

Young Artists Forum
Ramallah – Palestine

Auditors' Report
& Financial Statements
for the year ended December 31, 2004

Talal Abu-Ghazaleh & Co.
Certified Public Accountants

Young Artists Forum
Ramallah – Palestine

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Auditors' Report

**To the Members and Board of Directors
Young Artist Forum
Ramallah – Palestine**

We have audited the accompanying statement of financial position of **Young Artists Forum** as at December 31st, 2004 and the related statements of activities and cash flows for the year ended December 31, 2004. These financial statements are the responsibility of Forum's management. Our responsibility is to express an opinion on these 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 misstatements. An audit also 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 **Young Artists Forum** as at December 31, 2004 and the result of its operations and its cash flows for the year then ended, in conformity with International Standards of Financial Reporting.

Talal Abu-Ghazaleh & Co.

**Jamal Milhem
Certified Public Accountant (License No. 100/98)
Ramallah, May 29, 2005**

Young Artists Forum
Ramallah – Palestine
Statement of financial position
as at December 31st, 2004

Exhibit "A"

<u>Assets</u>	<u>Note</u>	<u>2004</u>	<u>2003</u>
		NIS	NIS
<u>Current assets</u>			
Cash in hand and at bank	3	119,415	81,963
Other receivables		16,726	4,435
Total current assets		136,141	86,398
<u>Fixed assets</u>			
At cost	4	77,821	74,346
Accumulated depreciation		(22,415)	(8,603)
Net fixed assets		55,406	65,743
Total assets		191,547	152,141
<u>Liabilities and net assets</u>			
<u>Current liabilities</u>			
Due to bank		--	54,138
Accounts payable		31,010	47,540
Accrued expenses & other payables	5	153,369	581
Provision of end-of-service indemnity		11,353	--
Total liabilities		195,732	102,259
<u>Net assets</u>			
Net assets - Exhibit "B"		(4,185)	49,882
Total net assets		(4,185)	49,882
Total liabilities and net assets		191,547	152,141

"The accompanying notes constitute an integral part of this statement"

Young Artists Forum
Ramallah – Palestine
Statement of activities for the year ended
December 31, 2004

Exhibit "B"

	<u>Note</u>	<u>31/12/2004</u> NIS	<u>From Dec. 23, 2002</u> <u>till Dec. 31, 2003</u> NIS
<u>Revenues</u>			
Revenues from donors	8	708,239	391,952
Local donations		46,679	--
Participation fees		32,590	84,000
Renting of halls, equipment & sound system		35,060	18,800
Other revenues	6	3,561	58,185
Total revenues		826,129	552,937
<u>Expenses</u>			
Activities expenses	8	648,730	358,008
General and administrative expenses	7	217,654	136,444
Depreciation		13,812	8,603
Total expenses		(880,196)	(503,055)
Changes in net assets		(54,067)	49,882
Net assets- beginning of the period		49,882	--
Net assets -ending of the period-Exhibit"A"		(4,185)	49,882

"The accompanying notes constitute an integral part of this statement"

Young Artists Forum
Ramallah – Palestine
Cash flows statement for the year ended
December 31, 2004

Exhibit "C"

	<u>31/12/2004</u>	<u>From Dec. 23, 2002 till Dec. 31, 2003</u>
	NIS	NIS
<u>Operating activities</u>		
Cash received from donors and others	813,830	552,937
Expenses paid to suppliers and employees	(772,903)	(396,628)
Net cash provided by operating activities	40,927	156,309
<u>Investing activities</u>		
Purchase of fixed assets	(3,475)	(74,346)
Net cash used by investing activities	(3,475)	(74,346)
Increase in cash in hand and at bank	37,452	81,963
Cash in hand and at bank– beginning of period	81,963	--
Cash in hand and at bank - ending of period	119,415	81,963
=====		
<u>Adjustments to reconcile change in net assets to net cash provided by operating activities</u>		
Change in net assets	(54,067)	49,882
Increase in provision for End-of-service indemnity	11,353	--
Increase in depreciation expenses	13,812	8,603
Increase in other receivables	(12,291)	(4,435)
(Decrease) increase in payable due to banks	(54,138)	54,138
(Decrease) increase in accounts payable	(16,530)	47,540
Increase in other payables	152,788	581
Total	40,927	156,309
	=====	=====

"The accompanying notes constitute an integral part of these financial statements"

Young Artists Forum
Ramallah – Palestine
Notes to the financial statements

1. Background:

- The Young Artists Forum (YAF) is a Palestinian non-governmental and non-profit organization. It was established on 23/12/2002, and located in Ramallah. It is specialized on Fine Arts for Young Artists. It is like an evening school that works for increasing the artists knowledge of children. The Forum aims to enhance the beauty values in society that raise the cultural level of people and the way they look at the other.
- The number of employees is around 8.

