

ALROWWAD CULTURAL AND ARTS SOCIETY

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
AND INDEPENDENT AUDITORS' REPORT**

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Independent Auditors' Report
To the Board of Directors of ALROWWAD Cultural and Arts Society

Report on the financial statements

We have audited the accompanying financial statements of **ALROWWAD Cultural and Arts Society** which comprise of the statement of the financial position as of December 31, 2016, the statement of activities and changes in net assets 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 of 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 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.

Opinion on the financial statements

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **ALROWWAD Cultural and Arts Society** as of December 31, 2016 and the results of its activities and changes in net assets for the year then ended in accordance with note (2) appeared in the notes to financial statements.



Shadi Qara'
Certified Public Accountant
Integrity, Auditing and Financial Consultancy



Ramallah
April 12, 2017

STATEMENT OF FINANCIAL POSITION
As of December 31, 2016
 (All amounts in New Israeli Shekel)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	(3)	316,185	723,582
Due from Employees and others		40,142	36,272
Advance payments to purchase equipment		-	80,000
Inventory		13,407	20,782
Total current assets		369,734	860,636
Non-current assets			
Fixed assets, net	(4)	3,937,611	2,754,382
Total non-current assets		3,937,611	2,754,382
Total assets		4,307,345	3,615,018
 NET ASSETS AND LIABILITIES			
Current liabilities			
Other current liabilities	(5)	183,118	103,874
Total current liabilities		183,118	103,874
Non-current liabilities			
Provision for end-of-service indemnity		166,449	133,415
Total non-current liabilities		166,499	133,415
Net assets			
Unrestricted net assets		20,167	623,347
Unrestricted net assets used for fixed assets		3,937,611	2,754,382
Total net assets		3,957,778	3,377,729
Total net assets and liabilities		4,307,345	3,615,018

- The notes are an integral part of these financial statements.

 Chairman of the BOD

 Treasurer

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2016
 (All amounts in New Israeli Shekel)

	Note	December 31, 2016	December 31, 2015
Revenues			
Donations	(6)	1,882,970	1,475,068
Activity income	(7)	103,579	133,713
Membership fees		940	940
In kind Contribution		30,300	-
Gain from currency variances		-	5,671
Total revenues		2,017,789	1,615,392
Expenses			
Projects and Administration expenses	(8)	1,167,480	1,169,487
Depreciation expenses	(4)	260,278	233,616
Loss on sale fixed assets		-	37,500
Loss from currency variances		9,982	-
Total expenses		1,437,740	1,440,603
Changes in unrestricted net assets for the year		580,049	174,789
Prior years adjustments		-	5,000
Unrestricted net assets at beginning of the year		3,377,729	3,197,940
Unrestricted net assets at end of the year		3,957,778	3,377,729

- The notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2016
(All amounts in New Israeli Shekel)

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Cash flows from operating activities		
Changes in unrestricted net assets for the year	580,049	174,789
Prior period adjustment	-	5,000
Adjustments:		
Depreciation	260,278	233,616
Adjustments to reconcile changes in net assets to net		
Cash provided by / (used in) operating activities:		
Decrease (increase) in Due from Employees and others	(3,870)	(10,921)
(Increase) in Advance payments to purchase equipment	80,000	(80,000)
Decrease (increase) in inventory	7,375	(5,709)
Increase (decrease) in Payables and accruals	79,244	51,202
Increase in reserve for severance pay	33,034	88,491
Net cash (used in)/provided by operating activities	<u>1,036,110</u>	<u>456,468</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	<u>(1,443,507)</u>	<u>(544,870)</u>
Net cash used in investing activities	<u>(1,443,507)</u>	<u>(544,870)</u>
(Decrease) increase in cash and cash equivalents	(407,397)	(88,402)
Cash and cash equivalents, beginning of the year	<u>723,582</u>	<u>811,984</u>
Cash and cash equivalents, end of the year	<u>316,185</u>	<u>723,582</u>

- The notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
(All amounts in New Israeli Shekel)

NOTE (1) GENERAL INFORMATION

ALROWWAD (Pioneers for Life) Cultural and Arts Society (ACTs) was established under law Number 1 of Charitable Societies and Non-governmental Associations, 2000, by the Ministry of Interior of the Palestinian National Authority under the License Number BL-360-CU. ALROWWAD, initiator of “Beautiful Resistance,” is an independent, dynamic, community-based not-for-profit organization which strives to empower children and women by targeting behavior, knowledge, concepts and practices through creative means.

Vision:

A Palestinian Society free of violence and respectful of human rights and values, in which women, youth and children are empowered on an educational and artistic level in a spirit of social entrepreneurship and innovation through self-expression and a shared respect of human values and rights.

Mission:

ACTs is an independent, not-for-profit, non-governmental organization, distinguished by its philosophy of “Beautiful Resistance,” working in the spirit of social entrepreneurship, to deepen the notion of belonging, volunteering, creativity and self-expression for children, youth and women, regardless of origin or religion. Beautiful Resistance against the ugliness of occupation and violence.

Mandate – Target groups:

ACTs targets the Palestinian community while focusing on women, youth and children in the local community of Aida Camp and the Bethlehem district. Additionally, ACTs targets the international community at large to fracture stereotypes and project a more honest depiction of the Palestinian people and culture. The ALROWWAD organization strives to have the full capacity to mobilize human, technical and financial resources to achieve dynamic and effective change in the long term.

Developmental Objectives:

- Empower local community capacities, with a focus on children, youth and women through creative means to achieve and enhance constructive and peaceful ways of self-confidence and self-expression, openness and a sense of belonging through exposure to technology and awareness campaigns.
- Challenge media stereotypes about Palestinians using performing and visual arts, Media, international artistic tours, and local and international “Friends of ALROWWAD” support groups.
- Build the institutional and human capacity of ALROWWAD.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared according to International Financial Reporting Standards based on the historical cost convention and presented in New Israeli Shekel (NIS). Currently, international financial reporting standards do not include any specific requirements regarding not-for-profit organizations in connection with the accounting policies or the presentation of the financial statements.

