

PALESTINIAN CENTER FOR HUMAN RIGHTS  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2005  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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## Independent Auditors' Report

### **To the Board of Directors of The Palestinian Center for Human Rights Gaza - Palestine**

We have audited the accompanying statement of financial position of the Palestinian Center for Human Rights (PCHR), a not-for-profit organization, as of December 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of PCHR's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palestinian Center for Human Rights as of December 31, 2005 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



May 22, 2006  
Gaza - Palestine

# PALESTINIAN CENTER FOR HUMAN RIGHTS

## STATEMENT OF FINANCIAL POSITION

As of December 31, 2005

(Currency: U.S. Dollar)

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	603,976	164,564
Contributions receivable	4	1,212,348	311,731
Other current assets	5	21,762	14,062
<b>Total Current Assets</b>		<u>1,838,086</u>	<u>490,357</u>
Property and equipment, net	6	<u>54,781</u>	<u>68,850</u>
<b>Total Assets</b>		<u>1,892,867</u>	<u>559,207</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current liabilities	7	84,051	73,306
Temporary restricted contributions	8	<u>1,765,890</u>	<u>406,834</u>
<b>Total Current Liabilities</b>		<u>1,849,941</u>	<u>480,140</u>
Deferred revenues	9	<u>16,528</u>	<u>-</u>
<b>Total Liabilities</b>		<u>1,866,469</u>	<u>480,140</u>
<b>Net Assets</b>			
Unrestricted net assets		<u>26,398</u>	<u>79,067</u>
<b>Total Net Assets</b>		<u>26,398</u>	<u>79,067</u>
<b>Total Liabilities and Net Assets</b>		<u>1,892,867</u>	<u>559,207</u>

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

# PALESTINIAN CENTER FOR HUMAN RIGHTS

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2005

(Currency: U.S. Dollar)

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
<b>Revenues</b>			
Unrestricted contributions	10	325,157	678,571
Temporary restricted contributions released from restrictions	8	933,744	554,168
Deferred revenues recognized	9	2,126	
Other revenues		-	163
<b>Total revenues</b>		<u>1,261,027</u>	<u>1,232,902</u>
<b>Expenses</b>			
Programs	11	945,689	883,814
Administrative and general	11	331,580	316,765
Depreciation	6	36,427	48,680
<b>Total expenses</b>		<u>1,313,696</u>	<u>1,249,259</u>
<b>Decrease in net assets</b>		(52,669)	(16,357)
Net assets, beginning of year		<u>79,067</u>	<u>95,424</u>
<b>Net assets, end of year</b>		<u>26,398</u>	<u>79,067</u>

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

# PALESTINIAN CENTER FOR HUMAN RIGHTS

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

(Currency: U.S. Dollar)

	<u>2005</u>	<u>2004</u>
<b>Cash flows from operating activities</b>		
Decrease in net assets	(52,669)	(16,357)
<b>Adjustment to reconcile changes in net assets to net cash flows from operating activities:</b>		
<b>Non cash item</b>		
Depreciation	36,427	48,680
Deferred revenues recognized	(2,126)	-
	<u>(18,368)</u>	<u>32,323</u>
<b>Change in working capital:</b>		
Increase in contributions receivable	477,093	11,873
(Increase) decrease in other current assets	(7,700)	8,968
Increase in current liabilities	<u>10,745</u>	<u>11,882</u>
Net cash flows from operating activities	<u>461,770</u>	<u>65,046</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(22,358)	(9,561)
Decrease in time deposit	<u>-</u>	<u>100,789</u>
<b>Net cash flows (used in) from investing activities</b>	<u>(22,358)</u>	<u>91,228</u>
<b>Net increase in cash and cash equivalents</b>	439,412	156,274
Cash and cash equivalents, beginning of year	<u>164,564</u>	<u>8,290</u>
<b>Cash and cash equivalents, end of year</b>	<u>603,976</u>	<u>164,564</u>

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

# PALESTINIAN CENTER FOR HUMAN RIGHTS

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## NOTES TO FINANCIAL STATEMENTS

As of December 31, 2005

(Currency: U.S. Dollar)

### 1. PCHR and its Activities

The Palestinian Center for Human Rights (PCHR) was established on April 1, 1995 and formally registered in Gaza on August 10, 1995, as a not-for-profit organization, by a group of lawyers and human rights activists aiming at protecting human rights and promoting the rule of law in accordance with international standards. In addition, PCHR goals are to develop democratic institutions and an active civil society, while promoting democratic culture within the Palestinian society. PCHR has, in addition to its main office in Gaza city, offices in Jabalia and Khan Younis.

