

ADALAH
The Legal Center for Arab Minority Rights in Israel

Association # 58-031-224-7

**Financial Statement
and
Auditor's Report**

31 December 2007

Adalah
The Legal Center for Arab Minority Rights in Israel

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To the Board of Directors/Director of
Adalah: The Legal Center for Arab
Minority Rights in Israel

Auditor's Report

I have audited the balance sheet of **Adalah: The Legal Center for Arab Minority Rights in Israel (Not-for-Profit Organization)** as of 31 December 2007 and 2006, and the related statements of activities and changes in net assets. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Auditing Standards. These standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Adalah: The Legal Center for Arab Minority Rights in Israel** as of 31 December 2007 and 2006, the results of its operations and changes in its net assets for the years then ended.

Nazeeh Bocaie
Certified Public Accountant



Date : 29/04/2008

ADALAH
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Balance Sheet
Year Ended 31 December 2007

	Note	2007		2006	
		NIS	USD	NIS	USD
Assets					
Cash on Hand and at Bank	3	4,028,155	1,047,362	3,522,015	833,613
Accounts Receivable	4	-	-	139,263	32,962
		<u>4,028,155</u>	<u>1,047,362</u>	<u>3,661,278</u>	<u>866,575</u>
Pre-Paid Expenses		50,850	13,222	29,050	6,876
Fixed Assets-Net of Accumulated Depreciation	5	<u>1,219,468</u>	<u>297,910</u>	<u>351,105</u>	<u>79,110</u>
TOTAL ASSETS		<u>5,298,473</u>	<u>1,358,494</u>	<u>4,041,433</u>	<u>952,561</u>
Liabilities and Net Assets					
Liabilities					
Payable Checks		90,329	23,486	32,449	7,680
Salaries and Taxes	6	252,181	65,570	158,541	37,525
Suppliers		85,136	22,136	195,903	46,368
Deferred Grants	7	<u>1,582,511</u>	<u>397,734</u>	<u>633,832</u>	<u>154,268</u>
		<u>2,010,157</u>	<u>508,926</u>	<u>1,020,725</u>	<u>245,841</u>
Net Assets					
General Fund		1,529,850	411,513	1,341,114	313,175
Fixed Assets		1,219,468	297,910	351,105	79,110
Reserve for Building Fund	8	<u>538,998</u>	<u>140,145</u>	<u>1,328,489</u>	<u>314,435</u>
		<u>3,288,316</u>	<u>849,568</u>	<u>3,020,708</u>	<u>706,720</u>
Total Liabilities and Net Assets		<u>5,298,473</u>	<u>1,358,494</u>	<u>4,041,433</u>	<u>952,561</u>

See Notes to Financial Statements

Authorized Signatures

Prof.. Marwan Dwairy
Chairperson, Adalah

Date:29/04/2008

Dr. Mahmoud Yazbak
Board Member, Adalah

Date:29/04/2008

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Statement of Activities
Year Ended 31 December 2007

	Note	2007		2006	
		NIS	USD	NIS	USD
Grants and Other Revenue	9	4,874,754	1,207,539	4,580,564	1,004,766
Salaries and Social Benefits	10	-2,970,137	-723,013	-2,729,925	-613,108
Program Expenses	11	-1,062,407	-256,627	-937,495	-210,437
General/Institutional Expenses	12	-692,947	-168,684	-511,975	-114,982
Gain/(Loss)		149,263	59,215	401,169	66,239
Procurement of Fixed Assets *		-81,864	-20,122	-261,844	-59,298
Depreciation		121,337	27,546	98,334	21,971
		188,736	66,639	237,659	28,912
Currency Differential from Translation of Reports from NIS to USD		-	31,699	-	61,864
Net Assets at Beginning of the Year		1,341,114	313,175	1,758,898	377,533
Set Aside for Building Fund	8	0	0	-655,443	-155,134
Net Assets at End of the Year		1,529,850	411,513	1,341,114	313,175

* See Statement of Changes in Net Assets (page 4)

See Notes to Financial Statement

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Statement of Changes in Net Assets
Year Ended 31 December 2007

