

Suleiman & Co. Certified Public Accountants – License No. 205
Correspondent Firm of RSM International in East Jerusalem, West Bank and Gaza

Visual Arts Forum

Financial Statements
For the Year Ended December 31, 2022
Together With Independent Auditor's Report

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Independent Auditor’s Report

**To the Board of Directors of Visual Arts Forum
Ramallah- Palestine**

Report on the Audit of the Financial Statements

We have audited the accompanying Financial Statements of **Visual Arts Forum** (hereinafter “**VAF**”) which comprise the Financial Position as of December 31, 2022 and the related Statements of Activities, Changes in Net Assets and Cash Flows for the year then ended, and the related summary of significant accounting policies and other explanatory notes.

In our opinion, the Financial Statements taken as a whole present fairly, in all material respects, the Financial Position of **VAF** as of December 31, 2022 and of its Activities, Changes in Net Assets and Cash Flows for the year then ended in accordance with the basis of accounting described in Note (2) to the Financial Statements.

Basis for Opinion

We conduct our audit in accordance with International Standards on Auditing (ISA). 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 VAF in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting

We draw attention to Note (2) to the Financial Statements, which describe the basis of accounting. The Financial Statements are prepared to provide information to VAF. As a result, the Financial Statements may not be suitable for another purpose.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance to standards set out in note (2), and for such internal control as management determines is necessary to enable the preparation of the Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing VAF’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate VAF or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing VAF’s financial reporting process.

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Auditor’s Responsibility 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 with 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 VAF’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 VAF’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 VAF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements represents the underlying transactions and events in a manner that achieves fair presentations.

We communicate with management 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.

Suleiman & Co. - Certified Public Accountants
License number 205/2012

Ismail M. Suleiman
License number 131/2000



Ramallah, Palestine
April 6, 2023

Ramallah Al Masyoun Taj Mahal building No. 10 phone 970 2 297-5576 Fax 970 2 297-5577 E-mail: info@suleimanco.com

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Statement of Financial Position
 (All amounts in NIS)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Assets			
Current assets			
Cash and cash equivalent	3	363,768	436,033
Accounts receivable	4	746,998	690,966
Total current assets		<u>1,110,766</u>	<u>1,126,999</u>
Fixed assets, net	5	429,119	272,683
Total assets		<u>1,539,885</u>	<u>1,399,682</u>
Liabilities and net assets			
Current liabilities			
Accounts Payable	6	47,302	122,841
Other current liabilities	7	16,492	3,196
Total current liabilities		<u>63,794</u>	<u>126,037</u>
Non- current liabilities			
Provision for end of service indemnity	8	74,270	37,369
Total liabilities		<u>138,064</u>	<u>163,406</u>
Net assets			
Unrestricted net assets		162,051	297,104
Restricted net assets		1,239,770	939,172
Total net assets		<u>1,401,821</u>	<u>1,236,276</u>
Total liabilities and net assets		<u>1,539,885</u>	<u>1,399,682</u>

The accompanying notes form an integral part of these Financial Statements




Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Statement of Activities
 (All amounts in NIS)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Revenues			
Grants and donations	9	908,954	799,392
School evening income		222,933	171,442
Membership fees		1,400	600
Other revenues		97,887	99,073
Total revenues		<u>1,231,174</u>	<u>1,070,507</u>
Expenses			
Project expenses	10	810,053	946,423
Administrative and general expenses	11	486,763	154,298
Financing (revenues) expenses	12	(31,825)	16,261
Programs expenses		-	40,639
Total expenses		<u>1,264,991</u>	<u>1,157,621</u>
Change in net assets for the year		<u>(33,817)</u>	<u>(87,114)</u>
Net assets at the beginning of the year		1,236,276	1,323,390
Fixed asset adjustments		199,362	-
Net assets at end of year		<u><u>1,401,821</u></u>	<u><u>1,236,276</u></u>

The accompanying notes form an integral part of these Financial Statements

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Statement of Changes in Net Assets
(All amounts in NIS)

	Unrestricted net assets to activities	Restricted net assets for projects	Temporarily restricted net assets for fixed assets	Total
Net assets as of December 31, 2021	294,769	746,543	194,964	1,236,276
Increase during the year				
Grants and donation revenues - projects	-	846,233	62,721	908,954
School evening income	222,933	-	-	222,933
Membership fees	1,400	-	-	1,400
Other revenues	97,887	-	-	97,887
Revenues released from temporarily restricted	810,053	(743,828)	(66,225)	-
Total revenues	1,132,273	102,405	(3,504)	1,231,174
Decrease during the year				
Project expenses	810,053	-	-	810,053
Administrative and general expenses	486,763	-	-	486,763
Financing (revenues)expenses	(31,825)	-	-	(31,825)
Total expenses	1,264,991	-	-	1,264,991
Changes during the year	(132,718)	102,405	(3,504)	(33,817)
Fixed asset adjustments	-	-	199,362	199,362
Net assets as of December 31, 2022	162,051	848,948	390,822	1,401,821