2. Significant accounting policies:

a. Basis of preparation:

The financial statements have been prepared under the historical cost convention in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board. Except for income from donations and grants, which are accounted for when received rather than when accrued.

b. Fixed assets:

Fixed assets are recorded at cost. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets at the following estimated annual rates:

- Furniture	10%
- Office equipment	15%-25%
- Computer software	25%

c. Foreign currencies translations:

The recording currency is NIS. Transactions in foreign currencies are translated at the rate prevailing at the time of transaction. Assets and liabilities in other currencies are translated into NIS at exchange rates prevailing at the financial position date. Exchange differences arising from these translations are recorded in the statement of activities.

d. Severance payable:

Employees' severance payable is calculated to cover contractual and legal commitments of the employees' services in accordance with the labor law in Palestine.

e. Income taxes:

Young Artists Forum is a non-profit-organization and it is exempted from income tax.

3. Cash in hand and at bank:

This item consists of:

	<u>2004</u> NIS	<u>2003</u> NIS
- Cash in hand	1,000	2,816
- Bank of Palestine Ltd. – A/C# 3000/001/0205757	95,647	77,137
- Bank of Palestine Ltd. – A/C# 3710/099/0205757	1,000	1,000
- Bank of Palestine Ltd. – A/C# 3710/099/0205902	1,000	1,000
- Bank of Palestine Ltd.– A/C# 3000/099/0205902	10	10
- Bank of Palestine Ltd. – A/C#3000/001/0205902	290	--
- Bank of Palestine Ltd. – A/C#3000/001/0205757	18,151	--
- Bank of Palestine Ltd. – A/C#3000/029/0205757	83	--
- Bank of Palestine Ltd. – A/C#3000/099/0205757	2,234	--
Total	<u>119,415</u>	<u>81,963</u>

4. Fixed assets:

This item consists of:

	<u>Furniture</u> NIS	<u>Office</u> <u>Equipment</u> NIS	<u>Computer</u> <u>Software</u> NIS	<u>Total</u> NIS
<u>Cost:</u>				
Balance as at 01/01/2004	16,937	48,804	8,605	74,346
Additions	--	3,475	--	3,475
Balance as at 31/12/2003	<u>16,937</u>	<u>52,279</u>	<u>8,605</u>	<u>77,821</u>
<u>Depreciation as at:</u>				
01/01/2004	737	6,599	1,267	8,603
Additions	1,694	9,966	2,152	13,812
Balance as at 31/12/2004	<u>2,431</u>	<u>16,565</u>	<u>3,419</u>	<u>(22,415)</u>
<u>Net book value as at:</u>				
31/12/2004	<u>14,506</u>	<u>35,714</u>	<u>5,186</u>	<u>55,406</u>
31/12/2003	<u>16,200</u>	<u>42,205</u>	<u>7,338</u>	<u>65,743</u>

5. Accrued expenses & other payables:

This item consists of:

	<u>31/12/2004</u> NIS	<u>From Dec. 23, 2002</u> <u>till Dec. 31, 2003</u> NIS
- Staff payable	144,848	--
- Accrued annual leaves	4,594	--
- Accrued income tax deductions	3,927	--
- Others	--	581
Total	<u>153,369</u>	<u>581</u>

6. Other revenues:

This item consists of:

	<u>31/12/2004</u>	From Dec. 23, 2002 <u>till Dec. 31, 2003</u>
	NIS	NIS
- Currency differences	2,558	--
- Use of utilities	1,003	--
- Contribution from trainers	--	58,169
- Bank interest	--	16
Total	<u>3,561</u>	<u>58,185</u>
	=====	=====

7. General and administrative expenses:

This item consists of:

	<u>31/12/2004</u>	From Dec. 23, 2002 <u>till Dec. 31, 2003</u>
	NIS	NIS
- Salaries	120,777	71,166
- Office rent	31,166	18,866
- Employees remuneration	1,800	8,085
- Miscellaneous	1,062	4,260
- Transportation	1,276	6,544
- Advertisements	1,450	3,564
- Trainers/specialist	5,608	2,797
- Exchange currency	--	2,737
- Office maintenance	1,365	2,570
- Telecommunication & Postage	6,627	2,005
- Hospitality	9,221	1,581
- Stationery	5,051	2,212
- Bank charges	725	1,129
- Equipment maintenance	1,722	1,122
- Office supplies	2,952	1,962
- Video and documentation	1,304	832
- Team building capacity	--	628
- Municipality fees	100	512
- Professional fees	2,450	1,753
- Subscriptions fees	1,229	554
- Editing	888	445
- Printings	2,355	445
- Legal fees	--	300
- Office utilities	1,191	200
- Decors & sets	--	175
- Books purchase	268	--
- Media	1,120	--
- Severance expenses	11,353	--
- Annual leaves	4,594	--
Total	<u>217,654</u>	<u>136,444</u>
	=====	=====

8. Projects revenues & expenses:

This item consists of:

<u>Description</u>	<u>UNDP</u> NIS	<u>MARAM</u> NIS	<u>Diakonia</u> NIS	<u>Tamkeen</u> NIS	<u>Netherlands</u> NIS	<u>Swiss Agency</u> NIS	<u>American</u> <u>Con.</u> NIS	<u>Australian</u> NIS	<u>Total</u> <u>2004</u> NIS	<u>Total_2003</u> NIS
Revenues	6,421	446,514	55,046	110,364	29,889	30,877	7,428	21,700	708,239	391,952
Total revenues	6,421	446,514	55,046	110,364	29,889	30,877	7,428	21,700	708,239	391,952
Expenses:										
Trainers/specialist	28,127	11,838	64,905	47,851	16,480	--	--	--	169,201	142,559
Salaries/payroll	--	39,538	21,038	20,077	707	--	--	--	81,360	67,655
Material	2,309	2,400	4,845	8,953	5,812	--	--	--	24,319	35,757
Transportation	2,794	46,865	2,411	14,669	--	--	--	--	66,739	31,749
Rental of halls	5,434	8,260	17,395	2,027	0	0	0	0	33,116	22,620
Rental of S&L system	0	10,736	0	0	0	0	0	0	10,736	22,450
Hospitality	0	25,895	8,548	3,400	3,040	0	0	0	40,883	18,565
Video & documentation	0	30,247	2,966	7,350	393	0	0	0	40,956	7,308
Per diem	4,662	0	0	0	0	0	0	0	169,201	3,531
Office rent	0	0	0	0	0	0	0	0	0	2,504
Equipment maintenance	0	0	1,139	0	0	0	0	0	1,139	1,122
Stationery	0	194	337	447	0	0	0	0	978	746
Telecommunication	0	0	1,514	450	0	250	0	0	2,214	675
Advertisements	0	2,109	300	0	0	0	0	300	2,709	437
Computer software	0	0	160	0	0	0	0	0	160	330
Coordination/facilitator	0	8,935	0	5,820	0	0	0	0	14,755	0
Bank charges	0	8	363	0	0	0	0	0	371	0
Decors & sets	0	23,300	255	0	0	0	0	0	23,555	0

Printings	0	46,620	5,244	0	0	0	0	0	51,864	0
Writer	0	5,328	0	0	0	0	0	0	5,328	0
Customs & fabrics	0	1,000	0	0	0	0	0	0	1,000	0
Technical fees	0	61,219	0	0	0	0	0	0	61,219	0
Office utilities	0	0	1,719	676	327	0	0	0	2,722	0
Office maintenance	0	0	500	0	0	0	0	0	500	0
Artistic materials	0	0	2,595	0	0	0	0	0	2,595	0
Rental of equipment	0	0	2,052	0	0	0	0	0	2,052	0
Professional fees	0	0	1,050	0	0	0	0	0	1,050	0
Office cleaning	0	0	200	0	0	0	0	0	200	0
Equipment supplies	0	0	381	0	0	0	0	0	381	0
Frames	0	0	400	0	0	0	0	0	400	0
Administrative cost	0	0	584	0	0	0	0	0	584	0
Rent of space	0	0	0	0	982	0	0	0	982	0
Total expenses	(43,326)	(324,492)	(140,901)	(111,720)	(27,741)	(250)	(0)	(300)	(648,730)	(358,008)
Balance	(36,905)	122,022	(85,855)	(1,356)	2,148	30,627	7,428	21,400	59,509	33,944

9. **General:**

Certain figures have been reclassified to comply with this year financial statements presentation.

