

Jerusalem Legal Aid and Human Rights Center  
(JLAC)

Financial Statements

December 31, 2014

## **Independent Auditors' Report to the Board of Directors of Jerusalem Legal Aid and Human Rights Center (JLAC)**

We have audited the accompanying financial statements of Jerusalem Legal Aid and Human Rights Center (JLAC), which comprise the statement of financial position as at December 31, 2014, the statement of activities and changes in net assets and the statement of cash flows for the year 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 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 in 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.



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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of JLAC as at December 31, 2014 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Ernst & Young - Middle East**  
License # 206/2012

Ramallah, Palestine  
April 4, 2015

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**Statement of Financial Position**

As at December 31, 2014

	<u>Notes</u>	<u>December 31, 2014</u> U.S. \$	<u>December 31, 2013</u> U.S. \$
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property and equipment	3	183,161	201,103
		<u>183,161</u>	<u>201,103</u>
<b>Current assets</b>			
Contributions receivable	4	453,411	379,500
Other current assets	5	37,299	18,111
Cash and cash equivalents	6	896,379	778,696
		<u>1,387,089</u>	<u>1,176,307</u>
<b>Total assets</b>		<b><u>1,570,250</u></b>	<b><u>1,377,410</u></b>
<b><u>Net assets and liabilities</u></b>			
<b>Net assets</b>			
Unrestricted net assets		42,006	53,888
Board designated reserve	7	363,379	363,379
<b>Total net assets</b>		<u>405,385</u>	<u>417,267</u>
<b>Non-current liabilities</b>			
Provision for employees' benefits	8	477,030	386,010
Deferred revenues	9	37,360	46,303
		<u>514,390</u>	<u>432,313</u>
<b>Current liabilities</b>			
Other current liabilities	10	45,311	37,663
Temporarily restricted contributions	12	605,164	490,167
		<u>650,475</u>	<u>527,830</u>
<b>Total liabilities</b>		<u>1,164,865</u>	<u>960,143</u>
<b>Total net assets and liabilities</b>		<b><u>1,570,250</u></b>	<b><u>1,377,410</u></b>

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

**Statement of Activities and Changes in Net Assets**

For the year ended December 31, 2014

	<u>Notes</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
		<u>U.S. \$</u>	<u>U.S. \$</u>
<b><u>Revenues</u></b>			
Temporarily restricted contributions released from restriction	12	1,036,786	960,931
Deferred revenues recognized	9	17,121	18,554
Other revenues	11	<u>29,638</u>	<u>17,467</u>
<b>Total revenues</b>		<u>1,083,545</u>	<u>996,952</u>
<b><u>Expenses</u></b>			
Projects expenses	13	(811,439)	(684,888)
General and administrative expenses	13	(229,164)	(342,264)
Depreciation of property and equipment	3	(26,120)	(27,554)
Loss from foreign currency exchange		<u>(28,704)</u>	<u>(1,280)</u>
<b>Total expenses</b>		<u>(1,095,427)</u>	<u>(1,055,986)</u>
<b>Change in net assets</b>		(11,882)	(59,034)
Net assets, beginning of the year		<u>417,267</u>	<u>476,301</u>
<b>Net assets, end of the year</b>		<u>405,385</u>	<u>417,267</u>

**Statement of Cash Flows**

For the year ended December 31, 2014

	<u>Notes</u>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
		<u>U.S. \$</u>	<u>U.S. \$</u>
<b><u>Operating activities:</u></b>			
Change in net assets		(11,882)	(59,034)
<b>Adjustments:</b>			
Depreciation of property and equipment		26,120	27,554
Provision for employees' benefits		99,320	81,720
Deferred revenues recognized		<u>(17,121)</u>	<u>(18,554)</u>
		96,437	31,686
<b>Working capital adjustments:</b>			
Contributions receivable		(73,911)	(297,488)
Other current assets		(19,188)	(5,797)
Temporarily restricted contributions		114,997	431,869
Deferred revenues		8,178	28,017
Other current liabilities		7,648	(22,418)
Provision for employees' indemnity paid		<u>(8,300)</u>	<u>(24,086)</u>
<b>Net cash flows from operating activities</b>		<u>125,861</u>	<u>141,783</u>
<b><u>Investing activities:</u></b>			
Purchase of property and equipment		<u>(8,178)</u>	<u>(28,017)</u>
<b>Net cash flows used in investing activities</b>		<u>(8,178)</u>	<u>(28,017)</u>
<b>Increase in cash and cash equivalents</b>		117,683	113,766
Cash and cash equivalents, beginning of the year		<u>778,696</u>	<u>664,930</u>
<b>Cash and cash equivalents, end of the year</b>	6	<u><u>896,379</u></u>	<u><u>778,696</u></u>

