

PALESTINIAN CENTRE FOR HUMAN RIGHTS

FINANCIAL STATEMENTS

DECEMBER 31, 2008

Independent Auditors' Report to the Board of Directors of the Palestinian Centre for Human Rights

We have audited the accompanying financial statements of the Palestinian Centre for Human Rights (PCHR), which comprise the statement of financial position as of December 31, 2008, and the statement of activities and changes in net assets, and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 for 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Palestinian Centre for Human Rights as of December 31, 2008 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of a matter

Without qualifying our opinion, as explained in note 15 to the accompanying financial statements, PCHR's expenses exceeded its revenues for the years 2008 and 2007, which caused a deficit of net assets as of December 31, 2008.



PALESTINIAN CENTRE FOR HUMAN RIGHTS

STATEMENT OF FINANCIAL POSITION

December 31, 2008

	Notes	2008 U.S. \$	2007 U.S. \$
ASSETS			
Non-current Assets			
Property and equipment	3	29,387	47,525
		<u>29,837</u>	<u>47,525</u>
Current Assets			
Contributions receivable	4	1,836,150	1,001,938
Other current assets	5	3,501	14,437
Cash and cash equivalents	6	294,826	147,584
		<u>2,134,477</u>	<u>1,163,959</u>
TOTAL ASSETS		<u>2,163,864</u>	<u>1,211,484</u>
NET ASSETS AND LIABILITIES			
Net Assets			
Paid-in share capital	1	10,000	-
Unrestricted net assets		<u>(75,704)</u>	<u>30,569</u>
Total Net Assets		<u>(65,704)</u>	<u>30,569</u>
Non-current liabilities			
Deferred revenues	7	19,207	29,972
		<u>19,207</u>	<u>29,972</u>
Current liabilities			
Temporarily restricted contributions	8	1,777,551	983,006
Other current liabilities	9	432,810	167,937
		<u>2,210,361</u>	<u>1,150,943</u>
Total Liabilities		<u>2,229,568</u>	<u>1,180,915</u>
Total Net Assets and Liabilities		<u>2,163,864</u>	<u>1,211,484</u>

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

PALESTINIAN CENTRE FOR HUMAN RIGHTS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2008

	<u>Notes</u>	<u>2008</u> U.S. \$	<u>2007</u> U.S. \$
<u>Revenues</u>			
Temporarily restricted contributions released from restrictions	8	1,434,787	1,150,965
Deferred revenues recognized	7	10,765	9,023
Unrestricted contributions	10	188,669	296,331
Currency exchange (loss) gain		<u>(89,178)</u>	<u>12,891</u>
Total revenues		<u>1,642,525</u>	<u>1,469,210</u>
<u>Expenses</u>			
Programs	11	1,200,696	1,146,535
Administrative and general	11	424,785	403,587
Depreciation		<u>25,835</u>	<u>36,937</u>
Total expenses		<u>1,651,316</u>	<u>1,587,059</u>
(Decrease) increase in net assets		(106,273)	(117,849)
Net assets, beginning of year		<u>30,569</u>	<u>148,418</u>
Net assets, end of year		<u>(75,704)</u>	<u>30,569</u>

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

PALESTINIAN CENTRE FOR HUMAN RIGHTS

CASH FLOW STATEMENT

Year Ended December 31, 2008

	<u>2008</u>	<u>2007</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
<u>Operating activities</u>		
Decrease in net assets	(106,273)	(117,849)
Adjustments:		
Depreciation	25,835	36,937
Deferred revenues recognized	<u>(10,765)</u>	<u>(9,023)</u>
	(91,203)	(89,935)
Changes in working capital:		
Contributions receivable	(834,212)	331,841
Other current assets	10,936	8,299
Temporarily restricted contributions	794,545	(361,093)
Other current liabilities	<u>264,873</u>	<u>98,250</u>
Net cash from (used in) operating activities	<u>144,939</u>	<u>(12,638)</u>
<u>Investing activities</u>		
Purchase of property and equipment	<u>(7,697)</u>	<u>(28,227)</u>
Net cash used in investing activities	<u>(7,697)</u>	<u>(28,227)</u>
<u>Financing activities</u>		
Paid-in share capital	<u>10,000</u>	<u>-</u>
Net cash flows from financing activities	<u>10,000</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	147,242	(40,865)
Cash and cash equivalents, beginning of year	<u>147,584</u>	<u>188,449</u>
Cash and cash equivalents, end of year	<u><u>294,826</u></u>	<u><u>147,584</u></u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

