

Be-Atzmi (RA)
Financial Statements
As At December 31, 2016

Financial Statements as at December 31, 2016

Contents

	<u>Page</u>
Auditors' Report	2
Balance Sheets	3
Statements of Activities	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to the Financial Statements	8-14

**Auditors' Report to the Board of Directors of
Be-Atzmi (RA)**

We have audited the accompanying balance sheets of Be-Atzmi (RA) (hereinafter – “the Organization”) as at December 31, 2016 and 2015, and the related statements of activities, statement of changes in net assets and statements of cash flows for each of the years ended on such dates. These financial statements are the responsibility of the Organization’s Board and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board and Management of the Organization, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

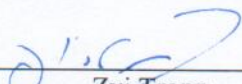
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as at December 31, 2016 and 2015 and the results of its activities, changes in net assets and its cash flows for each of the years ended on such dates, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

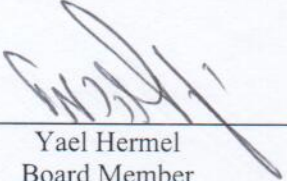
Somekh Chaikin
Certified Public Accountants (Isr.)

July 2, 2017

Balance Sheets as at December 31

	Note	2016 NIS	2015 NIS
Current assets			
Cash and cash equivalents		6,941,419	4,338,251
Marketable securities		9,114,037	9,085,762
Other receivables	3	2,504,576	4,823,614
Total current assets		18,560,032	18,247,627
Fixed and other assets, net	4	427,361	253,889
Total assets		18,987,393	18,501,516
Current liabilities			
Checks payable		124,443	452,219
Trade payables		1,512,229	2,269,239
Other payables	5	2,856,798	2,763,287
Total current liabilities		4,493,470	5,484,745
Long-term liabilities			
Liability for employee severance benefits, net	6	79,783	38,780
Total liabilities		4,573,253	5,523,525
Net assets not subject to restriction			
Designated		4,900,317	6,000,000
Undesignated		8,270,268	5,992,536
Applied to fixed assets		427,361	253,889
		13,597,946	12,246,425
Net assets subject to restriction			
Net assets subject to temporary restriction		816,194	731,566
Total net assets		14,414,140	12,977,991
Total liabilities and net assets		18,987,393	18,501,516


Zvi Tropp
Deputy Chairman of the Board


Yael Hermel
Board Member


Zvika Goldberg
CEO

Date of approval of the financial statements: June 29, 2017

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

Statements of Activities for the Year Ended December 31

	<u>Note</u>	<u>2016</u> <u>NIS</u>	<u>2015</u> <u>NIS</u>
Revenue from activities	7	28,958,565	37,201,479
Cost of activities	8	24,953,896	30,635,899
Net revenue from activities		4,004,669	6,565,590
General and administrative expenses	9	1,562,245	1,508,835
Net income before financing		2,442,424	5,056,755
Financing income (expenses), net		8,780	(45,393)
Net income for the year		2,451,204	5,011,362

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

Statements of Changes in Net Assets

	Net assets not subject to restriction			Net assets subject to temporary restriction	Total
	Not designated by management	Designated by management	Applied to fixed assets		
	NIS	NIS	NIS		
Balance as at January 1, 2015	7,015,312	-	219,751	55,630	7,290,693
Net income for the year	5,011,362	-	-	-	5,011,362
Donations	-	-	-	4,484,552	4,484,552
Amounts transferred for the purchase of fixed assets	(125,273)	-	125,273	-	-
Amounts transferred to cover depreciation expenses	91,135	-	(91,135)	-	-
Amounts released from restriction	-	-	-	(3,808,606)	(3,808,616)
Amounts designated by management*	(6,000,000)	6,000,000	-	-	-
Balance as at December 31, 2015	5,992,536	6,000,000	253,889	731,566	12,977,881
Net income for the year	2,451,204	-	-	-	2,451,204
Donations	-	-	-	3,351,287	3,351,287
Amounts transferred for the purchase of fixed assets	(261,926)	-	261,926	-	-
Amounts transferred to cover depreciation expenses	88,454	-	(88,454)	-	-
Amounts released from restriction	-	-	-	(3,266,659)	(3,266,659)
Amounts designated by management in prior periods that their designation was cancelled	1,099,683	(1,099,683)	-	-	-
Amounts received and released to net unrestricted assets	(1,099,683)	-	-	-	(1,099,683)
Balance as at December 31, 2016	8,270,268	4,900,317	427,361	816,194	14,414,140

* See Appendix B to the statement of cash flows.

