

AI MEZAN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

We have audited the accompanying financial statements of AI Mezan Center for Human Rights (AI Mezan), which comprise the statement of financial position as of December 31, 2010, 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.

The financial statements of AI Mezan as of December 31, 2009 were audited by another auditor whose report dated June 17, 2010 expressed an unqualified opinion on those financial statements before the restatements depicted in note (14).

Management's Responsibility for the Financial Statements

The 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 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 AI Mezan Center for Human Rights as of December 31, 2010 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Gaza, Palestine
May 18, 2011

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF FINANCIAL POSITION

As of December 31, 2010

	Notes	2010 U.S. \$	2009 (restated note 14) U.S. \$	January 1, 2009 (restated note 14) U.S. \$
<u>ASSETS</u>				
Non-current assets				
Property and equipment	3	58,649	85,991	74,740
		<u>58,649</u>	<u>85,991</u>	<u>74,740</u>
Current assets				
Contributions receivable	4	462,573	483,851	634,564
Other current assets		1,228	917	1,308
Cash and cash equivalents	5	185,789	116,715	140,663
		<u>649,590</u>	<u>601,483</u>	<u>776,535</u>
TOTAL ASSETS		<u><u>708,239</u></u>	<u><u>687,474</u></u>	<u><u>851,275</u></u>
<u>NET ASSETS AND LIABILITIES</u>				
Net Assets				
Paid-in capital	1	5,000	5,000	5,000
Unrestricted net assets		6,686	94,759	95,683
Total Net Assets		<u>11,686</u>	<u>99,759</u>	<u>100,683</u>
Non-current liabilities				
Deferred revenues	6	58,649	85,991	74,740
		<u>58,649</u>	<u>85,991</u>	<u>74,740</u>
Current liabilities				
Temporarily restricted contributions	7	493,534	396,508	596,661
Other current liabilities	8	144,370	105,216	79,191
		<u>637,904</u>	<u>501,724</u>	<u>675,852</u>
Total Liabilities		<u>696,553</u>	<u>587,715</u>	<u>750,592</u>
TOTAL NET ASSETS AND LIABILITIES		<u><u>708,239</u></u>	<u><u>687,474</u></u>	<u><u>851,275</u></u>

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

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF ACTIVITIES

Year ended December 31, 2010

		2010	2009 (restated note 14)
	<u>Notes</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	7	583,831	756,610
Deferred revenues recognized	6	34,627	36,283
Unrestricted contributions		1,967	779
Total revenues		<u>620,425</u>	<u>793,672</u>
<u>Expenses</u>			
Core program	9	568,240	591,728
Non-core programs	9	105,631	166,585
Depreciation		34,627	36,283
Total expenses		<u>708,498</u>	<u>794,596</u>
Changes in unrestricted net assets		<u>(88,073)</u>	<u>(924)</u>

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

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2010

	Paid-in Capital <u>U.S. \$</u>	Unrestricted net assets <u>U.S. \$</u>	Net assets <u>U.S. \$</u>
2010			
Balance at January 1, 2010	5,000	94,759	99,759
Changes in unrestricted net assets	-	(88,073)	(88,073)
Balance at December 31, 2010	<u>5,000</u>	<u>6,686</u>	<u>11,686</u>
2009			
Balance at January 1, 2009 - before restatements	5,000	93,858	98,858
Restatements (note 14)	-	1,825	1,825
Balance at January 1, 2009 - after restatements	5,000	95,683	100,683
Changes in unrestricted net assets	-	(924)	(924)
Balance at December 31, 2009 (restated note 14)	<u>5,000</u>	<u>94,759</u>	<u>99,759</u>

