

AI MEZAN CENTER FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2022

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the financial statements of Al Mezan Center for Human Rights (Al Mezan), which comprise the statement of financial position as at December 31, 2022, and the statement of activities, statement of changes in net assets, and 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 accompanying financial statements present fairly, in all material respects, the financial position of Al Mezan Center for Human Rights as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with 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 Al Mezan in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to note (15) to the accompanying financial statements, Al Mezan reported a deficit in net assets as at December 31, 2022 and 2021. This condition indicates that a material uncertainty exists that may cast significant doubt on Al Mezan ability to continue as a going concern. Al Mezan's ability to continue its activities depends primarily on obtaining sufficient funding and generate cash flow to finance its activities. Our opinion is not modified in respect of this matter.

### 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 Al Mezan'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 Al Mezan or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing Al Mezan's financial reporting process.



**Building a better  
working world**

## 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 these 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 Al Mezan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates 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 Al Mezan'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 Al Mezan 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.

Ernst & Young – Middle East  
License # 206/2012

Abdelkarim Mahmoud  
License # 101/2017

Ramallah – Palestine  
May 22, 2023

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	Notes	2022 U.S. \$	2021 U.S. \$
<b>Assets</b>			
<b>Non-current Assets</b>			
Property and equipment	3	45,367	66,636
Right-of-use assets	4	113,014	131,899
		<u>158,381</u>	<u>198,535</u>
<b>Current Assets</b>			
Contributions receivable	5	508,992	1,359,960
Other current assets		1,246	1,109
Cash and bank balances	6	494,708	354,832
		<u>1,004,946</u>	<u>1,715,901</u>
<b>TOTAL ASSETS</b>		<u><u>1,163,327</u></u>	<u><u>1,914,436</u></u>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>			
Paid-in capital	1	5,000	5,000
Unrestricted net assets		<u>(132,681)</u>	<u>(107,931)</u>
<b>Total Net Assets</b>		<u><u>(127,681)</u></u>	<u><u>(102,931)</u></u>
<b>Non-current Liabilities</b>			
Deferred revenues	7	45,367	66,636
Long-term lease liability	4	99,362	116,172
Provision for employees' benefits	8	398,756	329,432
		<u>543,485</u>	<u>512,240</u>
<b>Current Liabilities</b>			
Temporarily restricted contributions	9	463,232	1,214,080
Other current liabilities	10	284,291	291,047
		<u>747,523</u>	<u>1,505,127</u>
<b>Total Liabilities</b>		<u><u>1,291,008</u></u>	<u><u>2,017,367</u></u>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u><u>1,163,327</u></u>	<u><u>1,914,436</u></u>

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

AL MEZAN CENTER FOR HUMAN RIGHTS

---

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

	<u>Notes</u>	<u>2022</u> U.S. \$	<u>2021</u> U.S. \$
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	9	925,363	1,061,207
Deferred revenues recognized	7	29,007	28,082
Unrestricted contributions	9	31,210	2,993
Gain on disposal of property and equipment		-	6,000
Other revenues		36,478	6,879
Total revenues		<u>1,022,058</u>	<u>1,105,161</u>
<u>Expenses</u>			
Core programs	11	(619,747)	(745,698)
Non-core programs	11	(347,816)	(326,977)
Depreciation of property, plant and equipment and right-of-use assets	3 and 4	(47,892)	(46,967)
Finance cost related to long-term lease liabilities	4	(7,390)	(8,345)
Currency exchange differences		(23,963)	(24,079)
Total expenses		<u>(1,046,808)</u>	<u>(1,152,066)</u>
Changes in net assets for the year		<u>(24,750)</u>	<u>(46,905)</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  
For the year ended December 31, 2022

	<u>Paid-in capital</u>	<u>Unrestricted net assets</u>	<u>Total net assets</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>2022</u>			
Balance, beginning of the year	5,000	(107,931)	(102,931)
Changes in net assets for the year	-	(24,750)	(24,750)
Balance, end of year	<u>5,000</u>	<u>(132,681)</u>	<u>(127,681)</u>
<u>2021</u>			
Balance, beginning of the year	5,000	(61,026)	(56,026)
Changes in net assets for the year	-	(46,905)	(46,905)
Balance, end of year	<u>5,000</u>	<u>(107,931)</u>	<u>(102,931)</u>

