

Jerusalem Legal Aid and Human Rights Center
(JLAC)

Financial Statements

December 31, 2015

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, 2015, 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, 2015 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

License # 206/2012

Ramallah, Palestine

April 11, 2016



Statement of Financial Position

As at December 31, 2015

	<u>Notes</u>	<u>2015</u> <u>U.S. \$</u>	<u>2014</u> <u>U.S. \$</u>
<u>Assets</u>			
Non-current assets			
Property and equipment	3	187,312	183,161
		<u>187,312</u>	<u>183,161</u>
Current assets			
Contributions receivable	4	681,564	453,411
Other current assets	5	28,710	37,299
Cash and cash equivalents	6	974,743	896,379
		<u>1,685,017</u>	<u>1,387,089</u>
Total assets		<u>1,872,329</u>	<u>1,570,250</u>
<u>Net assets and liabilities</u>			
Unrestricted net assets		11,524	42,006
Board designated reserve	7	378,803	363,379
Total net assets		<u>390,327</u>	<u>405,385</u>
Non-current liabilities			
Provision for employees' benefits	8	569,392	477,030
Deferred revenues	9	46,919	37,360
		<u>616,311</u>	<u>514,390</u>
Current liabilities			
Other current liabilities	10	48,774	45,311
Temporarily restricted contributions	12	816,917	605,164
		<u>865,691</u>	<u>650,475</u>
Total liabilities		<u>1,482,002</u>	<u>1,164,865</u>
Total net assets and liabilities		<u>1,872,329</u>	<u>1,570,250</u>

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2015

	<u>Notes</u>	<u>2015</u> <u>U.S. \$</u>	<u>2014</u> <u>U.S. \$</u>
Revenues			
Temporarily restricted contributions released from restriction	12	1,010,899	1,036,786
Deferred revenues recognized	9	13,997	17,121
Other revenues	11	14,831	29,638
Total revenues		<u>1,039,727</u>	<u>1,083,545</u>
Expenses			
Projects expenses	13	(835,432)	(811,439)
General and administrative expenses	13	(175,467)	(229,164)
Depreciation of property and equipment	3	(18,447)	(26,120)
Other expenses	14	<u>(25,439)</u>	<u>(28,704)</u>
Total expenses		<u>(1,054,785)</u>	<u>(1,095,427)</u>
Change in net assets		(15,058)	(11,882)
Net assets, beginning of the year		<u>405,385</u>	<u>417,267</u>
Net assets, end of the year		<u><u>390,327</u></u>	<u><u>405,385</u></u>

Statement of Cash Flows

For the year ended December 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		U.S. \$	U.S. \$
<u>Operating activities:</u>			
Decrease in net assets		(15,058)	(11,882)
Adjustments:			
Depreciation of property and equipment		18,447	26,120
Provision for employees' benefits		118,698	99,320
Deferred revenues recognized		(13,997)	(17,121)
Gain on sale of property and equipment		(400)	
		<u>107,690</u>	<u>96,437</u>
Working capital adjustments:			
Contributions receivable		(228,153)	(73,911)
Other current assets		8,589	(19,188)
Temporarily restricted contributions		211,753	114,997
Deferred revenues		23,556	8,178
Other current liabilities		3,463	7,648
Provision for employees' indemnity paid		(26,336)	(8,300)
Net cash flows from operating activities		<u>100,562</u>	<u>125,861</u>
<u>Investing activities:</u>			
Sale of property and equipment		1,358	-
Purchase of property and equipment		(23,556)	(8,178)
Net cash flows used in investing activities		<u>(22,198)</u>	<u>(8,178)</u>
Increase in cash and cash equivalents		78,364	117,683
Cash and cash equivalents, beginning of the year		<u>896,379</u>	<u>778,696</u>
Cash and cash equivalents, end of the year	6	<u><u>974,743</u></u>	<u><u>896,379</u></u>

Notes to the Financial Statements

For the year ended December 31, 2015

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, 2015 were approved by the Board of Directors on April 11, 2016.

2, Accounting Policies

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, 2014.

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 Property and equipment

JLAC's management reassesses the useful lives of property and equipment, 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

Revenue Recognition

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.

Current versus non-current classification

JLAC presents assets and liabilities in the statement of financial position based on current/non-current classification, an asset is classified as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

JLAC classifies all other liabilities as non-current.

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.