The accompanying notes form an integral part of these Financial Statements

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Statement of Cash Flows
(All amounts in NIS)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	(33,817)	(87,114)
Adjustments to reconcile net change in net assets with net cash flows from operating activities:		
Prior years adjustments	369	-
Depreciation	105,278	87,868
Increase in provision for end of service indemnity	36,901	15,198
(Increase) in accounts receivable	(56,032)	(129,068)
(Decrease) increase in accounts payable	(75,539)	10,588
Increase in other current liabilities	13,296	27
Net cash flows (used in) operating activities	<u>(9,544)</u>	<u>(102,501)</u>
Cash flows from investing activities		
Purchase of fixed asset	(62,721)	(87,728)
Net cash flows (used in) investing activities	<u>(62,721)</u>	<u>(87,728)</u>
Net (decrease) in cash and cash equivalent	(72,265)	(190,229)
Cash and cash equivalent at the beginning of the year	436,033	626,262
Cash and cash equivalent at the end of the year	<u><u>363,768</u></u>	<u><u>436,033</u></u>
<u>Non-cash transactions</u>		
Prior years adjustments to fixed assets	198,993	-

The accompanying notes form an integral part of these Financial Statements

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Notes to the Financial Statements

(All amounts in NIS)

1. General

The Visual Arts Forum (hereinafter “**VAF**”) started its activities in December 2002 under RA-2249 in accordance with the Law of Charitable Associations and NGOs No.1 of 2000.

The activities and works of VAF are based on the dissemination of art to young people and work to increase the artistic knowledge of children. VAF aims to promote the collective values in society that raise the cultural level of society.

VAF Vision:

The little of the visual arts leading towards a conscious, conscious and enlightened Palestinian society in contemporary human culture.

VAF Mission:

Developing the capabilities of those interested in visual arts education to create qualified artists and teachers and create an advanced academic curriculum that represents a model for the technical curricula in Palestine.

VAF Values:

We believe in the importance of belonging to the highest human and national ideals, equality, the right to diversity, gender, voluntary action, transparency and accountability as values governing its work.

The Financial Statements were approved by VAF’s management on April 6, 2023.

2. Significant accounting policies

The Financial Statements have been prepared in accordance with International Financial Reporting Standards. The Financial Statements have been prepared under the historical cost convention and presented in New Israel Shekel, which is the functional and presentation currency of VAF.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates that affect the amounts of assets and liabilities and disclosure of contingent liabilities.

VAF was used in the preparation of these Financial Statements (Subject 958) for non-profit organizations issued by the American Financial Accounting Standards Board, and these standards require that the materials be classified into:

- **Temporarily restricted assets:** These represent donations and other restricted flows according to the terms of the agreement that were imposed by the donors, provided that they are released from the restrictions in the future, either over time or through the procedures that VAF takes to achieve them in accordance with those conditions.
- **Restricted Assets:** Represent donations and other flows restricted according to the terms of the agreement that have been rejected by the donors, that do not expire with the passage of time or even through the procedures that VAF undertakes to achieve them.
- **Unrestricted assets:** These represent donations and other inflows used by VAF and are generally unrestricted from donors.

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Notes to the Financial Statements- continued
(All amounts in NIS)

a) Cash & cash equivalents

This item includes the cash on hand and the balances at banks.

b) Fixed assets, Net

Fixed assets are stated at cost, which includes the purchase price or construction cost and all direct expenses necessary to get the assets ready to use, less accumulated depreciation and any accumulated impairment losses in the book value.

Depreciation on fixed assets, is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

	%
Office furniture	10
Office equipment	15-25
Buildings	30
Computers	25

c) Donations receivables

Donations receivable are recorded at the amount of expenses in excess of donations received for projects during the year.

d) Provision for end of service indemnity

The provision for end-of-service indemnity is calculated on the basis of the salary for the month of December of each year, at the rate of one month salary for each year for each employee who completed one year of work or more.

e) Account 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.

f) Expenses recognition

Expenses are recognized on an accrual basis of accounting.

g) Foreign currency translation

The accompanying Financial Statements are denominated in New Israeli Shekel. Transactions in other currencies are accounted for at the exchange rates prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated to NIS by applying the exchange rates prevailing at the reporting date. All differences are recognized in the Statement of Activities.