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

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF CASH FLOWS

Year ended December 31, 2010

	2010 <u>U.S. \$</u>	2009 (restated note 14) <u>U.S. \$</u>
<u>Operating activities</u>		
Change in unrestricted net assets for the year	(88,073)	(924)
Adjustments:		
Depreciation	34,627	36,283
Deferred revenues recognized	<u>(34,627)</u>	<u>(36,283)</u>
	(88,073)	(924)
Changes in working capital:		
Contributions receivable	21,278	150,713
Other current assets	(311)	391
Temporarily restricted contributions	104,311	(152,619)
Other current liabilities	<u>39,154</u>	<u>26,025</u>
Net cash from operating activities	<u>76,359</u>	<u>23,586</u>
<u>Investing activities</u>		
Purchase of property and equipment	<u>(7,285)</u>	<u>(47,534)</u>
Net cash used in investing activities	<u>(7,285)</u>	<u>(47,534)</u>
Increase (decrease) in cash and cash equivalents	69,074	(23,948)
Cash and cash equivalents, beginning of the year	<u>116,715</u>	<u>140,663</u>
Cash and cash equivalents, end of year	<u>185,789</u>	<u>116,715</u>

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

AI MEZAN CENTER FOR HUMAN RIGHTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. General

Al Mezan Center for Human Rights (Al Mezan) was established and registered in Gaza City on May 30, 1999, under a registration number (563130798), as a not-for-profit company 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 a 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 18, 2011.

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.

Standards issued but not yet effective up to the date of issuance of Al Mezan's financial statements are listed below. This listing is for standards and interpretations issued, which Al Mezan reasonably expects to be applicable at a future date.

IAS 24 Related Party Disclosures (Revised)

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 benefits 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 separate accounting records and a special bank account for employees' indemnity and the saving fund.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated 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. \$
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	45,107	96,302	83,449	103,497	19,200	347,555
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	34,855	80,724	71,562	82,566	19,199	288,906
Net carrying amount						
At December 31, 2010	10,252	15,578	11,887	20,931	1	58,649
2009						
Cost						
Beginning of the year	41,401	86,157	71,449	74,529	19,200	292,736
Additions	1,479	9,637	10,500	25,918	-	47,534
End of year	42,880	95,794	81,949	100,447	19,200	340,270
Accumulated Depreciation						
Beginning of the year	27,431	57,269	53,145	65,727	14,424	217,996
Depreciation	4,568	12,216	9,110	7,509	2,880	36,283
End of year	31,999	69,485	62,255	73,236	17,304	254,279
Net carrying amount						
At December 31, 2009	10,881	26,309	19,694	27,211	1,896	85,991
At January 1, 2009	13,970	28,888	18,304	8,802	4,776	74,740

Property and equipment includes U.S. \$ 222,000 and U.S. \$ 163,857 of fully depreciated assets that are still used in Al Mezan's activities as of December 31, 2010 and 2009, respectively.

4. Contributions Receivable

Contributions receivable comprise unconditional pledges to give as of December 31, 2010 and 2009. 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. \$
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>
2009					
NGO Development Center (NDC)	500,000	44,474	(490,050)	-	54,424
Representative Office of Norway to the Palestinian Authority	80,200	-	-	-	80,200
Foundation Open Society Institute	-	60,700	(35,700)	-	25,000
Medico International e.V. (Germany)	-	14,099	(14,099)	-	-
ICCO and Kerk in Actie	-	213,873	(74,124)	-	139,749
Diakonia Regional Office for the Middle East	31,620	-	-	-	31,620
Trocaire	-	23,658	(23,658)	-	-
Care International	8,443	-	(8,443)	-	-
Al Haq	-	15,984	(15,984)	-	-
Save the Children - UK	-	19,142	(16,612)	-	2,530
Rights and Democracy	-	7,886	(7,886)	-	-
Adalah: the Legal Center for Arab Minority Rights in Israel	-	197,180	(53,845)	6,993	150,328
Representative Office of Netherlands to the Palestinian Authority	14,301	-	(14,301)	-	-
	<u>634,564</u>	<u>596,996</u>	<u>(754,702)</u>	<u>6,993</u>	<u>483,851</u>

In addition to the cash received stated in the schedule above, Al Mezan received an amount of U.S. \$ 1,222 (equivalent to EURO 1,000) from Medico International e.V. to cover travel expenses of Al Mezan's communications and international relations coordinator during his trip to Berlin. Al Mezan acts as a transitory and the amount received is not recorded as part of revenues in the financial statements.