AL MEZAN CENTER FOR HUMAN RIGHTS

STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Notes	<u>2022</u> U.S. \$	<u>2021</u> U.S. \$
<u>Operating activities</u>			
Changes in net assets for the year		(24,750)	(46,905)
Adjustments:			
Depreciation of property, plant and equipment and right-of-use assets		47,892	46,967
Deferred revenues recognized		(29,007)	(28,082)
Provision for employees' benefits		151,420	149,844
Finance cost related to long-term lease liabilities		7,390	8,345
Gain on disposal of property and equipment		-	(6,000)
		<u>152,945</u>	<u>124,169</u>
Changes in working capital:			
Contributions receivable		850,968	(1,149,445)
Other current assets		(137)	(1,109)
Temporarily restricted contributions		(743,110)	905,426
Other current liabilities		(6,756)	(32,598)
Employees' benefits paid		(82,096)	(74,665)
Net cash flow from (used in) in operating activities		<u>171,814</u>	<u>(228,222)</u>
<u>Investing activities</u>			
Purchase of property and equipment		(7,738)	(5,809)
Proceeds from disposal of property and equipment		-	6,000
Net cash flow (used in) from investing activities		<u>(7,738)</u>	<u>191</u>
<u>Financing activities</u>			
Long-term lease liability payments		(24,200)	(24,200)
Net cash flow used in financing activities		<u>(24,200)</u>	<u>(24,200)</u>
Increase (decrease) in cash and cash equivalents		139,876	(252,231)
Cash and cash equivalents, beginning of the year		<u>354,832</u>	<u>607,063</u>
Cash and cash equivalents, end of the year	6	<u><u>494,708</u></u>	<u><u>354,832</u></u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

1. General

AI Mezan Center for Human Rights (AI Mezan) was established in Gaza City on May 30, 1999 as a not-for-profit company and is registered under a registration number (563130798) in accordance with the Palestinian Companies' Law. The authorized and subscribed share capital of AI Mezan is 100 share at U.S. \$ 100 par value for each share. The paid-in capital amounted to U.S. \$ 5,000 as at the date of these financial statements.

AI Mezan's mission is to provide a secure and long-lasting foundation for the provision of human rights on all levels.

AI 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.

AI Mezan operates through its main office in Gaza City and two offices in Jabalia and Rafah.

The financial statements were authorized for issuance by AI Mezan's Board of Directors on May 16, 2023.

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 the International Accounting Standards Board ("IASB").

Currently, IFRS does not contain specific guidelines for the accounting treatment and presentation of the financial statements of non-profit organizations. Therefore, accounting policies have been based on similar transactions and the general IFRS principles detailed in the IASB Framework.

The financial statements have been presented in the U.S Dollar, which is the functional currency of AI Mezan.

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

2.2 Changes in accounting policy

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, 2021 except for AI Mezan's adoption of the following amendments effective starting from January 1, 2022 shown below:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS (16)

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1,



2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments had no impact on Al Mezan's financial statements.

#### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS (37)

In May 2020, the IASB issued amendments to IAS (37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are not expected to have a material impact on Al Mezan's financial statements.

#### IFRS (9) Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS (9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on Al Mezan's financial statements.

#### Standards issued but not effective

The standards and interpretations that are issued but not yet effective, up to the date of issuance of Al Mezan's financial statements are disclosed below. Al Mezan intends to adopt these standards, if applicable, when they become effective.

#### Amendments to IAS (1): Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS (1) to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. Al Mezan is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

The amendments are not expected to have a material impact on Al Mezan's financial statements.

### Definition of Accounting Estimates - Amendments to IAS (8)

In February 2021, the IASB issued amendments to IAS (8), in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on AI Mezan's financial statements.

### Disclosure of Accounting Policies - Amendments to IAS (1) and IFRS Practice Statement (2)

In February 2021, the IASB issued amendments to IAS (1) and IFRS Practice Statement (2) Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS (1) are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement (2) provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

AI Mezan is currently assessing the impact of the amendments to determine the impact they will have on AI Mezan's accounting policy disclosures.

### Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS (12)

In May 2021, the Board issued amendments to IAS (12), which narrow the scope of the initial recognition exception under IAS (12), so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

AI Mezan is currently assessing the impact of the amendments to determine the impact they will have on AI Mezan's accounting policy disclosures.

