

**Tax number:** 18084764-2-41  
**Court of Registry:** Budapest Metropolitan Court  
**Ruling on registration:** Pk.61.344/1996/2  
**Registration number:** 7375

## **HUNGART**

### **Visual Artists' Association for the Collective Management of Rights (HUNGART VAACMR ASSOCIATION)**

1055 Budapest, Falk Miksa utca 30.

#### **Notes to the 2020 Annual Accounts**

31 December 2020

22 May 2021

## CORPORATE PROFILE OF HUNGART ASSOCIATION

HUNGART Visual Artists' Association for the Collective Management of Rights was founded by private individuals in accordance with Government Decree no. 146/1996.(19 September).

The registered seat of the Association is at 1055 Budapest, Falk Miksa utca 30.

The Government Decree referred to above states that copyright and related rights may only be managed by registered non-profit associations, established pursuant to Sections 61-64 of the Civil Code.

In its ruling no. 01.Pk.61344/1996/2, which became final on 27 February 1997, the Metropolitan Court of Budapest registered the Association under registration number 7375.

With a decision passed on 19 April 1997, the Minister for Culture and Public Education registered HUNGART Visual Artists' Society as an association for the collective management of rights in accordance with Decree no. 5/1997. (II.12.) of the Minister of Culture and Public Education.

The purpose of the Association is to collect royalties on behalf of and pay them to its members, i.e. artists active in visual and applied arts, photo artists as well as their legal successors, collectively: rights holders, and to enhance the protection of their copyright both in Hungary and abroad.

At a meeting of 23 May 2006, the meeting of delegates decided to terminate the public benefit status of the Society because, although the activities of the Society according to its objectives comply with the terms and conditions laid down in Act CLVI of 1997, the public benefit status does not generate any major advantage for the Society. Ruling 16.pk.61.344/1996/9 adopted by the Budapest-Capital Regional Court on 5 July, which took effect on 28 July 2006, deleted the public benefit status of the Society.

The rules governing the activities of the Society have been laid down in Sections 85–92 of Chapter XII of Act LXXVI of 1999 on Copyright. In addition to the collective management of copyright and related rights as the Association's fundamental purpose, sponsorship for other artist associations and the improvement of the living conditions of artists in need also feature among the causes promoted by the Association.

The European Parliament and the Council approved Directive 2014/26/EU on copyright and related rights on 26 February 2014. The collective rights management directive was transposed into the Hungarian legislation through the adoption of Act XCIII of 2016, which entered into force on 28 July 2016; accordingly, the provisions of collective rights management have been removed from the Act on Copyright. The detailed rules of the operation of collective and independent rights management organisations and those of rights management procedures are included in Government Decree 216/2016 (22 July) effective from 22 August 2016.

Due to changes in law, all the regulations of HUNGART have been modified. The law stipulates that reports be prepared for the National Intellectual Property Office responsible for HUNGART's supervision.

With effect from 2017, transparency reports must be prepared and disclosed.

Credible written information must be provided for right holders on the terms and conditions of rights management, trends in royalties, management fees, deductions for the benefit of the artist community and the use of such deductions. Considering that there is also an obligations to supply

data abroad, these legislative changes and requirements cause continuous and increasing administration work, which impedes the actual and relevant rights management.

## KEY FACTORS OF THE OPERATION OF THE ASSOCIATION

The Association has no founder's or initial assets; such was not a condition for incorporation. Operating costs had to be paid out of a management fee reserve funded from royalties and contributions (in the 2020 financial year: 25% and 19%; in the 2017 financial year: 22% and 15%) in accordance with the Allocation Regulations.

***HUNGART has not been engaged in any business activity since its foundation.***

The supreme decision-making body of the Association is the members' meeting. The Association is governed by an eight-member management committee presided by a chairperson and two vice chairpersons elected from among its members. HUNGART's lawful operation and business management are supervised by a 3-member supervisory board.

Daily duties are performed by members, who are also the employees of the Association. In areas where employment is not economically reasonable (e.g. legal, accounting and IT services (IT and software supervision)) outside organisations and private individuals are contracted for work.

All the members of the organisation performing accounting services (book-keeping, income settlement, tax returns, mandatory provision of statistical data) are registered certified accountants and certified auditors.

The annual accounts of HUNGART Association are audited by GG PLUS Kft. (registration number: 000141). The contracted auditor is Ms Éva Gampel, CoHA membership number: 004681.

## ACCOUNTING POLICY

The balance sheet compilation date is the last day of March in the year immediately following the reporting year because such seems to be justified by past years' experience. The reason underlying the selection of this date is that it makes accounting for the economic events that affect the reporting year and become known between the 31 December balance sheet date and the balance sheet compilation date possible.

The Association uses double-entry bookkeeping to keep its books. Its chart of accounts has been developed on the basis of the recommendations disclosed in financial and accounting journals.

With effect from 2012, the Association prepares annual accounts in keeping with the new act and decree pertaining to the collective management of rights. We continue to ensure consistency in order to be able to comply with the requirements set forth in Government Decree no. 479/2016. (28 December) on the specifics of reporting and accounting obligations of CSOs under the Accounting Act and Government Decree no. 350/2011. (30 December) on Certain Issues of the Financial Management, Fund-raising, and Public Benefit Status of CSOs.

In compiling the annual accounts, HUNGART Visual Artists' Association for the Collective Management of Rights observed the applicable accounting principles and complied with the requirement of providing a fair picture. Neither audit inspecting nor self-revision revising previous years' book-keeping was conducted.

***There was no significant change in the valuation procedures compared with the previous year. The data are comparable to the previous year as specified in the accounting regulations even though some restatements were made among the items of the liability side due to the clarification of the accounting records in order to enforce the principles of clarity and comparison to the highest possible extent.***

Regarding the Association's business management and annual accounts, materiality and substantiality are governed by the Accounting Act.

The Association's revenues comprise all the income that is realised in the reporting year and is linked to the Association's principal activity and gainful activity including sponsorship. The costs incurred by the Association are direct costs incurred in connection with the Association's principal activity, gainful activity and its operating costs.

Fixed assets, tangible and intangible assets are carried at their net value in the balance sheet. Historical costs are purchase prices, which comprise the costs incurred before capitalisation and attributable to the assets individually.

The Association uses the straight-line method to depreciate its assets taking account of the expected useful life of the assets concerned, the depreciation rates stipulated in the Corporate Tax Act and the number of the days during which the assets have been in operation. The Association recognises the historical cost of tangible assets with an individual value of below HUF 100,000 as lump sum depreciation when such assets are put to service.

The value of the inventories is stated at actual, direct production cost.

Purchased securities are stated as fixed assets if we do not intend to sell them within one year. When securities recognised as fixed assets are sold after the balance sheet date, they are stated as current assets in the balance sheet.

When securities are sold, we derecognise them using the FIFO (First In First Out) method, i.e. we always derecognise the securities held for the longest period of time (i.e. those purchased first). The carrying value of interest-bearing securities may not comprise the interest paid upon purchase, i.e. such securities are stated at face value.

The Association accounts for deferrals and accruals in accordance with the general provisions of the Accounting Act and the guidance of the supervisory authority. The assets and liabilities other than those above are also stated in accordance with the Accounting Act.

The Association has an accounting policy as well as inventory-taking, scrapping, cash management and valuation regulations in conformity with the requirements set out in Act C of 2000 on Accounting and the government decree referred to.

### ***SUPERVISORY REPORT AND CHANGES IN THE ACCOUNTING POLICY***

The Hungarian Intellectual Property Office supervising rights management proposed the introduction of a standard supervisory report developed by PwC in the spring of 2014 and the use of enhanced accounting reports, which affected the accounting policy of rights management organisations. The draft documents were finalised after several rounds of discussions. The use of the finalised document has been mandatory since 2016 on the basis of the relevant statutory regulations.

Changes target mainly the recognition of royalties in respect of both revenues and expenses as well as their entry into the books.

In line with the final decision, we first had to apply the changes affecting the accounting policy and the accounting records on 1 January 2015 and those affecting reporting in the 2014 annual accounts with special regard to the supervisory report that had to be provided in addition to the standard balance sheet. Adopted in 2016, Act XCIII of 2016 on collective management of copyright and related rights (the CRM Act) and Government Decree no 216/2016. (VII. 22.) codified earlier authority requirements.