## **Notes to the Financial Statements**

For the year ended December 31, 2014

### **1. General**

The Jerusalem Legal Aid and Human Rights Center (JLAC), begun as the Quaker Service Information and Legal Aid Center (the 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, resulting in 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.

JLAC is a public interest law center; its main objectives are to offer its 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 its two offices in Jerusalem and West Bank. JLAC is officially registered with all concerned authorities in Jerusalem and West Bank.

JLAC's financial statements as at December 31, 2014 were approved by the Board of Directors on April 4, 2015.

### **2. Accounting Policies**

#### **2.1 Basis of presentation**

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

The financial statements have been prepared under the historical cost convention.

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 year ended December 31, 2013.

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 tangible assets

JLAC's management reassesses the useful lives of tangible assets, 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**

### **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 current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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.

#### **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 U.S. \$	Office furniture U.S. \$	Office equipment U.S. \$	Software U.S. \$	Motor vehicles U.S. \$	Total U.S. \$
<b>Cost:</b>						
At January 1, 2014	180,000	30,994	135,553	11,000	34,000	391,547
Additions	-	4,947	3,231	-	-	8,178
At December 31, 2014	<u>180,000</u>	<u>35,941</u>	<u>138,784</u>	<u>11,000</u>	<u>34,000</u>	<u>399,725</u>
<b>Accumulated Depreciation:</b>						
At January 1, 2014	25,200	20,909	111,945	868	31,522	190,444
Depreciation charge for the year	9,000	3,031	8,311	3,300	2,478	26,120
At December 31, 2014	<u>34,200</u>	<u>23,940</u>	<u>120,256</u>	<u>4,168</u>	<u>34,000</u>	<u>216,564</u>
<b>Net book value</b>						
At December 31, 2014	<u>145,800</u>	<u>12,001</u>	<u>18,528</u>	<u>6,832</u>	<u>-</u>	<u>183,161</u>
At December 31, 2013	<u>154,800</u>	<u>10,085</u>	<u>23,608</u>	<u>10,132</u>	<u>2,478</u>	<u>201,103</u>

Property and equipment include U.S. \$ 152,595 and U.S. \$ 110,204 of fully depreciated assets that are still being used in JLAC's activities as of December 31, 2014 and 2013, respectively.

#### 4. Contributions receivable

	Balance, beginning of the year	Additions	Cash received	Currency exchange variance	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<b>2014</b>					
United Nations Development Programme	-	30,000	(30,000)	-	-
Norwegian Refugee Council	-	556,000	(526,000)	-	30,000
NGO Development Center	9,600	-	(9,600)	-	-
Bread for the World -EED	206,980	-	(108,603)	(23,287)	75,090
Medical Aid for Palestine	74,298	-	(46,909)	-	27,389
European Union	4,622	-	-	(539)	4,083
Welfare Association	84,000	3,000	(72,600)	-	14,400
Human Rights & International Humanitarian Law Secretariat	-	410,000	(109,200)	-	300,800
The Catholic Agency for Overseas Development	-	49,800	(49,800)	-	-
Representative Office of the Federal Republic of Germany	-	25,286	(24,550)	538	1,274
Irish Aid	-	91,500	(91,125)	-	375
	<u>379,500</u>	<u>1,165,586</u>	<u>(1,068,387)</u>	<u>(23,288)</u>	<u>453,411</u>

#### 5. Other current assets

	2014 U.S. \$	2013 U.S. \$
Advances to employees	28,766	12,027
Prepaid expenses	3,921	1,030
Others	4,612	5,054
	<u>37,299</u>	<u>18,111</u>

#### 6. Cash and cash equivalents

Cash and cash equivalents include the following:

	2014 U.S. \$	2013 U.S. \$
Cash in hand and current accounts at banks	711,311	655,323
Term deposits at banks	185,068	123,373
	<u>896,379</u>	<u>778,696</u>

The average annual interest rate on term deposits for the years ended December 31, 2014 and 2013 was 0.05% for deposits in U.S. \$.