Accounts payable and accruals

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

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

	<u>Buildings</u>	<u>Office furniture</u>	<u>Office equipment</u>	<u>Software</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cost:						
At January 1, 2015	180,000	35,941	138,784	11,000	34,000	399,725
Additions	-	1,020	16,836	5,700	-	23,556
Disposals	-	-	(1,460)	-	-	(1,460)
At December 31, 2015	<u>180,000</u>	<u>36,961</u>	<u>154,160</u>	<u>16,700</u>	<u>34,000</u>	<u>421,821</u>
Accumulated Depreciation:						
At January 1, 2015	34,200	23,940	120,256	4,168	34,000	216,564
Depreciation charge for the year	5,410	2,489	7,248	3,300	-	18,447
Disposals	-	-	(502)	-	-	(502)
At December 31, 2015	<u>39,610</u>	<u>26,429</u>	<u>127,002</u>	<u>7,468</u>	<u>34,000</u>	<u>234,509</u>
Net book value						
At December 31, 2015	<u>140,390</u>	<u>10,532</u>	<u>27,158</u>	<u>9,232</u>	<u>-</u>	<u>187,312</u>
At December 31, 2014	<u>145,800</u>	<u>12,001</u>	<u>18,528</u>	<u>6,832</u>	<u>-</u>	<u>183,161</u>

Property and equipment include U.S. \$ 158,731 and U.S. \$ 152,595 of fully depreciated assets that are still being used in JLAC's activities as of December 31, 2015 and 2014, respectively.

4. Contributions receivable

	Balance, beginning of the year	Additions	Cash received	Written - off	Currency exchange variance	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2015						
United Nations Development Programme	-	99,230	(74,433)	-	-	24,797
Norwegian Refugee Council	30,000	550,850	(580,850)	-	-	-
Bread for the World -EED	75,090	468,700	(43,600)	-	(7,723)	492,467
Medical Aid for Palestine	27,389	-	(27,389)	-	-	-
European Union	4,083	-	-	(5,120)	1,037	-
Welfare Association	14,400	-	(13,800)	(600)	-	-
Human Rights & International Humanitarian Law Secretariat	300,800	-	(136,500)	-	-	164,300
The Catholic Agency for Overseas Development	-	51,480	(51,480)	-	-	-
Representative Office of the Federal Republic of Germany	1,274	-	-	-	(1,274)	-
Irish Aid	375	81,668	(81,294)	-	(749)	-
	<u>453,411</u>	<u>1,251,928</u>	<u>(1,009,346)</u>	<u>(5,720)</u>	<u>(8,709)</u>	<u>681,564</u>

5. Other current assets

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Advances to employees	22,020	28,766
Prepaid expenses	2,122	3,921
Others	4,568	4,612
	<u>28,710</u>	<u>37,299</u>

6. Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Cash in hand and current accounts at banks	213,546	711,311
Deposits at banks*	761,197	185,068
	<u>974,743</u>	<u>896,379</u>

*Average interest rate on USD deposits for the year ended December 31, 2015, 2014 was 1.75%.

As of December 31, 2015, JLAC has restricted deposits at banks against the following reserves:

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Employees' savings fund	283,713	-
End of service benefits	278,681	-
Board designated reserve (Note 7)	198,803	183,379
	<u>761,197</u>	<u>183,379</u>

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.

The following table shows the details of this account :

	<u>2015</u>	<u>2014</u>
	U.S. \$	U.S. \$
Term deposits at banks (Note 6)	198,803	183,379
Property and equipment (Note 3)	180,000	180,000
	<u>378,803</u>	<u>363,379</u>

8. Provision for employees' benefits

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

	Balance, beginning of the year	Additions	Payments	Balance at December 31
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2015				
End of service benefits	244,524	58,677	(15,264)	287,937
Employees' savings fund*	232,506	60,021	(11,072)	281,455
	<u>477,030</u>	<u>118,698</u>	<u>(26,336)</u>	<u>569,392</u>
	Balance, beginning of the year	Additions	Payments	Balance at December 31
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2014				
End of service benefits	200,765	43,759	-	244,524
Employees' savings fund*	185,245	55,561	(8,300)	232,506
	<u>386,010</u>	<u>99,320</u>	<u>(8,300)</u>	<u>477,030</u>

* This item represents JLAC's commitment to the employees' saving fund according to the saving fund's instructions where the centre deducts 5% per month from the total basic salary for each employee and contributes 10% from each employee's basic salary.

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:

	2015	2014
	U.S. \$	U.S. \$
Balance, beginning of the year	37,360	46,303
Additions (Note 12)	23,556	8,178
Deferred revenues recognized	(13,997)	(17,121)
Balance, end of the year	<u>46,919</u>	<u>37,360</u>

10. Other current liabilities

	2015	2014
	U.S. \$	U.S. \$
Accounts payable	41,862	41,321
Accrued expenses	6,912	3,990
	<u>48,774</u>	<u>45,311</u>

11. Other revenues

	2015	2014
	U.S. \$	U.S. \$
Application and court fees	7,237	20,214
Interest Revenues	6,210	-
Gain on sale of property and equipment	400	-
Other	984	9,424
	<u>14,831</u>	<u>29,638</u>

12. Temporarily restricted contributions

This item comprises of temporarily restricted contributions subject to purpose or time 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, 2015 is as follows:

	Balance, beginning of the year	Additions	Temporarily restricted contributions released from restriction				Written - off Contributions	Balance, end of the year
			Projects cost	General and administrative expenses	Deferred revenue	Returned to Donors		
2015	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
United Nations Development Programme	13,165	99,230	(62,739)	-	-	-	-	49,656
Norwegian Refugee Council	67,910	550,850	(615,572)	-	(3,188)	-	-	-
Bread for the World -EED	119,279	468,700	-	(32,487)	(19,013)	-	-	536,479
Medical Aid for Palestine	29,622	-	(29,622)	-	-	-	-	-
European union	5,720	-	-	-	-	(4,709)	(1,011)	-
Welfare Association	5,554	-	(5,554)	-	-	-	-	-
Human Rights & International Humanitarian Law Secretariat	272,414	-	(121,945)	-	(1,355)	-	-	149,114
The Catholic Agency for Overseas Development	-	51,480	-	(51,480)	-	-	-	-
Irish Aid	91,500	81,668	-	(91,500)	-	-	-	81,668
	<u>605,164</u>	<u>1,251,928</u>	<u>(835,432)</u>	<u>(175,467)</u>	<u>(23,556)</u>	<u>(4,709)</u>	<u>(1,011)</u>	<u>816,917</u>

13. Projects and general and administrative expenses

	Norwegian Refugee Council			Medical Aid for Palestine	Welfare		IHL Secretary	UNDP	General and Administrative expenses	Total 2015	Total 2014
	Legal Assistance for Protection of Palestinians Affected by force displacement	Legally challenging displacement in East Jerusalem	Protecting residency rights in East Jerusalem	Strengthen the Monitoring and reporting mechanisms for Human Rights violations of Bedouin communities	Improving the Economical and living situation for Jerusalemites	On the job training	Human Rights & International Humanitarian law-core fund	Strengthening the rule of law in the Opt-Justice and security for Palestinian People			
Salaries and staff related benefits	249,168	123,677	51,613	20,757	1,554	1,800	91,748	50,323	146,917	737,557	752,490
Legal Assistance	108,975	23,668	2,224	-	1,600	-	5,578	8,804	7,430	158,279	147,775
Rent and utilities	7,477	14,210	1,204	450	-	-	8,379	1,039	2,794	35,553	39,057
Activities, conferences and legal advocacy services	7,441	3,220	642	6,019	-	-	4,461	1,288	2,835	25,906	42,452
Travel and Communication	4,777	2,343	817	688	-	-	1,594	382	928	11,529	12,709
Professional fees	-	-	-	1,500	-	-	3,379	-	5,000	9,879	12,696
Maintenance	2,443	1,413	151	-	-	-	3,367	258	1,370	9,002	14,204
Building Capabilities	-	4,946	-	-	-	-	2076	-	874	7,896	1,765
Other Administrative expenses	1,818	1,586	1,759	208	-	600	1,363	645	7,319	15,298	17,455
	<u>382,099</u>	<u>175,063</u>	<u>58,410</u>	<u>29,622</u>	<u>3,154</u>	<u>2,400</u>	<u>121,945</u>	<u>62,739</u>	<u>175,467</u>	<u>1,010,899</u>	<u>1,040,603</u>

14. Other Expenses

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Foreign currency	20,730	28,704
Written - off Contributions	4,709	-
	<u>25,439</u>	<u>28,704</u>

15. Related party transactions

This item represents transactions with related parties. Related parties represent JLAC's Board of directors, key management and entities controlled, jointly controlled or significantly influenced by such parties.

The statement of activities and changes in net assets included the following transactions with related parties:

	<u>2015</u>	<u>2014</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Key management personnel compensation:		
Short-term benefits	<u>83,373</u>	<u>76,296</u>
End of service benefits and employees' saving fund	<u>17,156</u>	<u>20,107</u>

16. Fair values of financial instruments

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

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

17. Risk management

Risks affecting the operation of JLAC are interest rate risk, liquidity risk and foreign currency risk, JLAC's board of directors reviewed and approved policies and procedures to manage these risks which summaries as followings:

Interest rate risk

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

The following table presents the extent of the sensitivity of the statement of activities and changes in net assets to changes in interest rates that are reasonably possible, with all other variables held constant, The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increases shown below:

	<u>Increases in interest rate</u>	<u>Effect on</u>
	<u>(basis point)</u>	<u>net assets</u>
<u>2015</u>		<u>U.S. \$</u>
Currency		
U.S. \$	+10	(761)

<u>2014</u>	<u>Increases in interest rate</u> <u>(basis point)</u>	<u>Effect on</u> <u>net assets</u> <u>U.S. \$</u>
Currency		
U.S. \$	+10	(185)

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

The table below indicates JLAC's foreign currency exposure, as a result of its monetary assets and liabilities, The analysis calculates the effect of a reasonably possible movement of the U.S. \$ currency rate against the foreign currencies with all other variables held constant, on the statement of activities and changes in net assets, The effect of decrease in foreign currency exchange rate is expected to be equal and opposite to the effect of the increase shown.

<u>2015</u>	<u>Change in</u> <u>exchange rate</u> <u>against the USD</u> <u>(%)</u>	<u>Effect on the</u> <u>statement of activities</u> <u>and changes in net</u> <u>assets</u>
EURO	+10	(53,917)
ILS	+10	(611)
 <u>2014</u>		
EURO	+10	17,053
ILS	+10	2,954

18. 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.