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

Statements of Cash Flows for the Year Ended December 31

	<u>2016</u>	<u>2015</u>
	<u>NIS</u>	<u>NIS</u>
Cash flows from operating activities		
Net income for the year	2,451,204	5,011,362
Adjustments to reconcile net income to net cash from operating activities – Appendix A	<u>357,538</u>	<u>(1,726,141)</u>
Net cash from operating activities	<u>2,808,742</u>	<u>3,285,221</u>
Cash flows from investing activities		
Change in marketable securities, net	(28,276)	(5,498,023)
Purchase of fixed assets	<u>(261,926)</u>	<u>(125,273)</u>
Net cash used in investing activities	<u>(290,202)</u>	<u>(5,623,296)</u>
Cash flows from financing activities		
Increase in donations subject to temporary restriction	<u>84,628</u>	<u>675,936</u>
Net cash from financing activities	<u>84,628</u>	<u>675,936</u>
Increase (decrease) in cash and cash equivalents	2,603,168	(1,662,139)
Cash and cash equivalents at the beginning of the year	<u>4,338,251</u>	<u>6,000,392</u>
Cash and cash equivalents at the end of the year	<u>6,941,419</u>	<u>4,338,253</u>

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

Statements of Cash Flows for the Year Ended December 31

	<u>2016</u>	<u>2015</u>
	<u>NIS</u>	<u>NIS</u>
Appendix A - Adjustments to reconcile net income to net cash from operating activities		
<u>Income and expenses not involving cash flows:</u>		
Depreciation	88,454	91,135
Amounts transferred to cover expenses designated by management (see Appendix B)	(1,099,683)	-
<u>Changes in asset and liability items:</u>		
(Increase) decrease in other receivables	2,319,039	(1,573,703)
Increase (decrease) in trade payables	(757,010)	76,667
Increase (decrease) in checks payable	(327,776)	107,299
Increase (decrease) in other payables	93,511	(427,539)
Increase in severance pay	41,003	-
	<u>357,538</u>	<u>(1,726,141)</u>

Appendix B – Non-cash activity

In the minutes of the Board meeting from December 29, 2015, the Board approved using excess income of NIS 6 million over a three-year period. The amount is based on retained earnings less a safety cushion. NIS 1.01 million of the designated amount was used in 2016.

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

Notes to the Financial Statements as at December 31, 2016

Note 1 - General

- A. Be-Atzmi (hereinafter – the Organization) was founded and registered with the Registrar of Associations on July 4, 1995 in accordance with the Associations Law – 1980.
- B. The Organization was recognized by the Income Tax Authority as a public institution for purposes of donations according to Section 46 of the Income Tax Ordinance, effective as from January 1, 2013. The approval is in effect until December 31, 2018.
- C. The objectives of the Organization are as follows:
To give disadvantaged populations tools, knowledge, support and assistance in their transition from being supported and dependent people to being creative and active people who are involved in the society in general and in the work market in particular, by means of unique training and development models.

Note 2 - Significant Accounting Policies

- A. These financial statements have been prepared in accordance with Opinion 69 of the Institute of Certified Public Accountants in Israel and Accounting Standard No. 5 of the Israel Accounting Standards Board.

According to the guidance in the opinion, the net assets were classified as follows:

Net assets subject to temporary restriction

The use of the donations is subject to conditions of the donors. When the amounts are used for their designated purposes, they are released and presented in the statement of activities.