Pursuant to the new requirements, HUNGART only accounts for royalties actually paid in the reporting year. The royalties which affect the reporting year, which are, however, only due early in the following year are now presented only when actually paid. We used to state them as accruals and deferrals under the Accounting Act.

We recognise all royalties due to the rights holders on the revenues collected as expenses in the reporting year. In conformity with the relevant requirements, expenses on royalties are stated as mediated services. The royalties that we used to present as accruals and deferred income and that are payable the following year are presented as current liabilities. In 2015, we accounted for the management fees that we had not included in the royalties on the books for over five years. We accounted for such fees after the lapse of the time bar, concurrently with the re-allocation of royalties. Such fees were recognised as long-term liabilities, current liabilities or accrued and deferred income in the previous year. We settled the HUNGART monographs financed by contributions (Section 100 of the Copyright Act paying public property) and their respective items on the liability side, which made our records even more transparent.

Relative to the previous years, the following changes occurred in the accounting for, the recognition and measurement of operating costs: Pursuant to the decision of the management committee of 12 March 2019, the costs indirectly associated with the publication of monographs must be charged to the contributions generated in the previous year and distributed in the reporting year so that the annual budget can be balanced. In keeping with the planned utilisation rates, at the end of the year we adjusted (reduced) the cost items by charging them to the contribution liability. As a result, lower amounts of certain entries in the income statement broken down into cost types were recognised.

In 2020 measures related to the COVID-19 epidemic (application of the home office scheme) and business data only made minor adjustments necessary.

*In summary, in light of the foregoing, all data are comparable (including items in the income statement) in the annual accounts.*

A Transparency Report as of the last day of the eighth month following the balance sheet date of the reporting year must be prepared in connection with and on the basis of the annual accounts. The audited version of the Report must be published in the template contained in the relevant government decree.

The 2019 Transparency Report was adopted by the meeting of the delegates in an on-line voting procedure in August 2020 (the deadline), and subsequently published at the Association's web-site.

## ***THE GENERAL ECONOMIC AND LEGAL CONTEXT OF RIGHTS MANAGEMENT***

The impact on rights management of the financial crisis that broke out before 2010 and the economic crisis that followed it had petered out. However, the COVID-19 epidemic left its mark on 2020. Based on the data of the planning period, a fall in revenues and stagnation were anticipated. Surprisingly, data for the second half of the year showed an increase of almost 8%; however, they were still behind the corresponding pre-2010 data. Revenue ratios were around 60–40% with primary (directly collected) royalties being the higher. Revenues from all royalty types have been experiencing fluctuations.

The poor payment discipline of galleries only hampered the collection of royalties to a lesser extent. Only two or three major art dealers requested payment in instalments or the rescheduling of payments. However, after having been called upon, minor galleries fulfilled their payment obligations; as a result, only few lawsuits had to be filed due to the failure to make the promised payments.

The court action documents sent to the owners of art galleries who default on or regularly fall behind with royalties are effective because after receipt of such documents their payment discipline improves relatively fast.

As regards some art galleries, default on the payment of royalties goes hand in hand with intentional failure to report data regularly, which makes enforcing claims difficult.

With the help of a new on-line search engine we can call upon a number of galleries with which we have not had any relationship before. Most paid and provided data. No litigation was needed.

With effect from 2012, only 4% (instead of 5%) can be charged in royalties on the works of art sold. In order that EU legislation could be transposed into Hungarian legislation, the regulatory environment was changed as a result of the adoption of the new act on the collective management of rights in 2016. Rights holders are adversely affected by the fact that, in addition to an increase in the number of administrative and data reporting tasks, 90% (*rather than 25% as used to be the case*) of the royalties of unknown persons or persons whose whereabouts is unknown must be transferred to NKA (National Cultural Fund) after three years (general time bar 5 years). Such transfer first occurred at the closing of the 2019 financial year. However, the law permits the application of this rule only to the royalties collected after the entry into force of the law. Taking the interests of the right holders into account, and based on the decision of the meeting of delegates, the Association has adopted a more favourable distribution procedure.

Interest on investments can also be used to cover operating expenses; therefore, the Association has been adversely affected by the government measure that banned, with effect from April 2018, non-profit organisations from purchasing of interest-bearing treasury bills.

Interest on securities is low anyway; however, the approximately 0.2% return on discount treasury bills, available for us for purchase as the least risky securities, is only a fragment of the previously realised interest income. The epidemic brought about a change in this respect because treasury bills with a yield of 2–3% were available on the market, with an interest rate premium for some securities. As a result, return on investments was HUF 5.6 million instead of the planned HUF 2 million. Return on the investment worth HUF 340 million may increase further in 2021.

Owing to the recognition of accruals management fees and other available revenues could not cover operating expenses in 2019. The annual 22–24% ratio of operating costs to total revenues could no longer be covered with interest income and other revenues. Partly because of the cost implications relating to the increase in the administration burden, our Association was forced to increase its management fees (25% and 19%) and to introduce other measures by applying certain cost saving measures.

The latter category includes the decision of the management committee of 12 March 2019 which changed the method of recognition of the costs indirectly associated with the publication of monographs and designated part of the arts ratio of the distributed contribution as the source of funding.

The application of the EU rules exempting royalty revenues from reprographics and blank carriers from VAT liability with effect from the beginning of 2018 generates some extra work. In order to apply that the royalty registration programme had to be modified and the IT staff had to be doubled. In 2020 the government's measures aimed at ensuring the transparency of companies' VAT accounting, and the reporting obligations related to invoices generated unforeseeable tasks for all economic operators including the Association. The accounting programme had to be modified again; the application of good invoicing practices had to be brought to the attention of the right holders and organisations issuing invoices. Regulatory uncertainties posed a particularly serious problem.

*Administrative burden has increased consistently and to an increasingly large extent over the last 3 to 5 years.*

The fact that the earlier 27% healthcare contribution liability had decreased over the past years affected right holders favourably. Social contribution liability was reduced from 22% p.a. in 2017 to 19% p.a. in 2018 and 17.5% p.a. with effect from 1 July 2019. The individual settlement of management fees funding health contribution must be maintained because the HUF 11-14 million public dues depending on royalty revenues cannot be funded from the currently effective management fee rates.

With effect from 1 July 2020, contribution liability was further reduced to 15.5%, owing partly to the economic impact of the COVID-19 epidemic. According to the government's promise, with effect from 1 July 2021, tax liability will be reduced by a further 0.5%.

The Association's art sponsorship for community purposes was similar to those in the past years. Since 2012, HUNGART has been transferring amounts for cultural purposes to NKA. (7% of the received royalties subject to secondary distribution and 12.5% of the royalties redistributed and kept on the books for over 5 years had to be transferred to NKA). The use of the amounts thus transferred was not transparent, as NKA did not provide any information on it.

The entry into force of the Act on Collective Management of Rights in 2016, provided an opportunity to rethink sponsorship policy. Income received from partner organisation for distribution after

the entry into force of the law is not used for cultural and community purposes. 5% is earmarked for social purposes.

*Under the law, 90% of the collected but not paid out royalties due to unknown persons or persons whose whereabouts is unknown must be transferred to NKA (National Cultural Fund) after three years. (only 10% can be redistributed among eligible beneficiaries or earmarked for social purposes)* 10% of the royalties set aside from the items to be paid are distributed among the beneficiaries.

We apply the general limitation rules to the royalties of identified right holders that have not been paid for any reason but are otherwise payable (e.g. tax return, lack of proof of residence; protracted probate proceedings, etc.).

The royalties received before 29 June 2016 are redistributed in accordance with earlier practice. The royalty remaining after the settlement of 20% sponsorship to arts organisations and 5% social sponsorship is paid out to those who received royalties over the preceding five years.

## **A SUMMARY ANALYSIS OF BUSINESS ACTIVITIES AND ANNUAL ACCOUNTS DATA**

The B/S and accounting P/L of the Association's rights management activities, after the losses of HUF 5,647 thousand and HUF 5,825 thousand in previous years, was only HUF -2,347 in 2020. which is almost identical to the depreciation to be accounted for due to the business approach. The operating budget of the rights management for the current year is a balanced budget on the basis of the HUF 221 thousand result.

The operating budget is prepared with the expense-revenue approach and the accounting report is prepared with the cost (expense) revenue approach. That explains the discrepancies in the statement figures.

The table showing the operating budget (Annex 1) and how it was adhered to reveals that it was mainly because of the revenue that prevented the Association from becoming loss-making.