Following are the major currencies that the institute transacts with and its exchange rate against NIS as of December 31, 2022 and 2021 respectively:

	<u>2022</u>	<u>2021</u>
USD	3.516	3.106
Euro	3.753	3.517
JOD	4.959	4.381

Notes to the Financial Statements- continued
(All amounts in NIS)

RISK MANAGEMENT

• **Credit risk**

Credit risk relates to the risk of failure of the other party to fulfill its contractual obligations, which causes losses to VAF. VAF follows a policy of dealing with credit-qualified parties, in addition to obtaining sufficient guarantees where appropriate, in order to mitigate the risk of financial losses resulting from failure to fulfill obligations.

First: Assets exposed to credit risk:

<u>Statement</u>	<u>Amount</u>
Cash and cash equivalents	363,836
Account receivables - projects	746,998

1. Cash and cash equivalents and deposits:

VAF deposits its cash with banks, and there are no restrictions on its use.

2. Donations receivables:

VAF receives transfers from donors directly to the banks it deals with.

• **Liquidity risk**

It is represented in VAF's inability to fulfill its financial obligations, and the administration works to reduce these risks by paying its obligations periodically and as soon as they become due without any delay, procrastination or installments.

In order to ensure that these obligations are paid in a timely manner and without delay, VAF will rely primarily on the cash available to VAF to pay its obligations, as well as on obtaining VAF's donations.

• **Market risk**

It represents the risks that VAF is exposed to due to changes in exchange rates.

The most important currencies that VAF deals with are USD, NIS, in addition to Euro and JOD.

By studying these changes in exchange rates, these changes led to a net profit of NIS 33,570.

• **Geographical area risks**

VAF carries out all its activities in the areas of the Palestinian Authority. The political and economic instability in the region increases the risk of carrying out its activities and negatively affects its activity.

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Notes to the Financial Statements- continued
 (All amounts in NIS)

3. Cash and cash equivalent

	<u>2022</u>	<u>2021</u>
Cash in the box	6,250	29,892
Bank of Palestine- current NIS	144,265	31,981
Bank of Palestine- current USD	154,547	124,466
Bank of Palestine- current USD YEETA project	203	244,014
Bank of Palestine- current JOD	57,602	4,777
Bank of Palestine- Euro	(5)	(3)
Bank of Palestine- NIS Monetary Insurance	906	906
	<u>363,768</u>	<u>436,033</u>

4. Accounts receivable

	<u>2022</u>	<u>2021</u>
Accounts receivable- projects	740,030	686,266
Accounts receivable- membership	1,450	1,350
Check box	2,000	3,350
Prepaid expenses	3,518	-
	<u>746,998</u>	<u>690,966</u>

5. Fixed assets, Net

	<u>Office Furniture</u>	<u>Office Equipment</u>	<u>Computer Systems</u>	<u>Lease Hold Improvement</u>	<u>Elevator Improvement</u>	<u>Total</u>
Cost						
Balance- beginning of the year	97,292	378,772	8,605	77,588	41,522	603,779
Additions	3,500	11,500	-	47,721	-	62,721
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	281,074	-	281,074
Balance - end of year	<u>100,792</u>	<u>390,272</u>	<u>8,605</u>	<u>406,383</u>	<u>41,522</u>	<u>947,574</u>
Accumulated depreciation						
Balance- beginning of the year	62,682	215,038	8,605	3,249	41,522	331,096
Additions	6,715	71,269	-	27,294	-	105,278
Disposals	-	-	-	-	-	-
Adjustment	-	-	-	82,081	-	82,081
Balance - end of year	<u>69,397</u>	<u>286,307</u>	<u>8,605</u>	<u>112,624</u>	<u>41,522</u>	<u>518,455</u>
Book value						
At December 31, 2022	<u>31,395</u>	<u>103,965</u>	<u>-</u>	<u>293,759</u>	<u>-</u>	<u>429,119</u>
At December 31, 2021	<u>34,610</u>	<u>163,734</u>	<u>-</u>	<u>74,339</u>	<u>-</u>	<u>272,683</u>

6. Accounts payable

	<u>2022</u>	<u>2021</u>
Accounts payable	6,604	47,988
Outstanding checks	40,698	74,853
	<u>47,302</u>	<u>122,841</u>

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Notes to the Financial Statements- continued
(All amounts in NIS)

7. Other current liabilities

	<u>2022</u>	<u>2021</u>
Income tax department- payroll tax	12,502	226
Accrued expenses- Auditing	3,990	2,970
	<u>16,492</u>	<u>3,196</u>

