Jerusalem Legal Aid and Human Rights Center

Financial Statements

December 31, 2016

Ernst & Young
P.O. Box 1373
7th Floor,
PADICO House Bldg.
Al-Masyoun
Ramallah-Palestine

Tel: +972 22421011
Fax: +972 22422324
www.ey.com

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Independent Auditor's Report to the members of the General Assembly
Jerusalem Legal Aid and Human Rights Center

Opinion

We have audited the financial statements of Jerusalem Legal Aid and Human Rights Center (the Center), which comprise the statement of financial position as of December 31, 2016, and the statement of activities and changes in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Center as of December 31, 2016 and the results of its activities and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Center's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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Ernst + Young

April 10, 2017
Ramallah, Palestine

Statement of Financial Position
As of December 31, 2016

	Notes	2016	2015
		U.S. $	U.S. $
Assets			
Non-current assets			
Property and equipment	3	214,516	187,312
		214,516	187,312
Current assets			
Contributions receivable	4	934,508	681,564
Other current assets	5	23,257	28,710
Cash and cash equivalents	6	1,160,846	974,743
		2,118,611	1,685,017
Total assets		**2,333,127**	**1,872,329**
Net assets and liabilities			
Unrestricted net assets		-	11,524
Board designated reserve	7	389,522	378,803
Total net assets		389,522	390,327
Non-current liabilities			
Provision for employees' benefits	8	598,022	569,392
Deferred revenues	9	79,538	46,919
		677,560	616,311
Current liabilities			
Other current liabilities	10	43,452	48,774
Temporarily restricted contributions	12	1,222,593	816,917
		1,266,045	865,691
Total liabilities		1,943,605	1,482,002
Total net assets and liabilities		**2,333,127**	**1,872,329**

The attached notes 1 to 18 form part of these financial statements

Statement of Activities and Changes in Net Assets
For the year ended December 31, 2016

	Notes	2016	2015
		U.S. $	U.S. $
Revenues			
Temporarily restricted contributions released from restriction	12	1,074,930	1,010,899
Deferred revenues recognized	9	20,789	13,997
Other revenues	11	62,754	14,831
Total revenues		1,158,473	1,039,727
Expenses			
Projects expenses	13	(924,929)	(835,432)
General and administrative expenses	13	(150,001)	(175,467)
Depreciation of property and equipment	3	(26,205)	(18,447)
Other expenses	14	(58,143)	(25,439)
Total expenses		(1,159,278)	(1,054,785)
Decrease in net assets		(805)	(15,058)
Net assets, beginning of the year		390,327	405,385
Net assets, end of the year		389,522	390,327

The attached notes 1 to 18 form part of these financial statements

Statement of Cash Flows
For the year ended December 31, 2016

	Notes	2016	2015
		U.S. $	U.S. $
Operating activities:			
Decrease in net assets		(805)	(15,058)
Adjustments:			
Depreciation of property and equipment		26,205	18,447
Provision for employees' benefits		105,974	118,698
Deferred revenues recognized		(20,789)	(13,997)
Gain on sale of property and equipment		(21,250)	(400)
		89,335	107,690
Working capital adjustments:			
Contributions receivable		(252,944)	(228,153)
Other current assets		5,453	8,589
Temporarily restricted contributions		405,676	211,753
Deferred revenues		53,408	23,556
Other current liabilities		(5,322)	3,463
Provision for employees' indemnity paid		(77,344)	(26,336)
Net cash flows from operating activities		218,262	100,562
Investing activities:			
Sale of property and equipment		24,947	1,358
Purchase of property and equipment		(57,106)	(23,556)
Net cash flows used in investing activities		(32,159)	(22,198)
Increase in cash and cash equivalents		186,103	78,364
Cash and cash equivalents, beginning of the year		974,743	896,379
Cash and cash equivalents, end of the year	6	1,160,846	974,743

The attached notes 1 to 18 form part of these financial statements

Notes to the Financial Statements
December 31, 2016

1. General

The Jerusalem Legal Aid and Human Rights Center (JLAC/the Center), begun as the Quaker Service Information and Legal Aid Center which was founded in Jerusalem in 1974 by the Philadelphia American Friends Service Committee (AFSC). Procedures were taken to transfer governance of the Center to a local body; accordingly, the managing board was restructured, resulted in a joint governance between ASFC and a local Board of Directors. By October 1997, the process was completed and the local board assumed full responsibility for JLAC's activities.

