limited by donor-imposed and restriction that either expire by passage of time or can be fulfilled and released by actions of Al-Haq pursuant to those donor-imposed stipulations.
- *Board designated net assets*- represents resources available for use by Al-Haq according to the needs determined by the Board of Trustees.

2.3 *Estimates and assumptions*: The financial statements include certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the date of the financial statements, and the reporting of revenues, expenses, gains, and losses during the year. Actual results may differ from those estimates adopted by Al-Haq's management. Estimates used in the preparation of the financial statements are the useful lives of fixed assets and all other provisions.

2.4 *Contributions and grants*, revenues from private grant and contract agreements are recognized as it is earned through expenditures in accordance with the agreements. Any funding received in advance of expenditures is recorded as deferred contribution in the statement of financial position.

Donated equipment, books and other supplies are reported as non-operating income and are valued at their fair values on the date of receipt.

Contributions Receivable represents amounts due from funding organizations for expenditures incurred prior to receiving related funds.

2.6 *Cash and cash equivalents* include cash on hand and deposits with banks with maturity dates of 90 days or less.

2.7 Property, Equipment, Library Resources and Depreciation:

Furniture and Equipment and Books are stated in the attached financial statements based on historical cost and net of accumulated depreciation. Depreciation rates are as set below:

<u>Component</u>	<u>Estimated Service Life</u>
Office equipment	5 years
Office Furniture	14 years
Books	14 years

Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets.

2. Summary of Significant Accounting Policies: (Continued)

2.8 Library Books: Books, encyclopedias and periodicals acquired by Al-Haq or donated by third parties are included in this account. Donated books are presented at their fair values on the date of donation.

2.9 Liabilities toward Staff benefits

- **Severance pay:** The policy of Al-Haq is to provide for staff severance pay by accruing for one-month compensation for each year of service using the last salary paid during the years.
- **Provident fund:** Al-Haq has a defined provident fund scheme that covers all employees. Contributions into the scheme by the employees and Al-Haq were 2.5% and 5% of basic salaries respectively. Effective 1 January 2007 contribution percentages by employees and Al-Haq became 4% and 8%, respectively.

2.10 Foreign Currency Transactions:

The books of accounts of Al-Haq are maintained in U.S Dollar. Transactions, which are denominated in currencies other than U.S Dollar are converted into U.S Dollar equivalent at the spot exchange rate prevailing on the date of each transaction.

Financial Statements in U.S Dollar

- Transactions and balances, which are originally expressed in U.S Dollar, are presented at the actual U.S Dollar received or paid.
- Balances of assets and liabilities which are expressed in currencies other than U.S Dollar are translated to U.S Dollar equivalent using the exchange rate prevailing at the date of the financial statements of NIS 3.798 per U.S Dollar and 0.6977 Euro per U.S Dollar.
- 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:

	31 December	
	2009	2008
Cash on Hand	540	340
Deposits with banks in Shekel (overdrawn)	(28,111)	3,791
Deposits with banks in US Dollar	767,248	350,844
Deposits with banks in EURO	180,716	91,676
	<u>920,393</u>	<u>446,651</u>

4. Bank Deposits Restricted for Specific Purposes:

Compositions of restricted deposits with banks and related obligations as of December 31, 2009 are as follows:

	<u>Amount of Deposit</u>	<u>Amount of Obligation</u>	<u>Excess (Deficit)</u>
Board Designated fund	29,287	40,310	(11,023)
Staff Benefits	355,177	434,675	(79,498)
	<u>384,464</u>	<u>474,985</u>	<u>(90,521)</u>

5. Grants Receivable:

Composition of this account is as follows:

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
Representative Office of the Kingdom of the Netherlands	-	37,500
NGO Development Center (NDC)	50,000	
	<u>50,000</u>	<u>37,500</u>

6. Loans and Advances:

Composition of this account is as follows:

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
Advances to Staff	39,052	36,628
Travel and Workshop Advances	3,308	3,141
	<u>42,360</u>	<u>39,769</u>

7. Other Assets:

Composition:

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
Prepaid Expenses	11,273	7,682
Key money right	5,609	5,609
	<u>16,882</u>	<u>13,291</u>

8. Property, Equipment and Library Resources, Net:

Composition:

	Furniture	Equipment	Library Books	Total
<u>Year Ended 31 December 2009:</u>				
Cost:				
Beginning 2009	14,939	163,824	162,092	340,855
Additions	589	45,096	10,162	55,847
Disposals	-	-	-	-
Ending 2009	15,528	208,920	172,254	396,702
Accumulated Depreciation:				
Beginning 2009	6,080	97,672	48,160	151,912
Additions	1,064	22,327	11,832	35,223
Disposals	-	-	-	-
Ending 2009	7,144	119,999	59,992	187,135
Net Book Value	8,384	88,921	112,262	209,567
<u>Year Ended 31 December 2008:</u>				
Cost:				
Beginning 2008	14,609	146,743	153,461	314,813
Additions	330	17,081	8,631	26,042
Disposals	-	-	-	-
Ending 2008	14,939	163,824	162,092	340,855
Accumulated Depreciation:				
Beginning 2008	5,042	75,264	37,051	117,357
Additions	1,038	22,408	11,109	34,555
Disposals	-	-	-	-
Ending 2008	6,080	97,672	48,160	151,912
Net Book Value	8,859	66,152	113,932	188,943

9. Land:

During 2009, Al Haq acquired one fourth of a parcel of land in partnership with another three local NGOs; the four NGOs intend to construct a building for their use.

The share of Al Haq from the total cost amounted to U.S Dollar 87,500 which was entirely settled in 2009 and was financed from the Board Designated Fund.