Total revenue exceeded plans by HUF 18.3 million. (Revenue from all royalty types with the exception of TV broadcasting royalties was higher.) Comprised of interest in securities (HUF 3.6 million) and increase in management fees (HUF 3 million), income also available for the payment of management fees was 9% higher than planned. Management fees had to be increase for justifiable reasons. A higher revenue from foreign partner organisations (the management fee of that royalty is accounted by the partner organisation) enabled us to distribute a higher amount of royalty.

Overall, we also managed to reduce expenses. Wage costs and contributions decreased by HUF 1,192 thousand (fundamentally because of 2% reduction in contributions). Total material expenses were also lower than planned. The amount thus saved was HUF 376 th. Except for a few major differences, e.g. bank charges and royalty processing fees, there were only HUF 100–200 th differences relative to what had been planned. It should be noted that postal charges, otherwise consistently rising, halved in response to an increasingly widespread use of e-administration.

We complied with the decision of the management committee of 12 March 2019 which changed the method of recognition of the costs indirectly associated with the publication of monographs and designated part of the arts ratio of the distributed contribution as the source of funding. The amount of passed-on costs was only HUF 665 th because that was sufficient in light of the situation that emerged in the wake of the epidemic and higher income.



## RIGHTS MANAGEMENT

The 2016–2020 royalty data are stated in accordance with the cash accounting principle. These data no longer contain the deferred royalty income which was not yet recognised in the previous years.

Based on that, it can be established that overall, and in terms of royalty types, income fluctuated. Though royalties from abroad rose again in 2020, we have no influence on them. In 2015 and 2016 we received HUF 14–14 million in reprography royalty on years from 2009 to 2013 from a foreign partner organisation; in 2018 we received HUF 45 million on 16 years ex post from 2001.

There was practically no change in income from the 4% follow-up royalty and contribution tax in 2020 in an economic environment made precarious by the COVID 19 epidemic. Data reported in the first quarter reveal that a number of minor galleries had to discontinue its operation after March because they could not cover their costs. There were favourable trends in income from galleries in the 2nd quarter.

Income from licensing (reproduction) was also higher than expected. Despite the unresolved issues, owing to the fact that the epidemic and the approval of a few key fine arts exhibitions affect income, we posted income in an amount that exceeded the previous year's.

Owing to the theme-based restructuring of the MTVA channels and programmes, revenues from broadcasting depend on the contract renewed periodically. Income from secondary royalties (empty data carriers, cable, reprography) depends on the activities of partner organisations and is subject to the performance of the contract concerned.

<b>Gross revenues (including management fee) by royalty type</b>					<i>HUF thousand</i>
	<u>Year 2016</u>	<u>Year 2017</u>	<u>Year 2018</u>	<u>Year 2019</u>	<u>Year 2020</u>
4 % follow-up royalties	86,233	90,483	86,926	80,509	76,475
(of which, taxes)	(32,605)	(38,611)	(42,789)	(31,158)	(23,197)
Licensing (reproduction)	14,138	15,521	18,901	14,774	16,219
Empty data carriers	25,366	31,669	25,348	33,058	36,688
Reprography fee	33.903	27.152	28.074	27.680	27.762
Broadcasting royalty /TV	14.988	16.923	17.693	19.321	17.979
Cable	16.029	17.393	22.075	26.167	30.959
Royalty received from abroad	24.335	9.639	57.471	16.286	21.553
<b>Total:</b>	<b>214.992</b>	<b>208.780</b>	<b>256.488</b>	<b>217.795</b>	<b>227.629</b>
<b>Breakdown of total royalties paid</b>					<i>HUF thousand</i>
	<u>Year 2016</u>	<u>Year 2017</u>	<u>Year 2018</u>	<u>Year 2019</u>	<u>Year 2020</u>
Private individual rights holders	121.586	120.521	112.816	131.482	97.335
Those subject to invoicing	0	0	0	0	16.564
Hungarian and foreign firms	13.089	11.666	11.617	11.832	14.459
Foreign partner organisations	11.189	10.736	12.517	13.959	12.870
<b>Total</b>	<b>145.864</b>	<b>142.923</b>	<b>136.950</b>	<b>157.273</b>	<b>141.248</b>
<b>Mandatory transfer to NKA</b>					<b>4,340</b>
<i>Number of private individual rights holders</i>	<i>774 persons</i>	<i>748 persons</i>	<i>814 persons</i>	<i>1506 persons</i>	<i>810 persons</i>

Royalty disbursements in 2020 comprised HUF 87,660 th received and distributed in the reporting year. This amount consisted of royalty from Hungarian partner organisations in the amount HUF 48,468 th and HUF 11,707 th from foreign organisations. We disbursed 63% of the amount of the redistributed royalties on the books for over 5 years (i.e. the applicable time bar) (HUF 18,754,000). An increasingly large number of individual rights holders request that registered royalties be recognised in respect of and transferred to the organisation operated by them (limited liability company, limited partnership, foundation, etc.) as beneficiary. The number of Hungarian organisations was 64 in 2020.

(The details of the recognition of royalties are contained in Annex 1 to the profit and loss account.)

### *Sponsorship policy, royalty use for community purposes*

In accordance with the Assembly's approved sponsorship policy, the management committee decided on the publication of 3 monographs at its meeting in July 2020. The ambitious books presenting artists who had been awarded stipends in recognition of their artistic achievement were published in autumn. Thus, the number of the books in a series presenting contemporary artists has risen to 47.

Income from the sale of monographs only amounted to HUF 451 th. It is not the primary objective of the publication of books to increase the revenues of the association significantly; the primary objective of the activity is to support arts and present the works of art produced by contemporary artists. The cost of three monographs published in the reporting year amounted to HUF 10,098 th. The production cost of the summary catalogue amounted to HUF 2,198 th. There were no book presentations this year.

Monographs are financed from the amount approved for the cultural portion of income from contributions.

Of the amount of the contributions received in 2019, only HUF 655 of the costs related to book publishing and calculated on the basis of modified ratios had to be passed on.

Preparatory work for the publication of the books planned to be published in 2021 has begun. We intend to publish three monographs this year as well, with the necessary funds already available.

Based on the Association's sponsorship policy, only royalties on the books for over 5 years (i.e. 'archival' royalties) can be used for granting cultural and social sponsorship.

As regards distributions for sponsorship to the artist community, the management committee approved the granting of HUF 7,630 thousand for supporting art organisations and HUF 7,733 thousand for social sponsorship. (An itemised list of the amounts approved and used for sponsorship to the artist community in 2018 is contained in Annex 2 to the profit and loss account.)

The amount transferred to NKA was HUF 4,339 th, i.e. 90% of the royalties unpaid for over three years received after 29 July 2016. In light of the fact that the corresponding amount for 2017 is HUF 24 million, funds will decrease accordingly.

(On average, we transferred HUF 10 million p.a. to NKA between 2012 and 2016.)

### *OPERATING BUDGET*

Compliance with HUNGART's 2020 operating budget is presented in Annex 1, and as part of such presentation, the costs stated in the 5th class of accounts of the general ledger has been attached. While compiling the plan, we estimated income at HUF 53,739 th. Income adjusted for accruals and deferrals amounted to HUF 59,878 th, HUF 6,139 th (11%) higher than expected.

Higher income was attributable to a HUF 3.6 million return on temporarily available funds and income from primary royalties (4%, contributions, reproduction). The need for a rise in management fees was demonstrated.

The operating expenses amounting to HUF 60,312 th were 2.6% lower than planned. The underlying reason for HUF 1,579 th lower expenses was lower contribution liability and, hence, lower remunerations (HUF 1,192 th). lower recognised material expenses (Sun Palace overheads, company cars, bank charges) counterbalanced those (royalty processing fee, accounting costs, telecommunication fees) that were higher than planned. Reduction amounted to HUF 434 th compared with the plan. Expenses incurred by asset purchases amounted to HUF 170 th. The HUF 655 th items passed on contributions are shown as proof of adherence to the budget.

Operating expenses under the supervisory report amounted to HUF 62,543 th because recognised depreciation charges must be presented in this statement.

Owing to the application of the individual management fee, the HUF 10,820 th health contribution on royalties did not cause a loss because the invoiced revenue covered the payment liabilities.

