

AI MEZAN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2011

Independent Auditors' Report to the General Assembly of Al Mezan Center for Human Rights

We have audited the accompanying financial statements of Al Mezan Center for Human Rights (Al Mezan), which comprise the statement of financial position as at December 31, 2011, the statement of activities, the statement of changes in net assets, and the statement of cash flows for the year then 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 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 for 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Mezan Center for Human Rights as at December 31, 2011 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of a matter

Without qualifying our opinion, as explained in note (16) to the accompanying financial statements, Al Mezan's expenses exceeded its revenues for the years 2011 and 2010, which resulted in a deficit of net assets as at December 31, 2011. Al Mezan's ability to continue its activities depends on obtaining sufficient funding to finance its activities.

A handwritten signature in blue ink that reads 'Ernst + Young'.

June 7, 2012
Gaza, Palestine

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF FINANCIAL POSITION

As at December 31, 2011

	Notes	Restated note (17)		
		2011 U.S. \$	2010 U.S. \$	January 1, 2010 U.S. \$
ASSETS				
Non-current assets				
Property and equipment	3	44,951	58,649	85,991
		<u>44,951</u>	<u>58,649</u>	<u>85,991</u>
Current assets				
Contributions receivable	4	136,316	462,573	483,851
Other current assets	5	146,325	76,585	121,610
Cash at bank designated for employees end of service benefits	6	293,588	328,674	216,763
Cash and bank balances	6	310,630	185,789	116,715
		<u>886,859</u>	<u>1,053,621</u>	<u>938,939</u>
TOTAL ASSETS		<u>931,810</u>	<u>1,112,270</u>	<u>1,024,930</u>
NET ASSETS AND LIABILITIES				
Net Assets				
Paid-in capital	1	5,000	5,000	5,000
Unrestricted net assets		(34,877)	6,686	94,759
Total Net Assets		<u>(29,877)</u>	<u>11,686</u>	<u>99,759</u>
Non-current liabilities				
Deferred revenues	7	44,951	58,649	85,991
Employees' end of service benefits	8	475,349	406,272	337,456
		<u>520,300</u>	<u>464,921</u>	<u>423,447</u>
Current liabilities				
Temporarily restricted contributions	9	225,149	493,534	396,508
Other current liabilities	10	216,238	142,129	105,216
		<u>441,387</u>	<u>635,663</u>	<u>501,724</u>
Total Liabilities		<u>961,687</u>	<u>1,100,584</u>	<u>925,171</u>
TOTAL NET ASSETS AND LIABILITIES		<u>931,810</u>	<u>1,112,270</u>	<u>1,024,930</u>

The attached notes 1 to 17 form part of these financial statements

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF ACTIVITIES

Year ended December 31, 2011

	<u>Notes</u>	<u>2011</u> <u>U.S. \$</u>	<u>2010</u> <u>U.S. \$</u>
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	9	763,045	583,831
Deferred revenues recognized	7	25,769	34,627
Unrestricted contributions		3,799	1,967
Total revenues		<u>792,613</u>	<u>620,425</u>
<u>Expenses</u>			
Core programs	11	523,691	568,240
Non-core programs	11	284,716	105,631
Depreciation	3	25,769	34,627
Total expenses		<u>834,176</u>	<u>708,498</u>
Decrease in unrestricted net assets for the year		<u>(41,563)</u>	<u>(88,073)</u>

The attached notes 1 to 17 form part of these financial statements

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2011

	Paid-in Capital U.S. \$	Unrestricted net assets U.S. \$	Net assets U.S. \$
<u>2011</u>			
Balance at January 1, 2011	5,000	6,686	11,686
Decrease in unrestricted net assets for the year	-	(41,563)	(41,563)
Balance at December 31, 2011	<u>5,000</u>	<u>(34,877)</u>	<u>(29,877)</u>
<u>2010</u>			
Balance at January 1, 2010	5,000	94,759	99,759
Decrease in unrestricted net assets for the year	-	(88,073)	(88,073)
Balance at December 31, 2010	<u>5,000</u>	<u>6,686</u>	<u>11,686</u>

