

AI MEZAN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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, 2012, 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 as at December 31, 2012 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 2012 and 2011, which resulted in a deficit of net assets as at December 31, 2012 and 2011. Al Mezan's ability to continue its activities depends on obtaining sufficient funding to finance its activities.

Ernst & Young - Middle East

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May 27, 2013
Gaza, Palestine

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

	<u>Notes</u>	<u>2012</u> U.S. \$	<u>2011</u> U.S. \$
<u>ASSETS</u>			
Non-current Assets			
Property and equipment	3	35,094	44,951
		<u>35,094</u>	<u>44,951</u>
Current Assets			
Contributions receivable	4	264,422	136,316
Other current assets	5	135,656	146,325
Cash and cash equivalents	6	558,007	604,218
		<u>958,085</u>	<u>886,859</u>
TOTAL ASSETS		<u><u>993,179</u></u>	<u><u>931,810</u></u>
<u>NET ASSETS AND LIABILITIES</u>			
Net Assets			
Paid-in capital	1	5,000	5,000
Unrestricted net assets		<u>(75,985)</u>	<u>(34,877)</u>
Total Net Assets		<u>(70,985)</u>	<u>(29,877)</u>
Non-current Liabilities			
Deferred revenues	7	35,094	44,951
Provision for employees' benefits	8	570,687	475,349
		<u>605,781</u>	<u>520,300</u>
Current Liabilities			
Temporarily restricted contributions	9	257,354	225,149
Other current liabilities	10	201,029	216,238
		<u>458,383</u>	<u>441,387</u>
Total Liabilities		<u>1,064,164</u>	<u>961,687</u>
TOTAL NET ASSETS AND LIABILITIES		<u><u>993,179</u></u>	<u><u>931,810</u></u>

The attached notes 1 to 16 form part of these financial statements

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF ACTIVITIES

Year ended December 31, 2012

	<u>Notes</u>	<u>2012</u> <u>U.S. \$</u>	<u>2011</u> <u>U.S. \$</u>
Revenues			
Temporarily restricted contributions released from restriction	9	769,935	763,045
Deferred revenues recognized	7	22,328	25,769
Unrestricted contributions		-	3,799
Total revenues		<u>792,263</u>	<u>792,613</u>
Expenses			
Core programs	11	532,971	523,691
Non-core programs	11	278,072	284,716
Depreciation	3	22,328	25,769
Total expenses		<u>833,371</u>	<u>834,176</u>
Decrease in unrestricted net assets for the year		<u>(41,108)</u>	<u>(41,563)</u>

The attached notes 1 to 16 form part of these financial statements

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2012

	Paid-in capital	Unrestricted net assets	Net assets
	U.S. \$	U.S. \$	U.S. \$
<u>2012</u>			
Balance, beginning of the year	5,000	(34,877)	(29,877)
Decrease in unrestricted net assets for the year	-	(41,108)	(41,108)
Balance, end of year	5,000	(75,985)	(70,985)
<u>2011</u>			
Balance, beginning of the year	5,000	6,686	11,686
Decrease in unrestricted net assets for the year	-	(41,563)	(41,563)
Balance, end of year	5,000	(34,877)	(29,877)

The attached notes 1 to 16 form part of these financial statements

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF CASH FLOWS

Year ended December 31, 2012

	Notes	2012 U.S. \$	2011 U.S. \$
<u>Operating activities</u>			
Decrease in unrestricted net assets		(41,108)	(41,563)
Adjustments:			
Depreciation		22,328	25,769
Deferred revenues recognized		(22,328)	(25,769)
Provision for employees' benefits		95,338	93,573
		<u>54,230</u>	<u>52,010</u>
Changes in working capital:			
Contributions receivable		(128,106)	326,257
Other current assets		10,669	(69,740)
Temporarily restricted contributions		44,676	(256,314)
Other current liabilities		(15,209)	74,109
Provision for employees' benefits		-	(24,496)
Net cash flow (used in) from operating activities		<u>(33,740)</u>	<u>101,826</u>
<u>Investing activities</u>			
Purchase of property and equipment		(12,471)	(12,071)
Net cash used in investing activities		<u>(12,471)</u>	<u>(12,071)</u>
(Decrease) increase in cash and cash equivalents		(46,211)	89,755
Cash and cash equivalents, beginning of the year		<u>604,218</u>	<u>514,463</u>
Cash and cash equivalents, end of year	6	<u>558,007</u>	<u>604,218</u>

The attached notes 1 to 16 form part of these financial statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 May 27, 2013.

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. 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 Significant accounting judgment, 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 their useful lives.