8. Provision for end of service indemnity

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	37,369	22,171
Additions during the year	41,315	26,478
Payments during the year	-	(11,280)
Currency difference	(4,414)	-
Balance at end of the year	<u>74,270</u>	<u>37,369</u>

9. Grants and donations

	<u>2022</u>	<u>2021</u>
The Road to freedom of expression project grant - Arab Fund	503,411	-
Grant for the mural painting project in West Bank schools - UNRWA	120,282	-
Drosos project grant	62,026	139,950
Science Fiction Project-Thoulathy Scholarship	41,068	-
Miscellaneous grants and donations	182,167	-
YWCA	-	8,500
The KNK project grant	-	8,683
Qattan project grant	-	121,221
World vision grant	-	102,783
Welfare Association grant	-	289,933
UN habitat grant	-	6,220
The Palestinian museum grant	-	8,441
Premiere Urgence Internationale grant	-	55,962
German representative office grant	-	57,699
	<u>908,954</u>	<u>799,392</u>

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Notes to the Financial Statements- continued
 (All amounts in NIS)

10. Project expenses

	Drosos Foundation	Premiere Urgence Internationale (PUI)	Science Fiction Project-Thuulathy	Welfare Association	UNRWA	Arab Fund	Small Grants	Total 2022	Total 2021
Supervisors salaries	119,530	37,543	2,111	40,297	84,495	5,502	3,829	293,307	230,900
Art& sculpture training	61,933	-	-	3,007	-	-	-	64,940	351,901
End of service expense	12,066	5,349	-	3,358	222	-	-	20,995	19,879
Stationery and office supplies	25,375	-	-	8,661	11,853	-	5,409	51,298	68,390
Electricity and water expenses	6,586	5,095	-	-	1,100	-	-	12,781	10,053
Communications expenses	12,383	4,228	-	-	1,297	-	1,616	19,524	13,250
Cleaning expense	-	440	-	8,834	3,000	-	-	12,274	18,853
Hospitality expense	16,951	684	-	23,424	5,062	-	-	46,121	44,137
Maintenance expense	5,501	-	-	-	-	-	-	5,501	4,078
Artistic accommodation expenses	76,693	-	-	24,849	-	-	-	101,542	32,589
Transportation and loading expenses	6,773	391	-	-	5,255	-	140	12,559	20,909
Rental of halls	1,044	-	-	-	-	-	-	1,044	-
Printing expense	-	-	-	850	4,800	-	-	5,650	9,633
Website and development expenses	1,002	233	-	-	-	-	-	1,235	-
Documentation and video production expenses	6,383	-	-	3,555	-	-	-	9,938	9,238
Professional and consulting fees	12,843	-	-	-	3,419	-	-	16,262	27,580
Insurance expenses	4,892	-	-	1,075	-	-	-	5,967	7,516
Gifts expense	-	-	-	-	-	-	-	-	2,437
Travel expenses	-	-	15,167	-	-	-	-	15,167	-
Accommodation expenses	1,919	-	1,250	17,600	-	-	-	20,769	-
Preparing and setting up an exhibition	23,753	-	-	-	-	-	-	23,753	-
Municipal fees	3,201	-	-	-	-	-	-	3,201	-
Depreciation	66,225	-	-	-	-	-	-	66,225	75,080
Total project expenses	465,053	53,963	18,528	135,510	120,503	5,502	10,994	810,053	946,423

Visual Arts Forum
Financial Statements for the Year Ended December 31, 2022

Notes to the Financial Statements- continued
 (All amounts in NIS)

11. Administrative and general expenses

	<u>2022</u>	<u>2021</u>
Salaries expenses	313,074	85,409
End of service expense	20,318	6,360
Professional fees and consulting	16,218	18,655
Advertisements, media and gifts	28,957	1,900
Maintenance expense	9,978	-
Electricity, water and sanitation expenses	3,590	6,472
Stationery and office supplies	1,374	4,348
Bissan program participation fees	1,813	1,641
Transport, loading and transportation expenses	1,365	3,147
Communication, internet and software expenses	1,529	3,431
Cleaning expense	6,120	530
Hospitality expense	11,303	2,957
Printing expense	1,600	767
Translation, documentation and video production	-	2,044
Art training expenses	4,280	3,392
Newspaper subscription expenses	-	458
Municipal fees	637	-
Insurance expenses	1,278	-
Travel expenses	20,566	-
Purchase of small equipment	3,170	-
Other expenses	540	-
Depreciations	39,053	12,787
	<u>486,763</u>	<u>154,298</u>

12. Financing (revenues) expenses

	<u>2022</u>	<u>2021</u>
Bank charges	1,745	1,488
Currency difference	(33,570)	14,773
	<u>(31,825)</u>	<u>16,261</u>