

Jerusalem Legal Aid and Human Rights Center  
(JLAC)

Financial Statements

December 31, 2013

## **Independent Auditors' Report to the Board of Directors of Jerusalem Legal Aid and Human Rights Center (JLAC)**

We have audited the accompanying financial statements of Jerusalem Legal Aid and Human Rights Center (JLAC), which comprise the statement of financial position as at December 31, 2013, the statement of activities and changes in net assets and the statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

### **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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' 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 about 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 auditors' 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.



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## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JLAC as at December 31, 2013 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young - Middle East

Ramallah, Palestine  
April 9, 2014



**Statement of Financial Position**

As at December 31, 2013

	<u>Notes</u>	<u>December 31, 2013</u> U.S. \$	<u>December 31, 2012</u> U.S. \$
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property and equipment	3	201,103	200,640
		<u>201,103</u>	<u>200,640</u>
<b>Current assets</b>			
Contributions receivable	4	379,500	82,012
Other current assets	5	18,111	12,314
Cash and cash equivalents	6	778,696	664,930
		<u>1,176,307</u>	<u>759,256</u>
<b>Total assets</b>		<b><u>1,377,410</u></b>	<b><u>959,896</u></b>
<b><u>Net assets and liabilities</u></b>			
<b>Net assets</b>			
Unrestricted net assets		53,888	112,922
Board designated reserve	7	363,379	363,379
<b>Total net assets</b>		<u>417,267</u>	<u>476,301</u>
<b>Non-current liabilities</b>			
Provision for employees' benefits	8	386,010	328,376
Deferred revenues	9	46,303	36,840
		<u>432,313</u>	<u>365,216</u>
<b>Current liabilities</b>			
Other current liabilities	10	37,663	60,081
Temporarily restricted contributions	12	490,167	58,298
		<u>527,830</u>	<u>118,379</u>
<b>Total liabilities</b>		<u>960,143</u>	<u>483,595</u>
<b>Total net assets and liabilities</b>		<b><u>1,377,410</u></b>	<b><u>959,896</u></b>

The attached notes 1 to 18 form part of these financial statements

**Statement of Activities and Changes in Net Assets**

For the year ended December 31, 2013

	<u>Notes</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
		<u>U.S. \$</u>	<u>U.S. \$</u>
<b><u>Revenues</u></b>			
Temporarily restricted contributions released from restriction	12	960,931	892,885
Deferred revenues recognized	9	18,554	30,403
Other revenues	11	<u>17,467</u>	<u>93,037</u>
<b>Total revenues</b>		<u>996,952</u>	<u>1,016,325</u>
<b><u>Expenses</u></b>			
Projects expenses	13	(684,888)	(629,741)
General and administrative expenses	13	(342,264)	(263,144)
Depreciation of property and equipment	3	(27,554)	(39,428)
Loss from foreign currency exchange		<u>(1,280)</u>	<u>(1,784)</u>
<b>Total expenses</b>		<u>(1,055,986)</u>	<u>(934,097)</u>
<b>Change in net assets</b>		(59,034)	82,228
Net assets, beginning of the year		<u>476,301</u>	<u>394,073</u>
<b>Net assets, end of the year</b>		<u><u>417,267</u></u>	<u><u>476,301</u></u>

**Statement of Cash Flows**

For the year ended December 31, 2013

	<u>Notes</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
		<u>U.S. \$</u>	<u>U.S. \$</u>
<b><u>Operating activities:</u></b>			
Change in net assets		(59,034)	82,228
<b>Adjustments:</b>			
Depreciation		27,554	39,428
Provision for employees' benefits		81,720	83,946
Deferred revenues recognized		<u>(18,554)</u>	<u>(30,403)</u>
		31,686	175,199
<b>Working capital adjustments:</b>			
Contributions receivable		(297,488)	211,668
Other current assets		(5,797)	77,365
Temporarily restricted contributions		431,869	(250,270)
Deferred revenues		28,017	9,121
Other current liabilities		(22,418)	(51,682)
Provision for employees' indemnity paid		<u>(24,086)</u>	<u>(5,585)</u>
<b>Net cash flows from operating activities</b>		<u>141,783</u>	<u>165,816</u>
<b><u>Investing activities:</u></b>			
Purchase of property and equipment		<u>(28,017)</u>	<u>(9,121)</u>
<b>Net cash flows used in investing activities</b>		<u>(28,017)</u>	<u>(9,121)</u>
<b>Increase in cash and cash equivalents</b>		113,766	156,695
Cash and cash equivalents, beginning of the year		<u>664,930</u>	<u>508,235</u>
<b>Cash and cash equivalents, end of the year</b>	6	<u><u>778,696</u></u>	<u><u>664,930</u></u>

## Notes to the Financial Statements

For the year ended December 31, 2013

### 1. General

The Jerusalem Legal Aid and Human Rights Center (JLAC), begun as the Quaker Service Information and Legal Aid Center (the Center) which was founded in Jerusalem in 1974 by the Philadelphia American Friends Service Committee (AFSC). Procedures were taken to transfer governance of the Center to a local body; accordingly, the managing board was restructured, resulting in joint governance between ASFC and a local Board of Directors. By October 1997, the process was completed and the local board assumed full responsibility for JLAC's activities.