**Key expense items:** 2020 audit fee                      HUF 450,000  
Transparency audit fee: HUF 340,000

**SZTNH (Hungarian Intellectual Property Office) supervisory fee:**                      Royalties and financial  
income HUF 233,021,347

<i>0.5 % supervisory fee</i>	<i>HUF 1,165,107</i>
Other income	HUF 19,593,185
<i>0.3 % supervisory fee</i>	<i>HUF 58.780</i>
<b>2020 supervisory fee</b>	<b>HUF 1,224,000</b>

## DETAILED DATA INCLUDED IN THE ACCOUNTING REPORT

### 1.1 Changes in the balance sheet data

	HUF 1,000	Previous period	Reporting period	Absolute changes
	<b>ASSETS</b>			
01.	<b>A. Fixed assets</b>	<b>270,824</b>	<b>296,215</b>	<b>2,539</b>
02.	<b>I. Intangible assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
10.	<b>II. Tangible assets</b>	<b>83,530</b>	<b>81,351</b>	<b>-2,179</b>
18.	<b>III. Financial fixed assets</b>	<b>187,294</b>	<b>214,864</b>	<b>27,570</b>
27.	<b>B. Current assets</b>	<b>233,205</b>	<b>233,205</b>	<b>133,570</b>
28.	<b>I. Inventories</b>	<b>59,704</b>	<b>65,471</b>	<b>5,767</b>
35.	<b>II. Receivables</b>	<b>6,868</b>	<b>912</b>	<b>-5,956</b>
43.1	<b>III. Securities</b>	<b>57,434</b>	<b>126,939</b>	<b>69,505</b>
49.	<b>IV. Liquid assets</b>	<b>109,199</b>	<b>14,398</b>	<b>-94,801</b>
52.	<b>C. Prepayments and accrued income</b>	<b>1,304</b>	<b>2,940</b>	<b>1,636</b>
56.	<b>TOTAL ASSETS</b>	<b>505,333</b>	<b>506,875</b>	<b>1,542</b>
	<b>LIABILITIES</b>			
57.	<b>D. Equity</b>	<b>80,123</b>	<b>73,296</b>	<b>- 6,837</b>
58.	<b>I. Subscribed capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
60.	<b>II. Subscribed capital unpaid (-)</b>	<b>0</b>	<b>0</b>	<b>0</b>
61.	<b>III. Changes in capital/profit/loss</b>	<b>85,948</b>	<b>75,633</b>	<b>- 10,315</b>
62.	<b>IV. Retained earnings</b>	<b>0</b>	<b>0</b>	<b>0</b>
6.3	<b>V. Tied-up reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
64.	<b>VI. Valuation reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
67.	<b>VII. Taxed profit/loss</b>	<b>- 5,825</b>	<b>- 2,347</b>	<b>3,478</b>
68.	<b>E. Provisions</b>	<b>0</b>	<b>0</b>	<b>0</b>
72.	<b>F. Liabilities</b>	<b>410,589</b>	<b>426,913</b>	<b>16,324</b>
73.	<b>I. Subordinated liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
77.	<b>II. Long-term liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>
86.	<b>III. Short-term liabilities</b>	<b>410,589</b>	<b>426,913</b>	<b>16,324</b>
98.	<b>G. Accruals and deferred income</b>	<b>14,621</b>	<b>6,676</b>	<b>7,945</b>
102.	<b>TOTAL LIABILITIES</b>	<b>505,333</b>	<b>506,875</b>	<b>1,542</b>

#### ASSETS

The net balance sheet value of the real property purchased in Sun Palace, Óbuda, and renovated was HUF 80,321 th.

The residual value of company cars to be renovated was carried at HUF 629 th. Other assets, furniture, office furniture, fax machines, telephones, laptops, servers and computers are mostly carried at HUF 0.

The year-end net value of the Association's tangible assets was HUF 401 th. A new printer with a copying function had to be purchased this year. A Dell computer purchased in the previous year and a multifunctional HP copying machine are also carried at a value in the books.

The software developed for the royalty system before 2010 is carried at HUF 0. Software updates are warranted by the amount of depreciation charges and an obsolete programming language.

The chart of investment accounts attached shows trends in the purchase of assets.

(See: Annex 2: Assets and depreciation and a table of investments.)

The treasury bills that are, based on the information available as at the balance sheet closing date, unlikely to be redeemed the following year are stated as fixed assets (HUF 215 M). The underlying reason for a balance sheet value higher than the previous year's is that on 31 December, there were no expiring portfolio presented as liquid assets at the end of 2019. Reflecting the date of expiry, securities in the amount of HUF 127 million are stated as current assets. Subject to income, a small portion of this amount can also be used to pay out envisaged royalties. Hopefully, in 2021, too, we will be able to make investments in the open market into high-yield government securities that have been off-limits for organisations including non-profit associations since April 2018. Such could obviate the need for making willy-nilly investments into low-yield discount Treasury bills.

Stock comprises the production cost of the still available copies of the 'HUNGART book series' (HUF 65,471 th).

Accounts receivable is the invoiced amount of the licensing requests granted in December (HUF 381 th).

Other receivables comprise overpayment of Hungarian royalties in the amount of HUF 440 th and over-billed electricity in the amount HUF 91 th.

The closing value of the BB settlement deposit account was HUF 10,779 th. Owing to interest on securities credited in November, the closing balance of the Treasury account was HUF 3,358 th. The closing balance in the amount of HUF 149,181 th of the CIB security collateral account is needed because of bank charges.

The number of cash transactions was reduced to a bare minimum; as a result, the closing balance of the petty cash was HUF 112,580.

The costs and charges are deferred in conformity with the applicable law (insurance covering the following period, GPS fees and program updates). (insurance premium covering the next period, GPS fee, programme updates) Interest earned on securities in the current year represents deferred income.

## **LIABILITIES**

<i>Short-term liabilities details:</i>	<b>HUF 426.913 th</b>
Domestic accounts payable	HUF 0
Self-revision surcharge HUF 2,000	
VAT payable 12th month	HUF 770,000
PIT liability 12th month	HUF 736,000
Royalties and wages, membership fee social contribution 12th month	HUF 1,623 th
Company car tax Q4	HUF 33,000
Social security tax 12th month	HUF 706,000
Royalties in payroll to be repeated	HUF 3,500 th
Taxes allocated, to be allocated	HUF 111,140,000
Pending and payable royalties	HUF 306,794,000
	<b>2020 supervisory fee</b>
	<b>HUF 1,224,000</b>
<i>Items of accruals and deferred income</i>	<b>HUF 261 th</b>
- Sun Palace public utility charges	HUF 23 th
- postal charges December	HUF 26 th
- telephone bill	HUF 36 th
- courier services December	HUF 16 th
- securities account management fee	HUF 35,000
- legal fees December	HUF 675,000
- 2020 audit fee	HUF 450,000

**Deferred income** includes the management fee due on the broadcasting royalties (HUF 3.449 th) received, but not yet allocated, the management fee due on invoiced follow-up royalties (HUF

520 th) and reproduction (HUF 75 th) received in December and reclassifies rights management fees (HUF 1,371 th) stated as long-term liabilities (on the books for over five years) earlier.

## 1.2 Changes in the data of the profit and loss account

	HUF 1,000	Previous period	Reporting period	% of changes
<b>I.</b>	<b>Net sales revenues</b>	<b>218,407</b>	<b>227,380</b>	<b>4.11</b>
	<i>of which, net revenue from management of Hungarian rights</i>	<i>202,121</i>	<i>206,027</i>	<i>1.93</i>
	<i>- revenues received from royalties from abroad</i>	<i>16,286</i>	<i>21,353</i>	<i>31.11</i>
<b>II.</b>	<b>Own performance capitalised</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>III.</b>	<b>Other income</b>	<b>22,793</b>	<b>19,593</b>	<b>-14.04</b>
<b>IV.</b>	<b>Material costs</b>	<b>210,302</b>	<b>213,431</b>	<b>1.49</b>
<b>V.</b>	<b>Staff costs</b>	<b>36,461</b>	<b>39,001</b>	<b>6.97</b>
<b>VI.</b>	<b>Depreciation</b>	<b>2,281</b>	<b>2,350</b>	<b>3.02</b>
<b>VII.</b>	<b>Other charges</b>	<b>34</b>	<b>138</b>	<b>305.88</b>
<b>A.</b>	<b>OPERATING PROFIT/LOSS</b>	<b>- 7,878</b>	<b>- 7,947</b>	<b>-0.88</b>
<b>VIII.</b>	<b>Income from financial operations</b>	<b>2,108</b>	<b>5,642</b>	<b>167.65</b>
<b>IX.</b>	<b>Expenses on financial operations</b>	<b>55</b>	<b>42</b>	<b>-22.82</b>
<b>B.</b>	<b>PROFIT/LOSS ON FINANCIAL TRANSACTIONS</b>	<b>2,053</b>	<b>5,601</b>	<b>172.82</b>
<b>C.</b>	<b>PROFIT BEFORE TAXATION</b>	<b>- 5,825</b>	<b>- 2,347</b>	<b>59.71</b>
<b>X.</b>	<b>Tax expense</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>D.</b>	<b>PROFIT/LOSS AFTER TAXATION</b>	<b>- 5,825</b>	<b>- 2,347</b>	<b>59.71</b>

