

The Freedom Theatre - TFT

Financial Statements

December 31, 2015



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## **Independent Auditors' Report to The General Assembly of The Freedom Theatre - TFT**

We have audited the accompanying financial statements of The Freedom Theatre (TFT), which comprise the statement of financial position as at December 31, 2015, the statement of activities and changes in net assets and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Board of Directors' Responsibility for the Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 about 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 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**

In our opinion, the financial statements present fairly, in all material respects, the financial position of TFT as at December 31, 2015 and the results of its activities and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Ernst & Young - Middle East**

License # 206/2012



March 29, 2016  
Ramallah - Palestine

THE FREEDOM THEATRE - TFT

**Statement of Financial Position**

As at December 31, 2015

	<u>Notes</u>	<u>2015</u> ILS	<u>2014</u> ILS
<b><u>ASSETS</u></b>			
<b>Non-Current Assets</b>			
Property and equipment	3	311,960	337,910
		<u>311,960</u>	<u>337,910</u>
<b>Current Assets</b>			
Contributions receivable	4	324,717	501,032
Other current assets	5	14,920	455
Cash and cash equivalents	6	463,492	79,623
		<u>803,129</u>	<u>581,110</u>
<b>Total Assets</b>		<u><u>1,115,089</u></u>	<u><u>919,020</u></u>
<b><u>NET ASSETS AND LIABILITIES</u></b>			
Net assets		<u>42,028</u>	<u>100,063</u>
<b>Total net assets</b>		<u><u>42,028</u></u>	<u><u>100,063</u></u>
<b>Non-Current Liabilities</b>			
Provision for employees' indemnity	7	241,788	178,861
Deferred revenues	9	55,695	60,655
		<u>297,483</u>	<u>239,516</u>
<b>Current Liabilities</b>			
Accounts payable		9,177	32,510
Temporarily restricted contributions	8	747,769	530,547
Other current liabilities	10	18,632	16,384
		<u>775,578</u>	<u>579,441</u>
<b>Total Liabilities</b>		<u><u>1,073,061</u></u>	<u><u>818,957</u></u>
<b>Total Net Assets and Liabilities</b>		<u><u>1,115,089</u></u>	<u><u>919,020</u></u>

The accompanying notes from 1 to 18 form part of these financial statements

**Statement of Activities and Changes in Net Assets**

For the year ended December 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		ILS	ILS
<b>Revenues</b>			
Temporarily restricted contributions released			
from restrictions	8	1,238,989	1,308,122
Unrestricted contributions	11	321,269	247,275
Deferred revenues recognized	9	17,252	7,626
Other revenues	12	60,799	100,741
<b>Total revenues</b>		<u>1,638,309</u>	<u>1,663,764</u>
<b>Expenses</b>			
Projects' expenses	13	1,238,989	1,308,122
General and administrative expenses	14	401,992	248,214
Depreciation of property and equipment	3	47,841	37,537
Currency exchange loss		7,522	1,234
<b>Total expenses</b>		<u>1,696,344</u>	<u>1,595,107</u>
<b>(Decrease) increase in net assets</b>		(58,035)	68,657
Net assets, beginning of the year		<u>100,063</u>	<u>31,406</u>
<b>Net assets, end of the year</b>		<u><u>42,028</u></u>	<u><u>100,063</u></u>

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The accompanying notes from 1 to 18 form part of these financial statements

**Statement of Cash Flows**

For the year ended December 31, 2015

	<u>Notes</u>	<u>2015</u> ILS	<u>2014</u> ILS
<b><u>Operating activities</u></b>			
(Decrease) increase in net assets		(58,035)	68,657
Adjustments for:			
Depreciation of property and equipment		47,841	37,537
Provision for employees' indemnity		66,816	30,000
Deferred revenues recognized		(17,252)	(7,626)
		<u>39,370</u>	<u>128,568</u>
<b>Working capital changes:</b>			
Contributions receivable		176,315	(180,924)
Other current assets		(14,465)	7,499
Temporarily restricted contributions		217,222	(252,958)
Deferred revenues		12,292	42,854
Accounts payable		(23,333)	25,126
Other current liabilities		2,248	(18,220)
Employees' indemnity paid		(3,889)	(67,716)
<b>Net cash flows from (Used in) operating activities</b>		<u>405,760</u>	<u>(315,771)</u>
<b><u>Investing activities</u></b>			
Purchases of property and equipment		(21,891)	(45,905)
<b>Net cash flows used in investing activities</b>		<u>(21,891)</u>	<u>(45,905)</u>
<b>Increase (Decrease) in cash and cash equivalents</b>		383,869	(361,676)
Cash and cash equivalents, beginning of the year		79,623	441,299
<b>Cash and cash equivalents, ending of the year</b>	6	<u>463,492</u>	<u>79,623</u>

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The accompanying notes from 1 to 18 form part of these financial statements

## Notes to the Financial Statements

As at December 31, 2015

### 1. General

The Freedom Theatre (TFT) is a Palestinian private not for profit association registered on November 5, 2007 in Jenin Refugee Camp under registration number (JN-938-CU).