1. PCHR and its Activities

The Palestinian Centre for Human Rights (PCHR) was established on April 1, 1995 and formally registered in Gaza City on August 10, 1995 as a not-for-profit company in accordance with the Companies' Law of 1929, with an authorized and subscribed share capital of 100 shares at U.S. \$ 100 par value for each share, 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. 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, Khan Younis and Ramallah.

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.

The financial statements were authorized for issuance by PCHR's Board of Directors on August 13, 2009.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

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

The financial statements have been presented in U.S. Dollars, which is the functional currency of PCHR.

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

2.2 Judgments and estimation uncertainty

PCHR's financial position and changes in net assets are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the financial statements. PCHR bases its estimates on its past experience and on various other assumptions deemed reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Due to different assumptions and situations, the actual results may differ significantly from these estimates.

2.3 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 the useful life of the property and equipment.

Expenses recognition

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

Cash and cash equivalent

Cash and cash equivalent comprise cash on hand and bank balances.

Contributions receivable

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

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

	<u>Years</u>
Furniture and fixtures	10
Office equipment	6.67
Computers	4
Motor vehicle	6.67
Library books	10

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

recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property and equipment. All other expenditures are recognized in the statement of activities and changes in net assets as the expense is incurred.

Income tax

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

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 PCHR 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

Employees' end of service benefits

Employees' end of service benefits is calculated in accordance with the labor law prevailing in Palestine, and PCHR internal policies, based on one-month indemnity for each year of employment.

Contributions to a saving fund are made based on the employees' basic salary. The monthly contribution by the employee and PCHR is set at 7% and 14% of the basic salary, respectively.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling 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

	Furniture and fixtures	Office equipment	Computers	Motor vehicle	Library books	Total
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
Cost						
At January 1, 2008	98,990	195,366	157,459	35,000	51,305	538,120
Additions	102	-	7,336	-	259	7,697
At December 31, 2008	<u>99,092</u>	<u>195,366</u>	<u>164,795</u>	<u>35,000</u>	<u>51,564</u>	<u>545,817</u>
Accumulated Depreciation						
At January 1, 2008	86,742	188,261	130,174	34,999	50,419	490,595
Depreciation	5,865	4,395	15,248	-	327	25,835
At December 31, 2008	<u>92,607</u>	<u>192,656</u>	<u>145,422</u>	<u>34,999</u>	<u>50,746</u>	<u>516,430</u>
Net carrying amount						
At December 31, 2008	<u><u>6,485</u></u>	<u><u>2,710</u></u>	<u><u>19,373</u></u>	<u><u>1</u></u>	<u><u>818</u></u>	<u><u>29,387</u></u>
Cost						
At January 1, 2007	93,943	188,053	141,663	35,000	51,234	509,893
Additions	5,047	7,313	15,796	-	71	28,227
At December 31, 2007	<u>98,990</u>	<u>195,366</u>	<u>157,459</u>	<u>35,000</u>	<u>51,305</u>	<u>538,120</u>
Accumulated Depreciation						
At January 1, 2007	76,890	180,169	116,311	34,999	45,289	453,658
Depreciation	9,852	8,092	13,863	-	5,130	36,937
At December 31, 2007	<u>86,742</u>	<u>188,261</u>	<u>130,174</u>	<u>34,999</u>	<u>50,419</u>	<u>490,595</u>
Net carrying amount						
At December 31, 2007	<u><u>12,248</u></u>	<u><u>7,105</u></u>	<u><u>27,285</u></u>	<u><u>1</u></u>	<u><u>886</u></u>	<u><u>47,525</u></u>

Property and equipment includes U.S. \$ 395,404 and U.S. \$ 374,091 of fully depreciated assets as of December 31, 2008 and 2007, respectively that are still used in PCHR's activities.