The assessment of the income from rights management and income statement data presented earlier (page 8–9) reveals that a close to 2% increase in domestic income was attributable to income from secondary royalties (blank data carriers, cable TV, reprography) that counterbalanced decline in income from primary royalties (gallery and broadcasting royalties). As regards royalties from abroad, no large amount ex-post transfers of royalties due on earlier periods were received. The sales calculated is the difference between the management fees of foreign partner organisations and those of HUNGART. (HUF 432 th and HUF 289 th, respectively)

Although, for accounting purposes, income from reprography and blank data carriers should be stated as other income, owing to the calculation of the SZTNH (Hungarian Intellectual Property Office) supervisory fee and report, it should continue to be accounted for as net sales. A similar, though opposite rationale underlies the statement of formerly unrealised archiving management fees (distribution after five years). Amounting to HUF 8,254 th, 7,880 th and 8,699 th respectively over the past three years, they are stated as “Other income”. Other income items are invoiced individual management fees (HUF 14,424 th, HUF 14,633 th and HUF 10,433 th, respectively) counterbalancing social contribution liability on royalties and income from the ad hoc sale of monographs (HUF 1,015 th, HUF 229 th and HUF 451 th, respectively).

Income from financial operations comprises reporting year yields on various Treasury bills in the amount of HUF 5,634 th as opposed to HUF 2,104 th in the previous year. Exchange rate difference was HUF 34 th in losses arising from exchange rate fluctuations. Other expenses – total annual amount of vehicle tax (HUF 132 th)

Compared with the previous years, in line with the new accounting policy, community-purpose sponsorship was stated as mediated services and from the distribution of former contributions the difference in the inventory value of sold monographs was charged to the contribution liabilities. Annex 1 to the profit and loss account presents royalty disbursements. For the sake of transparency, the individual items of royalties are stated in the corresponding lines of the profit and loss account.

**What follows is the presentation of changes in the composition of the key balance sheet items and a few indicators applied by businesses and also interpretable in respect of the activities of the Association.**

### 1.1. Key balance sheet items

Assets (data in %)	Previous period	Reporting period
<b>Fixed assets</b>	<b>53.59</b>	<b>58.44</b>
Intangible assets	0.00	0.00
Tangible assets	16.53	16.05
Fixed financial assets	37.06	42.39
<b>Current assets</b>	<b>46.15</b>	<b>40.98</b>
Inventories	11.81	12.92
Receivables	1.36	0.18
Securities	11.37	25.04
Liquid assets	21.61	2.84
<b>Prepayments and accrued income</b>	<b>0.26</b>	<b>0.58</b>
<b>TOTAL ASSETS</b>	<b>100.00</b>	<b>100.00</b>

Liabilities (data in %)	Previous period	Reporting period
<b>Equity</b>	<b>15.86</b>	<b>14.46</b>
Subscribed capital	0.00	0.00
Subscribed capital unpaid	0.00	0.00
Capital reserves/from changes in capital profit/loss	17.01	14.92
Retained earnings	0.00	0.00
Tied-up reserves	0.00	0.00
Valuation reserve	0.00	0.00
Taxed profit	- 1.15	- 0.46
<b>Provisions</b>	<b>0.00</b>	<b>0.00</b>
<b>Liabilities</b>	<b>81.25</b>	<b>84.22</b>
Subordinated liabilities	0.00	0.00
Long-term liabilities	0.00	0.00
Current liabilities	81.25	84.22
- Of which, royalty liability	(58.61)	(60.53)
- Of which, tax liability	(20.78)	(21.93)
<b>Accruals and deferred income</b>	<b>2.89</b>	<b>1.32</b>

Liabilities (data in %)	Previous period	Reporting period
<b>TOTAL LIABILITIES</b>	<b>100.00</b>	<b>100.00</b>

On the asset side of the balance sheet financial investments, inventories and shares increased in absolute terms. The proportion of liquid assets changed in favour of securities.

On the liabilities side, (approx. 2–3%) changes in equity and changes in current liabilities experienced were each other's opposite. Consequently, the liabilities were restructured for former years.

Based on the inventory, the production value of the monographs funded from contributions is shown as inventories; changes in the inventory were only charged to liabilities after 2014.

In the accruals and deferred income the decreasing archiving management fee causes changes.

## 1.2. Equity position

### Usability of fixed tangible assets

The net value (i.e. the usability) of tangible accounted for 75.7% of their gross value in the previous year and for 73.7% in the reporting year.

The net value ratio of office machinery and equipment is practically '0' (zero). The residual amount of a 10-year old vehicle and the assets purchased in the past two years are stated at their net value.

### Coverage of financial investments

Internal funds exceeding equity covered the closing balance of fixed assets: 36.86% in the previous year and 42.16% in the reporting year.

Securities states as assets (fixed and current assets in the balance sheet) provide full coverage for recognised royalty liability. In light of the items to be distributed and not yet utilised, the asset side of contribution liability constitutes, in part, inventories.

### Capitalisation

The share of the equity of HUNGART VAACMR ASSOCIATION in the total liabilities was 15.86% in the previous year and 14.46% in the reporting year. Reduction was attributable to the recognition of losses and asset side settlements.

### Debt/Leverage ratio

Current liabilities accounted for 512.45% of equity in the previous year and 582.53% in the reporting year.

Of current liabilities, relative to the amount of the total liabilities, royalty liability stood at 58.61% and 60.53% respectively, and contribution liability at 20.79% and 21.91 respectively.

## 1.3. Liquidity and solvency

### Acid test ratio

Acid test ratio reflecting short-term liquidity (the ratio of the combined value of receivables, securities and cash to current liabilities) was 0.42 in the previous year and 0.33 in the reporting year.

### Ratio of liquid assets

The share of the assets affecting short-term liquidity in total assets was 34.3% in the previous year and 28.1% in the reporting year.

### Long-term liquidity

The long-term liquidity ratio (the current assets to liabilities ratio) was 0.57% in the previous year and 0.49% in the reporting year.

### Liabilities and liquid assets

As at the balance sheet date, liquid assets (receivables, securities and cash) covered 33% of all liabilities. With liquid fixed financial assets taken into account, the ratio is 86.763%, which is an acceptable indicator.



## 1.4. Profitability

### Revenues

The Association's total income for the entire calendar year grew from HUF 243,308,000 in the previous year to HUF 252,6158,000 in the reporting year. Income rose by HUF 8,973 (4.1%).

### Taxed profit

The reporting year's accounting profit/loss (loss in the amount of HUF -2,347 th) was HUF 3,589 lower than the previous year's (HUF -5,825 th).