	<u>Used for Activities</u>		<u>Used for Fixed Assets</u>		<u>Reserve for Building</u>		<u>Total</u>	
	<u>NIS</u>	<u>USD</u>	<u>NIS</u>	<u>USD</u>	<u>NIS</u>	<u>USD</u>	<u>NIS</u>	<u>USD</u>
<u>2006</u>								
Balance 1.1.2006	1,758,898	377,533	187,595	41,783	646,200	140,387	2,592,693	559,703
Net Income 2006	401,169	128,103			26,846	18,914	428,015	147,017
Procurement of Fixed Assets	-261,844	-59,298	261,844	59,298				
Deprication	98,334	21,971	-98,334	-21,971				
Set Aside for Building	-655,443	-155,134			655,443	155,134		
Balance 31.12.2006	1,341,114	313,175	351,105	79,110	1,328,489	314,435	3,020,708	706,720
<u>2007</u>								
Net Income 2007	149,263	90,914			118,345	51,934	267,608	142,848
Procurement of Fixed Assets	-81,864	-20,122	81,864	20,122				
Deprication	121,337	27,546	-121,337	-27,546				
Procurement of Building	0	0	907,836	226,224	-907,836	-226,224		
Balance 31.12.2007	1,529,850	411,513	1,219,468	297,910	538,998	140,145	3,288,316	849,568

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Notes to Financial Report
Year Ended 31 December 2007

Note 1: Organization:

Adalah: The Legal Center for Arab Minority Rights in Israel was registered as an independent association ('amutah') at the end of December 1997, and started operating as such in the beginning of January 1998.

The main goals of the association are:

- 1) To advance the issue of Arab minority rights in Israel through litigation and other legal means;
- 2) To advance Arab minority rights in Israel through education and other public activities.

Note 2: Summary of Significant Accounting Policies

The financial statements have been prepared according to Israeli Accounting Standards related to not-for-profit organizations.

- 1) The income and expenses are registered on the accrual basis.
- 2) Investment in fixed assets are presented in the financial statements at historical cost of the related assets net of accumulated depreciation (See Note 5).
- 3) Foreign Currency Transactions:
 - (i) The accounts of Adalah are maintained in Israeli Shekels. Transactions which are denominated in foreign currencies are converted into Israeli Shekels as follows:

- Transactions, including grants and donations received, which are expressed or denominated in foreign currencies are converted to Israeli Shekels at the actual rate of exchange of the related currency prevailing at the date of each transaction.
- Foreign currency assets and liabilities as of the balance sheet date are converted into Israeli Shekels at the rate of exchange of the related currency prevailing at the balance sheet date.
- Conversion differences arising from the conversion of foreign currency balances are charged to the related statements of activities.

- (ii) Translation of Local Currency Financial Statements:

Adalah's reporting currency is New Israeli Shekels (NIS). Basis of translation to US Dollars is as follows:

- Transactions, which are denominated or expressed in US Dollars, are presented at the actual US dollar rate received.
- Assets and liabilities that are denominated or expressed in foreign currencies other than the US dollar are translated to the US dollar equivalent at the rate of exchange of the related currency prevailing on the same date.

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Notes to Financial Report
Year Ended 31 December 2007

- Fixed assets, prepaid expenses and the related accounts of the statement of activities are translated to USD at historical rates.
- All other assets and liabilities are translated to the US Dollar at the rate of exchange prevailing on the balance sheet date.
- All other income and expenses in Israeli Shekels are translated to US Dollar equivalent at the average rate of exchange which prevailed during the year.