The attached notes 1 to 17 form part of these financial statements

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF CASH FLOWS

Year ended December 31, 2011

	Notes	2011 U.S. \$	2010 (restated note 17) U.S. \$
<u>Operating activities</u>			
Decrease in unrestricted net assets for the year		(41,563)	(88,073)
Adjustments:			
Depreciation		25,769	34,627
Deferred revenues recognized		(25,769)	(34,627)
Employees' end of service benefits		93,573	85,981
		<u>52,010</u>	<u>(2,092)</u>
Changes in working capital:			
Contributions receivable		326,257	21,278
Other current assets		(69,740)	45,025
Temporarily restricted contributions		(256,314)	104,311
Other current liabilities		74,109	36,913
Employees' end of service benefits paid		(24,496)	(17,165)
Net cash from operating activities		<u>101,826</u>	<u>188,270</u>
<u>Investing activities</u>			
Purchase of property and equipment		(12,071)	(7,285)
Net cash used in investing activities		<u>(12,071)</u>	<u>(7,285)</u>
Increase in cash and cash equivalents		89,755	180,985
Cash and cash equivalents, beginning of the year		<u>514,463</u>	<u>333,478</u>
Cash and cash equivalents, end of year	6	<u>604,218</u>	<u>514,463</u>

The attached notes 1 to 17 form part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. General

Al Mezan Center for Human Rights (Al Mezan) was established and registered in Gaza City on May 30, 1999 as a not-for-profit company under registration number (563130798) in accordance with the Companies' Law of 1929. The authorized and subscribed share capital of Al Mezan is 100 share at U.S.\$ 100 par value for each share, of which U.S.\$ 5,000 was paid-up 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 June 7, 2012.

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 under the historical cost convention.

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that Al Mezan has adopted the following IFRS. Adoption of this standard did not have any effect on the financial performance or position of Al Mezan:

IAS 24 - Related Party Disclosures (Revised).

Furthermore, several standards and interpretations have been issued but are not yet mandatory. Al Mezan believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

2.3 Estimates and assumptions

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

Al 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 the useful life of the property and equipment.

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.

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.

Property and equipment

Property and equipment is 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.

	Useful lives (years)
Furniture and fixtures	8.33
Office equipment	4
Information resources	4
Computers and printers	4
Motor vehicle	6.7

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

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

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.

Employees' end of service 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.

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 for employees' indemnity and the saving fund (employees' end of service benefits).

Foreign currency transactions

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	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2011						
Cost						
Beginning of the year	45,107	96,302	83,449	103,497	19,200	347,555
Additions	1,899	672	-	9,500	-	12,071
End of year	<u>47,006</u>	<u>96,974</u>	<u>83,449</u>	<u>112,997</u>	<u>19,200</u>	<u>359,626</u>
Accumulated Depreciation						
Beginning of the year	34,855	80,724	71,562	82,566	19,199	288,906
Depreciation	2,861	9,139	5,318	8,451	-	25,769
End of year	<u>37,716</u>	<u>89,863</u>	<u>76,880</u>	<u>91,017</u>	<u>19,199</u>	<u>314,675</u>
Net carrying amount						
At December 31, 2011	<u>9,290</u>	<u>7,111</u>	<u>6,569</u>	<u>21,980</u>	<u>1</u>	<u>44,951</u>
2010						
Cost						
Beginning of the year	42,880	95,794	81,949	100,447	19,200	340,270
Additions	2,227	508	1,500	3,050	-	7,285
End of year	<u>45,107</u>	<u>96,302</u>	<u>83,449</u>	<u>103,497</u>	<u>19,200</u>	<u>347,555</u>
Accumulated Depreciation						
Beginning of the year	31,999	69,485	62,255	73,236	17,304	254,279
Depreciation	2,856	11,239	9,307	9,330	1,895	34,627
End of year	<u>34,855</u>	<u>80,724</u>	<u>71,562</u>	<u>82,566</u>	<u>19,199</u>	<u>288,906</u>
Net carrying amount						
At December 31, 2010	<u>10,252</u>	<u>15,578</u>	<u>11,887</u>	<u>20,931</u>	<u>1</u>	<u>58,649</u>
At December 31, 2009	<u>10,881</u>	<u>26,309</u>	<u>19,694</u>	<u>27,211</u>	<u>1,896</u>	<u>85,991</u>

Property and equipment includes U.S. \$ 242,774 and U.S. \$ 222,000 of fully depreciated assets that are still used in Al Mezan's activities as of December 31, 2011 and 2010, respectively.