JLAC is a public interest law center; its main objectives are to offer its legal services to the Palestinian community by handling different types of cases such as land related cases and travel restriction cases, dealing with cases related to Palestinian Authority and promote the rule of law. JLAC's activities are being implemented through its two offices in Jerusalem and West Bank. JLAC is officially registered with all concerned authorities in Jerusalem and West Bank.

JLAC's financial statements as at December 31, 2013 were approved by the Board of Directors on April 9, 2014.

#### 2.1 Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention.

The financial statements have been presented in the United States Dollar (U.S. \$) which is the functional currency of JLAC.

#### 2.2 Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2012.

Many standards have been issued but are not yet mandatory, and have not been adopted by JLAC. These standards are those that JLAC's management reasonably expects to have no major impact on disclosures, financial position or performance when applied at a future date.

#### 2.3 Estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires JLAC's management to exercise its judgment in the process of applying the accounting policies. JLAC's management continually evaluates its estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

### Useful lives of tangible assets

JLAC's management reassesses the useful lives of tangible assets, and makes adjustments if applicable, at each financial year end.

Management believes that the estimations and assumptions used are reasonable.

## **2.4 Summary of significant accounting policies**

### **Donation revenues**

Donor's unconditional contributions are those contributions where donor does not specify prerequisites that have to be carried out by the recipient before obtaining the fund. Contributions revenues from unconditional contributions are recognized as follows:

- Unconditional contributions that are not restricted by donor for a specific purpose or time are recognized as revenue when the contribution is obtained.
- Unconditional contributions that are temporarily restricted by donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

### **Deferred revenue**

Contributions related to property and equipment are stated at fair value, recorded as deferred revenues and recognized as revenue on a systematic basis over the useful life of the asset.

### **Expenses recognition**

Expenses are recognized when incurred based on the accrual basis of accounting.

### **Contributions receivable**

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible contributions. An estimate for the uncollectible amount is made when the collection of full unconditional contribution is no longer probable.

### **Fair value**

The fair value of financial assets and financial liabilities recorded in the statement of financial position approximate their carrying amounts largely due to the short-term maturities of these instruments. Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

### **Impairment of financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of activities and changes in net assets.

### **Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with an original maturity of three months or less, less deposits which are restricted in use.



## Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Useful lives (years)
Buildings	20
Office furniture	6.6
Office equipment	3-5
Software	3.3
Motor vehicles	5

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

## Income taxes

JLAC is a not-for-profit organization; accordingly, it is not subject to income tax.

## Other current liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

## Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the statement of financial position date. All differences are recognized in the statement of activities and changes in net assets.

### 3. Property and equipment

	Buildings U.S. \$	Office furniture U.S. \$	Office equipment U.S. \$	Software U.S. \$	Motor vehicles U.S. \$	Total U.S. \$
<b>Cost:</b>						
At January 1, 2013	180,000	29,984	119,546	-	34,000	363,530
Additions	-	1,010	16,007	11,000	-	28,017
At December 31, 2013	<u>180,000</u>	<u>30,994</u>	<u>135,553</u>	<u>11,000</u>	<u>34,000</u>	<u>391,547</u>
<b>Accumulated Depreciation:</b>						
At January 1, 2013	16,200	18,297	103,671	-	24,722	162,890
Depreciation charge for the year	9,000	2,612	8,274	868	6,800	27,554
At December 31, 2013	<u>25,200</u>	<u>20,909</u>	<u>111,945</u>	<u>868</u>	<u>31,522</u>	<u>190,444</u>
<b>Net book value</b>						
At December 31, 2013	<u>154,800</u>	<u>10,085</u>	<u>23,608</u>	<u>10,132</u>	<u>2,478</u>	<u>201,103</u>
At December 31, 2012	<u>163,800</u>	<u>11,687</u>	<u>15,875</u>	<u>-</u>	<u>9,278</u>	<u>200,640</u>

Property and equipment include U.S. \$ 110,204 and U.S. \$ 90,377 of fully depreciated assets that are still being used in JLAC's activities as of December 31, 2013 and 2012, respectively.