Currency	2007		2006	
	End of Year Rate (NIS)	Average Rate (NIS)	End of Year Rate (NIS)	Average Rate (NIS)
US Dollar	3.8460	4.1080	4.225	4.4526
Euro	5.6592	5.6243	5.5643	5.5916

Note 3: Cash on Hand and at Bank

Composition

	31/12/2007		31/12/2006	
	NIS	USD	NIS	USD
Cash on hand	16,024	4,166	7,191	1,702
Cash Held in STERLING Acct	2,467	641	2,652	628
Cash Held in NIS Acct	1,695,737	440,910	1,936,379	458,314
Cash Held in USD Acct	524,298	136,323	1,134,100	268,426
Cash Held in EURO Acct	<u>1,789,629</u>	<u>465,322</u>	<u>441,693</u>	<u>104,543</u>
	<u>4,028,155</u>	<u>1,047,362</u>	<u>3,522,015</u>	<u>833,613</u>

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Notes to Financial Report
Year Ended 31 December 2007

Note 4 - Accounts Receivable:

<u>Composition</u>	2007		2006	
	NIS	USD	NIS	USD
Welfare Association	-	-	104,721	24,786
LAW (EED)	-	-	34,542	8,176
	-	-	139,263	32,962

Note 5 - Fixed Assets:

Net Composition

<u>Historical Cost</u>	2007		2006	
Opening Balance 1.1	842,913	191,226	764,644	175,503
Procurement of Fixed Assets	989,700	246,346	261,844	59,298
Cost of Sale of Fixed Assets	-	-	-183,575	-43,575
Total Historical Cost 31.12	1,832,613	437,572	842,913	191,226
<u>Accumulated Depreciation</u>	2007		2006	
Opening Balance 1.1	491,808	112,116	577,049	133,720
Depreciation for the Year	121,337	27,546	98,334	21,971
Accu. Deprec. of Sold Assets	-	-	-183,575	-43,575
Total Accumulated Depreciation	613,145	139,662	491,808	112,116
Net fixed assets 31.12	1,219,468	297,910	351,105	79,110

Note 6 - Salaries & Taxes:

Composition

Net Salaries	112,844	29,341	4,621	1,094
Taxes & National Insurance	86,216	22,417	125,538	29,713
Managers' Insurance	53,121	13,812	28,382	6,718
	252,181	65,570	158,541	37,525

Note 7 - Deferred Grants:

Composition

Christian Aid	139,743	36,100	-	-
Ford Foundation	338,480	80,000	404,550	100,000
OxfamNovib	1,104,288	281,634	-	-
EED	-	-	229,282	54,268
	1,582,511	397,734	633,832	154,268

Note 8 - Reserve for Building

In 2004 and 2006, Adalah's Board of Directors decided to set aside NIS 646,200 and NIS 655,443, respectively, from the accumulated general fund for the period 1997-2003 for the purposes of either building or buying an office for Adalah. Adalah also had income and expenditure in this reserve fund. The composition of this fund is as follows:

	2007		2006	
	NIS	USD	NIS	USD
Opening Balance 1.1	1,328,489	314,435	646,200	140,387
Funds designated this year	-	-	655,443	155,134
Funds designated from OxfamNovib	101,064	24,622	50,639	11,311
Interest income	17,281	4,207	14,845	3,334
Funds used for buying an office	-907,836	-226,224	-	-
Currency differences	-	23,105	-38,638	4,269
	538,998	140,145	1,328,489	314,435

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Notes to Financial Report
Year Ended 31 December 2007

Note 9 - Grants and Other Revenues:

<u>Composition</u>	<u>2007</u>		<u>2006</u>	
	<u>NIS</u>	<u>USD</u>	<u>NIS</u>	<u>USD</u>
Ford Foundation	824,410	200,000	629,800	130,000
New Israel Fund (inc. donor-advised)	285,702	69,646	310,051	69,946
OxfamNovib	829,149	196,037	783,789	172,725
EED	407,100	98,085	108,206	20,294
Foundation for Middle East Peace	29,190	7,000	35,033	7,500
European Union	867,675	217,408	764,637	166,009
Ministry of Foreign Aff.-Switzerland	186,975	45,000	204,390	45,000
Euro-Med HR Network	11,351	2,759	6,036	1,381
Naomi and Nehemiah Cohen Foundation	150,379	35,000	218,350	50,000
Open Society Development Foundation	821,432	200,000	893,543	201,660
Welfare Association	240,168	83,537	274,596	61,958
Christian Aid	105,925	25,000	102,017	22,120
Local Income	115,298	28,067	250,116	56,173
	<u>4,874,754</u>	<u>1,207,539</u>	<u>4,580,564</u>	<u>1,004,766</u>