4. Contributions Receivable

Contributions receivable comprise unconditional pledges to give as of December 31, 2008. Details are as follows:

	Balance, January 1, 2008	Additions / (write off)	Cash received	Currency difference	Balance, December 31, 2008
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
European Commission (Via Oxfam NOVIB) and Oxfam NOVIB	225,483	-	(123,715)	(9,227)	92,541
Oxfam NOVIB	117,848	807,892	(354,942)	637	571,435
Dan Church Aid - Denmark	155,265	198,988	(173,284)	33,652	214,621
Al-Quds Association Malaga-Spain	28,024	95,656	(83,810)	2,500	42,370
ICON - Institute Public Sector GMBH	45,225	(7,725)	(30,000)	-	7,500
Grassroots International	10,000	20,000	(20,000)	-	10,000
Christian Aid/Development Cooperation Ireland Multi Annual Partnership Scheme (MAPS)	58,924	20,720	(79,720)	76	-
Kvinna Till Kvinna Foundation	-	142,485	(69,940)	-	72,545
The Medical Aid for Palestinians (MAP-UK)	50,000	-	(50,000)	-	-
Welfare Association Consortium for the Management of the Palestinian NGO Project	2,700	24,300	-	-	27,000
Karim Rida Said Foundation	4,625	-	-	-	4,625
Foundation Open Society Institute	-	100,000	(100,000)	-	-
TROCAIRE	-	92,520	(21,900)	-	70,620
Care International	52,440	-	(31,009)	-	21,431
Denis O'brien	100,000	-	(50,000)	-	50,000
Swiss Agency for Development and Cooperation (SDC)	151,404	-	(100,000)	-	51,404
Royal Danish Representative Office	-	50,000	(50,000)	-	-
Acsure	-	240,108	(45,050)	-	195,058
United Nation Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)	-	6,750	(6,750)	-	-
NGO Development Center (NDC)	-	400,000	-	-	400,000
United Development Programme (UNDP)	-	10,000	(5,000)	-	5,000
	<u>1,001,938</u>	<u>2,201,694</u>	<u>(1,395,120)</u>	<u>27,638</u>	<u>1,836,150</u>

5. Other current assets

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Prepaid rent	668	668
Due from employees	1,854	10,528
Other	979	3,241
	<u>3,501</u>	<u>14,437</u>

6. Cash and cash equivalents

Cash and cash equivalents include the following:

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Cash on hand	1,064	783
Cash at Banks	293,762	146,801
	<u>294,826</u>	<u>147,584</u>

7. Deferred revenues

This item represents property and equipment acquired out of the temporarily restricted contributions. Such property and equipment are recorded as deferred revenues and recognized as income on a systematic basis over the useful lives of the property and equipment. The movement on deferred revenues during the year was as follow:

	<u>2008</u>	<u>2007</u>
	U.S. \$	U.S. \$
Balance, beginning of the year	29,972	31,645
Additions (Note 8)	-	7,350
Deferred revenues recognized	(10,765)	(9,023)
Balance, end of year	<u>19,207</u>	<u>29,972</u>