The Center is a public interest law Center with main objectives are to offer legal services to the Palestinian community by handling different types of cases such as land related cases and travel restriction cases, dealing with cases related to Palestinian Authority and promote the rule of law. JLAC's activities are being implemented through two offices in Jerusalem and Ramallah. JLAC is officially registered with all concerned authorities in Jerusalem and Palestinian Authority Area.

JLAC's financial statements as of December 31, 2016 were approved by the Board of Directors on April 10, 2017.

2, Accounting Polices

2,1 Basis of presentation

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

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

The financial statements have been presented in the United States Dollar (U.S. $) which is the functional currency of JLAC.

2,2 Changes in accounting policies

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the previous year.

Many standards have been issued but are not yet mandatory, and have not been adopted by JLAC, These standards are those that JLAC's management reasonably expects to have no major impact on disclosures, financial position or performance when applied at a future date.

2,3 Estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions, It also requires JLAC's management to exercise its judgment in the process of applying the accounting policies, JLAC's management continually evaluates its estimates, assumptions and judgments based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates, Useful lives of Property and equipment

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

Management believes that the estimations and assumptions used are reasonable.

2,4 Summary of significant accounting policies

Revenue Recognition

Donation revenues

Donor's unconditional contributions are those contributions where donor does not specify prerequisites that have to be carried out by the recipient before obtaining the fund, Contributions revenues from unconditional contributions are recognized as follows:

- Unconditional contributions that are not restricted by donor for a specific purpose or time are recognized as revenue when the contribution is obtained.
- Unconditional contributions that are temporarily restricted by donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

Deferred revenue

Contributions related to property and equipment are stated at fair value, recorded as deferred revenues and recognized as revenue on a systematic basis over the useful life of the asset.

Expenses recognition

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

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is classified as current when:

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

JLAC classifies all other liabilities as non-current.

Contributions receivable

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

Fair value

The fair value of financial assets and financial liabilities recorded in the statement of financial position approximate their carrying amounts largely due to the short-term maturities of these instruments, Where the fair value of financial assets and financial liabilities cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model, The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Impairment of financial assets

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

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits with an original maturity of three months or less, less deposits which are restricted in use.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred.

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

	Useful lives (years)
Buildings	20
Office furniture	6,6
Office equipment	3-5
Software	3,3
Motor vehicles	5

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal, Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Accounts payable and accruals

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

Income taxes

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

Other current liabilities

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction, Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the statement of financial position date, All differences are recognized in the statement of activities and changes in net assets.

3. Property and equipment

	Buildings	Office furniture	Office equipment	Software	Motor vehicles	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:						
At January 1, 2016	180,000	36,961	154,160	16,700	34,000	421,821
Additions	-	2,110	14,099	-	40,897	57,106
Disposals	-	-	(3,697)	-	(34,000)	(37,697)
At December 31, 2016	180,000	39,071	164,562	16,700	40,897	441,230
Accumulated Depreciation:						
At January 1, 2016	39,610	26,429	127,002	7,468	34,000	234,509
Depreciation charge for the year	5,416	2,578	8,565	5,024	4,622	26,205
Disposals	-	-	-	-	(34,000)	(34,000)
At December 31, 2016	45,026	29,007	135,567	12,492	4,622	226,714
Net book value						
At December 31, 2016	134,974	10,064	28,995	4,208	36,275	214,516
At December 31, 2015	140,390	10,532	27,158	9,232	-	187,312

Property and equipment include U.S. $ 132,422 and U.S. $ 158,731 of fully depreciated assets that are still being used in JLAC's activities as of December 31, 2016 and 2015, respectively.