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Notes to Financial Report
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Note 10 - Salaries and Social Benefits

	2007				2006	
	NIS	USD	USD	%	NIS	USD
	Actual	Actual	Budget	Used	Actual	Actual
Salaries	2,226,456	541,981			2,036,392	457,349
Taxes & Social Insurance	399,786	97,319			365,368	82,057
Study Fund	99,973	24,336			98,469	22,115
Managers' Insurance	124,136	30,218			110,379	24,790
Provision for Staff Benefits	119,786	29,159			119,317	26,797
TOTAL SALARY EXPENSES	2,970,137	723,013	756,000	96%	2,729,925	613,108

Note 11 - Program Expenses

1) Legal Action

Filing Fees, Experts & Case Expenses	38,167	9,291	15,000	62%	34,574	7,765
Law Library & Subscriptions	35,783	8,711	15,000	58%	49,814	11,188
International Advocacy/Conferences	46,536	11,328	20,000	57%	46,094	10,352
Sub-Total	120,486	29,330	50,000	59%	130,482	29,305

2) Legal Education

Seminars, Study Days, Workshops	97,764	23,798	30,000	79%	83,556	18,766
Publications, Reports & Freelancers	261,245	63,594	75,000	85%	286,240	64,286
Internet, Ad Campaigns & PR	75,490	18,376	35,000	53%	83,257	18,699
Naqab Video	-	-	-	-	2,356	529
Sub-Total	434,499	105,768	140,000	76%	455,409	102,280

3) Institutional Development

Staff Development & Policy Workshops	119,101	28,992	30,000	97%	75,469	16,949
Board & Gen'l Assembly Expenses	22,588	5,499	10,000	55%	62,320	13,996
Institutional Expenses	46,146	11,233	10,000	112%	-	-
External Evaluation (NOVIB - financed)	79,823	19,431	18,750	104%	-	-
Sub-Total	267,658	65,155	68,750	95%	137,789	30,945

4) Travel and Per Diem

	118,427	28,828	30,000	96%	115,481	25,936
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5) Capital Assets

	81,864	20,122	80,000	25%	261,844	59,298
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Total Expenditures	1,022,934	249,203	368,750	68%	1,101,005	247,764
Procurement of Fixed Assets	-81,864	-20,122			-261,844	-59,298
Depreciation	121,337	27,546			98,334	21,971
TOTAL PROGRAM EXPENSES	1,062,407	256,627			937,495	210,437

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Notes to Financial Report
Year Ended 31 December 2007

Note 12 - General/Institutional Expenses

	2007				2006	
	NIS Actual	USD Actual	USD Budget	% Used	NIS Actual	USD Actual
Audit Fees	36,557	8,899	10,500	85%	33,418	7,505
Office Rent and Occupancy Expenses	278,169	67,714	60,000	113%	191,456	42,999
Repairs of Equipment	18,008	4,384	10,500	42%	22,512	5,056
Telephone and Fax	63,465	15,449	21,000	74%	62,832	14,111
Photocopying	11,421	2,780	4,200	66%	5,754	1,292
Post	19,870	4,837	3,150	154%	16,183	3,635
Stationery and Supplies	56,022	13,637	15,750	87%	37,735	8,475
Hospitality	15,796	3,845	3,150	122%	11,617	2,609
Advertising	3,909	952	2,100	45%	9,299	2,088
Insurance (Cars, Professional & Office)	44,341	10,794	21,000	51%	47,066	10,570
Moving	3,865	941	3,000	31%	-	-
Bank Charges	20,297	4,941	3,150	157%	17,209	3,865
Exp.-Changes in Exchange Rates	92,079	22,415	-	-	11,315	2,541
Other Exp. (In 2006 Tax Differences)	29,148	7,096	-	-	45,579	10,236
TOTAL GENERAL/INSTIT. EXPENSES	692,947	168,684	157,500	107%	511,975	114,982
TOTAL SALARIES, PROGRAM & GEN'L INSTITUTIONAL EXPENSES	4,725,491	1,148,324	1,282,250	90%	4,179,395	938,527