Expenses recognition

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

Impairment of financial assets

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

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of activities and changes in net assets;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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 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:

	Useful lives (years)
Furniture and fixtures	<u>8.33</u>
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.

Fair values

For investments traded in an active market, fair value is determined by reference to quoted market bid prices at the close of business on the financial statements date.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on the expected discounted cash flows.

Income tax

AI 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 AI 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	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2012						
Cost						
Balance, beginning of the year	47,006	96,974	83,449	112,997	19,200	359,626
Additions	2,796	1,237	3,298	5,140	-	12,471
Balance, end of year	<u>49,802</u>	<u>98,211</u>	<u>86,747</u>	<u>118,137</u>	<u>19,200</u>	<u>372,097</u>
Accumulated depreciation						
Balance, beginning of the year	37,716	89,863	76,880	91,017	19,199	314,675
Depreciation	2,853	5,091	3,880	10,504	-	22,328
Balance, end of year	<u>40,569</u>	<u>94,954</u>	<u>80,760</u>	<u>101,521</u>	<u>19,199</u>	<u>337,003</u>
Net book value						
At December 31, 2012	<u>9,233</u>	<u>3,257</u>	<u>5,987</u>	<u>16,616</u>	<u>1</u>	<u>35,094</u>
2011						
Cost						
Balance, beginning of the year	45,107	96,302	83,449	103,497	19,200	347,555
Additions	1,899	672	-	9,500	-	12,071
Balance, 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						
Balance, 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
Balance, 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 book value						
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>

Property and equipment include U.S. \$ 280,528 and U.S. \$ 242,774 of fully depreciated assets that are still used in Al Mezan's activities as of December 31, 2012 and 2011, respectively.

4. Contributions Receivable

Contributions receivable comprise unconditional pledges to give as of December 31, 2012. Details are as follows:

	Balance, beginning of the year	Additions (written off)	Cash received	Currency differences	Balance, end of year
2012	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
NGO Development Center (NDC)	21,000	210,000	(210,000)	-	21,000
Representative Office of Norway to the Palestinian Authority	-	121,853	(121,853)	-	-
Foundation Open Society Institute	-	280,000	(135,000)	-	145,000
Medico International e.V. (Germany)	-	12,709	(12,709)	-	-
Diakonia Regional Office for the Middle East	-	48,057	(43,727)	(773)	3,557
Trocaire	-	-	-	-	-
Save the Children - UK	8,597	25,330	(8,818)	-	25,109
Adalah: the Legal Center for Arab Minority Rights in Israel	38,824	(39,641)	-	817	-
Oxfam	-	80,194	(42,937)	2,697	39,954
British Council Teacher training Project	-	5,062	(5,062)	-	-
CEC - Central Election	-	9,112	(6,810)	-	2,302
United Nations Development Programme - UNDP	60,000	50,000	(82,500)	-	27,500
United Nations Educational, Scientific and Cultural Organization - UNESCO	7,895	(2,000)	(5,895)	-	-
Fredrich Ebert Foundation	-	11,194	(11,194)	-	-
	<u>136,316</u>	<u>811,870</u>	<u>(686,505)</u>	<u>2,741</u>	<u>264,422</u>

5. Other Current Assets

This item represents the following:

	<u>2012</u>	<u>2011</u>
	U.S. \$	U.S. \$
Employees' loans receivable *	118,116	145,325
Other	17,540	1,000
	<u>135,656</u>	<u>146,325</u>

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

	<u>2012</u>	<u>2011</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	145,325	75,357
Loans granted during the year	48,790	151,729
Loans repaid during the year	(75,999)	(81,761)
Balance, end of year	<u>118,116</u>	<u>145,325</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.

6. Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
	U.S. \$	U.S. \$
Cash on hand	-	12
Cash at banks	140,821	310,618
Cash at bank designated for provision for employees' benefits	417,186	293,588
	<u>558,007</u>	<u>604,218</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:

	<u>2012</u>	<u>2011</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	44,951	58,649
Addition (note 9)	12,471	12,071
Deferred revenues recognized	(22,328)	(25,769)
Balance, end of year	<u>35,094</u>	<u>44,951</u>

8. Provision for Employees' Benefits

Movement on this account during the year was as follows:

	Employees' indemnity	Saving fund	Total
	U.S. \$	U.S. \$	U.S. \$
December 31, 2012			
Balance, beginning of the year	211,569	263,780	475,349
Additions during the year	30,775	64,563	95,338
Balance, end of year	<u>242,344</u>	<u>328,343</u>	<u>570,687</u>
December 31, 2011			
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' 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.