5. Cash and Cash Equivalents

	2010	2009	January 1, 2009
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Cash on hand	267	-	-
Cash at banks*	<u>185,522</u>	<u>116,715</u>	<u>140,663</u>
	<u>185,789</u>	<u>116,715</u>	<u>140,663</u>

* Cash at banks excludes bank accounts in which Al Mezan accumulates employees' indemnity and the saving fund, as Al Mezan maintains separate accounting records and a special bank account for employees' indemnity and saving fund. The balance of this bank account was U.S. \$ 328,675 and U.S. \$ 216,763 as of December 31, 2010 and 2009, respectively.

6. 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:

	2010	2009	January 1, 2009
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Balance, beginning of the year	85,991	74,740	82,533
Addition (note 7)	7,285	47,534	33,777
Deferred revenues recognized	<u>(34,627)</u>	<u>(36,283)</u>	<u>(41,570)</u>
Balance, end of year	<u>58,649</u>	<u>85,991</u>	<u>74,740</u>

7. 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 (refunded)	Temporarily restricted contribution released from restriction	Deferred revenues	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	(7,770)	66,232
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	(1,419)	138,377
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>

	Balance, Beginning of the year	Additions	Temporarily restricted contribution released from restriction	Deferred revenues	Currency difference	Balance, end of year
<u>2009</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>
NGO Development Center (NDC)	370,006	44,474	396,549	17,931	-	-
Representative Office of Norway to the Palestinian Authority	92,479	-	77,368	2,832	-	12,279
Foundation Open Society Institute	-	60,700	34,400	1,300	-	25,000
Medico International e.V. (Germany)	-	14,099	14,099	-	-	-
ICCO and Kerk in Actie	49,610	213,873	113,718	6,036	-	143,729
Diakonia Regional Office for the Middle East	48,849	-	46,246	2,603	-	-
Trocaire	9,600	23,658	1,485	-	-	31,773
Care International	8,877	-	6,377	2,500	-	-
Ford Foundation	17,240	-	17,240	-	-	-
Al Haq	-	15,984	15,984	-	-	-
Save the Children - UK	-	19,142	15,248	3,894	-	-
Rights and Democracy	-	7,886	3,779	3,759	-	348
Adalah: the Legal Center for Arab Minority Rights in Israel	-	197,182	14,117	6,679	6,993	183,379
	<u>596,661</u>	<u>596,998</u>	<u>756,610</u>	<u>47,534</u>	<u>6,993</u>	<u>396,508</u>

8. Other Current Liabilities

	<u>2010</u>	<u>2009</u>	<u>January 1,</u> <u>2009</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
Accrued professional fees	45,735	27,711	16,625
Accrued payroll tax	72,084	54,089	36,291
Accrued expenses	26,551	23,416	26,275
	<u>144,370</u>	<u>105,216</u>	<u>79,191</u>

9. Expenses

	2010			2009		
	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	285,670	67,605	353,275	270,205	94,118	364,323
Saving fund	33,919	-	33,919	57,072	-	57,072
End of service benefits	23,950	1,421	25,371	25,417	-	25,417
Staff rewards	41,855	-	41,855	42,895	-	42,895
Health insurance	5,427	-	5,427	5,643	-	5,643
Staff training	1,056	-	1,056	2,555	-	2,555
Photocopying and printing costs	13,567	4,680	18,247	22,425	3,577	26,002
Professional fees	42,258	-	42,258	32,066	7,201	39,267
Legal fees	20,000	-	20,000	44,240	7,026	51,266
Transportation	4,416	2,944	7,360	3,798	199	3,997
Communication cost	14,254	1,315	15,569	13,453	1,120	14,573
Capacity building cost	30,658	-	30,658	19,377	17,240	36,617
Rent	20,817	840	21,657	19,716	549	20,265
Human rights prize	2,216	-	2,216	-	-	-
Advertisement	-	808	808	-	8,750	8,750
Utilities	4,704	-	4,704	4,212	415	4,627
Stationery	3,405	1,526	4,931	5,502	1,302	6,804
Hospitality	3,788	11,169	14,957	4,012	14,463	18,475
Car insurance	479	-	479	577	-	577
Maintenance	10,048	-	10,048	10,939	-	10,939
Translation	-	4,973	4,973	-	1,700	1,700
Training cost	2,712	4,655	7,367	2,678	7,201	9,879
Subscription and mails	503	-	503	1,528	-	1,528
Bank charges	1,342	-	1,342	596	1,135	1,731
Sundry	1,196	3,695	4,891	2,822	589	3,411
	<u>568,240</u>	<u>105,631</u>	<u>673,871</u>	<u>591,728</u>	<u>166,585</u>	<u>758,313</u>

10. 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.