## 1.5. Cash-flow

	Designation (HUF 1,000)	Previous year	Reporting year
<b>I.</b>	<b>Changes in liquid assets from ordinary operation (Operating cash flow, Rows 1-13)</b>	<b>-77,992</b>	<b>-62,570</b>
1	Profit before tax (+/-)	- 5,825	- 2,347
2	Amortisation recognised (+)	2,281	2,350
X	Recognised impairment and reversals (+/-)	0	0
4	Provisions generated and released (+/-)	0	0
5	Gains/Losses on the sale of fixed assets (+/-)	0	0
6	Changes in accounts payable (+/-)	291	-1,464
7	Changes in other current liabilities (+/-)	-7,382	17,788
8	Changes in accruals and deferred income (+/-)	1,743	-7,945
9	Changes in accounts receivable (+/-)	-4,350	5,922
10	Changes in current assets (less accounts receivable and liquid assets) (+/-)	- 66,585	- 75,238
11	Changes in prepayments and accrued income (+/-)	1,835	-1,636
12	Taxes paid or payable (on profits) (-)	0	0
13	Dividends/profit-sharing paid or payable (-)	0	0
<b>II.</b>	<b>Changes in investment cash flow (Cash flow from investments, Rows 14-16)</b>	<b>149,883</b>	<b>-27,741</b>
14	Fixed asset acquisition (-)	0	27,741
15	Disposal of fixed assets (+)	149,883	0
16	Dividends/profit-sharing received (+)	0	0
<b>III.</b>	<b>Changes in cash flow from financial transactions (Financing cash flow, Rows 17-27)</b>	<b>- 9,256</b>	<b>- 4,490</b>
17	Income from the issue of shares and investments (+)	0	0
18	Income from the issue of bonds and debt securities (+)	0	0
19	Borrowings of credit and loans (+)	0	0
20	Repayment, termination or redemption of long-term loans and bank deposits +	0	0
21	Liquid assets received permanently (+)	0	0
22	Withdrawal of shares and capital (capital and fund restatements) (-)	-9,256	-4,490
23	Repayment of bonds and debt securities (-)	0	0
24	Credit and loan amortisation and repayment (-)	0	0
25	Long-term loans granted and long-term bank deposits made (-)	0	0

	Designation (HUF 1,000)	Previous year	Reporting year
26	Liquid assets transferred free of charge (-)	0	0
27	Changes in payables to founders and in other long-term liabilities (+-)	0	0
<b>IV.</b>	<b>Changes in liquid assets (Rows I+II+III)</b>	<b>62,635</b>	<b>-94,801</b>

When assessing changes in liquid assets, it is important that the Association's business consideration, namely that temporarily available liquid assets are invested into income generating securities must be taken into due account. Data in Line IV must be assessed accordingly.

Budapest, 22 May 2020  
Compiled: Ferenc Holocsi

## 2020 Operating budget of HUNGART Visual Artists' Association for the Collective Management of Rights

Income (HUF thousand) 2020 plan/2020 fact		Royalty items (net)
12,000	21,353	Royalties received from abroad in foreign currencies / assigned income
50,000	53,218	Income from 4% royalty
20,000	23,197	Income from 4% royalty/community purposes
12,000	16,219	Reproduction royalty/licensing
19,500	17,979	TV broadcasting royalty/assigned income
27,762	27,762	Reprography association/reprography royalty
36,688	36,688	Artisjus /blank data carrier
30,959	30,959	Artisjus /cable TV royalty
700	462	Other income/Sale of monographs
50	4	Late payment penalty on royalties, cost reimbursement
2,000	5,642	Interest on securities and bank deposits (INCOME FROM FINANCIAL OPERATIONS)
14,000	10,433	Invoiced net individual management fees
8,699	8,699	Prepayments and deferrals and management fee of redistribution
<b>2345358</b>	<b>252,615</b>	<b>Total</b>

Available for covering costs 2020 plan/ Prepaid/2020 fact			Royalty management fee
500	0	289	Foreign partner organisations (management fee % difference)
11,146	38	13,154	Follow-up royalty (4%) received 22; 25%
4,916	0	5,582	Contribution (4%) received/22; 25%
2,850	2	3,938	Reproduction (licensing) fee received/22, 25%
4,750	-390	3,985	TV broadcasting fees /22; 25%
5,275	0	5,275	Reprography fee due on 2019/19%
6,971	0	6,971	ArtisJus (blank data carriers 2019)/19%
5,882	0	5,882	ArtisJus (cable TV 2019)/19%
8,699	0	8,699	Deferred (Prepaid) /Archiving management fee
750	0	462	Other income (Costs, monographs)
2,000	0	5,641	Recognised interest (income from securities and financial operations)
<b>53,739</b>	<b>180</b>	<b>59,878</b>	<b>Total</b>

Expenses January–December 2020/net costs <b>PERSONNEL COSTS</b>	<b>Expenses (HUF th) 2020 plan/2020 fact</b>	
Wage costs (2 full time and 2 part-time (6 hours) employees)	18,900	18,752
Employment under what is called the simplified employment scheme plus taxes	417	417
Remuneration/chair, deputy chair, supervisory board chair	6,454	5,738
Tax on staff emoluments 15.5% (in H1: 17.5%)	4,139	3,630
Secondment (Berlin CISAC)	0	0
Entertainment	35	13
Tax on telephone communication	25	28
<b>A/Total personnel costs</b>	<b>29,770</b>	<b>28,578</b>
Expenses January–December 2020/net costs <b>MATERIAL EXPENSES</b>	<b>Expenses (HUF th) 2020 plan/2020 fact</b>	
Sun Palace overheads (heating, electricity, water, common costs)	1,050	740
Office and maintenance supply	400	479
Company car (fuel, repairs and maintenance, insurance)	1,100	958
Postal charges	960	795
Telephone, Internet	650	715
Courier services, taxi fares	60	71
Lease fees (rent) (office, post office box, general meetings)	1,200	1,202
Machinery and other repairs and maintenance	125	43
Advertising, marketing and market research	200	30
Website + domain name, programme updates, interface	160	211
Translation	150	164
Membership fees (MIE, GESAC, SUIISA, EVA, Jogdíj Szöv.)	2,000	1,953
Accounting and audit	6,500	6,630
IT surveillance, software maintenance	2,300	2,298
Legal representation	7,960	8,100
Royalty processing fee	3,250	3,902
Security management fee	180	196
Bank charges	2,500	1,798
Duties and authority fees, forced collection	30	8
Exchange rate losses, late payment penalty interest	50	47
<i>SZTNH (Hungarian Intellectual Property Office) supervisory fee</i>	<i>1,115</i>	<i>1,224</i>
<b>B/Total material costs</b>	<b>31,940</b>	<b>31,564</b>
<b>A+B TOTAL OPERATING EXPENSES</b>	<b>61,710</b>	<b>60,142</b>
IT development - programmes	0	0
Purchase of assets, low-value assets	190	170
Sun Palace technical and asset upgrades	0	0
<b>C/Development costs</b>	<b>190</b>	<b>170</b>
<b>D/TOTAL EXPENSES /A+B+C/</b>	<b>61,900</b>	<b>60,312</b>
<b>E/INCOME COVERING EXPENSES</b>	<b>53,739</b>	<b>59,878</b>
<b>PROFIT/LOSS (E-D)</b>	<b>- 8,161</b>	<b>-434</b>

<i>Adjustments linked to book publishing</i>	<i>8,161</i>	<i>655</i>
<b><i>ADJUSTED OPERATING PROFIT/LOSS</i></b>	<b><i>0</i></b>	<b><i>221</i></b>
<i>EXPENSES recovered in income</i>		
<i>Royalty 19.5;17.5 % Social contribution = Individual costs</i>	<i>14,000</i>	<i>10,433</i>

Monthly average of costs: HUF 5,012 th; cost-to-total income: 23.81%

Compiled by Ferenc Holocsi

22 May 2021

### **BASIC TASKS**

Royalty paid to private individual right holders:	HUF 97,355 th
Royalty to private individual right holders obliged to issue invoices	HUF 16,564 th
Hungarian organisations/right holders/royalty:	HUF 14,459 th
FOREIGN PARTNER ORGANISATIONS	HUF 12,870 th
<b>TOTAL:</b>	<b>HUF 141,248 th</b>

SPONSORSHIP FOR ARTS ORGANISATIONS HUF 1,873 th covered by 4% contribution /based on decision dated 2 July 2020 (three organisations HUF 400 th/organisation + MAOE HUF 673 th)

20% of ARCHIVING HUF 3,056 th MAOE + three organisations HUF 900 th each

***HUF 11,829 th was allocated to the publication of three new monographs and the related book presentations as well as the reprinting of books in 2020.***

(decision dated 2 July 2020)

2020 allocation: HUF 10,098 th for three new monographs;

Summary catalogue covered by funds unused in earlier years: HUF 2,198 th in costs

Contributions must be used to cover both the direct costs of book publishing and those of the items linked to book publishing (decision dated 12 March 2019).

***Planned amount of related costs: HUF 8,161 th.***

***Actual amount of passed-on costs: HUF 655 th (see the annex)***

*In keeping with the sponsorship policy, there was no distribution for cultural purposes; however, HUF 4,339,471 due on 2016 had to be transferred to NCF. This will mean at least HUF 25 to 30 million in payables in the future.*

*Archiving and other organisational sponsorship for cultural purposes: HUF 5,756 th.*

### ***Expenses for social purposes based on the sponsorship policy (transfer to MAOE):***

10 % of contribution for over 70 years	HUF 2,430,366
Cable TV 5 %	HUF 1,253,830
Empty data carriers 5 %	HUF 1,485,876
Reprography 5 %	HUF 1,124,355
Archiving 5 %	HUF 1,439,094
<b>TOTAL SOCIAL PURPOSE</b>	<b>HUF 7,733,520</b>

### **LIABILITIES; assets**

***Bank account, petty cash***

***HUF 14,398 th***

***End-of-year portfolio of securities***

***HUF 340,803 th***

Expected amount of interest in 2021: approx.

