

AI MEZAN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2017

## INDEPENDENT AUDITOR'S REPORT

### To Members of the General Assembly of Al Mezan Center for Human Rights

#### Opinion

We have audited the financial statements of Al Mezan Center for Human Rights (Al Mezan), which comprise the statement of financial position as at December 31, 2017, and the statement of activities, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Al Mezan as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Al Mezan in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing Al Mezan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Al Mezan or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing Al Mezan's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Al Mezan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Al Mezan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Al Mezan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Ernst & Young - Middle East**

License # 206/2012



Ramallah - Palestine

May 21, 2018

AL MEZAN CENTER FOR HUMAN RIGHTS

**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2017

	<u>Notes</u>	<u>2017</u> <u>U.S. \$</u>	<u>2016</u> <u>U.S. \$</u>
<b><u>ASSETS</u></b>			
<b>Non-current Assets</b>			
Property and equipment	3	43,076	52,298
		<u>43,076</u>	<u>52,298</u>
<b>Current Assets</b>			
Contributions receivable	4	61,410	304,831
Other current assets	5	6,328	19,144
Cash and cash equivalents	6	322,092	547,339
		<u>389,830</u>	<u>871,314</u>
<b>TOTAL ASSETS</b>		<u><u>432,906</u></u>	<u><u>923,612</u></u>
<b><u>NET ASSETS AND LIABILITIES</u></b>			
<b>Net Assets</b>			
Paid-in capital	1	5,000	5,000
Unrestricted net assets		<u>(60,366)</u>	<u>20,957</u>
<b>Total Net Assets</b>		<u>(55,366)</u>	<u>25,957</u>
<b>Non-current Liabilities</b>			
Deferred revenues	7	43,073	50,272
Provision for employees' benefits	8	283,540	155,040
		<u>326,613</u>	<u>205,312</u>
<b>Current Liabilities</b>			
Temporarily restricted contributions	9	37,037	415,565
Other current liabilities	10	124,622	276,778
		<u>161,659</u>	<u>692,343</u>
<b>Total Liabilities</b>		<u>488,272</u>	<u>897,655</u>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u><u>432,906</u></u>	<u><u>923,612</u></u>

The attached notes 1 to 15 form part of these financial statements

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**STATEMENT OF ACTIVITIES**

Year ended December 31, 2017

	<u>Notes</u>	<u>2017</u> <u>U.S. \$</u>	<u>2016</u> <u>U.S. \$</u>
<b>Revenues</b>			
Temporarily restricted contributions released from restriction	9	823,591	951,730
Deferred revenues recognized	7	17,837	12,824
Unrestricted contributions		6,111	-
Other revenues		14,357	13,202
<b>Total revenues</b>		<u>861,896</u>	<u>977,756</u>
<b>Expenses</b>			
Core programs	11	(759,690)	(685,316)
Non-core programs	11	(163,508)	(266,414)
Depreciation of property and equipment	3	(19,860)	(14,847)
Currency exchange differences		(161)	(10,396)
<b>Total expenses</b>		<u>(943,219)</u>	<u>(976,973)</u>
<b>(Decrease) increase in unrestricted net assets</b>		<u>(81,323)</u>	<u>783</u>

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**STATEMENT OF CHANGES IN NET ASSETS**

Year ended December 31, 2017

	Paid-in capital	Unrestricted net assets	Total net assets
	U.S. \$	U.S. \$	U.S. \$
<b>2017</b>			
Balance, beginning of the year	5,000	20,957	25,957
Increase in unrestricted net assets for the year	-	(81,323)	(81,323)
<b>Balance, end of year</b>	<u>5,000</u>	<u>(60,366)</u>	<u>(55,366)</u>
<b>2016</b>			
Balance, beginning of the year	5,000	20,174	25,174
Increase in unrestricted net assets for the year	-	783	783
<b>Balance, end of year</b>	<u>5,000</u>	<u>20,957</u>	<u>25,957</u>