4. Contributions receivable

	Balance, beginning of the year	Additions	Cash received	Currency exchange differences	Balance, end of year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
2016					
United Nations Development Programme	24,797	97,344	(122,141)	-	-
Norwegian Refugee Council	-	576,431	(530,050)	-	46,381
Bread for the World -EED	492,467	-	-	(18,071)	474,396
European Union	-	639,654	(216,347)	(36,976)	386,331
Human Rights & International Humanitarian Law Secretariat	164,300	-	(136,900)	-	27,400
The Catholic Agency for Overseas Development	-	41,700	(41,700)	-	-
Spanish Cooperation - AECID	-	104,205	(103,258)	(947)	-
Irish Aid	-	79,416	(77,918)	(1,498)	-
	681,564	1,538,750	(1,228,314)	(57,492)	934,508

5. Other current assets

	2016	2015
	U.S. $	U.S. $
Advances to employees	18,495	22,020
Prepaid expenses	2,202	2,122
Others	2,560	4,568
	23,257	28,710

6. Cash and cash equivalents

	2016	2015
	U.S. $	U.S. $
Cash on hand and current accounts at banks	346,627	213,546
Deposits at banks*	814,219	761,197
	1,160,846	974,743

* Average interest rate on USD deposits for the year ended December 31, 2016 and 2015 was 1.75%.

As of December 31, 2016, JLAC has restricted deposits at banks against the following reserves:

	2016	2015
	U.S. $	U.S. $
Employees' savings fund	319,000	283,713
End of service benefits	285,697	278,681
Board designated reserve (Note 7)	209,522	198,803
	814,219	761,197

7. Board designated reserve

This item represents unrestricted resources, designated by JLAC's Board of Directors to contribute to the long-term sustainability of JLAC or for any other purpose to be set by the Board of Directors. In accordance with the Board of Directors' decision in the previous years. The Center used part of the reserve to purchase the Center's buildings, the remaining amount was held as a deposit.

The following table shows the details of this account:

	2016	2015
	U.S. $	U.S. $
Term deposits at banks (Note 6)	209,522	198,803
Property and equipment (Note 3)	180,000	180,000
	389,522	378,803

8. Provision for employees' benefits

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

2016	Balance, beginning of the year U.S. $	Additions U.S. $	Payments U.S. $	Balance at December 31 U.S. $
End of service benefits	287,937	46,460	(48,994)	285,403
Employees' savings fund*	281,455	59,514	(28,350)	312,619
	569,392	105,974	(77,344)	598,022

2015	Balance, beginning of the year U.S. $	Additions U.S. $	Payments U.S. $	Balance at December 31 U.S. $
End of service benefits	244,524	58,677	(15,264)	287,937
Employees' savings fund*	232,506	60,021	(11,072)	281,455
	477,030	118,698	(26,336)	569,392

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

9. Deferred revenues

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

	2016 U.S. $	2015 U.S. $
Balance, beginning of the year	46,919	37,360
Additions (Note 12)	53,408	23,556
Deferred revenues recognized	(20,789)	(13,997)
Balance, end of the year	79,538	46,919

10. Other current liabilities

	2016 U.S. $	2015 U.S. $
Accounts payable	39,470	41,862
Accrued expenses	3,982	6,912
	43,452	48,774

11. Other revenues

	2016	2015
	U.S. $	U.S. $
Gain on sale of property and equipment	21,250	400
Interest revenues	12,672	6,210
Court refundable insurance charges	11,351	-
Application and court fees	10,190	7,237
Workshops revenue	6,520	-
Others	771	984
	62,754	14,831

12. Temporarily restricted contributions

This item comprises of temporarily restricted contributions subject to purpose or time restriction, These amounts represent the excess of donations pledged over the expenditures made out to satisfy the purposes stipulated by the donors, The movement on the temporarily restricted contributions during the year was as follows:

			Temporarily restricted contributions released from restriction				
	Balance, beginning of the year	Additions	Projects expenses	General and administrative expenses	Deferred revenue	Currency exchange differences	Balance, end of the year
2016	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
United Nations Development Programme	49,656	97,344	(105,440)	-	-	-	41,560
Norwegian Refugee Council	-	576,431	(571,555)	-	(4,876)	-	-
Bread for the World -EED	536,479	-	-	(67,530)	(5,336)	-	463,613
European union	-	639,654	(101,119)	-	-	-	538,535
Human Rights & International Humanitarian Law Secretariat	149,114	-	(146,815)	-	(2,299)	-	-
The Catholic Agency for Overseas Development	-	41,700	-	(30,803)	(10,897)	-	-
Spanish Cooperation - AECID	-	104,205	-	-	-	(4,736)	99,469
Irish Aid	81,668	79,416	-	(51,668)	(30,000)	-	79,416
	816,917	1,538,750	(924,929)	(150,001)	(53,408)	(4,736)	1,222,593

13. Projects and general and administrative expenses

	Norwegian Refugee Council			UNDP	IHL Secretary	European Union	Support of the main program		
	Legal Assistance for Protection of Palestinians Affected by force displacement	Legally challenging displacement in East Jerusalem	Protecting residency rights in East Jerusalem	Strengthening the rule of law in the Opt-Justice and security for Palestinian People	Human Rights & International Humanitarian law-core fund	Protecting Palestinian communities in Jerusalem and C Areas through legal support, raising awareness and advocacy	General and Administrative expenses	Total 2016	Total 2015
Salaries and staff related benefits	273,774	125,340	17,927	79,693	111,859	86,012	101,316	795,921	737,557
Legal assistance	73,139	28,399	5,700	13,175	3,059	9,971	1,965	135,408	158,279
Building capabilities	-	-	-	-	2,130	-	3,144	5,274	7,896
activities, conferences and legal advocacy services	9,161	6,318	499	205	14,166	4,734	2,724	37,807	25,906
Rent and utilities	5,357	12,709	-	5,199	8,495	-	8,300	40,060	35,553
Travel and communication	3,257	2,301	900	3,516	2,963	-	1,423	14,360	11,529
Maintenance	2,379	1,069	-	1,777	1,864	-	3,286	10,375	9,002
professional fees	-	-	-	-	-	402	8,760	9,162	9,879
Other administrative expenses	1,662	1,664	-	1,875	2,279	-	19,083	26,563	15,298
	368,729	177,800	25,026	105,440	146,815	101,119	150,001	1,074,930	1,010,899

14. Other Expenses

	2016	2015
	U.S. $	U.S. $
Foreign currencies differences	58,143	20,730
Written – off Contributions	-	4,709
	58,143	25,439

15. Related party transactions

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

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

	2016	2015
Key management personnel compensation:	U.S. $	U.S. $
Short-term benefits	87,373	83,373
End of service benefits and employees' saving fund	17,156	17,156

16. Fair values of financial instruments

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

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

17. Risk management

Risks affecting the operation of JLAC are credit risk, interest rate risk, foreign currency risk and liquidity risk. JLAC's management reviews and approves policies and procedures to manage these risks which summaries as followings:

Credit Risk

Credit risk related to contribution receivable is the risk that the donors or other parties will be unable to fulfil their obligations of transferring the amounts under the signed contracts, which compromise the carrying value of these amounts to JLAC.

With respect to credit risk arising from other financial assets of JLAC including cash and cash equivalent and other current assets, exposure to credit risk arises from the default of the counterparty. The maximum exposure is equal to the carrying amount of these financial assets.

Interest rate risk

The Center exposure to the risk of changes in interest rates relates primarily to financial assets and liabilities with floating interest rates. The financial assets and liabilities of the Center are subject to fixed interest rates, therefore the Center assets and liabilities are not subject to interest rate risk.

Foreign currency risk

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

	Increase exchange rate against the USD	Effect on the statement of activities and changes in net assets
	(%)	U.S. $
<u>2016</u>		
EURO	10	(91,742)
ILS	10	(951)
<u>2015</u>		
EURO	10	(53,917)
ILS	10	(611)

Liquidity risk

JLAC limits its liquidity risk by maintaining adequate cash balances and funds from multiple donors to meet its current obligations and to finance its activities, Most of JLAC's financial liabilities are due within a period of less than one year from the date of the financial statements.

18. Concentration of risk in geographic area

JLAC is carrying its activities in Jerusalem and the Palestinian Authority areas, The political and economic situation in the area increases the risk of carrying out its activities and might adversely affect JLAC's performance.