TFT is developing a vibrant and creative artistic community in the West Bank. While emphasising professionalism and innovation, the main goal of TFT is to empower youth and women in the community and to explore the potential of arts as an important catalyst for social change.

The financial statements as at December 31, 2015 were approved by TFT's Board of Directors on March 29, 2016.

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

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

The financial statements have been presented in New Israeli shekel (ILS), which is the functional currency of TFT.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year. Furthermore, several standards and interpretations have been issued but are not yet mandatory. TFT believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

### 2.3 Judgments and estimation uncertainty

TFT financial position and results of activities are sensitive to accounting methods, assumptions, estimates and judgments that underlie the preparation of the financial statements. TFT 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.

### 2.4 Significant accounting policies

#### Donation revenues

Donors' unconditional pledges are those pledges where the 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 by the donor for a specific purpose or time are recognized as revenue when the pledge is obtained.
- Unconditional pledges that are temporarily restricted by the donor for a specific purpose or time are recognized as revenue 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 revenue on a systematic basis over the useful life of the asset.

**Expenses recognition**

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

**Impairment**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of activities and changes in net assets.

**Property and equipment**

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred. Land is not depreciated.

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

	Useful lives (Years)
Equipment	4-5
Furniture and fixtures	5
Multimedia network	6-7

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with an original maturity of three months or less.

**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.

### **Current versus non-current classification**

TFT presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

TFT classifies all other liabilities as non-current.

### **Income taxes**

TFT 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 TFT has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measurable.

### **Foreign currencies**

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 to ILS. All differences are recognized in the statement of activities and changes in net assets.



### 3. Property and equipment

	<u>Land</u> ILS	<u>Equipment</u> ILS	<u>Furniture and fixtures</u> ILS	<u>Multimedia network</u> ILS	<u>Total</u> ILS
<b>Cost</b>					
At January 1, 2015	188,235	920,214	97,514	127,870	1,333,833
Additions	-	16,591	5,300	-	21,891
At December 31, 2015	<u>188,235</u>	<u>936,805</u>	<u>102,814</u>	<u>127,870</u>	<u>1,355,724</u>
<b>Accumulated depreciation</b>					
At January 1, 2015	-	846,735	94,286	54,902	995,923
Depreciation charge for the year	-	27,452	1,209	19,180	47,841
At December 31, 2015	<u>-</u>	<u>874,187</u>	<u>95,495</u>	<u>74,082</u>	<u>1,043,764</u>
<b>Net carrying amount</b>					
At December 31, 2015	<u>188,235</u>	<u>62,618</u>	<u>7,319</u>	<u>53,788</u>	<u>311,960</u>
At December 31, 2014	<u>188,235</u>	<u>73,479</u>	<u>3,228</u>	<u>72,968</u>	<u>337,910</u>

Property and equipment include ILS 891,069 and ILS 891,069 of fully depreciated assets that are still being used in TFT's activities as at December 31, 2015 and 2014, respectively.

### 4. Contributions receivable

	<u>Balance, beginning of the year</u> ILS	<u>Additions</u> ILS	<u>Cash received</u> ILS	<u>Currency variance</u> ILS	<u>Balance, end of the year</u> ILS
Postkod Lotteries	-	926,619	(644,344)	(3,166)	279,109
Swedish International Development Cooperation Agency	-	204,449	(203,325)	(1,124)	-
Medico	-	43,052	(41,348)	(1,704)	-
Kinderpostzegels	-	87,770	(87,872)	102	-
Middle East Children's Alliance (MECA)	-	164,812	(183,434)	18,622	-
Filofiska	-	29,453	(27,547)	(1,906)	-
British Council	92,202	-	(91,500)	(702)	-
Tides Foundation	111,647	-	(127,251)	15,604	-
Roddic Foundation	-	29,864	(29,674)	(190)	-
European Commission	204,798	-	(142,370)	(16,820)	45,608
UNESCO	39,000	-	(38,955)	(45)	-
Prince Claus	53,385	-	(49,169)	(4,216)	-
	<u>501,032</u>	<u>1,486,019</u>	<u>(1,666,789)</u>	<u>4,455</u>	<u>324,717</u>

## 5. Other current assets

	<u>2015</u>	<u>2014</u>
	ILS	ILS
Prepayments	13,920	-
Advances to employees	1,000	455
	<u>14,920</u>	<u>455</u>

