

**Young Artists Forum**  
**Ramallah – Palestine**

**Auditors' Report**  
**& Financial Statements**  
**for the year ended December 31, 2006**

**Talal Abu-Ghazaleh & Co.**  
**Certified Public Accountants**

**Young Artists Forum**  
**Ramallah – Palestine**

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**Talal Abu-Ghazaleh & Co.**

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**Auditors' Report**

To the Members and Board of Directors  
Young Artists Forum  
Ramallah - Palestine

We have audited the accompanying financial statements of **Young Artists Forum**, which comprise the statement of financial position as at December 31, 2006 and the statement of activities, changes in net assets, cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management responsibility for 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.

**Auditor's 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 auditor's 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 in 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.

**Auditor's opinion**

In our opinion, the financial statements give a true and fair view of financial position of the **Young Artists Forum** as at December 31, 2006 and of its financial performance and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Talal Abu-Ghazaleh & Co.

*Jamal J. Milhem*

Jamal Milhem

Certified Accountant License # (100/98)

Ramallah, May 26, 2007

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نبدل جهدنا أكبر لنبقى في المقدمة

**Young Artists Forum****Ramallah – Palestine****Statement of financial position as at December 31, 2006*****Exhibit "A"***

	<b><u>Note</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
		NIS	NIS
<b><u>Assets</u></b>			
<b><u>Current assets</u></b>			
Cash in hand and at bank	3	55,610	22,170
Prepaid expenses & other receivables	4	4,118	4,218
Pledge receivable	5	57,977	--
<b>Total current assets</b>		<b>117,705</b>	<b>26,388</b>
Long term investment		26,208	--
<b><u>Fixed assets</u></b>			
At cost	6	86,321	83,101
Accumulated depreciation		(51,733)	(36,598)
Net fixed assets		34,588	46,503
<b>Total assets</b>		<b>178,501</b>	<b>72,891</b>
<b><u>Liabilities and net assets</u></b>			
<b><u>Current liabilities</u></b>			
Due to bank		19,355	8,907
Accrued expenses & other payables	7	106,244	69,941
Deferred revenue	8	141,520	--
<b>Total Current liabilities</b>		<b>267,119</b>	<b>78,848</b>
Provision for end-of-service indemnity		22,328	31,198
<b><u>Net assets</u></b>			
Unrestricted net assets – Exhibit "C"		(61,534)	(86,068)
Temporary restricted net assets – Exhibit "C"		(49,412)	48,913
Total net assets		(110,946)	(37,155)
<b>Total liabilities and net assets</b>		<b>178,501</b>	<b>72,891</b>

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

**Young Artists Forum****Ramallah – Palestine****Statement of activities for the year ended December 31, 2006** *Exhibit "B"*

	<u>Note</u>	<u>2006</u>			<u>2005</u>
		<u>Unrestricted</u> <u>USD</u>	<u>Temporarily</u> <u>restricted</u> <u>USD</u>	<u>Total</u> <u>USD</u>	<u>Total</u> <u>USD</u>
<b><u>Grants and revenues</u></b>					
Grants	10	--	332,142	332,142	388,979
Other revenues		317,878	--	317,878	241,270
Exchange currency variances		1,668	--	1,668	--
<b><i>Total</i></b>		<b><i>319,546</i></b>	<b><i>332,142</i></b>	<b><i>651,688</i></b>	<b><i>630,249</i></b>
Net assets released from restrictions	10	430,467	(430,467)	--	--
<b><i>Total revenues</i></b>		<b><i>750,013</i></b>	<b><i>(98,325)</i></b>	<b><i>651,688</i></b>	<b><i>630,249</i></b>
General & administrative expenses	9	(279,877)	--	(279,877)	(308,970)
Activities expenses	10	(430,467)	--	(430,467)	(340,066)
Depreciation		(15,135)	--	(15,135)	(14,183)
<b><i>Total expenses</i></b>		<b><i>(725,479)</i></b>	<b><i>--</i></b>	<b><i>(725,479)</i></b>	<b><i>(663,219)</i></b>
(Shortage) excess of grants & revenues (under) over expenses		<b><i>24,534</i></b>	<b><i>(98,325)</i></b>	<b><i>(73,791)</i></b>	<b><i>(32,970)</i></b>
		=====	=====	=====	=====