11. 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>2010</u>	<u>2009</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Compensation of key management personnel		
Salaries	<u>140,283</u>	<u>142,815</u>
Saving fund	<u>19,627</u>	<u>19,994</u>
End of service benefits	<u>10,979</u>	<u>11,180</u>
Staff rewards	<u>17,813</u>	<u>19,855</u>

12. 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.\$ <u> %</u>	Effect on statement of activities for the year <u> U.S. \$</u>	Increase in ILS rate to U.S.\$ <u> %</u>	Effect on statement of activities for the year <u> U.S. \$</u>	Increase in other currenci es rates to U.S.\$ <u> %</u>	Effect on statement of activities for the year <u> U.S. \$</u>
<u>2010</u>	+10	5,850	+10	2,938	+10	2,072
<u>2009</u>	+10	5,223	+10	6,073	+10	(9,410)

13. 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.

14. Restatements

The following are the details of restatements of prior years.

- In prior years, Al Mezan recorded temporarily restricted contributions as part of net assets and recognized its related revenues upon receiving the contribution rather than upon satisfying the purpose of the restriction. In addition, Al Mezan practice was to recognize contributions receivable when incurring expenses related to contributions not received at reporting date.

During the year, Al Mezan changed its accounting treatment retroactively and adopted a policy of recording the temporarily restricted contributions as liability and recognizing it as revenue upon satisfying the purpose of the restricted donation. In addition, Al Mezan retroactively changed its accounting treatment concerning contribution receivable and started recognizing contributions receivable at the original amount of the unconditional pledge less amounts received and any uncollectible pledges.

- During 2009, Al Mezan recorded an amount of U.S. \$ 1,847 as other current assets rather than maintenance expenses. The retroactive restatement resulted in an increase of maintenance expenses for the year 2009.
- Effect of restatements on unrestricted net assets as of January 1, 2009:

	January 1, 2009
	U.S. \$
Unrestricted net assets - before restatements	93,858
Cumulative effect of restatements	1,825
Unrestricted net assets - after restatements	<u>95,683</u>

- The effect of the restatements on the financial statements as of December 31, 2009 are as follows:

	Before restatements	Restatements	After restatements
	U.S. \$	U.S. \$	U.S. \$
Statement of financial position			
Contributions receivable	<u>168,774</u>	<u>315,077</u>	<u>483,851</u>
Other current assets	<u>2,764</u>	<u>(1,847)</u>	<u>917</u>
Temporarily restricted contributions	<u>83,278</u>	<u>313,230</u>	<u>396,508</u>
Statement of activities			
Temporarily restricted contributions released from restriction	<u>720,602</u>	<u>36,008</u>	<u>756,610</u>
Deferred revenues recognized	<u>-</u>	<u>36,283</u>	<u>36,283</u>
Total expenses	<u>792,749</u>	<u>1,847</u>	<u>794,596</u>
Changes in unrestricted net assets	<u>(71,368)</u>	<u>70,444</u>	<u>(924)</u>

15. Comparative Amounts

The corresponding figures for 2009 have been reclassified in order to conform with the presentation for the current year. Except for the effect of restatements in note (14), the reclassifications do not affect previously reported results. In addition, the opening balances of 2009 were reported.

**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, 2010**

**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, 2010, has been made primarily for the purpose of expressing an opinion on the financial statements based on our audit. The statement of functional expense, core and non-core programs expenses allocated to Al Mezan's donors as set out in pages 19 and 20, 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 of December 31, 2010 and the results of its activities and its cash flows for the year then ended.