4. Contributions Receivable

Contributions receivable comprise unconditional pledges to give as of December 31, 2011 and 2010. Details are as follows:

	Balance, Beginning of the year	Additions	Cash received	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2011					
NGO Development Center (NDC)	231,500	-	(210,500)	-	21,000
Representative Office of Norway to the Palestinian Authority	-	126,000	(124,867)	(1,133)	-
Foundation Open Society Institute	50,000	-	(50,000)	-	-
Medico International e.V. (Germany)	-	15,333	(15,333)	-	-
ICCO and Kerk in Actie	66,230	-	(71,499)	5,269	-
Diakonia Regional Office for the Middle East	-	44,419	(44,419)	-	-
Save the Children - UK	3,802	36,342	(31,547)	-	8,597
Adalah: the Legal Center for Arab Minority Rights in Israel	96,041	-	(56,163)	(1,054)	38,824
Chomsky Fund	15,000	-	(15,000)	-	-
United Nations Development Programme - UNDP	-	200,000	(140,000)	-	60,000
United Nations Educational, Scientific and Cultural Organization - UNESCO	-	67,794	(59,899)	-	7,895
Fredrich Ebert Foundation	-	13,761	(13,761)	-	-
	<u>462,573</u>	<u>503,649</u>	<u>(832,988)</u>	<u>3,082</u>	<u>136,316</u>
	Balance, Beginning of the year	Additions	Cash received	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2010					
NGO Development Center (NDC)	54,424	425,000	(247,924)	-	231,500
Representative Office of Norway to the Palestinian Authority	80,200	71,455	(151,655)	-	-
Foundation Open Society Institute	25,000	100,000	(75,000)	-	50,000
Medico International e.V. (Germany)	-	12,224	(12,224)	-	-
ICCO and Kerk in Actie	139,749	-	(65,749)	(7,770)	66,230
Diakonia Regional Office for the Middle East	31,620	34,400	(67,164)	1,144	-
Save the Children - UK	2,530	8,504	(7,232)	-	3,802
Adalah: the Legal Center for Arab Minority Rights in Israel	150,328	-	(52,868)	(1,419)	96,041
The Carol Chomsky Memorial Fund	-	15,000	-	-	15,000
CAIPIRINHA Foundation; Cultures of Resistance through CodePink	-	10,000	(10,000)	-	-
UNICEF - OPT	-	19,952	(19,952)	-	-
	<u>483,851</u>	<u>696,535</u>	<u>(709,768)</u>	<u>(8,045)</u>	<u>462,573</u>

5. Other Current Assets

This item represents the following:

	2011	2010	January 1, 2010
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Employees' loans receivable *	145,325	75,357	120,693
Other	1,000	1,228	917
	<u>146,325</u>	<u>76,585</u>	<u>121,610</u>

* Movement on employees' loans receivable during the year is as follows:

	2011	2010
	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	75,357	120,693
Loans granted during the year	151,729	8,570
Loans repaid during the year	(81,761)	(53,906)
Balance, end of year	<u>145,325</u>	<u>75,357</u>

Al Mezan provides loans to its permanent employees from the cash available for employees' end of service benefits. Each permanent employee who is in service for more than two years can apply and receive a non-interest-bearing loan for an amount not exceeding 75% of his/her respective end of service benefit amount with a repayment period not exceeding 36 months. Employees repay the loan by installments deducted from their salaries with a maximum amount of installment of 33% of the employee's salary. Prior to 2011, Al Mezan kept the accounting of this loan scheme together with the bank account from which loans were disbursed in separate records. During 2011, Al Mezan retroactively accounted for the employees' end of service benefits bank account, employees' loans granted from cash available in this bank account and related end of service benefits obligations within its accounting records (note 17).

6. Cash and Cash Equivalents

	2011	2010	January 1, 2010
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on hand	12	267	-
Cash at banks	310,618	185,522	116,715
Cash and bank balances	<u>310,630</u>	<u>185,789</u>	<u>116,715</u>
Cash at bank designated for employees end of service benefits (note 17)	293,588	328,674	216,763
	<u>604,218</u>	<u>514,463</u>	<u>333,478</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 follow:

	2011	2010	January 1, 2010
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	58,649	85,991	74,740
Addition (note 9)	12,071	7,285	47,534
Deferred revenues recognized	<u>(25,769)</u>	<u>(34,627)</u>	<u>(36,283)</u>
Balance, end of year	<u>44,951</u>	<u>58,649</u>	<u>85,991</u>

8. Employees' End of Service Benefits

Movement on this account during the year was as follows:

	Employees' Indemnity	Saving scheme	Total
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>December 31, 2011</u>			
Balance, beginning of the year	186,925	219,347	406,272
Additions during the year	34,026	59,547	93,573
Payments	<u>(9,382)</u>	<u>(15,114)</u>	<u>(24,496)</u>
Balance, end of year	<u>211,569</u>	<u>263,780</u>	<u>475,349</u>

	Employees' Indemnity	Saving scheme	Total
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>December 31, 2010 (note 17)</u>			
Balance, beginning of the year	162,570	174,886	337,456
Additions during the year	31,903	54,078	85,981
Payments	<u>(7,548)</u>	<u>(9,617)</u>	<u>(17,165)</u>
Balance, end of year	<u>186,925</u>	<u>219,347</u>	<u>406,272</u>

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	Temporarily restricted contribution released from restriction	Deferred revenues (Note 7)	Currency differences	Balance, end of year
2011	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
NGO Development Center (NDC)	210,000	-	(210,000)	-	-	-
Representative Office of Norway to the Palestinian Authority	-	126,000	(124,867)	-	(1,133)	-
Foundation Open Society Institute	50,000	-	(50,000)	-	-	-
Medico International e.V. (Germany)	-	15,333	(15,333)	-	-	-
ICCO and Kerk in Actie	66,230	-	(71,499)	-	5,269	-
Diakonia Regional Office for the Middle East	14,513	44,419	(58,932)	-	-	-
Trocaire	9,408	-	-	-	-	9,408
Save the Children - UK	5,004	36,342	(37,642)	(3,704)	-	-
Adalah: the Legal Center for Arab Minority Rights in Israel	138,379	-	(62,272)	(672)	(1,054)	74,381
United Nations Development Programme - UNDP	-	200,000	(52,945)	(7,695)	-	139,360
United Nations Educational, Scientific and Cultural Organization - UNESCO	-	67,794	(65,794)	-	-	2,000
Fredrich Ebert Foundation	-	13,761	(13,761)	-	-	-
	<u>493,534</u>	<u>503,649</u>	<u>(763,045)</u>	<u>(12,071)</u>	<u>3,082</u>	<u>225,149</u>

	Balance, Beginning of the year	Additions	Temporarily restricted contribution released from restriction	Deferred revenues (Note 7)	Currency differences	Balance, end of year
2010	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
NGO Development Center (NDC)	-	425,000	(215,000)	-	-	210,000
Representative Office of Norway to the Palestinian Authority	12,279	71,455	(83,734)	-	-	-
Foundation Open Society Institute	25,000	100,000	(72,773)	(2,227)	-	50,000
Medico International e.V. (Germany)	-	12,224	(12,224)	-	-	-
ICCO and Kerk in Actie	143,729	-	(69,469)	(258)	(7,772)	66,230
Diakonia Regional Office for the Middle East	-	34,400	(19,531)	(1,500)	1,144	14,513
Trocaire	31,773	-	(19,765)	(2,600)	-	9,408
Save the Children - UK	-	8,504	(3,500)	-	-	5,004
Rights and Democracy	348	(348)	-	-	-	-
Adalah: the Legal Center for Arab Minority Rights in Israel	183,379	-	(42,883)	(700)	(1,417)	138,379
The Carol Chomsky Memorial Fund	-	15,000	(15,000)	-	-	-
CAIPIRINHA Foundation; Cultures of Resistance through CodePink	-	10,000	(10,000)	-	-	-
UNICEF - OPT	-	19,952	(19,952)	-	-	-
	<u>396,508</u>	<u>696,187</u>	<u>(583,831)</u>	<u>(7,285)</u>	<u>(8,045)</u>	<u>493,534</u>

10. Other Current Liabilities

	<u>2011</u>	<u>2010</u>	<u>January 1,</u> <u>2010</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Accrued professional fees	73,029	43,494	27,711
Accrued payroll tax	92,252	72,084	54,089
Accrued expenses	48,459	26,551	23,416
Other	2,498	-	-
	<u>216,238</u>	<u>142,129</u>	<u>105,216</u>