8. 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, January 1, 2008	Additions / (write off)	Temporarily restricted contribution released from restriction	Deferred revenue (Note 7)	Currency difference	Balance, December 31, 2008
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2008						
European Commission (Via Oxfam NOVIB) and Oxfam NOVIB	233,642	-	176,782	-	(9,227)	47,633
Oxfam NOVIB	146,748	807,892	140,335	-	637	814,942
Dan Church Aid - Denmark	155,265	198,988	173,284	-	33,652	214,621
Al-Quds Association Malaga-Spain	-	95,656	81,210	-	2,500	16,946
ICON - Institute Public Sector GMBH	45,225	(7,725)	37,500	-	-	-
Grassroots International	10,000	20,000	20,000	-	-	10,000
Christian Aid/Development Cooperation Ireland Multi Annual Partnership Scheme (MAPS)	58,924	20,720	79,720	-	76	-
Kvinna Till Kvinna Foundation	-	142,485	69,939	-	-	72,546
The Medical Aid for Palestinians (MAP-UK)	-	-	-	-	-	-
Welfare Association Consortium for the Management of the Palestinian NGO Project	2,700	24,300	-	-	-	27,000
Karim Rida Said Foundation	-	-	-	-	-	-
Foundation Open Society Institute	-	100,000	100,000	-	-	-
TROCAIRE	-	92,520	21,900	-	-	70,620
Care International	79,098	-	57,667	-	-	21,431
Denis O'brien	100,000	-	50,000	-	-	50,000
Swiss Agency for Development and Cooperation (SDC)	151,404	-	131,053	-	-	20,351
Royal Danish Representative Office	-	50,000	50,000	-	-	-
Acsure	-	240,108	28,647	-	-	211,461
United Nation Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)	-	6,750	6,750	-	-	-
NGO Development Center (NDC)	-	400,000	200,000	-	-	200,000
United Development Programme (UNDP)	-	10,000	10,000	-	-	-
	<u>983,006</u>	<u>2,201,694</u>	<u>1,434,787</u>	<u>-</u>	<u>27,638</u>	<u>1,777,551</u>

	Balance, January 1, 2007	Additions / (write off)	Temporarily restricted contribution released from restriction	Deferred revenue (Note 7)	Currency difference	Balance, December 31, 2007
	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$
2007						
European Commission (Via Oxfam NOVIB) and Oxfam NOVIB	308,803	-	131,741	-	56,580	233,642
Oxfam NOVIB	272,504	28,900	196,500	-	41,844	146,748
Mu'assasat Strengthening Human Rights and Good Governance	400,000	(300,000)	100,000	-	-	-
Dan Church Aid - Denmark	-	307,415	152,150	-	-	155,265
Al-Quds Association Malaga-Spain	-	-	-	-	-	-
ICON - Institute Public Sector GMBH	67,725	-	22,500	-	-	45,225
European Commission	142,193	(97,688)	72,290	-	27,785	-
Grassroots International	10,000	22,275	22,275	-	-	10,000
Christian Aid/Development Cooperation Ireland Multi Annual Partnership Scheme (MAPS)	122,400	-	74,320	-	10,844	58,924
Kvinna Till Kvinna Foundation	11,224	73,866	80,340	4,750	-	-
The Medical Aid for Palestinians (MAP-UK)	-	50,000	50,000	-	-	-
Welfare Association Consortium for the Management of the Palestinian NGO Project	16,600	-	13,900	-	-	2,700
Karim Rida Said Foundation	-	-	-	-	-	-
Foundation Open Society Institute	-	100,000	100,000	-	-	-
Representative Office of Nowrway to the Palestinian Authority	-	71,554	71,554	-	-	-
Care International	-	95,093	13,395	2,600	-	79,098
Denis O'brien	-	150,000	50,000	-	-	100,000
Swiss Agency for Development and Cooperation (SDC)	-	151,404	-	-	-	151,404
	<u>1,351,449</u>	<u>652,819</u>	<u>1,150,965</u>	<u>7,350</u>	<u>137,053</u>	<u>983,006</u>

9. Other current liabilities

	<u>2008</u>	<u>2007</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Due to employees' fund *	348,754	114,050
Accrued salary	71,751	-
Accrued professional fees	5,876	8,143
Accrued employees' benefits	-	38,388
Accrued payroll tax	5,324	5,324
Accrued telephone expenses	-	927
Other	1,105	1,105
	<u>432,810</u>	<u>167,937</u>

* 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. \$ 464,374 and U.S. \$ 611,857 as of December 31, 2008 and 2007, respectively.