PCHR activities include 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.

### 2. Summary of Significant Accounting Policies

#### - Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Currently, the International Financial Reporting Standards do not include any specific requirements regarding the not-for-profit organizations in connection with the accounting policies or the presentation of the financial statements.

The financial statements have been presented in U.S. Dollars.

The financial statements are prepared under the historical cost convention.

The accounting policies are consistent with those used in the previous year.

#### - Donation revenues

Donor's unconditional pledges are those pledges where donor does not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follow:

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

– **Contributions receivable**

Contributions receivable from donors are the amount not collected from unconditional pledges.

– **Property and Equipment**

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight-line method at the following annual rates:

	<u>%</u>
Furniture and fixtures	10
Office equipment	15
Computers	25
Motor vehicles	15
Library books	10

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

– **Deferred revenues**

Donations 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.

– **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.

– **Foreign Currency**

PCHR reporting currency is the United States Dollar (U.S. \$). Transactions, denominated in other currencies during the year, are recorded using the exchange rates in effect at the time of each transaction. Monetary assets and liabilities denominated in other currencies are translated to U.S. \$ using the exchange rates prevailing at year end. Gains or losses arising from exchange rate differences are reflected in the statement of activities.

Foreign currency exchange rates against U.S. \$ as of the date of the statement of financial position were as follows:

	<u>U.S. \$</u>	
	<u>2005</u>	<u>2004</u>
One New Israeli Shekel (NIS)	0.21	0.22
One European Monetary Unit (EURO)	1.18	1.36

### 3. Cash and cash equivalents

Cash and cash equivalents include the following:

	<u>2005</u>	<u>2004</u>
Cash on hand	639	689
Cash at Banks	<u>603,337</u>	<u>163,875</u>
	<u>603,976</u>	<u>164,564</u>

### 4. Contributions receivable

Contributions receivable consists of unconditional pledges to give. Following is a summary of movement on contributions receivable during the year:

	Balance, beginning of year	Additions	Cash received	Balance, end of year
“European Union (Via Oxfam NOVIB)” and “Oxfam NOVIB”	-	414,176	-	414,176
Oxfam NOVIB	156,000	555,701	351,838	359,863
Al-Quds Association Malaga-Spain	16,900	32,558	16,900	32,558
Ford Foundation	-	370,000	185,000	185,000
Dan Church Aid - Denmark	-	256,000	132,635	123,365
European Commission	-	352,726	282,182	70,544
Austrian Development Agency	-	161,202	144,360	16,842
Grassroots International	-	35,138	25,138	10,000
Christian Aid/Development Cooperation Ireland Multi Annual Partnership Scheme (MAPS)	62,000	(6,072)	55,928	-
Christian Aid	57,150	-	57,150	-
European Commission / Birzeit University	19,681	-	19,681	-
Trocaire	-	9,150	9,150	-
Kvinna Till Kvinna Foundation	-	55,875	55,875	-
Open Society Institute	-	75,000	75,000	-
	<u>311,731</u>	<u>2,311,454</u>	<u>1,410,837</u>	<u>1,212,348</u>

### 5. Other current assets

	<u>2005</u>	<u>2004</u>
Prepaid rent	9,767	4,667
Due from employees	11,659	9,059
Other	336	336
	<u>21,762</u>	<u>14,062</u>



## 6. Property and equipment

Components of property and equipment as of December 31, 2005 and movement during the year were as follows:

	Balance, January 1, 2005	Additions	Disposals	Balance, December 31, 2005
<u>Cost:</u>				
Furniture and fixtures	90,935	557	-	91,492
Office equipment	166,064	1,576	-	167,640
Computers	98,698	19,371	-	118,069
Motor vehicle	35,000	-	-	35,000
Library books	50,095	854	-	50,949
	<u>440,792</u>	<u>22,358</u>	<u>-</u>	<u>463,150</u>
<u>Accumulated depreciation:</u>				
Furniture and fixtures	58,454	9,117	-	67,571
Office equipment	149,474	15,862	-	165,336
Computers	97,252	3,027	-	100,279
Motor vehicle	31,643	3,356	-	34,999
Library books	35,119	5,065	-	40,184
	<u>371,942</u>	<u>36,427</u>	<u>-</u>	<u>408,369</u>
Net book value	<u>68,850</u>			<u>54,781</u>

Property and equipment includes U.S. \$ 185,640 and U.S. \$ 94,556 of fully depreciated assets as of December 31, 2005 and 2004, respectively that are still used in PCHR operations.