*“The accompanying notes constitute an integral part of this statement”*

**Young Artists Forum**  
**Ramallah – Palestine**  
**Statement of changes in net assets for year ended**  
**December 31, 2006** *Exhibit "C"*

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	<u>Note</u>	<u>Unrestricted</u> <u>Net assets</u> <u>USD</u>	<u>Temporarily</u> <u>restricted</u> <u>Net assets</u> <u>USD</u>	<u>Total</u> <u>USD</u>
Net assets at 1/1/2006		(86,068)	48,913	(37,155)
Shortage of grants and revenues under expenses during the year		24,534	(98,325)	(73,791)
<b>Net assets at 31/12/2006</b>	10	<u>(61,534)</u> =====	<u>(49,412)</u> =====	<u>(110,946)</u> =====

*“The accompanying notes constitute an integral part of this statement”*

**Young Artists Forum**  
**Ramallah – Palestine**

**Cash flows statement for the year ended December 31, 2006** *Exhibit "C"*

	<u>31/12/2006</u>	<u>31/12/2005</u>
<b><u>Operating activities</u></b>	<b>NIS</b>	<b>NIS</b>
Cash received from donors and others	651,688	630,249
Expenses paid to suppliers and employees	(588,820)	(722,214)
	<hr/>	<hr/>
Net cash provided by operating activities	62,868	(91,965)
	<hr/>	<hr/>
<b><u>Investing activities</u></b>		
Purchase of fixed assets	(3,220)	(5,280)
Investment in Khazaf Co.	(26,208)	--
	<hr/>	<hr/>
Net cash used by investing activities	(29,428)	(5,280)
	<hr/>	<hr/>
Increase in cash in hand and at bank	33,440	(97,245)
Cash in hand and at bank– beginning of year	22,170	119,415
	<hr/>	<hr/>
<b>Cash in hand and at bank - ending of year</b>	<b>55,610</b>	<b>22,170</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><u>Adjustments to reconcile change in net assets to net cash provided by operating activities</u></b>		
<b>Change in net assets</b>	<b>(73,791)</b>	<b>(32,970)</b>
(Decrease) increase in provision for end-of-service indemnity	(8,870)	19,845
Depreciation expenses	15,135	14,183
Decrease (increase) in prepaid expenses & other receivables	100	12,508
Decrease (increase) in pledge receivables	(57,977)	--
Increase (decrease) in due to banks	10,448	(118,821)
Increase in accrued expenses & accounts payable	36,303	13,290
Increase in deferred revenues	141,520	--
	<hr/>	<hr/>
<b>Total</b>	<b>62,868</b>	<b>(91,965)</b>
	<hr/> <hr/>	<hr/> <hr/>

*“The accompanying notes constitute an integral part of these financial statements”*

**Young Artists Forum**  
**Ramallah – Palestine**  
**Notes to the financial statements**

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**1. Background:**

- The Young Artists Forum (YAF) is a Palestinian non-governmental and non-profit organization. Registered in Rammallah by the ministry of interior on Dec, 2002 under registration number RA-2249. It is specialized in Fine Arts for Young Artists That works for increasing the artistically 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 6.
- These financial statements were approved in 30/05/2007.

**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:**

YAF basic functional currency is NIS. Transactions in foreign currencies are translated at the rate prevailing at the time of each transaction. Monitoring assets and liabilities in other currencies are translated into NIS at exchange rates prevailing at the financial position date. Gain and losses arising from these translations reflected in the statement of activities.