## 2.3 Significant accounting judgment, estimates and assumptions

The preparation of the financial statements in conformity with IFRSs requires the use of accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying AI Mezan's accounting policies. AI 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

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

#### Impairment of financial assets (Expected Credit Loss "ECL")

In determining impairment of financial assets, AI Mezan uses judgement to estimate the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses.

#### Allocation of expenses

Allocation of AI Mezan expenses to programs, administrative and general functions is based on AI Mezan management's best estimate of allocation basis.

#### Determining the lease term of contracts with renewal and termination options

AI Mezan determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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 respective useful lives.

### Expenses recognition

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

### Cash and cash equivalents

Cash and cash equivalents presented in the statement of cash flows comprise cash on hand and bank balances and short-term deposits maturing in three month or less, net of restricted cash balances, if any.

### Leases

AI Mezan assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

AI Mezan applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. AI Mezan recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### Right-of-use assets

AI Mezan recognizes right-of-use assets at the commencement date of the lease (i.e., the

date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received, unless AI Mezan is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

#### Lease Liabilities

At the commencement date of the lease, AI Mezan recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by AI Mezan and payments of penalties for terminating a lease, if the lease terms reflect AI Mezan's intentions to exercise the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, AI Mezan uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### Short-term leases and leases of low-value assets

AI Mezan applies the short-term lease recognition exemption to its short-term leases (those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

#### Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received net of expected credit loss which is computed in accordance with IFRS 9.

#### Current versus non-current classification

AI Mezan presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is 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 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.

AI Mezan classifies all other liabilities as non-current.

#### Fair value of financial 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. Judgment includes input factors and assumptions used in determining fair value such as liquidity risk, credit risk and other market volatility factors. Changes in assumptions may impact fair values presented in the financial statements.

#### Impairment of financial assets

For all debt instruments, the center has applied the standard's simplified approach and has calculated ECL based on lifetime expected credit losses. To measure ECL, debit balances are classified based on their credit factors and maturities.

Financial assets that are measured at amortized cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties.

#### 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	8.33
Office equipment	4
Information resources	4
Computers and printers	4
Motor vehicle	6.7
Renovation	4
Solar energy system	4

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

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

#### Income tax

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

### Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and AI Mezan intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 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	Renovation	Solar energy system	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
<u>2022</u>								
<u>Cost</u>								
Balance, beginning of the year	63,992	129,106	103,591	152,414	-	5,137	48,084	502,324
Additions	-	3,836	894	3,008	-	-	-	7,738
Disposal	(898)	(4,295)	-	-	-	-	-	(5,193)
Balance, end of the year	<u>63,094</u>	<u>128,647</u>	<u>104,485</u>	<u>155,422</u>	<u>-</u>	<u>5,137</u>	<u>48,084</u>	<u>504,869</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the year	54,812	117,914	101,435	135,155	-	3,698	22,674	435,688
Depreciation	1,797	5,008	1,141	8,541	-	499	12,021	29,007
Disposal	(898)	(4,295)	-	-	-	-	-	(5,193)
Balance, end of the year	<u>55,711</u>	<u>118,627</u>	<u>102,576</u>	<u>143,696</u>	<u>-</u>	<u>4,197</u>	<u>34,695</u>	<u>459,502</u>
<u>Net book value</u>								
December 31, 2022	<u>7,383</u>	<u>10,020</u>	<u>1,909</u>	<u>11,726</u>	<u>-</u>	<u>940</u>	<u>13,389</u>	<u>45,367</u>
<u>2021</u>								
<u>Cost</u>								
Balance, beginning of the year	63,353	125,930	103,591	150,420	19,200	5,137	48,084	515,715
Additions	639	3,176	-	1,994	-	-	-	5,809
Disposal	-	-	-	-	(19,200)	-	-	(19,200)
Balance, end of the year	<u>63,992</u>	<u>129,106</u>	<u>103,591</u>	<u>152,414</u>	<u>-</u>	<u>5,137</u>	<u>48,084</u>	<u>502,324</u>
<u>Accumulated depreciation</u>								
Balance, beginning of the year	52,977	113,442	100,481	126,921	19,200	3,133	10,652	426,806
Depreciation	1,835	4,472	954	8,234	-	565	12,022	28,082
Disposal	-	-	-	-	(19,200)	-	-	(19,200)
Balance, end of the year	<u>54,812</u>	<u>117,914</u>	<u>101,435</u>	<u>135,155</u>	<u>-</u>	<u>3,698</u>	<u>22,674</u>	<u>435,688</u>
<u>Net book value</u>								
December 31, 2021	<u>9,180</u>	<u>11,192</u>	<u>2,156</u>	<u>17,259</u>	<u>-</u>	<u>1,439</u>	<u>25,410</u>	<u>66,636</u>