AL MEZAN CENTER FOR HUMAN RIGHTS

**STATEMENT OF CASH FLOWS**

Year ended December 31, 2017

	<u>Notes</u>	<u>2017</u> <u>U.S. \$</u>	<u>2016</u> <u>U.S. \$</u>
<b><u>Operating activities</u></b>			
(Decrease) increase in unrestricted net assets		(81,323)	783
<b>Adjustments:</b>			
Depreciation of property and equipment		19,860	14,847
Deferred revenues recognized		(17,837)	(12,824)
Provision for employees' benefits		133,726	150,375
		<u>54,426</u>	<u>153,181</u>
<b>Changes in working capital:</b>			
Contributions receivable		243,421	343,566
Other current assets		12,816	32,373
Temporarily restricted contributions		(367,890)	(374,732)
Other current liabilities		(152,156)	30,021
Employees' benefits paid		(5,226)	(685,107)
<b>Net cash flow used in operating activities</b>		<u>(214,609)</u>	<u>(500,698)</u>
<b><u>Investing activities</u></b>			
Purchase of property and equipment		(10,638)	(14,920)
<b>Cash used in investing activities</b>		<u>(10,638)</u>	<u>(14,920)</u>
<b>Decrease in cash and cash equivalents</b>		(225,247)	(515,618)
Cash and cash equivalents, beginning of the year		<u>547,339</u>	<u>1,062,957</u>
<b>Cash and cash equivalents, end of year</b>	6	<u><u>322,092</u></u>	<u><u>547,339</u></u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017

### 1. General

Al Mezan Center for Human Rights (Al Mezan) was established in Gaza City on May 30, 1999 as a not-for-profit company and is registered under a registration number (563130798) in accordance with the Palestinian Companies' Law. The authorized and subscribed share capital of Al Mezan is 100 share at U.S. \$ 100 par value for each share. The paid-in capital amounted to U.S. \$ 5,000 as at the date of these financial statements.

Al Mezan's mission is to provide a secure and long-lasting foundation for the provision of human rights on all levels.

Al Mezan goals are to promote and prevent violation of human rights in general, economic, social, and cultural rights, to provide efficient aid to those victims of such violations, and to substantially enhance the quality of life for marginalized sectors of Gaza Strip community. These goals are being achieved through monitoring, investigating and documenting human rights violations and extending the necessary consultation services to individuals and groups through conducting necessary researches in human rights agreements and international law.

Al Mezan operates through its main office in Gaza City and two offices in Jabalia and Rafah.

The financial statements were authorized for issuance by Al Mezan's Board of Directors on May 21, 2018.

### 2. Accounting Policies

#### 2.1 Basis of preparation

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

The financial statements have been presented in U.S. Dollar, which is the functional currency of Al Mezan.

The financial statements have been prepared on a historical cost basis.

#### 2.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except that Al Mezan has adopted amended IFRSs which they became effective. The adoption of these amendments did not have an impact on the financial position or performance of Al Mezan.

The International Accounting Standards Board (IASB) issued some standards and amendments but are not yet effective, and have not been adopted by Al Mezan. Al Mezan intends to adopt these amendments when they become effective.



### **2.3 Significant accounting judgment, estimates and assumptions**

The preparation of the financial statements in conformity with IFRSs requires the use of accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying AI Mezan's accounting policies. AI Mezan'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

AI Mezan's management reassesses the useful lives of property and equipment, and makes adjustments if applicable, at each financial year end.

Management believes that the estimates and assumptions used are reasonable.

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

#### **Donation revenues**

Donors' unconditional pledges are those pledges where donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follows:

- Unconditional pledges that are not restricted for a specific purpose or time are recognized when the pledge is obtained.
- Unconditional pledges that are temporarily restricted by the donor for a specific purpose or time are recognized when such purpose or time is satisfied.

#### **Deferred revenues**

Donations related to property and equipment are stated at fair value, recorded as deferred revenues, and recognized as income on a systematic basis over their respective useful lives.

#### **Expenses recognition**

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

#### **Cash and cash equivalents**

Cash and cash equivalent comprise cash on hand and bank balances and short-term deposits maturing in three month or less, net of restricted cash balances, if any.

#### **Contributions receivable**

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

#### **Current versus non-current classification**

AI Mezan presents assets and liabilities in statement of financial position based on current/non-current classification. An asset 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 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.

AI Mezan classifies all other liabilities as non-current.

### **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 as incurred.

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

	<u>Useful lives (years)</u>
Furniture and fixtures	8.33
Office equipment	4
Information resources	4
Computers and printers	4
Motor vehicle	6.7
Renovation	4

Any 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 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 tax**

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

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and AI Mezan intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **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.

**Provisions**

Provisions are recognized when Al Mezan has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to U.S Dollar at the rate of exchange ruling at the statement of financial position date. All differences are recognized in the statement of activities.