11. Expenses

	2011			2010		
	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	245,883	167,078	412,961	285,670	67,605	353,275
Saving fund	28,618	-	28,618	33,919	-	33,919
End of service indemnity	27,632	-	27,632	23,950	1,421	25,371
Staff rewards	62,482	-	62,482	41,855	-	41,855
Health insurance	5,880	-	5,880	5,427	-	5,427
Staff training	1,690	-	1,690	1,056	-	1,056
Photocopying and printing costs	10,530	5,946	16,476	13,567	4,680	18,247
Professional fees	50,125	8,400	58,525	42,258	-	42,258
Legal fees	-	20,738	20,738	20,000	-	20,000
Transportation	5,216	7,743	12,959	4,416	2,944	7,360
Communication cost	13,134	3,325	16,459	14,254	1,315	15,569
Capacity building cost	20,376	5,455	25,831	30,658	-	30,658
Rent	20,900	10,498	31,398	20,817	840	21,657
Human rights prize	5,590	-	5,590	2,216	-	2,216
Advertisement	-	757	757	-	808	808
Utilities	5,240	280	5,520	4,704	-	4,704
Stationery	3,574	5,103	8,677	3,405	1,526	4,931
Hospitality	3,964	31,216	35,180	3,788	11,169	14,957
Car insurance	507	-	507	479	-	479
Maintenance	6,368	-	6,368	10,048	-	10,048
Translation	-	672	672	-	4,973	4,973
Training cost	3,938	10,887	14,825	2,712	4,655	7,367
Subscription and mails	460	-	460	503	-	503
Bank charges	418	2,072	2,490	1,342	-	1,342
Sundry	1,166	4,546	5,712	1,196	3,695	4,891
	<u>523,691</u>	<u>284,716</u>	<u>808,407</u>	<u>568,240</u>	<u>105,631</u>	<u>673,871</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 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:

	2011 U.S. \$	2010 U.S. \$
Compensation of key management personnel		
Salaries	162,870	140,283
Saving fund	22,631	19,627
End of service benefits	12,278	10,979
Staff rewards	27,113	17,813

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 period of three months.

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 increases shown below:

	Increase in EURO rate to U.S.\$ %	Effect on statement of activities U.S. \$	Increase in ILS rate to U.S.\$ %	Effect on statement of activities U.S. \$	Increase in other currencies rates to U.S.\$ %	Effect on statement of activities U.S. \$
2011	+10	5,463	+10	1,933	+10	694
2010	+10	5,850	+10	2,938	+10	2,072

15. Concentration of Risk in Geographic Area

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

16. Financial Stability and Management Plans

During the years 2011 and 2010, Al Mezan's expenses exceeded its revenues which caused a deficit in net assets as at December 31, 2011. Management believes that the deficit will be reduced and bypassed during the following years by increasing efforts in fundraising activities through seeking unrestricted donations during the next years.

17. Restatements

Al Mezan transfers end of service benefits provided for each period to a special bank account in the name of Al Mezan. In prior years this bank account was maintained separately from Al Mezan's accounting records. During 2011, Al Mezan retroactively accounted for the employees' end of service benefits bank account, employees' loan granted from cash available in this bank account and related end of service benefits obligations within its accounting records. This had no effect on previously reported net assets, but as a result, assets and liabilities as at December 31, 2010 and January 1, 2010 increased by U.S. \$ 404,031 and 337,456, respectively. Details of the increase are as follows:

	December 31, 2010	January 1, 2010
	<u>U.S. \$</u>	<u>U.S. \$</u>
Employees' loans receivable (note 5)	75,357	120,693
Cash at bank designated for employees end of service benefits (note 6)	328,674	216,763
	<u>404,031</u>	<u>337,456</u>

**The following schedules do not form part of the audited
financial statements of
Al Mezan Center for Human Rights
for the year ended December 31, 2011**



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**To the General Assembly of
Al Mezan Center for Human Rights**

Our audit of the financial statements of Al Mezan Center for Human Rights for the year ended December 31, 2011, has been made primarily for the purpose of expressing an opinion on the financial statements based on our audit. The schedules of functional expense, core and non-core programs expenses allocated to Al Mezan's donors as set out in following pages 1-2, are presented for analysis purposes and are not considered necessary for presenting fairly, in all material respects, the financial position of Al Mezan Center for Human Rights as at December 31, 2011 and the results of its activities and its cash flows for the year then ended. Accordingly, we do not express any opinion thereon.

A handwritten signature in blue ink that reads 'Ernst + Young'.