<u>Currency</u>	<u>Exchange rate</u>
- USD	4.23
- JOD	6.00
- EURO	5.55
- GBP	8.27

**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>2006</u> NIS	<u>2005</u> NIS
- Cash in hand	2,500	2,000
- Bank of Palestine Ltd. – A/C# 3000/001/0205757	32,657	17,726
- Bank of Palestine Ltd. – A/C# 3710/099/0205757	1,000	1,000
- Bank of Palestine Ltd. – A/C#3000/029/0205757	4,432	476
- Bank of Palestine Ltd. – A/C#3000/033/0205757	970	968
- Bank of Palestine Ltd. – A/C#3000/099/205757	14,051	--
<b>Total</b>	<b>55,610</b>	<b>22,170</b>
	=====	=====

**4. Prepaid expenses and other receivables:**

This item consists of:

	<u>2006</u> NIS	<u>2005</u> NIS
- Staff advance expenses	2,003	2,000
- Other receivables	2,115	2,218
<b>Total</b>	<b>4,118</b>	<b>4,218</b>
	=====	=====

**5. Pledge Receivable:**

This item consists of:

	<u>2006</u> NIS	<u>2005</u> NIS
- UNESCO	4,230	--
- NPA Secretariat	53,747	--
<b>Total</b>	<b>57,977</b>	<b>--</b>
	=====	=====

**6. Fixed assets:**

This item consists of:

	<u>Furniture</u> NIS	<u>Office Equipment</u> NIS	<u>Computer Software</u> NIS	<u>Total</u> NIS
<b>Cost:</b>				
Balance as at 01/01/2006	22,217	52,279	8,605	83,101
Additions	1,840	1,380	--	3,220
<b>Balance as at 31/12/2006</b>	<b>24,057</b>	<b>53,659</b>	<b>8,605</b>	<b>86,321</b>
	-----	-----	-----	-----
<b>Depreciation as at:</b>				
01/01/2006	4,182	26,846	5,570	36,598
Additions	2,305	10,679	2,151	15,135
<b>Balance as at 31/12/2006</b>	<b>(6,487)</b>	<b>(37,525)</b>	<b>(7,721)</b>	<b>(51,733)</b>
	=====	=====	=====	=====
<b>Net book value as at:</b>				
<b>31/12/2006</b>	<b>17,570</b>	<b>16,134</b>	<b>884</b>	<b>34,588</b>
	=====	=====	=====	=====
<b>31/12/2005</b>	<b>18,035</b>	<b>25,433</b>	<b>3,035</b>	<b>46,503</b>
	=====	=====	=====	=====

<b>7. <u>Accrued expenses &amp; other payables:</u></b>		
This item consists of:	<b><u>2006</u></b>	<b><u>2005</u></b>
	<b>NIS</b>	<b>NIS</b>
- Accrued rent expenses	95,175	1,007
- Accrued annual leave	7,198	15,447
- Accrued audit fees	3,871	7,742
- Accrued income tax deductions	--	1,445
- Other payables	--	44,300
<b>Total</b>	<b><u>106,244</u></b>	<b><u>69,941</u></b>
	=====	=====
<b>8. <u>Deferred Revenues:</u></b>		
This item consists of:	<b><u>2006</u></b>	<b><u>2005</u></b>
	<b>NIS</b>	<b>NIS</b>
- Canada Fund	101,471	--
- American Embassy	33,840	--
- Diakonia 2	6,209	--
<b>Total</b>	<b><u>141,520</u></b>	<b><u>--</u></b>
	=====	=====
<b>9. <u>General and administrative expenses:</u></b>		
This item consists of:	<b><u>2006</u></b>	<b><u>2005</u></b>
	<b>NIS</b>	<b>NIS</b>
- Salaries	119,105	170,823
- Office rent	72,091	27,837
- Trainers/specialist	45,725	14,620
- Professional fees	8,357	11,032
- Advertisements	5,504	150
- Transportation	3,542	2,425
- End of service indemnity	3,427	--
- Office supplies	2,912	1,975
- Stationery	2,689	1,039
- Hospitality	2,635	3,146
- Materials, supplies & others	2,552	3,303
- Rent of space	2,250	--
- Equipment maintenance	1,835	1,498
- Cleaning supplies	1,572	100
- Office maintenance	1,400	5,255
- Magazine and newspaper	1,274	--
- Artistic material	613	--
- Bank charges	555	668
- Miscellaneous	376	2,351
- Printings	350	160
- Employees remuneration	300	23,824
- Telecommunication & postage	242	5,310
- Subscriptions fees	206	872
- Video and documentation	185	300
- Books purchase	90	--
- Office utilities	50	1,973
- Computer software	40	--
- Team building capacity	--	763
- Translations	--	880
- Exchange currency	--	6,960
<b>Total</b>	<b><u>279,877</u></b>	<b><u>308,970</u></b>
	=====	=====

