

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

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

**For the Year Ended  
31 December 2007**

# **Al-Haq “Law in the Service of Man”**

## **Table of Contents**

	<b><u>Page</u></b>
Independent Auditor’s Report	-
Statement of Financial Position	1
Statement of Activities	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5–12

## 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, 2007, 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. 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, 2007, 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.)

3 March 2008

## Al-Haq "Law in the Service of Man"

## Statement of Financial Position

As of 31 December 2007

	Note	<u>2007</u> U.S. \$	<u>2006</u> U.S. \$
<b>Assets</b>			
Cash on Hand and at Banks	3	365,105	252,782
Restricted Bank Deposits	4	271,956	171,944
Loans and advances to Staff	5	36,243	15,789
Other Assets	6	9,985	10,712
Fixed Assets and library resources, net	7	197,456	158,392
<b>Total Assets</b>		<b><u>880,745</u></b>	<b><u>609,619</u></b>
 <b>Liabilities and Net Assets</b>			
<b>Liabilities :</b>			
Payables and Accruals	8	45,997	15,385
Reserves for Severance Pay and Provident Fund	9	271,775	179,276
<b>Total liabilities</b>		<b><u>317,772</u></b>	<b><u>194,661</u></b>
<b>Net Assets :</b>			
Unrestricted ( Statement-C)		215,529	249,655
Temporarily Restricted ( Statement-C)		246,310	165,303
Board Designated Fund ( Statement-C)		101,134	-
<b>Total Net Assets</b>		<b><u>562,973</u></b>	<b><u>414,958</u></b>
<b>Total Liabilities and Net Assets</b>		<b><u>880,745</u></b>	<b><u>609,619</u></b>

See Notes to Financial Statements

**Al-Haq "Law in the Service of Man"**  
**Statement of Activities**  
Year Ended 31 December 2007

	Note	Temporarily		Total	
		Unrestricted	Restricted	2,007	2006
		U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>Grants and Revenues:</b>					
Grants	11		1,104,142	1,104,142	755,353
Interest and Other Revenues		19,708		19,708	15,840
<b>Total</b>		<b>19,708</b>	<b>1,104,142</b>	<b>1,123,850</b>	<b>771,193</b>
Net Assets Released From Restrictions	11	1,023,135	(1,023,135)		
		<b>1,042,843</b>	<b>81,007</b>	<b>1,123,850</b>	<b>771,193</b>
<b>Administrative Expenses:</b>					
Salaries and Related expenses		146,150		146,150	103,270
Staff Training and Recreation		5,542		5,542	11,731
Professional services		6,145		6,145	6,138
Occupancy costs		15,791		15,791	15,974
Communication and advertisement		19,522		19,522	3,490
Stationery, office supplies and hospitality		6,647		6,647	1,601
Repairs and maintenance		8,106		8,106	1,422
Printings, Publications and Translation		1,221		1,221	1,784
Transportation		798		798	350
Volunteers Costs		12,995		12,995	7,553
Institutional Development		13,581		13,581	-
Library Resources		3,263		3,263	1,500
Accounting and Administrative Program Software		504		504	-
Bank Charges and Other Expenses		3,173		3,173	4,081
<b>Total Administrative Expenses:</b>		<b>243,438</b>	<b>-</b>	<b>243,438</b>	<b>158,894</b>
<b>Program Expenses:</b>					
Salaries and Related expenses		459,835		459,835	398,082
Communication and advertisement		6,208		6,208	24,139
Stationery, office supplies and hospitality		4,647		4,647	20,932
Repairs and maintenance				-	8,058
Printings, Publications and Translation		13,070		13,070	33,647
Transportation		9,437		9,437	6,557
Library Resources		2,046		2,046	4,250
International Travel and Perdiem		28,077		28,077	22,330
Legal Litigation		19,996		19,996	3,699
Publicity and Media Campaign		40,825		40,825	3,264
Workshops, Local Conferences and Seminars		17,807		17,807	31,106
<b>Total Program Expenses:</b>		<b>601,948</b>	<b>-</b>	<b>601,948</b>	<b>556,064</b>
<b>Other Expenses:</b>					
External Evaluation and Experts Seminar				-	1,232
Special Project	10	111,428		111,428	-
Depreciation		27,255		27,255	22,936
Loss on currency fluctuations		(8,234)		(8,234)	(7,722)
<b>Total Other Expenses:</b>		<b>130,449</b>	<b>-</b>	<b>130,449</b>	<b>16,446</b>
<b>Total Expenses</b>		<b>975,835</b>	<b>-</b>	<b>975,835</b>	<b>731,404</b>
<b>Change in Net Assets During the Year (Statement-D)</b>		<b>67,008</b>	<b>81,007</b>	<b>148,015</b>	<b>39,789</b>