Current accounts as at December 31, 2014 and 2013 include U.S. \$ 479,070 and U.S. \$ 390,929, respectively as restricted accounts against employees' indemnity.

## 7. Board designated reserve

This item represents unrestricted resources, designated by JLAC 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.

## 8. Provision for employees' benefits

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

	Balance, beginning of the year	Additions during the year	Paid	Balance at December 31
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>2014</u>				
End of service benefits	200,765	43,759	-	244,524
Employees' savings fund	185,245	55,561	(8,300)	232,506
	<u>386,010</u>	<u>99,320</u>	<u>(8,300)</u>	<u>477,030</u>
	Balance, beginning of the year	Additions during the year	Paid	Balance at December 31
	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>2013</u>				
End of service benefits	177,785	32,604	(9,624)	200,765
Employees' savings fund	150,591	49,116	(14,462)	185,245
	<u>328,376</u>	<u>81,720</u>	<u>(24,086)</u>	<u>386,010</u>

\* This item represents JLAC's commitment to the employees' saving fund according to the saving fund's instructions where the centre 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:

	2014	2013
	U.S. \$	U.S. \$
Balance, beginning of the year	46,303	36,840
Additions (Note 12)	8,178	28,017
Deferred revenues recognized	(17,121)	(18,554)
Balance, end of the year	<u>37,360</u>	<u>46,303</u>

**10. Other current liabilities**

	<u>2014</u>	<u>2013</u>
	U.S. \$	U.S. \$
Accounts payable	41,321	32,060
Accrued expenses	3,990	5,603
	<u>45,311</u>	<u>37,663</u>

**11. Other revenues**

	<u>2014</u>	<u>2013</u>
	U.S. \$	U.S. \$
Application and court fees	20,214	13,544
Consultancy fees	9,424	3,923
	<u>29,638</u>	<u>17,467</u>

## 12. Temporarily restricted contributions

This item comprises of temporarily restricted contributions subject to purpose 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 as at December 31, 2014 is as follows:

	Balance, beginning of the year	Additions	Temporarily restricted contributions released from restriction				Balance, end of the year
			Projects cost	General and administrative expenses	Deferred revenue	Currency exchange differences	
2014	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
United Nations Development Programme	-	30,000	(16,835)	-	-	-	13,165
Norwegian Refugee Council	29,936	556,000	(512,362)	-	(5,664)	-	67,910
Bread for the World -EED	197,304	-	-	(72,363)	(794)	(4,868)	119,279
Medical Aid for Palestine	74,261	-	(44,639)	-	-	-	29,622
European union	6,477	-	-	-	-	(757)	5,720
Welfare Association	79,005	3,000	(76,451)	-	-	-	5,554
Human Rights & International Humanitarian Law Secretariat	-	410,000	(135,866)	-	(1,720)	-	272,414
The Catholic Agency for Overseas Development	-	49,800	-	(49,800)	-	-	-
Representative Office of the Federal Republic of Germany	-	25,286	(25,286)	-	-	-	-
Irish Aid	103,184	91,500	-	(103,184)	-	-	91,500
	<u>490,167</u>	<u>1,165,586</u>	<u>(811,439)</u>	<u>(225,347)</u>	<u>(8,178)</u>	<u>(5,625)</u>	<u>605,164</u>