#### 4. Contributions receivable

	Balance, beginning of the year	Additions	Cash received	Currency exchange variance	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>2013</b>					
United Nations Development Programme	55,800	60,368	(116,168)	-	-
Norwegian Refugee Counsel	12,012	536,731	(548,743)	-	-
NGO Development Center	14,200	48,000	(52,600)	-	9,600
Evangelischer Entwicklungsdienst -EED	-	369,676	(173,243)	10,547	206,980
Medical Aid for Palestine	-	104,070	(29,772)	-	74,298
European Union	-	22,201	(17,973)	394	4,622
Welfare Association	-	120,000	(36,000)	-	84,000
The Catholic Agency for Overseas Development	-	47,100	(47,100)	-	-
Irish Aid	-	103,184	(103,184)	-	-
	<u>82,012</u>	<u>1,411,330</u>	<u>(1,124,783)</u>	<u>10,941</u>	<u>379,500</u>

#### 5. Other current assets

	2013 U.S. \$	2012 U.S. \$
Advances to employees	12,027	6,228
Prepaid expenses	1,030	1,742
Others	5,054	4,344
	<u>18,111</u>	<u>12,314</u>

#### 6. Cash and cash equivalents

Cash and cash equivalents include the following:

	2013 U.S. \$	2012 U.S. \$
Cash in hand and current accounts at banks	655,323	614,343
Term deposits at banks	123,373	50,587
	<u>778,696</u>	<u>664,930</u>

The average annual interest rate on term deposits for the years ended December 31, 2013 and 2012 was 0.06% for deposits in U.S. \$.

#### 7. Board designated reserve

This item represents unrestricted resources, designated by JLAC Board of Directors to contribute to the long-term sustainability of JLAC or for any other purpose to be set by the Board of Directors.

## 8. Provision for employees' benefits

Following is a summary of the movement on the provision for employees' benefits:

	Balance at January 1	Additions during the year	Paid	Balance at December 31
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2013				
End of service benefits	177,785	32,604	(9,624)	200,765
Employees' savings fund	150,591	49,116	(14,462)	185,245
	<u>328,376</u>	<u>81,720</u>	<u>(24,086)</u>	<u>386,010</u>

	Balance at January 1	Additions during the year	Paid	Balance at December 31
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2012				
End of service benefits	143,005	38,452	(3,672)	177,785
Employees' savings fund	107,010	45,494	(1,913)	150,591
	<u>250,015</u>	<u>83,946</u>	<u>(5,585)</u>	<u>328,376</u>

## 9. Deferred revenues

This item represents property and equipment acquired during the year out of the temporarily restricted contributions. Movement on deferred revenues during the year was as follows:

	2013	2012
	U.S. \$	U.S. \$
Balance, beginning of the year	36,840	58,122
Additions (Note 12)	28,017	9,121
Deferred revenues recognized	(18,554)	(30,403)
Balance, end of the year	<u>46,303</u>	<u>36,840</u>

## 10. Other current liabilities

	2013	2012
	U.S. \$	U.S. \$
Accounts payable	32,060	42,132
Due to employees and researchers	-	11,859
Accrued expenses	5,603	6,090
	<u>37,663</u>	<u>60,081</u>

## 11. Other revenues

	2013	2012
	U.S. \$	U.S. \$
Application and court fees	13,544	9,238
Consultancy fees	3,734	4,506
Transferred from the trust fund	-	72,727
Unrestricted contributions	-	3,246
Others	189	3,320
	<u>17,467</u>	<u>93,037</u>

## 12. Temporarily restricted contributions

This item comprises of temporarily restricted contributions subject to purpose restriction. These amounts represent the excess of donations pledged over the expenditures made out to satisfy the purposes stipulated by the donors. The movement on the temporarily restricted contributions as at December 31, 2013 is as follows:

	Balance, beginning of the year	Additions	Temporarily restricted contributions released from restriction				Balance, end of the year
			Projects cost	General and administrative expenses	Deferred revenue	Currency exchange differences	
			U.S. \$	U.S. \$	U.S. \$	U.S. \$	
2013	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
United Nations Development Programme	37,820	60,368	(81,574)	-	(16,614)	-	-
Norwegian Refugee Counsel	20,478	536,731	(520,322)	-	(6,951)	-	29,936
NGO Development Center	-	48,000	-	(48,000)	-	-	-
Evangelischer Entwicklungsdienst	-	369,676	-	(180,943)	(204)	8,775	197,304
Medical Aid for Palestine	-	104,070	(29,809)	-	-	-	74,261
European union	-	22,201	(12,188)	-	(4,248)	712	6,477
Welfare Association	-	120,000	(40,995)	-	-	-	79,005
The Catholic Agency for Overseas Development	-	47,100	-	(47,100)	-	-	-
Irish Aid	-	103,184	-	-	-	-	103,184
	<u>58,298</u>	<u>1,411,330</u>	<u>(684,888)</u>	<u>(276,043)</u>	<u>(28,017)</u>	<u>9,487</u>	<u>490,167</u>