10. Payables and Accruals:**Composition:**

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
Due to service Providers and employees	55,524	32,423
Refundable Donation to Diakonia	21,670	-
Accrued Expenses	6,693	9,386
	<u>83,887</u>	<u>41,809</u>

11. Reserves for Severance Pay and Provident Fund:**a. Composition:**

	<u>31 December</u>	
	<u>2009</u>	<u>2008</u>
Provident Fund	184,830	142,474
Severance Pay	249,845	211,939
	<u>434,675</u>	<u>354,413</u>

B. Details of activities in these reserves during the year ended December 31, 2009 are as follows:

	<u>Provident Fund</u>	<u>Severance Pay</u>
<i>Balance as of 1 January 2009</i>	142,474	211,939
Provision charged for the year	46,897	54,282
	<u>189,371</u>	<u>266,221</u>
Payments	(4,541)	(16,376)
<i>Balance as of 31 December 2009</i>	<u>184,830</u>	<u>249,845</u>

12. Special Project:**a. Diakonia Project:**

The composition of expenses of the “Education and Monitoring of IHL in the Palestinian Territory” a project funded by Diakonia are as follows:

	<u>2009</u>	<u>2008</u>
Salaries and Related expenses	91,365	63,776
Printings, Publications and Translation	14,642	6,448
Transportation	1,171	1,704
Workshops, Local Conferences and Seminars	40,974	84,025
Total Expenses (statement-B)	<u>148,152</u>	<u>155,953</u>
Capital Additions (note-13)	37,018	2,325
	<u>185,170</u>	<u>158,278</u>

12. Special Project: (continued)

b. Ford Foundation Project:

The composition of expenses of the “Al Haq Institute for IHL and Human Rights Training and Studies” a project funded by Ford Foundation are as follows:

	<u>2009</u>	<u>2008</u>
Salaries and Related expenses	20,208	-
Workshops, Local Conferences and Seminars	23,587	-
Total Expenses (statement-B)	43,795	-
Capital Additions (note-13)	859	-
	<u>44,654</u>	<u>-</u>

c. ICCO & Kerk in Actie Project:

The composition of expenses of the “Accountability” a project funded by ICCO & Kerk in Actie are as follows:

	<u>2009</u>	<u>2008</u>
Salaries and Related expenses	2,650	-
Legal Litigation	9,246	-
Total Expenses (statement-B)	<u>11,896</u>	<u>-</u>

13 - Releases from temporarily restricted assets by funding source for the year ended December 31, 2009 is as follows:

	Unexpended Grant as of 31-12-08 U.S. \$	Grants Received U.S. \$	Available Grants 2009 U.S. \$	Releases		Total Released in 2009 U.S. \$	Unexpended Grant as of 31-12-09 U.S. \$
				Fixed Assets and Library U.S. \$	Program / Administration U.S. \$		
Core Funding:							
Ford Foundation	95,289		95,289	1,199	94,090	95,289	-
EED	-	186,193	186,193	2,343	98,208	100,551	85,642
OSI Development Foundation	60,333	200,000	260,333	3,276	107,057	110,333	150,000
Christian Aid	61,445		61,445	773	60,672	61,445	-
Irish Aid	97,761	88,928	186,689	2,349	95,412	97,761	88,928
Representative Office of Norway	90,764	156,163	246,927	3,108	87,656	90,764	156,163
NGO Development Center (NDC)	-	350,000	350,000	4,405	345,595	350,000	-
Rights & Democracy		7,877	7,877	99	7,778	7,877	-
Arab Human Rights Fund		10,000	10,000	126	9,874	10,000	-
Rosa Luxemburg Foundation		14,336	14,336	180	14,156	14,336	-
Spanish Ministry of Foreign Affairs		8,872	8,872	112	8,760	8,872	-
Special Projects:							
Diakonia (note-12.a)	64,680	120,490	185,170	37,018	148,152	185,170	-
Ford Foundation - IHL Project (note-12.b)		300,000	300,000	859	43,795	44,654	255,346
ICCO (note-12.c)		119,000	119,000	-	11,896	11,896	107,104
Total	470,272	1,561,859	2,032,131	55,847	1,133,101	1,188,948	843,183

14. Financial instruments, fair values and risks management:

- **Operational Risk**

The costs of the programs, administrative as well as fixed assets procurement are significantly financed by donors through donations. The management believes that the funding level in the year 2010 will be sufficient to finance all of its disbursements and will be consistent with the funding level in the prior years. Furthermore, the management believes that the political and economical conditions prevailing in the area will not materially affect its operations.

- **Fair Values of Financial Assets and Liabilities:**

The carrying book value of financial assets and liabilities are not materially different from their fair values at the date of the statement of financial position.

- **Credit Risk:**

Al-Haq credit risk is primarily attributable to its liquid funds and receivables. The credit risk on liquid funds is limited because they are placed with reputable financial institutions. The Receivables are stated in the statement of financial position net of allowances for doubtful debts, if any, which is estimated by Al-Haq management based on prior experience and the current economic environment.

- **Interest Rate Risk**

Al-Haq interest rate risk arises from the possibility that changes in market interest rates may affect the value of its interest bearing assets. The management of Al-Haq usually monitor the fluctuation in interest rates in every individual currency in order to maximize the benefits from placements.

- **Currency Risk:**

Currency risk arises from the possibility that changes in the exchange rates may affect negatively the value of the financial assets and liabilities in case Al-Haq does not hedge its currency exposure by means of hedging instruments. The management usually distributes its liquid assets over its functional currencies to minimize any possible loss from currency rates fluctuation.