See Notes to Financial Statements

**Al-Haq "Law in the Service of Man"**  
**Statement of Changes in Net Assets**  
Year Ended 31 December 2007

	Net Assets			
	Unrestricted	Temporarily Restricted	Board Designated Fund	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b><u>Year Ended 31 December 2007:</u></b>				
<b>Balances at Beginning of Year</b>	249,655	165,303	-	414,958
Change in Net Assets During the Year (Statement-B)	67,008	81,007	-	148,015
Transfer to Board Designated Fund	(101,134)		101,134	-
<b>Net Assets at End of Year (Statement-A)</b>	<b>215,529</b>	<b>246,310</b>	<b>101,134</b>	<b>562,973</b>
<b><u>Year Ended 31 December 2006:</u></b>				
<b>Balances at Beginning of Year</b>	231,522	143,647	-	375,169
Change in Net Assets During the Year (Statement-B)	18,133	21,656	-	39,789
<b>Net Assets at End of Year (Statement-A)</b>	<b>249,655</b>	<b>165,303</b>	<b>-</b>	<b>414,958</b>

See accompanying notes to financial statements

**Al-Haq "Law in the Service of Man"**  
**Statement of Cash Flows**  
Year Ended 31 December 2007

	<b>2007</b>	<b>2006</b>
	<b>U.S. \$</b>	<b>U.S. \$</b>
<b>Cash flows from operating activities:</b>		
Grants received	1,104,142	755,353
Other revenues	19,708	15,840
Cash paid to employees and suppliers	(945,208)	(761,750)
<b>Net cash provided by operating activities</b>	<b>178,642</b>	<b>9,443</b>
<b>Cash flows from investing activities:</b>		
Procurement of fixed assets	(66,319)	(25,228)
<b>Increase (Decrease) in cash during the year</b>	<b>112,323</b>	<b>(15,785)</b>
Cash on hand and deposits with banks at beginning of year	252,782	268,567
<b>Cash on hand and deposits with banks at end of year</b>	<b>365,105</b>	<b>252,782</b>
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Change in net assets	148,015	39,789
Increase in Deposits restricted for staff benefits	(100,012)	(66,929)
Provision for staff benefits	92,499	19,645
Depreciation	27,255	22,936
Decrease (Increase) in Loans and advances to Staff	(20,454)	1,688
Decrease (Increase) in other assets	727	(1,246)
Increase (Decrease) in payables and accruals	30,612	(6,440)
<b>Net cash provided by operating activities</b>	<b>178,642</b>	<b>9,443</b>

See Notes to Financial Statements



**Al-Haq “Law in the Service of Man”**  
**Notes to Financial Statements**  
**Year Ended 31 December 2007**  
**(Amounts are presented in U.S Dollar)**

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**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.

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. 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:**

**2.1** The financial statements of Al-Haq have been prepared on the accrual basis of accounting, International Financial Reporting Standard and those generally accepted accounting principles applicable to not for profit organizations.