June 7, 2012
Gaza - Palestine

AL MEZAN CENTER FOR HUMAN RIGHTS

Schedule of Functional Expenses, Core Programs Expenses Allocated by Donors For the Year Ended December 31, 2011

The following schedule shows a breakdown of core program expenses allocated to Al Mezan's donors for the year ended December 31, 2011:

	Core Programs							Total U.S.\$
	NGO Development Center (NDC)	Representative Office of Norway to the Palestinian Authority	Foundation Open Society Institute	Medico Internationa l e.v. (Germany)	ICCO and Kerk in Actie	Diakonia Regional Office for the Middle East	Not allocated	
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	
Salaries	83,929	73,925	1,868	9,743	43,628	6,509	26,281	245,883
Saving fund	14,801	13,037	-	-	-	-	780	28,618
End of service indemnity	6,994	6,160	-	-	-	-	14,478	27,632
Staff rewards	-	19,000	22,000	-	18,482	3,000	-	62,482
Health insurance	3,600	-	526	939	236	579	-	5,880
Staff training	-	-	1,097	593	-	-	-	1,690
Photocopying and printing cost	10,530	-	-	-	-	-	-	10,530
Professional fees	36,500	2,250	6,625	3,000	1,750	-	-	50,125
Transportations	1,200	2,839	110	-	1,067	-	-	5,216
Communication cost	4,700	2,450	3,500	-	2,484	-	-	13,134
Capacity building cost	17,850	-	2,000	526	-	-	-	20,376
Rent	20,900	-	-	-	-	-	-	20,900
Human rights prize	-	-	5,590	-	-	-	-	5,590
Utilities	1,186	2,002	50	-	2,002	-	-	5,240
Stationery	1,200	854	1,320	-	200	-	-	3,574
Hospitality	1,300	-	2,132	532	-	-	-	3,964
Car insurance	-	-	-	-	142	365	-	507
Maintenance	3,510	1,850	-	-	1,008	-	-	6,368
Training cost	-	500	2,938	-	500	-	-	3,938
Subscription and mails	460	-	-	-	-	-	-	460
Bank charge	200	-	218	-	-	-	-	418
Sundry	1,140	-	26	-	-	-	-	1,166
	<u>210,000</u>	<u>124,867</u>	<u>50,000</u>	<u>15,333</u>	<u>71,499</u>	<u>10,453</u>	<u>41,539</u>	<u>523,691</u>

AL MEZAN CENTER FOR HUMAN RIGHTS

Schedule of Functional Expenses, Non-core Programs Expenses Allocated by Donors For the Year Ended December 31, 2011

The following schedule shows a breakdown of non-core program expenses allocated to Al Mezan's donors for the year ended December 31, 2011:

	Non-Core Programs							Total U.S.\$
	Diakonia Regional Office for the Middle East	Save the Children - UK	Adalah: the Legal Center for Arab Minority Rights in Israel	United Nations Development Programme - UNDP	United Nations Educational, Scientific and Cultural Organization - UNESCO	Fredrich Ebert Foundation	Al Mezan Contribution	
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	
Salaries	26,565	24,652	47,093	29,008	31,279	8,481	-	167,078
Saving fund	-	-	-	-	-	-	-	-
End of service indemnity	-	-	-	-	-	-	-	-
Staff rewards	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-
Staff training	-	-	-	-	-	-	-	-
Photocopying and printing cost	3,447	-	2,058	-	-	441	-	5,946
Professional fees	3,000	2,400	-	-	3,000	-	-	8,400
Legal fees	-	-	-	20,738	-	-	-	20,738
Transportations	-	1,737	1,640	-	4,366	-	-	7,743
Communication cost	829	991	-	368	1,137	-	-	3,325
Capacity building cost	5,455	-	-	-	-	-	-	5,455
Rent	1,155	1,027	-	602	6,296	905	513	10,498
Human rights prize	-	-	-	-	-	-	-	-
Advertisement	757	-	-	-	-	-	-	757
Utilities	280	-	-	-	-	-	-	280
Stationery	821	825	-	759	1,935	763	-	5,103
Hospitality	4,170	4,574	7,422	1,470	11,122	2,458	-	31,216
Car insurance	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-
Translation	-	-	672	-	-	-	-	672
Training cost	2,000	1,436	2,205	-	3,378	630	1,238	10,887
Subscription and mails	-	-	-	-	-	-	-	-
Bank charge	-	-	-	-	-	-	2,072	2,072
Sundry	-	-	1,182	-	3,281	83	-	4,546
	<u>48,479</u>	<u>37,642</u>	<u>62,272</u>	<u>52,945</u>	<u>65,794</u>	<u>13,761</u>	<u>3,823</u>	<u>284,716</u>