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 contribution 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. \$
2012						
NGO Development Center (NDC)	-	210,000	(210,000)	-	-	-
Representative Office of Norway to the Palestinian Authority	-	121,853	(121,853)	-	-	-
Foundation Open Society Institute	-	280,000	(153,202)	(4,912)	-	121,886
Medico International e.V. (Germany)	-	12,709	(12,709)	-	-	-
Diakonia Regional Office for the Middle East	-	48,057	(42,227)	(1,500)	(773)	3,557
Trocaire	9,408	-	-	-	-	9,408
Save the Children - UK	-	25,330	(3,987)	(4,150)	-	17,193
Adalah: the Legal Center for Arab Minority Rights in Israel	74,381	(39,641)	(35,557)	-	817	-
Oxfam	-	80,194	(31,161)	(800)	2,697	50,930
British Council Teacher training Project	-	5,062	(5,062)	-	-	-
CEC - Central Election	-	9,112	(9,112)	-	-	-
United Nations Development Programme - UNDP	139,360	50,000	(133,871)	(1,109)	-	54,380
United Nations Educational, Scientific and Cultural Organization - UNESCO	2,000	(2,000)	-	-	-	-
Fredrich Ebert Foundation	-	11,194	(11,194)	-	-	-
	<u>225,149</u>	<u>811,870</u>	<u>(769,935)</u>	<u>(12,471)</u>	<u>2,741</u>	<u>257,354</u>

	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>

10. Other Current Liabilities

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Accrued professional fees	44,656	73,029
Accrued payroll tax	108,239	92,252
Accrued expenses	38,705	48,459
Other	9,429	2,498
	<u>201,029</u>	<u>216,238</u>

11. Expenses

	2012			2011		
	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	326,337	161,636	487,973	303,823	167,078	470,901
Staff rewards	38,388	-	38,388	62,482	-	62,482
Health insurance	5,307	-	5,307	5,880	-	5,880
Photocopying and printing costs	7,643	3,847	11,490	10,530	5,946	16,476
Professional fees	33,575	3,770	37,345	50,125	8,400	58,525
Legal fees	5,195	18,086	23,281	-	20,738	20,738
Monitoring and documentation	4,890	-	4,890	-	-	-
Transportation	5,441	3,248	8,689	5,216	7,743	12,959
Communication cost	15,235	3,322	18,557	13,134	3,325	16,459
Capacity building cost	32,792	2,211	35,003	20,376	5,455	25,831
Rent	19,986	7,059	27,045	20,900	10,498	31,398
Human rights prize	1,640	2,472	4,112	5,590	-	5,590
Advertisement	144	15,031	15,175	-	757	757
Utilities	4,282	155	4,437	5,240	280	5,520
Stationery	2,714	4,656	7,370	3,574	5,103	8,677
Hospitality	4,336	26,211	30,547	3,964	31,216	35,180
Car insurance	550	-	550	507	-	507
Maintenance	7,915	-	7,915	6,368	-	6,368
Translation	-	5,142	5,142	-	672	672
Training cost	1,071	17,960	19,031	3,938	10,887	14,825
Website and database	10,400	-	10,400	-	-	-
Subscription and mails	1,149	-	1,149	460	-	460
Bank charges	782	-	782	418	2,072	2,490
Sundry	3,199	3,266	6,465	1,166	4,546	5,712
	<u>532,971</u>	<u>278,072</u>	<u>811,043</u>	<u>523,691</u>	<u>284,716</u>	<u>808,407</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:

	<u>2012</u>	<u>2011</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Compensation of key management personnel:		
Salaries	<u>168,695</u>	<u>162,870</u>
Saving fund	<u>23,448</u>	<u>22,631</u>
End of service benefits	<u>12,638</u>	<u>12,278</u>
Staff rewards	<u>16,967</u>	<u>27,113</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 increases shown below:

	Increase in EURO rate to U.S.\$ <u>%</u>	Effect on statement of activities <u>U.S. \$</u>	Increase in ILS rate to U.S.\$ <u>%</u>	Effect on statement of activities <u>U.S. \$</u>	Increase in other currencies rates to U.S.\$ <u>%</u>	Effect on statement of activities <u>U.S. \$</u>
<u>2012</u>	+10	2,102	+10	(1,355)	+10	-
<u>2011</u>	+10	5,463	+10	1,933	+10	694

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 2012 and 2011, Al Mezan's expenses exceeded its revenues which caused a deficit in net assets as at December 31, 2012 and 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.