### 3. Property and Equipment

	Furniture and fixtures	Office equipment	Information resources	Computers and printers	Motor vehicle	Renovation	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>2017</b>							
<b>Cost</b>							
Balance, beginning of the year	51,978	126,240	100,085	134,236	19,200	-	431,739
Additions	2,974	2,505	-	2,017	-	3,142	10,638
Disposal	-	(2,040)	-	(14,303)	-	-	(16,343)
Balance, end of year	54,952	126,705	100,085	121,950	19,200	3,142	426,034
<b>Accumulated depreciation</b>							
Balance, beginning of the year	45,727	110,566	94,297	109,652	19,199	-	379,441
Depreciation	1,686	7,657	2,970	6,827	-	720	19,860
Disposal	-	(2,040)	-	(14,303)	-	-	(16,343)
Balance, end of year	47,413	116,183	97,267	102,176	19,199	720	382,958
<b>Net book value</b>							
At December 31, 2017	7,539	10,522	2,818	19,774	1	2,422	43,076
<b>2016</b>							
<b>Cost</b>							
Balance, beginning of the year	50,885	121,486	99,422	128,142	19,200	-	419,135
Additions	1,093	7,070	663	6,094	-	-	14,920
Disposal	-	(2,316)	-	-	-	-	(2,316)
Balance, end of year	51,978	126,240	100,085	134,236	19,200	-	431,739
<b>Accumulated depreciation</b>							
Balance, beginning of the year	44,308	105,750	90,917	106,736	19,199	-	366,910
Depreciation	1,419	7,132	3,380	2,916	-	-	14,847
Disposal	-	(2,316)	-	-	-	-	(2,316)
Balance, end of year	45,727	110,566	94,297	109,652	19,199	-	379,441
<b>Net book value</b>							
At December 31, 2016	6,251	15,674	5,788	24,584	1	-	52,298

Property and equipment include U.S. \$ 350,573 and U.S. \$ 368,379 of fully depreciated assets that are still used in Al Mezan's activities as of December 31, 2017 and 2016, respectively.

#### 4. Contributions Receivable

Contributions receivable comprise unconditional pledges to give as of December 31, 2017. Details of movement during the year are as follows:

	Balance, beginning of the year <u>U.S. \$</u>	Additions (written off) <u>U.S. \$</u>	Received <u>U.S. \$</u>	Currency differences <u>U.S. \$</u>	Balance, end of year <u>U.S. \$</u>
<b>Restricted contributions</b>					
Human Rights & IHL Secretariat	25,400	146,700	(172,100)	-	-
Jerrahi Order of America	-	10,000	(10,000)	-	-
Foundation Open Society Institute	150,000	-	(150,000)	-	-
Medico International e.V. (Germany)	-	49,705	(32,112)	404	17,997
Diakonia Regional Office for the Middle East	-	40,000	(42,141)	2,141	-
Broederlijk Delen VZW	-	12,110	(12,110)	-	-
European Endowment for Democracy (EED)	-	17,780	-	-	17,780
Adalah: the Legal Center for Arab Minority Rights in Israel	16,947	-	(16,947)	-	-
United Nations Development Programme - UNDP	-	105,000	(105,000)	-	-
KerK In Actie - ICCO	-	58,060	(58,060)	-	-
Norwegian Refugee Council (NRC)	14,500	(14,500)	-	-	-
The Sigrid Rausing Trust (SRT)	97,984	-	(98,737)	753	-
Central Elections Commission (CEC)	-	15,044	(7,549)	143	7,638
The International Federation for Human Rights (FIDH)	-	17,995	-	-	17,995
Others	-	1,000	(1,000)	-	-
	<u>304,831</u>	<u>458,894</u>	<u>(705,756)</u>	<u>3,441</u>	<u>61,410</u>
<b>Unrestricted contributions</b>					
Adalah: the Legal Center for Arab Minority Rights in Israel	-	6,111	(6,111)	-	-
	<u>304,831</u>	<u>465,005</u>	<u>(711,867)</u>	<u>3,441</u>	<u>61,410</u>

## 5. Other Current Assets

This item represents the following:

	<u>2017</u>	<u>2016</u>
	U.S. \$	U.S. \$
Prepaid expenses	6,328	8,273
Others	-	10,871
	<u>6,328</u>	<u>19,144</u>

## 6. Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
	U.S. \$	U.S. \$
Cash at banks	196,787	483,344
Cash at bank designated for provision for employees' benefits	125,305	63,995
	<u>322,092</u>	<u>547,339</u>

## 7. Deferred Revenues

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

	<u>2017</u>	<u>2016</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	50,272	48,176
Addition (Note 9)	10,638	14,920
Deferred revenues recognized	(17,837)	(12,824)
Balance, end of year	<u>43,073</u>	<u>50,272</u>

## 8. Provision for Employees' Benefits

Movement on the provision for employees' benefits during the year was as follows:

	<u>Employees'</u>	<u>Saving fund</u>	<u>Total</u>
	U.S. \$	U.S. \$	U.S. \$
<b><u>December 31, 2017</u></b>			
Balance, beginning of the year	103,998	51,042	155,040
Additions during the year	63,473	70,253	133,726
Payments	(2,313)	(2,913)	(5,226)
Balance, end of year	<u>165,158</u>	<u>118,382</u>	<u>283,540</u>
	<u>Employees'</u>	<u>Saving fund</u>	<u>Total</u>
	U.S. \$	U.S. \$	U.S. \$
<b><u>December 31, 2016</u></b>			
Balance, beginning of the year	370,432	497,177	867,609
Additions during the year	81,785	68,590	150,375
Payments*	(348,219)	(514,725)	(862,944)
Balance, end of year	<u>103,998</u>	<u>51,042</u>	<u>155,040</u>

\* Based on a decision made by the Board of Directors in their meeting held on April 26, 2016, Al Mezan's employees were allowed to cash in their respective saving funds and obtain a loan without maturities dates on their respective indemnity balances, which presented in net with end of services benefits.

Employees' end of service indemnity is calculated in accordance with the labor law prevailing in Palestine, and Al Mezan internal policies, based on one-month indemnity for each year of employment. The Palestinian Social Security Law is expected to be implemented during 2018, which obligates the employer to settle the end of service benefits for the periods preceding the application of the provisions of this law.

Contributions to employees' saving fund are made based on the employees' basic salary. The monthly contribution by the employee and Al Mezan is set at 7% and 14% of the basic salary, respectively.

Al Mezan maintains a separate special bank account to maintain employees' indemnity and the saving fund.

## 9. Temporarily Restricted Contributions

This item comprises temporarily restricted contributions subject to purpose restriction. It represents the difference between the donation pledged and the expenditures made out to satisfy the purpose stipulated by the donor. Movement on temporarily restricted contributions during the year was as follows:

	Balance, beginning of the year	Additions - (written off)	Temporarily restricted contributions released from restriction	Deferred revenues (Note 7)	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>2017</b>						
Human Rights & IHL Secretariat	80,000	146,700	(223,577)	(3,123)	-	-
Jerrahi Order of America	-	10,000	(10,000)	-	-	-
Foundation Open Society Institute	173,431	-	(172,693)	(738)	-	-
Medico International e.V. (Germany)	-	49,705	(31,611)	(501)	404	17,997
Diakonia Regional Office for the Middle East	-	40,000	(42,141)	-	2,141	-
Trocaire	9,408	-	-	-	-	9,408
Broederlijk Delen VZW	-	12,110	(12,110)	-	-	-
European Endowment for Democracy (EED)	-	17,780	(17,780)	-	-	-
United Nations Development Programme - UNDP	-	105,000	(91,662)	(3,706)	-	9,632
KerK in Actie - ICCO	2,500	58,060	(59,670)	(890)	-	-
Norwegian Refugee Council (NRC)	21,134	(21,134)	-	-	-	-
The Sigrid Rausing Trust (SRT)	129,092	-	(128,165)	(1,680)	753	-
Central Elections Commission (CEC)	-	15,044	(15,187)	-	143	-
The International Federation for Human Rights (FIDH)	-	17,995	(17,995)	-	-	-
Others	-	1,000	(1,000)	-	-	-
	<u>415,565</u>	<u>452,260</u>	<u>(823,591)</u>	<u>(10,638)</u>	<u>3,441</u>	<u>37,037</u>



	Balance, beginning of the year	Additions - (written off)	Temporarily restricted contributions released from restriction	Deferred revenues (Note 7)	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>2016</b>						
Human Rights & IHL Secretariat	142,000	80,000	(140,706)	(1,294)	-	80,000
Representative Office of Norway to the Palestinian Authority	159,356	-	(160,508)	(1,477)	2,629	-
Foundation Open Society Institute	20,291	300,000	(146,111)	(749)	-	173,431
Medico International e.V. (Germany)	10,430	-	(10,335)	(95)	-	-
Diakonia Regional Office for the Middle East	-	40,000	(38,612)	(310)	(1,078)	-
Save the Children - UK	2,404	(2,404)	-	-	-	-
Adalah: the Legal Center for Arab Minority Rights in Israel	46,940	-	(55,859)	-	8,919	-
United Nations Development Programme - UNDP	-	150,000	(143,437)	(6,563)	-	-
KerK in Actie - ICCO	62,375	-	(60,603)	(582)	1,310	2,500
Norwegian Refugee Council (NRC)	21,134	-	-	-	-	21,134
The Sigrid Rausing Trust (SRT)	326,447	-	(167,053)	(3,850)	(26,452)	129,092
Oxfam Novib	4,432	-	(4,432)	-	-	-
Trocaire	9,408	-	-	-	-	9,408
American Friends Service Committee (Quakers)	-	5,000	(5,000)	-	-	-
Central Elections Commission (CEC)	-	19,074	(19,074)	-	-	-
	<u>805,217</u>	<u>591,670</u>	<u>(951,730)</u>	<u>(14,920)</u>	<u>(14,672)</u>	<u>415,565</u>