## 6. Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
	ILS	ILS
Cash in hand	169	-
Cash at banks	463,323	79,623
	<u>463,492</u>	<u>79,623</u>

## 7. Provision for employees' indemnity

Following is the movement on the provision for employees' indemnity:

	<u>2015</u>	<u>2014</u>
	ILS	ILS
Balance, beginning of the year	178,861	216,577
Additions during the year	66,816	30,000
Payments during the year	(3,889)	(67,716)
Balance, end of the year	<u>241,788</u>	<u>178,861</u>

## 8. Temporarily restricted contributions

This item comprises temporarily restricted contributions subject to purpose or time restriction by donors. These amounts represent the difference between the contributions received and the expenditures made out to satisfy the purpose stipulated by the donor. As at December 31, 2015, temporarily restricted contributions comprise of the following:

	Balance beginning of the year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Currency variance	Balance end of the year
	ILS	ILS	ILS	ILS	ILS	ILS
Postkod Lotteriets Kulturstiftelse	-	926,619	(225,679)	(12,292)	-	688,648
Swedish International Development Cooperation Agency	1,966	204,449	(204,826)	-	(1,589)	-
Medico	-	43,052	(41,348)	-	(1,704)	-
Kinderpostzegels	-	87,770	(87,770)	-	-	-
Middle East Children's Alliance (MECA)	97,500	164,812	(205,198)	-	(18,622)	38,492
British Council	86,112	-	(85,410)	-	(702)	-
Tides Foundation	125,895	-	(128,700)	-	2,805	-
Filofiska	-	29,453	(27,754)	-	(1,699)	-
Roddick Foundation	-	29,864	(29,864)	-	-	-
European Commission	178,564	-	(170,913)	-	12,978	20,629
UNESCO	6,410	-	-	-	(6,410)	-
Prince Claus	34,100	-	(31,527)	-	(2,573)	-
	<u>530,547</u>	<u>1,486,019</u>	<u>(1,238,989)</u>	<u>(12,292)</u>	<u>(17,516)</u>	<u>747,769</u>

## 9. Deferred revenues

	<u>2015</u>	<u>2014</u>
	ILS	ILS
Balance, beginning of the year	60,655	25,427
Additions during the year (Note 8)	12,292	12,854
Additions from in-kind contributions	-	30,000
Deferred revenues recognized	<u>(17,252)</u>	<u>(7,626)</u>
Balance, end of the year	<u>55,695</u>	<u>60,655</u>

## 10. Other current liabilities

	<u>2015</u>	<u>2014</u>
	ILS	ILS
Accrued expenses	15,276	9,419
Postponed checks	3,356	6,965
	<u>18,632</u>	<u>16,384</u>

## 11. Unrestricted contributions

	<u>2015</u>	<u>2014</u>
	ILS	ILS
TFT friends in UK	185,908	-
Donations through PayPal account	40,819	31,306
TFT friends in Sweden	4,090	17,372
TFT friends in USA	-	22,744
The Boston Consulting Group	-	2,776
Other unrestricted contributions	90,452	173,077
	<u>321,269</u>	<u>247,275</u>

## 12. Other revenues

	<u>2015</u>	<u>2014</u>
	ILS	ILS
Participation fees	40,351	37,681
Products sales	14,908	17,993
Rent income	5,540	8,540
Temporary restricted contributions transferred to revenues	-	36,527
	<u>60,799</u>	<u>100,741</u>

### 13. Projects' expenses

Following are the components of projects' expenses:

	Postkod Lotteriets Kulturstiftelse	Swedish International Development Cooperation Agency	Medico	Kinder postze- gels	Middle East Children's Alliance (MECA)	British Council	Tides Foundation	Total
	ILS	ILS	ILS	ILS	ILS	ILS	ILS	ILS
Salaries and related expense	93,637	90,283	38,150	27,958	130,433	13,863	103,665	497,989
Student grants	1,200	61,800	-	-	-	-	-	63,000
Hotel accommodation	3,856	-	-	1,500	5,420	7,160	-	17,936
Maintenance	7,078	2,613	-	-	-	1,462	-	11,153
Actors fees	-	-	-	28,600	-	1,186	-	29,786
Film making	7,790	13,035	-	6,546	3,007	10,572	-	40,950
Rent	22,124	22,384	2,070	10,720	39,802	9,350	4,800	111,250
Production materials	18,793	-	-	4,005	-	16,235	-	39,033
Utilities	1,515	3,688	-	-	900	-	1,200	7,303
Transportation	24,444	2,725	-	2,872	5,140	10,870	3,147	49,198
Professional fees	-	-	-	-	-	-	13,188	13,188
Printing	4,118	-	-	-	-	4,848	-	8,966
Postage, telephone, fax and internet	9,021	2,920	-	1,436	8,100	1,778	2,700	25,955
Training expenses	3,122	-	-	-	-	-	-	3,122
Hospitality	12,505	5,378	-	4,133	4,750	3,737	-	30,503
Others	16,476	-	1,128	-	7,646	4,349	-	29,599
<b>Total</b>	<b>225,679</b>	<b>204,826</b>	<b>41,348</b>	<b>87,770</b>	<b>205,198</b>	<b>85,410</b>	<b>128,700</b>	<b>978,931</b>