HUF 12 million

*Accounts receivable*  
*ELMÜ overpayment in 2020*  
*Claims from erroneous payroll accounting*

*HUF 341 th*  
*HUF 92 th*  
*HUF 439 th*

#### **LIABILITIES**

**Accounts payable**  
**Royalties recognised and re-transferred in 2021**  
**Taxes, contributions 12th month**  
**Prepaid expenses for the reporting year**

**HUF 0**  
**HUF 3,500 th**  
**HUF 4,255 th**  
**HUF 1,261**

*SZTNH (Hungarian Intellectual Property Office) supervisory fee due on total income: HUF 1,224 th*  
**Regular monthly costs: HUF 5,012 th**

### ***STATEMENT OF COSTS RELATED TO BOOK PUBLISHING IN 2020***

***Planned operating loss (HUF 8,161 th) charged to contribution available for distribution***

***Based on the decision of the management committee of 12 March 2019, in order for the budget to be balanced, items linked to book publishing to be charged and actually charged to contributions received in 2019:***

	HUF th			HUF		HUF
<b><i>EXPENSE ITEM</i></b>	<b>2020 PLAN</b>	<b>% share</b>	<b>4% recognised as contribution PLAN</b>	<b>2020 costs</b>	<b>% share</b>	<b>Costs as per % share</b>
Sun Palace wage	2,199	90%	1,979,346	2,199,262	0%	0
Sun Palace taxes	354	90%	318,738	354,152	0%	0
Sun Palace contract/Simplified	417	90%	375,660	417,400	20 %	83,480
Work performed by staff at the office in Falk Miksa Street in connection with books	690	100 %	690,454	0	0%	0
Remuneration due to chairperson	6,254	40%	2,501,410	5,738,526	10%	286,926
Tax on remuneration	1,033	40%	413,133	547,183	10%	27,359
Sun Palace overheads	1,050	75%	787,500	733,704	10%	73,370
Sun Palace telephones	360	75%	270,000	353,899	25 %	88,475
Company cars	1,100	75%	825,000	958,308	10%	95,830
Sun Palace technical upgrades	0	100 %	0	0	100%	0
Sun Palace facility operation costs	0	100 %	0	0	100%	0
<b>TOTAL:</b>	<b>13,040</b>		<b>8,161,241</b>	<b>10,948,535</b>		<b>655,440</b>

#### **BRIEF SUMMARY**

Both personnel costs and material expenses were lower than the planned budget in 2020 (HUF 1,192 th and HUF 376 th, respectively). As regards personnel costs, reduction was attributable to a 2% decrease in healthcare contribution liability and a change in the accounting rules of procedure. This had an impact on remuneration because it was determined as a net amount.

As regards material expenses a higher amount of the 4% royalty processing fee was attributable to a revenue from the galleries that was higher than planned and higher compared with earlier years' revenues. Expenses were in line with the corresponding plan, with differences well within the HUF 100–200,000 margin of error. Bank costs fell significantly despite the fact that bank transfers to right holders were hardly different from those in 2019.

Against a background of lower expenses, realised income exceeded the plan by HUF 6 million. The higher amount of the 4% gallery revenue (+ HUF 6 million) and HUF 3,6 million in return on securities provided counterbalanced a lower broadcasting royalty income (a HUF 1.5 million shortfall compared with the plan).

A lower amount of the planned passed-on costs related to book publishing was attributable fundamentally to the situation (the home office scheme) brought about by the COVID 19 epidemic.

***Presentation of HUNGART costs stated in the 5th class of accounts***

FKV	NAME OF BOOK ENTRY	Amount (HUF thousand)		
		Year 2018	Year 2019	Year 2019
5,110	Fuel	210	45	68
5,111	Energy costs (electricity, gas, heating)	618	126	184
5112	Common costs (Sun Palace)	454	118	482
5,113	Materials needed for repairs and maintenance (e.g. vehicles)	93	101	244
5,114	Office supplies and stationery	370	333	460
520	Postal charges (notification of right holders)	1,385	1,406	795
5200	Telephone, Internet	635	364	627
521	Transport (e.g courier services)	70	47	114
522	Lease fees	1,212	1,216	1,202
523	Cost of maintenance and repairs	130	86	200
524	Advertising and market research	191	196	30
526	Travel and secondment costs	369	140	0
527	Accounting services	5 900 (700)	6 340	6 630
	- of which audit fees		(780)	(790)
528	Membership fees (CISAC, GESAC, EVA, SUIA)	1,775	1,982	1,953
5,293	Legal fees, litigation	7,680	7,960	8,100
5,293	Data processing/4–5% royalty	4,406	4,004	3,901
5,297	IT surveillance, software maintenance	2,331	2,305	2,421
5,299	Other services purchased	218	312	252
	Translation, programme updates			
531	Duties and forced collection fees	32	5	8
532	Securities management fee	181	165	196
535	Insurance premiums	189	59	237
535	SZTNH (Hungarian Intellectual Property Office) supervisory fee	1,392	1,171	1,224
535	Bank charges	1,896	2,414	1,798
541	Wage costs, sick leave	14,206	14,062	18,752
543	Contractor fees	0	17	300
555	Remuneration	5,408	4,006	5,452
5,590	Telephone bills PIT	12	10	13
5591	Telephone bills Social contribution Health care contribution	15	12	15
558	Entertainment	140	54	13
560	Social contribution tax / sick pay 1/3	3,717	3,528	3,637
571	Depreciation charge	2,454	2,281	2,350

572	Small amount depreciation charge	77	0	0
<b>GRAND TOTAL</b>		<b>57,690</b>	<b>54,816</b>	<b>61,645</b>





## Annex 2

HUNGART Visual Artists' Association for the Collective Management of Rights							
1055 Budapest, Falk Miksa utca 30.							
DEPRECIATION 2020 ANNUAL AGGREGATE							
Purchases of assets		Gross value	Depreciation %	Depreciation under the Tax Act	Depreciation under the Accounting Act	Total depreciation	Net value
Intangible assets							
Royalty development	1 August 2006	835,000	20.00	0	0	835,000	0
Website upgrades/updates 2008	3 May 2005	753,000	20.00	0	0	753,000	0
Billing software	13 June 2005	150,000	20.00	0	0	150,000	0
Repro programme	02 August 2005	510,000	20.00	0	0	510,000	0
Blank cassette programme	29 May 2006	100,000	20.00	0	0	100,000	0
ABEV-e programme	29 May 2006	200,000	20.00	0	0	200,000	0
Right holder name programme	29 May 2006	60,000	20.00	0	0	60,000	0
Leopárd server programme	30 June 2009	293,500	20.00	0	0	293,500	0
HUNGART.org website	1 December 2009	2,100,000	20.00	0	0	2,100,000	0
Banking software	15 June 2012	400,000	20.00	0	0	400,000	0
Archiving software	1 November 2012	1,100,000	20.00	0	0	1,100,000	0
CISAC data reporting	1 November 2012	500,000	20.00	0	0	500,000	0
Increase of reprography capacity	1 November 2012	240,000	20.00	0	0	240,000	0
Fancy dress programme	5 August 2013	160,000	20.00	0	0	160,000	0
Total		7,401,500		0	0	7,401,500	0
Real property (123,124)							
Sun Palace renovation 07 03	1 June 2009	104,949,937	2.00	2,098,998	2,098,998	27,599,083	77,350,854
Sun Palace garage	23 March 2007	2,500,000	2.00	50,000	50,000	638,630	1,811,370
Sun Palace storage	29 April 2007	1,595,000	2.00	31,900	31,900	436,112	1,158,888
Total		109,044,937		2,180,899	2,180,898	28,723,825	80,321,112
BMW (10%)	20 July 2007	6,291,182	20.00	0	0	5,662,064	629,118
Machinery and equipment (143)							
GPS	17 July 2007	233,880	14.50	0	0	233,880	0
BONECO humidifier	13 March 2009	127,050	14.50	0	0	127,050	0
Kitchenette	31 March 2009	462,000	14.50	0	0	462,000	0
W-DECO furniture	31 March 2009	13,353,600	14.50	0	0	13,353,600	0
Witmann furniture	30 April 2009	1,352,680	14.50	0	0	1,352,680	0
Samsung multifunctional	1 June 2009	341,833	33.00	0	0	341,833	0
CANON video recorder	1 June 2009	249,917	14.50	0	0	249,917	0
NIKON digital camera	1 June 2009	294,500	14.50	0	0	294,500	0
Philips TV	1 June 2009	333,333	14.50	0	0	333,333	0
iMac machines	1 June 2009	1,673,275	33.00	0	0	1,673,275	0
HUNGART billboard	10 July 2009	134,000	14.50	0	0	134,000	0
HUNGART molino	1 September 2009	1,360,000	14.50	0	0	1,360,000	0
DELL server	24 September 2014	568,600	33.00	0	0	568,600	0
MacBook pro "15	19 November 2014	350,000	33.00	0	0	350,000	0
Epson printer	11 June 2015	119,500	33.00	0	0	119,500	0
iPhone 6s plus	7 April 2016	149,134	33.00	0	0	149,134	0
DELL network/FALK	14 April 2016	565,000	33.00	0	0	565,000	0
DELL Optiplex	18 September 2019	276,000	33.00	91,080	91,080	117,280	158,720
HP Color Laserjet	23 September 2019	164,490	33.00	54,280	54,280	69,190	95,300