**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, 2012**

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

Our audit of the financial statements of Al Mezan Center for Human Rights (Al Mezan) for the year ended December 31, 2012, has been made primarily for the purpose of expressing an opinion on the financial statements taken as a whole. The schedules of functional expense, core and non-core programs expenses allocated to donors as set out in following pages 1 and 2, are presented for analysis purposes and are not considered necessary for presenting fairly, in all material respects, the financial statements of Al Mezan for the year ended December 31, 2012. Accordingly, we do not express any opinion thereon.

Ernst & Young - Middle East



May 27, 2013
Gaza - Palestine

AL MEZAN CENTER FOR HUMAN RIGHTS

Schedule of Functional Expenses, Core Programs Expenses Allocated by Donors
For the Year Ended December 31, 2012

The following schedule shows a breakdown of core program expenses allocated to Al Mezan's donors for the year ended December 31, 2012:

	Core programs					Total U.S.\$
	NGO Development Center (NDC)	Representative Office of Norway to the Palestinian Authority	Foundation Open Society Institute	Medico International e.v. (Germany)	Not allocated	
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	
Salaries and related costs	89,726	109,462	108,808	8,027	10,314	326,337
Staff rewards	38,388	-	-	-	-	38,388
Health insurance	4,500	-	750	57	-	5,307
Photocopying and printing cost	7,643	-	-	-	-	7,643
Professional fees	9,632	2,500	6,739	1,570	13,134	33,575
Legal fees	5,195	-	-	-	-	5,195
Monitoring and documentation	4,890	-	-	-	-	4,890
Transportations	5,266	-	175	-	-	5,441
Communication cost	3,800	2,500	8,521	414	-	15,235
Capacity building cost	15,000	1,155	16,078	559	-	32,792
Rent	8,500	3,486	1,500	500	6,000	19,986
Human rights prize	1,640	-	-	-	-	1,640
Advertisement	-	-	-	144	-	144
Utilities	3,500	400	357	25	-	4,282
Stationery	2,200	200	215	99	-	2,714
Hospitality	3,750	200	30	86	270	4,336
Car insurance	-	550	-	-	-	550
Maintenance	4,350	1,000	2,565	-	-	7,915
Training cost	-	-	-	1,071	-	1,071
Website and database	-	-	-	-	10,400	10,400
Subscription and mails	185	250	650	64	-	1,149
Bank charge	335	-	-	17	430	782
Sundry	1,500	150	913	76	560	3,199
	<u>210,000</u>	<u>121,853</u>	<u>147,301</u>	<u>12,709</u>	<u>41,108</u>	<u>532,971</u>

AL MEZAN CENTER FOR HUMAN RIGHTS

Schedule of Functional Expenses, Non-core Programs Expenses Allocated by Donors For the Year Ended December 31, 2012

The following schedule shows a breakdown of non-core program expenses allocated to Al Mezan's donors for the year ended December 31, 2012:

	Non-Core programs									
	Foundation Open Society	Diakonia Regional Office for the Middle East	Save the Children - UK	Adalah: the Legal Center for Arab Minority Rights in Israel	Oxfam	British Council Teacher Training Project	CEC - Central Election	United Nations Development Programme - UNDP	Fredrich Ebert Foundation	Total
	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$	U.S.\$
Salaries and related costs	-	18,819	3,163	22,486	27,262	1,474	5,250	76,496	6,686	161,636
Photocopying and printing cost	376	3,105	-	-	-	-	-	-	366	3,847
Professional fees	-	3,000	-	-	-	-	-	770	-	3,770
Legal fees	-	-	-	-	-	-	-	18,086	-	18,086
Transportations	-	-	561	642	604	211	150	1,080	-	3,248
Communication cost	-	1,000	-	-	720	-	270	1,332	-	3,322
Capacity building cost	-	-	-	2,211	-	-	-	-	-	2,211
Rent	-	2,099	-	-	-	600	550	3,410	400	7,059
Human rights prize	-	2,472	-	-	-	-	-	-	-	2,472
Advertisement	-	536	-	-	-	-	500	13,995	-	15,031
Utilities	-	155	-	-	-	-	-	-	-	155
Stationery	914	1,368	-	-	77	316	420	1,115	446	4,656
Hospitality	-	6,447	263	2,211	-	1,516	1,832	12,109	1,833	26,211
Translation	-	-	-	5,142	-	-	-	-	-	5,142
Training cost	4,611	3,220	-	455	2,498	945	140	5,478	613	17,960
Sundry	-	6	-	2,410	-	-	-	-	850	3,266
	<u>5,901</u>	<u>42,227</u>	<u>3,987</u>	<u>35,557</u>	<u>31,161</u>	<u>5,062</u>	<u>9,112</u>	<u>133,871</u>	<u>11,194</u>	<u>278,072</u>