#### 4. Right-of-use Assets and Lease Liabilities

The following table shows the carrying amounts of Al Mezan's right-of-use assets and lease liabilities and the movements for the year ended December 31, 2022 and 2021:

	<u>Assets</u>	<u>Liabilities</u>
	Right-of-use assets	Lease liabilities
	U.S. \$	U.S. \$
<u>2022</u>		
Balance, beginning of the year	131,899	140,372
Depreciation	(18,885)	-
Finance costs	-	7,390
Payments during the year	-	(24,200)
	<u>113,014</u>	<u>123,562</u>
Current portion of lease liabilities (included in other current liabilities - note 10)	-	(24,200)
Balance, end of the year	<u><u>113,014</u></u>	<u><u>99,362</u></u>
	<u>Assets</u>	<u>Liabilities</u>
	Right-of-use assets	Lease liabilities
	U.S. \$	U.S. \$
<u>2021</u>		
Balance, beginning of the year	150,784	156,227
Depreciation	(18,885)	-
Finance costs	-	8,345
Payments during the year	-	(24,200)
	<u>131,899</u>	<u>140,372</u>
Current portion of lease liabilities (included in other current liabilities - note 10)	-	(24,200)
Balance, end of the year	<u><u>131,899</u></u>	<u><u>116,172</u></u>



## 5. Contributions Receivable

Details of movement of the contribution receivable during the year are as follows:

	Balance, beginning of the year	Additions	Adjustments	Received	Currency differences	Balance, end of year
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
European Union (EU) represented by the European Commission	447,719	-	-	(232,218)	(16,623)	198,878
Heinrich-Böll-Stiftung - (HBS)	2,404	-	-	(2,360)	(44)	-
Save the Children International - (SCI)	9,067	44,345	-	(48,927)	(3,184)	1,301
Medico International e.V. (Germany)	16,959	-	-	(16,689)	(270)	-
United Nations - Office for Coordination of Humanitarian Affairs - (OCHA) through Palestinian Centre for Human Rights - (PCHR)	38,149	-	-	(38,149)	-	-
Al Haq Organization - (Al Haq)	1,461	-	-	(1,461)	-	-
Open Society Foundation (OSF)	340,000	-	-	(170,000)	-	170,000
United Nations Development Programme - (UNDP)	104,937	134,065	-	(179,002)	-	60,000
Consultant General of France	46,355	-	-	(46,355)	-	-
NGO Development Center - (NDC)	346,038	41,911	(23,730)	(306,200)	(3,206)	54,813
Medical Aid for Palestinians (MAP)	6,871	-	-	(6,871)	-	-
American Friends Service Committee - Middle East Regional Office (AFSC)	-	2,000	-	(2,000)	-	-
Institute of International Education, Inc. (IIE) on behalf of Open Society Foundation (OSF)	-	20,000	-	-	-	20,000
Action Aid Palestine (AAP)	-	8,000	-	(4,000)	-	4,000
Foundation for Middle East Peace (FMEP)	-	10,000	-	(10,000)	-	-
	<u>1,359,960</u>	<u>260,321</u>	<u>(23,730)</u>	<u>(1,064,232)</u>	<u>(23,327)</u>	<u>508,992</u>

## 6. Cash and Bank Balances

	<u>2022</u>	<u>2021</u>
	U.S. \$	U.S. \$
Cash on hand	6,144	6,176
Cash at banks	172,666	134,844
Cash at bank designated for provision for employees' benefits	<u>315,898</u>	<u>213,812</u>
	<u>494,708</u>	<u>354,832</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 follows:

	<u>2022</u>	<u>2021</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	66,636	88,909
Additions during the year (note 9)	7,738	5,809
Deferred revenues recognized	<u>(29,007)</u>	<u>(28,082)</u>
Balance, end of year	<u>45,367</u>	<u>66,636</u>

## 8. Provision for Employees' Benefits

Provision for employee's benefits comprises employees' end of service indemnities and employees' saving fund. 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 special bank account to maintain employees' indemnity and the saving fund.