## 7. Current liabilities

	2005	2004
Due to employees' fund	50,950	52,716
Accrued professional fees	10,573	7,274
Accrued salaries	12,333	-
Accrued payroll tax	8,530	9,256
Accrued telephone expenses	935	3,732
Other	730	328
	<u>84,051</u>	<u>73,306</u>

Provision for employees' end of service benefits is calculated in accordance with Labor Law prevailing in Palestine based on one month indemnity for each year of employment. In addition, PCHR has established a saving fund for its employees. The monthly contribution by the employee and the employer is set at 7% and 14% of the basic salary, respectively.

PCHR maintains separate accounting records for both the provision for employees' indemnity and the saving fund, with a special bank account. The balance of this bank account was U.S. \$ 524,758 and U.S. \$ 453,196 as of December 31, 2005 and 2004, respectively.

## 8. Temporary restricted contributions

This item comprises of temporary restricted contributions subject to purpose restriction. It represents the difference between the donation received and the expenditures made out to satisfy the purpose stipulated by the donor. As of December 31, 2005, movement on temporary restricted contributions during the year was as follows:

	Beginning balance	Additions	Temporary restricted contribution released from restriction	Deferred revenue (Note 9)	Ending balance
“European Union (Via Oxfam NOVIB)” and “Oxfam NOVIB”	-	414,176	-	-	414,176
Oxfam NOVIB	201,028	555,701	219,884	-	536,845
Al-Quds Association Malaga-Spain	-	32,558	32,558	-	-
Ford Foundation	-	370,000	176,939	8,061	185,000
Dan Church Aid – Denmark	11,684	256,000	144,321	-	123,363
European Commission	-	352,726	-	-	352,726
Austrian Development Agency	-	161,202	17,422	-	143,780
Grassroots International	-	35,138	25,138	-	10,000
Christian Aid/Development Cooperation Ireland Multi Annual Partnership Scheme (MAPS)	62,000	(6,072)	55,928	-	-
Christian Aid	57,150	-	57,150	-	-
European Commission / Birzeit University	19,681	-	19,681	-	-
Trocaire	-	9,150	9,150	-	-
Kvinna Till Kvinna Foundation	5,961	55,875	56,141	5,695	-
Open Society Institute	-	75,000	75,000	-	-
Representative Office of Norway	49,330	-	44,432	4,898	-
	<u>406,834</u>	<u>2,311,454</u>	<u>933,744</u>	<u>18,654</u>	<u>1,765,890</u>

## 9. Deferred revenues

This item represents property and equipment acquired during the year out of the temporary restricted contributions. These assets are recorded as deferred revenues and recognized as revenues on systematic basis over there estimated useful life.

	2005	2004
Beginning balance	-	-
Additions during the year	18,654	-
Deferred revenues recognized	(2,126)	-
Ending balance	<u>16,528</u>	<u>-</u>

## 10. Unrestricted contributions

Donors' unrestricted contributions during 2005 and 2004 comprise the following:

	2005	2004
Oxfam NOVIB	-	132,979
Christian Aid/Development Cooperation Ireland Multi Annual Partnership Scheme (MAPS)	-	48,120
The Swedish International Development Cooperation Agency (Sida)	157,415	161,679
Development Cooperation Ireland- Representative Office of Ireland	123,653	133,442
European Commission / Birzeit University	41,324	-
Dan Church Aid - Denmark	-	180,450
Al-Quds Association Malaga - Spain	-	12,201
UNAIS	-	7,200
Other donors	2,765	2,500
	<u>325,157</u>	<u>678,571</u>