## 10. Projects revenues & expenses:

This item consists of:

<u>Description</u>	<u>Canada fund</u> NIS	<u>UNESCO</u> NIS	<u>BTC</u> <u>Belgian</u> NIS	<u>Ministry of</u> <u>Culture</u> NIS	<u>NPA</u> NIS	<u>Diakonia 2</u> NIS	<u>Pontifical</u> <u>mission</u> NIS	<u>Jerusalem</u> <u>fund</u> NIS	<u>Total</u> <u>2006</u> NIS	<u>Total 2005</u> NIS
<b>Revenues</b>	<b>17,415</b>	<b>20,890</b>	<b>31,287</b>	<b>26,750</b>	<b>79,728</b>	<b>121,567</b>	<b>17,593</b>	<b>16,912</b>	<b>332,142</b>	<b>388,979</b>
<b>Total revenues</b>	<b>17,415</b>	<b>20,890</b>	<b>31,287</b>	<b>26,750</b>	<b>79,728</b>	<b>121,567</b>	<b>17,593</b>	<b>16,912</b>	<b>332,142</b>	<b>388,979</b>
<b>Expenses:</b>										
Trainers/specialist	10,108	20,890	21,964	26,679	49,857	57,041	13,193	12,168	211,900	160,814
Salaries/payroll	--	--	2,596	--	14,568	56,002	--	3,694	76,860	55,836
Materials	4,730	--	--	--	9,913	12,342	--	--	26,985	4,790
Transportation	2,577	--	3,922	--	5,390	8,289	1,539	1,050	22,767	23,064
Rental of halls	--	--	--	--	--	--	--	--	--	5,233
Hospitality	--	--	--	--	--	1,701	--	--	1,701	5,989
Video & documentation	--	--	--	--	--	--	--	--	--	680
Per diem	--	--	2,805	--	--	19,242	--	--	22,047	4,500
Office rent	--	--	--	--	--	22,972	--	--	22,972	4,863
Equipment maintenance	--	--	--	--	--	--	--	--	--	736
Stationery	--	--	--	--	--	92	--	--	92	1,703
Telecommunication	--	--	--	--	--	5,041	--	--	5,041	2,530
Computer software & supplies	--	--	--	--	--	--	--	--	--	150
Coordinator	--	--	--	--	--	--	--	--	--	10,395
Bank charges	--	--	--	71	--	--	--	--	71	--
Travel expenses	--	--	--	--	--	2,930	--	--	2,930	2,841
Audit fees	--	--	--	--	--	5,104	--	--	5,104	2,759

Technician/ worker	--	--	--	--	--	--	--	--	--	1,379
Accommodation	--	--	--	--	--	13,267	--	--	13,267	579
Printings	--	--	--	--	--	--	--	--	--	10,876
Office utilities	--	--	--	--	--	4,641	--	--	4,641	868
Artistic materials	--	--	--	--	--	5,395	1,101	--	6,496	27,029
Rental of equipment	--	--	--	--	--	5,833	1,760	--	7,593	2,071
Frames	--	--	--	--	--	--	--	--	--	6,800
Rent of space	--	--	--	--	--	--	--	--	--	3,581
<b>Total expenses</b>	<b>(17,415)</b>	<b>(20,890)</b>	<b>(31,287)</b>	<b>(26,750)</b>	<b>(79,728)</b>	<b>(219,892)</b>	<b>(17,593)</b>	<b>(16,912)</b>	<b>(430,467)</b>	<b>(340,066)</b>
<b>Balance</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(98,325)</b>	<b>--</b>	<b>--</b>	<b>(98,325)</b>	<b>48,913</b>

**11. General:**

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