### **2.2 Adoption of New and Revised International Financial Reporting Standards:**

The International Accounting Standards Board issued amendments to International Accounting Standards and issued new Financial Reporting Standards which have become effective January 1, 2007. This includes International Financial Reporting Standard No. 7 (Financial Instruments: Disclosures) which replaces IAS No. 30 and certain disclosure provisions in IAS No. 32 (Financial Instruments–Presentation and Disclosure) (effective for annual periods beginning on or after January 1, 2007).

**2.3** 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, but expandable only to settle the cost of land building (see note – 13).

**2.4 *Estimates and assumptions:*** The financial statements include certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the statement of financial position date, and the reporting of revenues, expenses, gains, and losses during the year. Actual results may differ from those estimates adopted by the Al-Haq's management. Estimates used in the preparation of the financial statements are depreciation rates and provision for severance pay.

**2.5 *Contributions and grants,*** revenues from private grant and contract agreements are recognized as it is earned through expenditures in accordance with the agreement. 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. Summary of Significant Accounting Policies: (Continued)

### 2.7 Fixed assets and Depreciation:

**Furniture and Equipment and Books** are stated in the attached financial statements based on historical cost as described below:

<u>Component</u>	<u>Estimated Service Life</u>	<u>Valuation Basis</u>
Office equipment	5 years	Historical Cost
Office Furniture	14 years	Historical Cost
Books	14 years	Historical Cost and Current Market Price for Donated Items

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

**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 of service.
- **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 statement of financial position date of NIS 3.85 per U.S Dollar and 0.68 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:

	<u>2007</u>	<u>2006</u>
Cash on Hand	227	241
Deposits with banks in Shekel (overdrawn)	2,241	(14,617)
Deposits with banks in US Dollar	227,308	170,681
Deposits with banks in EURO	135,329	96,477
	<u><b>365,105</b></u>	<u><b>252,782</b></u>

### 4. Restricted Bank Deposits:

Compositions of restricted deposits with banks and related obligations as of December 31, 2007 are as follows:

	<u>Amount of Deposit</u>	<u>Amount of Obligation</u>	<u>Excess (Deficit)</u>
Board Designated fund	-	101,134	(101,134)
Staff Benefits	271,956	271,775	181
	<u><b>271,956</b></u>	<u><b>372,909</b></u>	<u><b>(100,953)</b></u>

### 5. Loans and Advances to Staff:

Composition of this account is as follows:

	<u>2007</u>	<u>2006</u>
Loans to Staff	32,680	12,237
Travel and Workshop Advances	3,563	3,552
	<u><b>36,243</b></u>	<u><b>15,789</b></u>

### 6. Other Assets:

#### Composition:

	<u>2007</u>	<u>2006</u>
Prepaid Expenses	4,376	5,103
Key money right	5,609	5,609
	<u><b>9,985</b></u>	<u><b>10,712</b></u>

## 7. Fixed Assets and library resources, Net:

	Furniture	Equipment	Library Books	Total
<b><u>Year Ended 31 December 2007:</u></b>				
<b>Cost:</b>				
<b>Beginning 2007</b>	14,076	90,953	143,465	248,494
Additions	533	55,790	9,996	66,319
Disposals	--	--	--	--
<b>Ending 2007</b>	<b>14,609</b>	<b>146,743</b>	<b>153,461</b>	<b>314,813</b>
<b>Accumulated Depreciation:</b>				
<b>Beginning 2007</b>	4,032	59,448	26,622	90,102
Additions	1,010	15,816	10,429	27,255
Disposals	--	--	--	--
<b>Ending 2007</b>	<b>5,042</b>	<b>75,264</b>	<b>37,051</b>	<b>117,357</b>
<b>Net Book Value</b>	<b>9,567</b>	<b>71,479</b>	<b>116,410</b>	<b>197,456</b>
<b><u>Year Ended 31 December 2006:</u></b>				
<b>Cost:</b>				
<b>Beginning 2006</b>	13,094	77,310	132,861	223,265
Additions	982	13,643	10,604	25,229
Disposals	--	--	--	--
<b>Ending 2006</b>	<b>14,076</b>	<b>90,953</b>	<b>143,465</b>	<b>248,494</b>
<b>Accumulated Depreciation:</b>				
<b>Beginning 2006</b>	3,090	47,186	16,890	67,166
Additions	942	12,262	9,732	22,936
Disposals	--	--	--	--
<b>Ending 2006</b>	<b>4,032</b>	<b>59,448</b>	<b>26,622</b>	<b>90,102</b>
<b>Net Book Value</b>	<b>10,044</b>	<b>31,505</b>	<b>116,843</b>	<b>158,392</b>