## 11. Programs and administrative expenses

	2005			2004
	Programs	Administrative & General	Total	Total
Salaries	460,728	248,084	708,812	667,032
Saving fund	53,959	29,055	83,014	79,285
End of service	36,301	19,547	55,848	52,715
Health insurance	18,607	10,019	28,626	20,040
Bonuses	-	-	-	10,780
International staff expense	5,768	3,106	8,874	9,260
Photocopying and printing costs	67,402	-	67,402	78,328
Professional and legal fees	118,506	-	118,506	97,282
Local transportation	18,539	3,272	21,811	18,397
Communication costs	37,271	6,577	43,848	45,243
Postage and courier	867	-	867	4,890
Training	5,304	-	5,304	2,699
Hosting seminars, conferences and workshops	6,004	-	6,004	1,876
Attending conferences and seminars	23,460	-	23,460	17,487
International travel	22,159	-	22,159	17,003
Hosting delegation	9,890	-	9,890	5,834
Rent	25,330	4,470	29,800	29,000
Utilities	6,770	1,195	7,965	6,228
Stationery	6,705	1,183	7,888	7,354
Office hospitality	5,690	1,004	6,694	5,385
Maintenance	5,314	938	6,252	10,315
Vehicle expenses	2,105	371	2,476	2,937
Building maintenance	966	171	1,137	3,205
Subscriptions	6,393	1,128	7,521	4,131
Bank charges	-	1,042	1,042	1,456
Exchange loss	-	128	128	1,743
Miscellaneous	1,651	290	1,941	674
	<u>945,689</u>	<u>331,580</u>	<u>1,277,269</u>	<u>1,200,579</u>

**12. Fair values of financial instruments**

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

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

**13. Concentration of risk in geographic area**

PCHR is carrying out its activities in Palestine. The political and economical destabilization in the area increases the risk of carrying out business and could adversely affect PCHR's performance.

**14. Risk management**

**Liquidity risk**

PCHR limits its liquidity risk by maintaining adequate cash balances to meet its current obligations and to finance its operating activities. In addition, PCHR has a broad base donors.

**Foreign currency risk**

PCHR major contributions are collected in Euro and U.S. \$; however, PCHR local expenses are paid in U.S. \$ and NIS; consequently, PCHR is exposed to foreign currency loss resulting from changes in currency exchange rates.

**15. Related party transactions**

This item represents transactions with related parties, i.e., trustees, directors, senior management and organizations of which they exercise control.

Balances and transactions with related parties included in the financial statements are as follows:

	<u>2005</u>	<u>2004</u>
Compensation of key management personnel	<u>268,323</u>	<u>261,616</u>

**The following schedule does not form part of the  
audited Statement of financial position of the  
Palestinian Center for Human Rights as of  
December  
31, 2005 and the related statements of activities and  
cash flows for the year then ended**

**■ RAMALLAH**

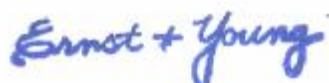
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**To the Board of Directors of  
The Palestinian Center for Human Rights  
Gaza - Palestine**

Our audit of the statement of financial position of the Palestinian Center for Human Rights (PCHR) as of December 31, 2005 and the related statements of activities and cash flows for the year then ended, has been made primarily for the purpose of expressing an opinion on this financial statements based on our audit. The schedule of actual versus budgeted set out in page 13 is presented for analysis purposes and is not considered necessary for presenting fairly, in all material respects the financial position of PCHR as of December 31, 2005 nor the results of its activities and its cash flows for the year then ended. In our opinion, the schedule is consistent in all material respect with the financial statements to which it relates.



May 22, 2006  
Gaza - Palestine

## PALESTINIAN CENTER FOR HUMAN RIGHTS

### SUPPLEMENTARY FINANCIAL DATA TO THE FINANCIAL STATEMENTS

#### ACTUAL VERSUS BUDGETED EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2005

(Currency: U.S. Dollar)

The following is a comparison between actual expenditures and budgeted amounts for the year ended December 31, 2005.

	Actual	Budget	Variances
Salaries and related expenses	885,174	917,384	32,210
Photo copying and printing costs	67,402	83,256	15,854
Professional and legal fees	118,506	151,960	33,454
Local transportation	21,811	18,421	(3,390)
Communication costs	43,848	44,269	421
Postage and Courier	867	6,100	5,233
Staff training and development	5,304	14,450	9,146
Hosting seminars, conferences and workshops	6,004	15,325	9,321
Attending conferences and seminars	23,460	32,598	9,138
International cooperation	22,159	23,760	1,601
Hosting delegation	9,890	13,440	3,550
Rent	29,800	34,500	4,700
Utilities	7,965	8,180	215
Stationary	7,888	8,090	202
Office hospitality	6,694	9,236	2,542
Maintenance	6,252	11,248	4,996
Vehicle expenses	2,476	6,569	4,093
Building maintenance	1,137	5,201	4,064
Subscriptions	7,521	13,927	6,406
Miscellaneous	3,111	7,297	4,186
	<u>1,277,269</u>	<u>1,425,211</u>	<u>147,942</u>
Fixed assets	22,358	42,000	19,642
Total expenditures	<u><u>1,299,627</u></u>	<u><u>1,467,211</u></u>	<u><u>167,584</u></u>