Movement on the provision for employees' benefits during the year was as follows:

	<u>2022</u>	<u>2021</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	329,432	254,253
Additions during the year	151,420	149,844
Payments for employees' end of service benefits	(29,030)	(3,578)
Employees withdrawals (non-interest bearing loans) *	(16,500)	(52,700)
Transferred to the Palestinian Pensions Agency **	<u>(36,566)</u>	<u>(18,387)</u>
Balance, end of year	<u>398,756</u>	<u>329,432</u>

\* Based on a decision made by the Board of Directors in their meeting held on April 26, 2016, Al Mezan's employees are allowed to cash their respective end of service indemnity and obtain a non-interest loan without maturities dates on their respective indemnity balances.

\*\* On 7 July 2021, Al Mezan signed an agreement with the Palestinian Pensions Agency for the purpose of joining the Palestinian Pensions Agency to benefit from the General Retirement Law for a number of Al Mezan's employees. This amount represents transfers of monthly contributions of the employees participating in the Palestinian Pensions Agency.

## 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 year	Additions	Adjustment	Temporary restricted contribution released from restriction			Deferred revenue	Exchange difference	Balance, end of year
				Released from restriction	Transfer to partners	Transfers to unrestricted contribution			
<u>2022</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
European Union (EU) represented by the European Commission	423,975	-	-	(77,784)	(101,466)	-	-	(16,246)	228,479
HEINRICH BOLL STIFUNG - HBS	-	-	-	-	-	-	-	-	-
Save the Children International (SCI)	-	44,345	-	(41,211)	-	-	-	(3,134)	-
Medico International	16,959	-	-	(16,689)	-	-	-	(270)	-
United Nations - Office for Coordination of Humanitarian Affairs (OCHA) through Palestinian Centre for Human Rights (PCHR)	9,592	-	-	(5,432)	-	(4,160)	-	-	-
Al Haq Organization - Al Haq	-	-	-	-	-	-	-	-	-
Open Society Foundation (OSF)	340,000	-	-	(180,818)	-	-	-	-	159,182
United Nations Development Programme (UNDP)	105,126	134,065	-	(179,191)	-	-	-	-	60,000
Consultant General of France	35,893	-	-	(37,037)	-	-	-	1,144	-
NGO Development Center – NDC	282,535	41,911	(23,730)	(272,606)	-	(15,750)	(7,738)	(4,622)	-
Medical Aid for Palestinians (MAP)	-	-	-	-	-	-	-	-	-
American Friends Service Committee – Middle East Regional Office (AFSC)	-	2,000	-	(700)	-	(1,300)	-	-	-
Institute of International Education, Inc. (IIE) on behalf of Open Society Foundation (OSF)	-	20,000	-	(4,429)	-	-	-	-	15,571
Action Aid Palestine (AAP)	-	8,000	-	(8,000)	-	-	-	-	-
Foundation for Middle East Peace (FMEP)	-	10,000	-	-	-	(10,000)	-	-	-
	<u>1,214,080</u>	<u>260,321</u>	<u>(23,730)</u>	<u>(823,897)</u>	<u>(101,466)</u>	<u>(31,210)</u>	<u>(7,738)</u>	<u>(23,128)</u>	<u>463,232</u>

Temporarily restricted contributions released from restriction for the year ended December 31, 2021 was U.S. \$ 1,061,207.

10. Other Current Liabilities

	<u>2022</u>	<u>2021</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Accrued professional fees	15,010	15,236
Accrued payroll tax	209,585	174,873
Accrued salaries	29,490	2,489
Current portion of lease liabilities (note 4)	24,200	24,200
Accrued expenses	<u>6,006</u>	<u>74,249</u>
	<u>284,291</u>	<u>291,047</u>