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

Gaza - Palestine
May 18, 2011

AL MEZAN CENTER FOR HUMAN RIGHTS

Statement of Functional Expenses, Core Programs Expenses Allocated by Donors For the Year Ended December 31, 2010

The following schedule shows a breakdown of core program expenses allocated to Al Mezan's donors for the year ended December 31, 2010:

	Core Programs								Total
	NGO Developme nt Center (NDC)	Representative Office of Norway to the Palestinian Authority	Foundation Open Society Institute	Medico International e.v. (Germany)	ICCO and Kerk in Actie	CAIPIRINHA Foundation: Cultures of Resistance through CodePink	The Carol Chomsky Memorial Fund	Not allocated	
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	
Salaries	81,935	66,078	12,717	8,077	48,439	-	-	68,424	285,670
Saving fund	10,012	8,075	1,554	987	5,919	-	-	7,372	33,919
End of service benefits	7,136	5,755	1,107	703	4,219	-	-	5,030	23,950
Staff rewards	18,756	2,158	18,000	-	-	-	-	2,941	41,855
Health insurance	2,481	-	971	-	-	1,975	-	-	5,427
Staff training	-	-	-	-	-	1,056	-	-	1,056
Photocopying and printing cost	13,567	-	-	-	-	-	-	-	13,567
Professional fees	18,461	689	11,545	1,399	7,828	-	-	2,336	42,258
Legal fees	20,000	-	-	-	-	-	-	-	20,000
Transportations	1,620	150	1,390	150	231	-	-	875	4,416
Communication cost	4,320	200	4,754	200	280	4,500	-	-	14,254
Capacity building cost	24,427	-	5,484	168	529	-	-	50	30,658
Rent	1,935	250	2,500	200	450	233	14,565	684	20,817
Human rights prize	-	-	2,216	-	-	-	-	-	2,216
Advertisement	-	-	-	-	-	-	-	-	-
Utilities	1,080	23	1,550	50	50	1,951	-	-	4,704
Stationery	1,090	200	1,208	180	181	111	435	-	3,405
Hospitality	1,277	102	1,137	80	285	-	-	907	3,788
Car insurance	219	-	86	-	-	174	-	-	479
Maintenance	3,725	-	5,500	-	362	-	-	461	10,048
Translation	-	-	-	-	-	-	-	-	-
Training cost	1,082	54	955	-	621	-	-	-	2,712
Subscription and mails	423	-	-	30	50	-	-	-	503
Bank charge	258	-	99	-	25	-	-	960	1,342
Sundry	1,196	-	-	-	-	-	-	-	1,196
	<u>215,000</u>	<u>83,734</u>	<u>72,773</u>	<u>12,224</u>	<u>69,469</u>	<u>10,000</u>	<u>15,000</u>	<u>90,040</u>	<u>568,240</u>

AL MEZAN CENTER FOR HUMAN RIGHTS

Statement of Functional Expenses, Non-core Programs Expenses Allocated by Donors
For the Year Ended December 31, 2010

The following schedule shows a breakdown of non-core program expenses allocated to Al Mezan's donors for the year ended December 31, 2010:

	Non-Core Programs					
	Diakonia Regional Office for the Middle East	Trocaire	Save the Children - UK	Adalah: the Legal Center for Arab Minority Rights in Israel	United Nations Children's Fund - UNICEF - OPT	Total
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Salaries	12,509	12,000	3,500	34,398	5,198	67,605
Saving fund	-	-	-	-	-	-
End of service benefits	1,421	-	-	-	-	1,421
Staff rewards	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-
Staff training	-	-	-	-	-	-
Photocopying and printing cost	635	-	-	-	4,045	4,680
Professional fees	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-
Transportations	-	1,257	-	-	1,687	2,944
Communication cost	-	1,315	-	-	-	1,315
Capacity building cost	-	-	-	-	-	-
Rent	-	-	-	-	840	840
Human rights prize	-	-	-	-	-	-
Advertisement	808	-	-	-	-	808
Utilities	-	-	-	-	-	-
Stationery	-	300	-	-	1,226	1,526
Hospitality	3,528	-	-	3,826	3,815	11,169
Car insurance	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-
Translation	-	4,893	-	80	-	4,973
Training cost	630	-	-	2,275	1,750	4,655
Subscription and mails	-	-	-	-	-	-
Bank charge	-	-	-	-	-	-
Sundry	-	-	-	2,304	1,391	3,695
	<u>19,531</u>	<u>19,765</u>	<u>3,500</u>	<u>42,883</u>	<u>19,952</u>	<u>105,631</u>