## 8. Payables and Accruals:

### Composition:

	<u>2007</u>	<u>2006</u>
Audit Fees	6,145	5,573
Income Tax withheld	3,752	1,775
Due to service Providers and employees	36,100	7,467
Others	--	570
	<b>45,997</b>	<b>15,385</b>

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

### a. Composition:

	<u>2007</u>	<u>2006</u>
Provident Fund	101,546	58,414
Severance Pay	170,229	120,862
	<u>271,775</u>	<u>179,276</u>

B. Details of activities in these reserves during the year ended December 31, 2007 are as follows:

	<u>Provident Fund</u>	<u>Severance Pay</u>
<i>Balance as of 1 January 2007</i>	58,414	120,862
Provision charged for the period	43,636	53,721
	<u>102,050</u>	<u>174,583</u>
Payments	(504)	(4,354)
<i>Balance as of 31 December 2007</i>	<u>101,546</u>	<u>170,229</u>

## 10. Special 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>Amount</u>
Salaries and Related expenses	54,768
Printings, Publications and Translation	173
Transportation	939
Workshops, Local Conferences and Seminars	55,548
Total Expenses ( <b>statement-B</b> )	<u>111,428</u>
Capital Expenses ( <b>note-11</b> )	30,626
	<u>142,054</u>

**11 - Releases from temporarily restricted assets by funding source for the year ended December 31, 2007 is as follows:**

	Unexpended	Grants Received	Available	Releases		Total	Unexpended
	Grant as of		Grants	Fixed Assets	Program /	Released	Grant as of
	31-12-06		2007	and Library	Administration	in 2007	31-12-07
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Ford Foundation	50,000	120,000	<b>170,000</b>	4,541	105,459	<b>110,000</b>	<b>60,000</b>
Representative Office of the Kingdom of the Netherlands	-	100,000	<b>100,000</b>	3,784	96,216	<b>100,000</b>	-
EED	-	98,784	<b>98,784</b>	3,738	95,046	<b>98,784</b>	-
OSI Development Foundation	29,910	42,500	<b>72,410</b>	1,608	63,003	<b>64,611</b>	<b>7,799</b>
Christian Aid	-	76,331	<b>76,331</b>	2,888	45,234	<b>48,122</b>	<b>28,209</b>
Diakonia (note-10)	-	160,878	<b>160,878</b>	30,626	111,428	<b>142,054</b>	<b>18,824</b>
Irish Aid	57,371	100,000	<b>157,371</b>	3,784	105,543	<b>109,327</b>	<b>48,044</b>
Representative Office of Norway	28,022	105,649	<b>133,671</b>	3,998	46,239	<b>50,237</b>	<b>83,434</b>
Mu'assasat	-	300,000	<b>300,000</b>	11,351	288,649	<b>300,000</b>	-
<b>Total</b>	<b>165,303</b>	<b>1,104,142</b>	<b>1,269,445</b>	<b>66,318</b>	<b>956,817</b>	<b>1,023,135</b>	<b>246,310</b>

## 12. 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 2008 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.

## 13. Commitment Toward Acquisition of Land:

During 2007, the board of Trustees had decided to enter into a partnership agreement with three local NGO's in a parcel of land currently owned by the three NGO's. As soon as the agreement and the official registration is completed, Al-Haq will own 357 square meter which represents one fourth of the land with a total cost of U.S Dollar 85,680. As of the date of this report, Al-Haq is still negotiating the deal with the other NGO's and as soon as the deal is concluded, the share of Al-Haq would be settled.