### 13. Projects and general and administrative expenses

	Norwegian Refugee Council			Medical Aid for Palestine	Welfare		IHL Secretary	UNDP	Federal Republic of Germany	G&A Expenses	Total 2014	Total 2013
	Legal Assistance for Protection of Palestinians Affected by force displacement	Legally challenging displacement in East Jerusalem	Protecting residency rights in East Jerusalem	Strengthen the Monitoring and reporting mechanisms for Human Rights violations of Bedouin communities	Improving the Economical and living situation for Jerusalemites	On the job training	Human Rights & International Humanitarian law-core fund	Strengthening the rule of law in the Opt-Justice and security for Palestinian People	Promoting the advocacy for at risk Bedouins			
Salaries and staff related benefits	215,828	115,483	23,111	33,336	50,795	600	105,743	11,439	5,300	190,855	752,490	662,328
Applications and maps	54,609	-	-	-	-	-	-	-	-	-	54,609	108,509
High court expenses	15,205	-	-	-	206	-	-	-	-	38	15,449	29,489
Postage and telephone	3,295	3,507	78	1,116	-	-	1,296	216	495	893	10,896	9,475
External consultants	16,916	22,800	-	-	8,554	-	1,538	3,970	4,000	895	58,673	76,171
Offices supplies, stationary and hospitality	-	-	-	-	-	-	-	-	-	-	-	13,144
Printing and photocopies	-	-	-	-	-	-	4,728	-	-	1,160	5,888	14,123
Professional fees and subscription	-	-	-	-	-	-	3,950	-	1,112	7,634	12,696	8,114
Public awareness	150	5,372	1,299	-	7,285	-	-	-	6,172	185	20,463	23,043
Rent expenses	2,400	8,614	-	-	8,960	-	1,363	-	-	1,760	23,097	21,484
Maintenance	2,186	1,460	-	671	-	-	2,124	77	378	7,308	14,204	8,886
Training Sessions	-	-	-	-	51	-	1,357	-	-	-	1,408	2,916
Translation	-	-	-	-	-	-	-	-	-	-	-	2,319
Transportation	7,540	1,055	939	4,132	-	-	1,955	728	1,220	169	17,738	25,850
Events and conferences	-	-	-	3,159	-	-	-	-	5,126	1,806	10,091	-
General Expenses	4,139	2,650	-	1,541	-	-	2,990	100	651	3,890	15,961	-
Others	1,556	2,007	163	684	-	-	8,822	305	832	12,571	26,940	21,301
	<u>323,824</u>	<u>162,948</u>	<u>25,590</u>	<u>44,639</u>	<u>75,851</u>	<u>600</u>	<u>135,866</u>	<u>16,835</u>	<u>25,286</u>	<u>229,164</u>	<u>1,040,603</u>	<u>1,027,152</u>

\* This item includes expenses amounting to U.S. \$ 3,817 financed from unrestricted contributions received in previous years.



#### 14. Related party transactions

Related party transactions represent transactions with key management personnel, following are the related party transactions:

	<u>2014</u>	<u>2013</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Key management personnel compensation:		
Short-term benefits	<u>76,296</u>	<u>74,592</u>
End of service benefits and employees' saving fund	<u>20,107</u>	<u>19,163</u>

#### 15. Fair values of financial instruments

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

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

#### 16. Risk management

Risks affecting the operation of JLAC are interest rate risk, liquidity risk and foreign currency risk. Management of JLAC sets policies and procedures to manage these risks.

##### Interest rate risk

JLAC is exposed to interest rate risk on its interest bearing short-term deposits at banks (Note 6).

The following table presents the extent of the sensitivity of the statement of activities and changes in net assets to changes in interest rates that are reasonably possible, with all other variables held constant. The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increases shown below:

	<u>2014</u>		<u>2013</u>	
	Increases in interest rate (basis points)	Effect on net assets	Increases in interest rate (basis points)	Effect on net assets
<u>Currency</u>				
U.S. \$	+10	(185)	+10	(123)

##### 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.

### 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.

Currency	2014		2013	
	Change in exchange rate against the USD (%)	Effect on the statement of activities and changes in net assets	Change in exchange rate against the USD (%)	Effect on the statement of activities and changes in net assets
EURO	+10	17,053	+10	29,083
ILS	+10	2,954	+10	788

### 17. Concentration of risk in geographic area

JLAC is carrying out all of its activities in Palestine. The political and economical situation in the area increases the risk of carrying out its activities and might adversely affect JLAC's performance.