Projects' expenses (cont'd)

	Filofiska	Roddick Foundation	European Commission	Prince Claus	2015	2014
	ILS	ILS	ILS	ILS	ILS	ILS
Salaries and related expense	12,930	-	80,469	17,962	609,350	536,391
Student grants	-	-	-	-	63,000	52,346
Hotel accommodation	-	-	10,300	300	28,536	52,226
Maintenance	-	-	-	-	11,153	37,797
Actors fees	-	29,864	17,600	-	77,250	110,321
Film making	722	-	-	638	42,310	10,300
Rent	1,450	-	15,194	1,000	128,894	99,734
Production materials	275	-	42,610	923	82,841	75,566
Utilities	-	-	-	1,000	8,303	11,054
Transportation	7,272	-	674	2,232	59,376	115,421
Professional fees	-	-	-	-	13,188	32,295
Printing	-	-	4,066	7,472	20,504	55,403
Postage, telephone, fax and internet	1,367	-	-	-	27,322	25,433
Training expenses	-	-	-	-	3,122	19,860
Hospitality	1,756	-	-	-	32,259	45,113
Others	1,982	-	-	-	31,581	28,862
Total	<u>27,754</u>	<u>29,864</u>	<u>170,913</u>	<u>31,527</u>	<u>1,238,989</u>	<u>1,308,122</u>

#### 14. General and administrative expenses

	<u>2015</u>	<u>2014</u>
	ILS	ILS
Travel and transportation	154,398	46,053
Salaries and related benefits	56,141	42,652
Actors fees	39,265	4,714
Hospitality	39,171	11,586
Hotel accommodation	32,128	26,632
Printing	7,810	10,357
Production materials	5,608	16,505
Insurance	4,810	6,720
Training expenses	4,448	4,009
Rent	4,010	13,997
Postage, telephone, fax and internet	3,937	8,477
Maintenance	1,280	5,152
Professional fees	455	3,877
Electricity, water, gas	416	13,120
Student grants	-	14,254
Others	48,115	20,109
	<u>401,992</u>	<u>248,214</u>

#### 15. Related party transactions

This item represents transaction with key management personnel:

	Short-term benefits	Long-term benefits
<u>2015</u>	<u>ILS</u>	<u>ILS</u>
General Manager	32,400	-
Financial Manager	54,480	7,382
Artistic Manager	54,000	12,589
	Short-term benefits	Long-term benefits
<u>2014</u>	<u>ILS</u>	<u>ILS</u>
General Manager	33,600	-
Financial Manager	48,000	3,995
Artistic Manager	48,000	4,023

#### 16. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of contributions receivable, cash and cash equivalents and some other current assets. Financial liabilities consist of accounts payable and some of accruals and temporarily restricted contributions. The fair values of financial instruments are not materially different from their carrying values.

## 17. Risk management

### Liquidity risk

TFT limits its liquidity risk by maintaining adequate cash balances and funds from donors to meet its current obligations and to finance its operating activities. Most of TFT's financial liabilities are due within a period of less than three months from the date of the statement of financial position.

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or a contract, leading to a financial loss. TFT is exposed to credit risk from its operating activities primarily for contributions receivable as disclosed in note (4).

### Foreign currency risk

The table below indicates TFT'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 Israel New Shekel (ILS) rate against the European Monetary Unit (EURO), Swedish Krone (SEK), Great Britain Pound (GBP), and United States Dollar (USD) with all other variables held constant, on the statement of activities and changes in net assets. The effect of the decrease in foreign currency rates is expected to be equal and opposite to the effect of the increase shown below:

	Increase in foreign currency rate against ILS	Effect on statement of activities and changes in net assets for the year
	%	ILS
<b>2015</b>		
USD	10	6,658
EURO	10	3,275
SEK	10	18,699
GBP	10	158
<b>2014</b>		
USD	10	(9,440)
EURO	10	4,748
SEK	10	1,637

## 18. Concentration of risk in geographic area

TFT is carrying out all of its activities in Palestine. The political and economical situation in the area increases the risk of carrying out business and could adversely affect TFT's performance.