EPSON/A4 Rips printer	31 July 2020	169,900	33.00	23,500	23,500	23,500	146,400
<b>Total</b>		<b>22,278,692</b>		<b>168,860</b>	<b>168,860</b>	<b>21,878,272</b>	<b>400,420</b>
<b>GRAND TOTAL</b>		<b>145,016,311</b>		<b>2,349,758</b>	<b>2,349,758</b>	<b>63,665,661</b>	<b>81,350,650</b>
HUNGART Visual Artists' Association for the Collective Management of Rights							
1055 Budapest, Falk Miksa utca 30.							
<b>LOW VALUE ASSETS 2016</b>				<b>LOW VALUE ASSETS 2018</b>			
Adaptor	20 January 2016	20,000		Western H	09 July 2018	25,000	
Tables, chairs	15 December 2016	135,250		Back-ups	2 August 2018	32,000	
		155,250		Kyocera printer	19 December 2018	20,000	
						77,000	
<b>LOW VALUE ASSETS 2015</b>				<b>LOW VALUE ASSETS 2019</b>			
HDD	20 February 2015	17,000		Apple TV	23 September 2019	70,500	
Laptop batteries	19 February 2015	27,350					
Hand-held calculator	31 May 2015	4,899					
		49,249					
<b>LOW VALUE ASSETS 2014</b>				<b>LOW VALUE ASSETS 2017</b>			
Számla Kompakt 2015	18 December 2014	6,000					
Easus Backup	08 November 2014	49,160					
		<b>127,320</b>					
<b>LOW VALUE ASSETS 2010</b>				<b>LOW VALUE ASSETS 2016</b>			
2 APC uninterrupted	20 April 2010	45,810					
		<b>45,810</b>					
<b>LOW VALUE ASSETS 2011</b>				<b>LOW VALUE ASSETS 2013</b>			
DAHLE shredder	2 February 2011	18,848		Obsolete software			
2 swivel chairs	2 August 2011	95,108		TV royalty p	1 December 2003	200,000	
Spektra lamp	11 November 2011	6,698		Első WEB	1 October 2004	504,000	
				SQL programme	18 October 2004	156,000	
						<b>860,000</b>	
<b>LOW VALUE ASSETS 2012</b>				<b>LOW VALUE ASSETS 2015</b>			
Pulleys	16 May 2012	4,961					
Airport Extreme Base St.	5 June 2012	45,000					
Samsung CLT-R409	1 June 2012	29,004					
IKEA table	15 June 2012	8,346					
		<b>87,311</b>					

**ASSETS STATED AT HUF 0**

KX-FM fax	12 March 2001	79,992
MIELE	14 January 2010	43,992
Shrubbery	30 August 2010	45,600

**169,584**



# HUNGART Visual Artists' Association for the Collective Management of Rights

## Chart of investments

### *Gross value of tangible and intangible assets by balance sheet item*

Gross value					
Balance sheet entry (HUF 1,000)	Opening	Increase	Decrease	Reclassification	Closing
Intellectual property	7,402	0	0	0	7,402
<b>Total intangible assets</b>	<b>7,402</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,402</b>
Land and buildings and related rights and titles	109,045	0	0	0	109,045
Other equipment, accessories and vehicles	28,400	170	0	0	28,570
<b>Total tangible assets</b>	<b>137,445</b>	<b>170</b>	<b>0</b>	<b>0</b>	<b>137,615</b>

### *Accumulated depreciation of tangible and intangible assets by balance sheet item*

Accumulated depreciation					
Balance sheet entry (HUF 1,000)	Opening	Increase	Decrease	Reclassification	Closing
Intellectual property	7,402	0	0	0	7,402
<b>Total intangible assets</b>	<b>7,402</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,402</b>
Real estate and rights	26,543	2,181	0	0	28,724
Other equipment, accessories and vehicles	27,371	169	0	0	27,540
Investments, renovation	0	0	0	0	0
<b>Total tangible assets</b>	<b>53,914</b>	<b>2,350</b>	<b>0</b>	<b>0</b>	<b>56,264</b>

### *Reporting year's depreciation charge by balance sheet item*

Reporting year's depreciation					
Balance sheet entry (HUF 1,000)	Straight line	Degressive	Performance ratio	Other	Total
Intellectual property	0	0	0	0	0
<b>Total intangible assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Land and buildings and related rights and titles	2,181	0	0	0	2,181
Other equipment, accessories and vehicles	169	0	0	0	169
<b>Total tangible assets</b>	<b>2,350</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,350</b>

## Annex 3

***HUNGART Visual Artists' Association for the Collective Management of Rights Year 2019****INDICATORS based on Act CLXXV of 2011 (the Civil Organisations Act)*

<b>Remuneration of executive officers (HUF thousand)</b>		
Position	Previous year /2019/ (1)	Reporting year/2020 (2)
Chair, deputy chair, supervisory board chair	4,006	5,738
Taxes on remuneration to executive officers	741	547
A. Total remuneration of executive officers	4,747	6,285
<b>Indicators substantiating public benefit status (HUF thousand)</b>		
	Previous year (1)	Reporting year (2)
B Total annual income	243,308	252,615
Of which:		
C. Amount transferred on the basis of Act CXXX of 1996 on the Use of a Specified Amount of Personal Income Tax	0	0
D. Income from public services	0	0
E. Statutory support	0	0
F. Support from the structural funds of the European Union and the Cohesion Fund	0	0
G. Adjusted income (B-C-D-E-F)	243,308	252,615
H. Total expenses (costs)	249,134	254,962
I. Of which staff emoluments	36,461	39,001
J. Expenses on public benefit activities	249,134	254,962
K. Profit/Loss after tax	- 5,825	- 2,347
L. Number of persons carrying out voluntary public benefit activities in the organisation (in accordance with Act LXXXVIII of 2005)	0	0

<b><i>Staffing level indicators</i></b>	Indicator	Indicator delivered
Section 32(4)a) of the Ectv. $[(B1+B2)/2 > \text{HUF } 1,000,000]$	247,962	YES
Section 32(4)b) of the Ectv. $[K1+K2 \geq 0]$	0.00	No
Section 32(4)c) of the Ectv. $[(I1+I2-A1-A2)/(H1+H2) \geq 0,25]$	0.15	No
<b><i>Social support indicators</i></b>		
Section 32(5)a) of the Ectv. $[(C1+C2)/(G1+G2) \geq 0,02]$	0.00	No
Section 32(5)b) of the Ectv. $[(J1+J2)/(H1+H2) \geq 0,5]$	1.00	YES
Section 32(5)c) of the Ectv. $[(L1+L2)/2 \geq 10 \text{ persons}]$	0	No

Data in the table reveal that in 2019 and 2020 HUNGART Visual Artists' Association for the Collective Management of Rights had resources (Section 32(4) of the Civil Organisation Act) and social support (Section 32(5) of the Civil Organisation Act) that meet the public benefit criteria despite its not having a public benefit status.