The financial statements for 2013 were prepared in USD, starting 2014, Management of ALROWWAD decided to translate the opening balances to NIS using an exchange rate of 3.47 NIS / USD and start using NIS as the main currency starting 1 January 2014.

Following is a summary of the significant accounting policies:

a) Cash and cash equivalents:

Cash and cash equivalents includes cash at banks, cash on hand and short term deposits with a maturity of three months or less.

b) Fixed Assets - net:

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual rates:

	%
Land	-
Building	2%
Vehicles	15%
Furniture & Equipment	10-20%
Computers	33%

The cost of the fixed assets as of 1 January 2014 was adapted as per the 2013 financial statements and depreciation was calculated starting 1 January 2014. The cost of these assets were registered based on the management estimates during 2013.

c) Revenues and expenses recognition:

The financial statements have been prepared in accordance with the modified accrual basis of accounting. Revenues recognized when received from the donor, and expenditures are recognized when incurred.

d) Provision for end of service indemnity:

Benefits payable to the employees at the end of their services which are provided for in accordance with the guidelines set by the local labour laws, by accruing one month compensation for each year of service based on the last salary paid. Severance pay till end of 2013 was paid to the majority of the staff and the balance recorded in the statement of Financial Position represents the severance from the beginning of 2014 until the date of financial statements.

ALROWWAD Cultural and Arts Society
 Financial statements for the year ended December 31, 2016

e) Translation of foreign currencies:

The accompanying financial statements are denominated in NIS. Transaction in other currencies is accounted for at the exchange rates prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into NIS by applying the exchange rates prevailing at the reporting date. Exchange gains or losses arising from the transactions are reflected in the statement of activities and changes in net assets. The exchange rates against NIS as of December 31 were as follows:

Currency	December 31, 2016	December 31, 2015
USD	3.845	3.902
EURO	4.044	4.242

NOTE (3) CASH AND CASH EQUIVALENTS

Details-

	December 31, 2016	December 31, 2015
Balances in NIS	123,030	600,522
Balances in USD	60,838	19,105
Balances in Euro	132,317	103,955
	316,185	723,582

NOTE (4) – FIXED ASSETS, NET

Details-

	Balance 1/1/2016	Additions	Disposals	Balance 31/12/2016
Land	201,260	-	-	201,260
Building	1,219,001	15,836	-	1,234,837
Furniture & Equipment	511,378	289,150	-	800,528
Computers	171,850	4,725	-	176,575
Books	173,500	-	-	173,500
Museum	145,740	-	-	145,740
Musical and sports tools	53,377	12,110	-	65,487
Vehicles	75,000	-	-	75,000
	2,551,106	321,821	-	2,872,927
Accumulated depreciation				
Land	-	-	-	-
Building	48,760	24,696	-	73,456
Furniture & Equipment	180,185	146,294	-	326,479
Computers	94,010	34,912	-	128,922
Books	34,700	17,350	-	52,050
Museum	13,880	7,287	-	21,167
Musical and sports tools	31,010	18,489	-	49,499
Vehicles	22,500	11,250	-	33,750
	425,045	260,278	-	685,323
Construction in progress	628,321			1,750,007
Net Book Value	2,754,382			3,937,611

NOTE (5) OTHER CURRENT LIABILITIES

Details-

	December 31, 2016	December 31, 2015
Accrued expenses	11,535	11,700
Post-dated checks	171,583	92,174
	183,118	103,874

NOTE (6) GRANTS AND DONATION

Details-

	December 31, 2016	December 31, 2015
ALROWWAD Friends – Norway ***	419,737	402,104
ALROWWAD Friends – USA ***	755,834	639,417
ALROWWAD Friends – France ***	175,653	166,590
Action Solidarite Tiers Monde	220,719	211,142
EducAaid	49,597	29,400
Peace Development Fund -Freedom summer	26,950	26,415
Musawa, Israel – European Union Grant	142,822	-
Trustees of the Amos Trust	45,866	-
UNRWA	45,792	-
	1,882,970	1,475,068

*** ALROWWAD Friends are considered sister associations and individuals for ALROWWAD Culture and Arts Society. they are supporting the Center’s Projects and administrative expenses. According to the ALROWWAD Management, no formal agreements were signed between the Society and its sister associations or individual friends. Audit confirmations were sent to all sister associations and responses from some of these associations were received. Revenues have been recorded based on the amounts transferred to the Society’s bank account.

NOTE (7) ACTIVITY INCOME

Details-

	December 31, 2016	December 31, 2015
Donation from visitors	19,067	65,732
Gift Shop sales	22,078	30,520
Training courses	3,650	2,865
Other activity income	45,584	34,596
Income for scholarships	13,200	-
	103,579	133,713

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NOTE (8) PROJECTS AND ADMINISTRATION EXPENSES

Details-

	December 31, 2016	December 31, 2015
Salaries and Related Expenses	506,781	523,859
Provision for end of service indemnity	51,042	88,491
Communications	18,536	20,070
Stationery	12,806	47,730
Training	2,950	5,682
Rent	12,538	21,624
Utilities	29,539	36,350
Professional Fees	11,535	42,352
Transportation and Travel	247,111	129,086
Maintenance	5,595	20,426
Activities expenses	211,625	163,755
Hospitality	23,139	18,597
Donations	5,612	3,490
Bank charges	1,342	958
Insurance	4,769	6,845
Others	22,560	40,172
	<u>1,167,480</u>	<u>1,169,487</u>