## 10. Other Current Liabilities

	<u>2017</u>	<u>2016</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Accrued professional fees	17,744	17,726
Accrued payroll tax	69,367	185,417
Accrued expenses	<u>37,511</u>	<u>73,635</u>
	<u>124,622</u>	<u>276,778</u>

## 11. Expenses

	2017			2016		
	Core programs	Non-core programs	Total	Core programs	Non-core programs	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Salaries and related costs	490,487	42,182	532,669	459,150	89,040	548,190
Staff rewards	55,833	-	55,833	38,461	-	38,461
Health insurance	4,250	-	4,250	4,379	-	4,379
Photocopying and printing costs	10,000	24,282	34,282	6,071	23,042	29,113
Professional fees	21,071	20,080	41,151	53,280	12,345	65,625
Legal fees	15,972	26,107	42,079	5,721	72,467	78,188
Monitoring and documentation	17,068	1,200	18,268	3,308	-	3,308
Transportation	7,000	2,323	9,323	10,792	1,586	12,378
Communication cost	17,567	1,297	18,864	13,689	1,815	15,504
Capacity building cost	1,523	-	1,523	520	-	520
Rent	20,150	4,650	24,800	18,750	4,404	23,154
Human rights prize	-	9,400	9,400	-	8,900	8,900
Utilities	9,406	216	9,622	4,554	501	5,055
Stationery	1,611	1,798	3,409	1,289	5,629	6,918
Hospitality	4,543	1,983	6,526	2,742	11,300	14,042
Car insurance	233	-	233	504	-	504
Maintenance	7,470	-	7,470	5,398	-	5,398
Training cost	25,677	24,603	50,280	25,233	28,117	53,350
Advocacy mission	-	2,225	2,225	-	6,008	6,008
Website and database	11,400	-	11,400	11,400	-	11,400
Information & advocacy	28,250	793	29,043	11,043	-	11,043
Subscription and mails	868	-	868	524	-	524
Bank charges	1,710	34	1,744	1,651	23	1,674
Sundry	7,601	335	7,936	6,857	1,237	8,094
	<u>759,690</u>	<u>163,508</u>	<u>923,198</u>	<u>685,316</u>	<u>266,414</u>	<u>951,730</u>

## 12. 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 temporarily restricted contributions and some other current liabilities.

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

## 13. Related Party Transactions

Related parties represent directors and key management personnel of Al Mezan, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by Al Mezan's management.

The statement of activities includes the following related party transactions:

	<u>2017</u>	<u>2016</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Compensation of key management personnel:</u>		
Salaries	<u>193,113</u>	<u>176,195</u>
Saving fund	<u>23,476</u>	<u>24,410</u>
End of service benefits	<u>25,610</u>	<u>41,838</u>
Staff rewards	<u>21,200</u>	<u>12,128</u>

## 14. Risk Management

### Liquidity risk

Al Mezan 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 Al Mezan's financial liabilities are due within a year.

### Foreign currency risk

The table below indicates Al Mezan'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 EURO, Israeli Shekels (ILS), and other currencies with all other variables held constant, on the statement of activities. The effect of decrease in foreign currency exchange rates is expected to be equal and opposite to the effect of increase shown below:

	<u>Increase in EURO rate to U.S.\$ %</u>	<u>Effect on statement of activities for the year U.S. \$</u>	<u>Increase in ILS rate to U.S.\$ %</u>	<u>Effect on statement of activities for the year U.S. \$</u>	<u>Increase in other currencies rate to U.S.\$ %</u>	<u>Effect on statement of activities for the year U.S. \$</u>
<u>2017</u>	10	(5,562)	10	2,365	10	-
<u>2016</u>	10	(2,119)	10	5,026	10	3,111

**Credit risk**

Credit risks arising from the contribution receivable, exposure to credit risk arises from default of donors to transfer the donations according to the contracts signed with them which represent the carrying amount of these receivables.

With respect to credit risk arising from the other financial assets of Al Mezan which consist of cash and cash equivalents and some other current assets, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

**15. Concentration of Risk in Geographic Area**

Al Mezan is carrying out its activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out activities and may adversely affect Al Mezan's performance.