11. Expenses

	2022			2021		
	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	475,456	170,169	645,625	464,819	214,385	679,204
Staff rewards	29,434	-	29,434	136,456	-	136,456
Health insurance	6,680	-	6,680	7,410	-	7,410
Transfer to Al Mezan's partners	-	101,466	101,466	-	-	-
Legal services	5,748	33,443	39,191	17,167	56,469	73,636
Training cost	13,313	13,532	26,845	35,675	8,236	43,911
Monitoring and documentation	10,464	-	10,464	19,524	19,500	39,024
Professional fees	7,540	19,235	26,775	7,540	6,771	14,311
Communication cost	11,863	869	12,732	10,656	1,693	12,349
Advocacy mission	17,379	4,429	21,808	10,655	2,430	13,085
Transportation	6,121	488	6,609	6,619	3,315	9,934
Photocopying and printing costs	1,497	3,565	5,062	1,173	5,537	6,710
Human rights prize	11,961	-	11,961	-	4,818	4,818
Stationery	1,682	620	2,302	814	3,823	4,637
Hospitality	2,966	-	2,966	2,941	-	2,941
Maintenance	1,921	-	1,921	2,608	-	2,608
Utilities	1,748	-	1,748	2,181	-	2,181
Capacity building cost	-	-	-	1,175	-	1,175
Membership, subscription, and mails	2,336	-	2,336	6,898	-	6,898
Bank charges	3,009	-	3,009	754	-	754
Car insurance	-	-	-	187	-	187
Sundry	8,629	-	8,629	10,446	-	10,446
	<u>619,747</u>	<u>347,816</u>	<u>967,563</u>	<u>745,698</u>	<u>326,977</u>	<u>1,072,675</u>

## 12. Fair Values of Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and bank balances, contributions receivable, and some other current assets. Financial liabilities consist of temporarily restricted contributions, lease liabilities, and 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 AI Mezan, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by AI Mezan's management.

The statement of activities includes the following related party transactions:

	<u>2022</u>	<u>2021</u>
	U.S. \$	U.S. \$
<u>Compensation of key management personnel:</u>		
Salaries	<u>224,490</u>	<u>232,040</u>
Saving fund	<u>27,163</u>	<u>28,142</u>
End of service benefits	<u>16,402</u>	<u>16,952</u>
Staff rewards	<u>13,528</u>	<u>48,215</u>

## 14. Risk Management

### Liquidity risk

AI 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. The table below summarizes the maturity profile of AI Mezan's financial liabilities at December 31, 2022 and 2021 based on contractual undiscounted payments.

	Less than 3 Months	3 to 12 months	More than 1 year up to 5 years	More than 5 years	Total
	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>December 31, 2022</u>					
Long-term lease liability	-	25,262	89,651	18,732	133,645
Other current liabilities	<u>12,628</u>	<u>37,878</u>	-	-	<u>50,506</u>
	<u>12,628</u>	<u>63,140</u>	<u>89,651</u>	<u>18,732</u>	<u>184,151</u>
<u>December 31, 2021</u>					
Long-term lease liability	-	26,234	94,354	39,291	159,879
Other current liabilities	<u>22,778</u>	<u>68,981</u>	-	-	<u>91,759</u>
	<u>22,778</u>	<u>95,215</u>	<u>94,354</u>	<u>39,291</u>	<u>251,638</u>

## Foreign currency risk

The table below indicates AI 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 and changes in net assets.

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.\$ %	Effect on statement of activities and changes in net assets for the year U.S. \$	Increase in ILS rate to U.S.\$ %	Effect on statement of activities and changes in net assets for the year U.S. \$	Increase in other currencie s rate to U.S.\$ %	Effect on statement of activities and changes in net assets for the year U.S. \$
<u>2022</u>	10	(2,591)	10	3,773	10	4,303
<u>2021</u>	10	2,284	10	4,229	10	7,073

## Credit risk

Credit risks arising from the contribution receivable. Exposure to credit risk arises from default of donors to transfer the donations according to the contracts signed with them which represent the carrying amount of these receivables.

With respect to credit risk arising from the other financial assets of AI Mezan which consist of cash and bank balances and some other current assets, exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

## 15. Financial Stability and Management Plans

The deficit of AI Mezan's net assets at December 31, 2022 U.S. \$ 127,681 (December 31, 2021: U.S. \$ 102,931). Management believes that the deficit will continue to be reduced and bypassed during the following years by increasing efforts in fundraising activities through seeking unrestricted donations.

## 16. Concentration of Risk in Geographic Area

AI Mezan is carrying out its activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out activities and may adversely affect AI Mezan's performance.