10. Unrestricted contributions

Donors' unrestricted contributions during the years 2008 and 2007 comprise the following:

	<u>2008</u>	<u>2007</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
The Swedish International Development Cooperation Agency (Sida)	-	100,387
Irish Aid/ Development Cooperation Ireland	102,419	116,035
Trocaire	78,000	72,474
Other donors	8,250	7,435
	<u>188,669</u>	<u>296,331</u>

11. Programs and administrative expenses

	2008			2007		
	Administrative		Total	Administrative		Total
	Programs	& General		Programs	& General	
U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	U.S. \$	
Salaries	518,331	279,101	797,432	526,395	283,443	809,838
Saving fund	63,301	34,085	97,386	65,891	35,480	101,371
End of service benefit	50,019	26,933	76,952	42,088	22,662	64,750
Health insurance	28,804	15,510	44,314	28,710	15,460	44,170
International staff expense	1,663	895	2,558	4,446	2,399	6,845
Employees' benefits	69,233	37,280	106,513	31,534	17,015	48,549
Photocopying and printing costs	93,770	-	93,770	88,389	-	88,389
Professional and legal fees	139,181	-	139,181	153,650	-	153,650
Local transportation	31,770	5,607	37,377	35,423	6,252	41,675
Communication costs	45,619	8,050	53,669	43,285	7,639	50,924
Postage and courier	2,223	-	2,223	1,714	-	1,714
Hosting seminars, conferences and workshops	36,465	-	36,465	14,549	-	14,549
Attending conferences and seminars	13,686	-	13,686	15,767	-	15,767
International travel	10,994	-	10,994	16,750	-	16,750
Hosting delegation	7,970	-	7,970	14,109	-	14,109
Rent	28,092	4,958	33,050	25,593	4,518	30,111
Utilities	19,749	3,485	23,234	9,763	1,723	11,486
Stationery	4,717	832	5,549	4,600	812	5,412
Office hospitality	12,152	2,144	14,296	10,300	1,817	12,117
Maintenance	6,135	1,083	7,218	4,908	866	5,774
Vehicle expenses	2,837	501	3,338	1,181	208	1,389
Building maintenance	5,477	967	6,444	3,751	662	4,413
Subscriptions	5,453	962	6,415	1,191	210	1,401
Bank charges	-	1,968	1,968	-	1,971	1,971
Miscellaneous	3,055	424	3,479	2,548	450	2,998
	<u>1,200,696</u>	<u>424,785</u>	<u>1,625,481</u>	<u>1,146,535</u>	<u>403,587</u>	<u>1,550,122</u>

12. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash and cash equivalents and contributions receivable. Financial liabilities consist of 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 PCHR, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by PCHR's management.

The statement of activities and changes in net assets includes the following related party transactions:

	<u>2008</u>	<u>2007</u>
	<u>U.S. \$</u>	<u>U.S. \$</u>
Compensation of key management personnel		
Salaries	<u>290,703</u>	<u>273,237</u>
End of service benefits and saving fund	<u>59,885</u>	<u>56,152</u>

14. Risk management

Liquidity risk

PCHR limits its liquidity risk by maintaining adequate cash balances and fund from multiple donors to meet its current obligations and to finance its operating activities.

Foreign currency risk

The table below indicates PCHR'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 and Israeli Shekels (ILS) with all other variables held constant, on the statement of activities and changes in net assets.

	Increase / decrease in EURO rate to U.S. \$	Effect on statement of activities and changes in net assets for the year	Increase / decrease in ILS rate to U.S. \$	Effect on statement of activities and changes in net assets for the year
<u>2008</u>				
USD	+5%	2,866	+5%	(4,425)
USD	-5%	(2,866)	-5%	4,425
<u>2007</u>				
USD	+5%	5,587	+5%	(1,092)
USD	-5%	(5,587)	-5%	1,092

15. Financial stability and management plans

During the years 2008 and 2007, PCHR's expenses exceeded its revenues which caused a deficit of net assets as of December 31, 2008. PCHR management believes that the deficit will be covered during the next years as PCHR signed several contracts with donors during 2009 and is negotiating other donors for potential opportunities.

16. Concentration of risk in geographic area

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