### 13. Projects and general and administrative expenses

	United Nations Development Programme		Norwegian Refugee Counsel		Medical Aid for Palestine	European union	Welfare Association	General & administrativ e expenses*	Total 2013	Total 2012
	Defence of Public Freedom and Security by providing Legal Aid, Awareness, and Reform	Legal Assistance for the Protection of Palestinians Affected by Forced Displacement	Legally Challenging the House Demolition Policy in East Jerusalem	Strengthening the Monitoring and Reporting Mechanisms for Human Rights Violations of Marginalized Bedouin Communities in Area "C"	Human Rights Defenders Core Group Training	Improving Economical and Living Situation for Jerusalemite s				
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and staff related benefits	18,341	51,310	181,751	108,623	24,132	875	26,713	250,583	662,328	669,219
Applications and maps	-	-	108,281	-	-	-	-	228	108,509	42,481
High court expenses	-	-	11,665	10,731	-	-	-	7,093	29,489	26,847
Postage and telephone	-	1,317	2,397	2,847	326	236	-	2,352	9,475	9,273
External consultants	-	1,400	19,987	22,800	-	-	14,282	17,702	76,171	14,700
Offices supplies, stationary and hospitality	-	-	4,453	1,466	685	523	-	6,017	13,144	11,533
Printing and photocopies	-	-	-	-	238	1,592	-	12,293	14,123	7,290
Professional fees and subscription	-	-	-	-	-	-	-	8,114	8,114	8,393
Public awareness	-	1,562	4,269	5,746	-	7,625	-	3,841	23,043	11,837
Rent expenses	-	598	1,430	15,552	-	-	-	3,904	21,484	18,842
Maintenance	-	333	383	3,186	495	516	-	3,973	8,886	24,745
Researches and studies	-	-	-	-	-	-	-	1,080	1,080	5,989
Training Sessions	2,866	-	-	-	-	-	-	50	2,916	1,777
Translation	-	-	-	-	-	-	-	2,319	2,319	3,553
Transportation	-	1,215	8,354	905	2,683	141	-	12,552	25,850	19,344
Insurance	-	-	-	-	-	-	-	1,830	1,830	1,325
Sundry	-	2,632	3,525	1,971	1,250	680	-	8,333	18,391	15,737
	<u>21,207</u>	<u>60,367</u>	<u>346,495</u>	<u>173,827</u>	<u>29,809</u>	<u>12,188</u>	<u>40,995</u>	<u>342,264</u>	<u>1,027,152</u>	<u>892,885</u>

\* This item includes expenses amounting to U.S. \$ 66,221 financed from unrestricted contributions received in previous years.

#### 14. Related party transactions

Related party transactions represent transactions with key management personnel, following are the related party transactions:

	<u>2013</u>	<u>2012</u>
	U.S. \$	U.S. \$
Key management personnel compensation:		
Short-term benefits	<u>74,592</u>	<u>60,895</u>
End of service benefits and employees' saving fund	<u>19,163</u>	<u>15,599</u>

#### 15. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of contributions receivable, some other current assets and cash and cash equivalents. Financial liabilities consist of some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

#### 16. Risk management

Risks affecting the operation of JLAC are interest rate risk, liquidity risk and foreign currency risk. Management of JLAC sets policies and procedures to manage these risks.

##### Interest rate risk

JLAC is exposed to interest rate risk on its interest bearing short-term deposits at banks (Note 6).

##### Liquidity risk

JLAC limits its liquidity risk by maintaining adequate cash balances and funds from multiple donors to meet its current obligations and to finance its activities. Most of JLAC's financial liabilities are due within a period of less than one year from the date of the financial statements.

##### Foreign currency risk

Most of JLAC's financial assets and liabilities are maintained in U.S. \$, therefore, JLAC's management believes that fluctuations in foreign currencies rates against the U.S. \$ have no material effect on its statement of activities and changes in net assets.

#### 17. Concentration of risk in geographic area

JLAC is carrying out all of its activities in Palestine. The political and economical situation in the area increases the risk of carrying out its activities and might adversely affect JLAC's performance.

#### 18. Comparative figures

The corresponding figures for December 31, 2012 have been reclassified in order to conform with the presentation for the current year.