Accordingly, special grants that were received in the reporting period were recognized in the statement of activities concurrently with the costs for which they were designated. The amounts recognized as revenue in the reporting period are classified as “amounts released from net assets subject to restriction” in the statement of activities.

Net assets not subject to restriction

The portion of net assets that its use is not subject to any restriction on the part of the donors. Amounts were separated from these net assets and transferred to cover purchases of fixed assets and amounts designated by management.

- B. The financial statements have been prepared according to generally accepted accounting principles on the basis of historical cost.

Notes to the Financial Statements as at December 31, 2016

Note 2 - Significant Accounting Policies (cont'd)**C. Services received for no consideration**

Various services were received for no consideration such as: accounting services, legal services, general meeting membership and CEO services, and services from various volunteers including students and instructors.

These services are not reflected in the financial statements.

D. Non-cash donations

Non-cash donations given or received are not reflected in the financial statements, other than donations of a marketing campaign, photos at a fundraising event, donations of rent and donations of leased cars.

E. Revenue recognition

Revenues from services are recognized proportionately over the period of the agreement or upon the performance of the service if it is certain that the economic benefits attributed to the performance of the service will be received.

Accrued income from donations and allocations are recognized as revenue if they were pledged in the reporting period and actually received before the date of preparing the financial statements or if there is an irrevocable commitment of the donor that relates to the reporting period, the donor's donation commitment is not contingent upon any future event and it is legally enforceable.

F. Cash and cash equivalents

Cash and cash equivalents include short-term bank deposits with an original maturity not exceeding three months.

G. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure relating to contingent assets and liabilities, and also the amounts of revenues and expenses in the reporting period. Actual results may differ from these estimates.

H. Fixed assets

- (1) Fixed assets are presented at cost.
- (2) Improvements and enhancements are added to the cost of the assets whereas maintenance and repairs are charged to expense as incurred.

Notes to the Financial Statements as at December 31, 2016**Note 2 - Significant Accounting Policies (cont'd)****H. Fixed assets (cont'd)**

- (3) Depreciation is calculated by the straight line method on the basis of the estimated useful lives of the assets.
Annual depreciation rates are as follows:

	%
Office furniture and equipment	6-10
Computers and software	33

Leasehold improvements are amortized over the shorter of the lease period or the useful life of the asset.

Note 3 - Other Receivables**A. Composition**

	December 31 2016 NIS	December 31 2015 NIS
Customers	2,164,312	4,489,358
Donations receivable (Note 7.B)	274,614	288,053
Prepaid expenses	30,650	21,203
Deposit	35,000	25,000
	<u>2,504,576</u>	<u>4,823,614</u>

B. Major customers

The Organization's revenue from a major customer amounted to NIS 18,600 thousand and NIS 19,700 thousand in 2016 and 2015, respectively, which constitutes 64% and 53%, respectively, of the Organization's total revenue.

Notes to the Financial Statements as at December 31, 2016

Note 4 - Fixed and Other Assets, Net

	Computers and software NIS	Office furniture and equipment NIS	Leasehold improvements NIS	Total NIS
Cost				
Balance as at January 1, 2015	622,355	41,772	169,383	833,510
Additions	113,733	11,540	-	125,273
Balance as at December 31, 2015	736,088	53,312	169,383	958,783
Additions	130,798	10,480	120,648	261,926
Balance as at December 31, 2016	866,886	63,792	290,031	1,220,709
Accumulated depreciation				
Balance as at January 1, 2015	564,437	22,641	26,681	613,759
Additions	69,700	4,612	16,823	91,135
Balance as at December 31, 2015	634,137	27,253	43,504	704,894
Additions	64,399	4,787	19,268	88,454
Balance as at December 31, 2016	698,536	32,040	62,772	793,348
Carrying amount as at December 31, 2016	168,350	31,752	227,259	427,361
Carrying amount as at December 31, 2015	101,950	26,059	125,880	253,889

Note 5 - Other Payables

	December 31 2016 NIS	December 31 2015 NIS
Liabilities to employees and other salary-related liabilities	2,040,607	2,205,363
Deferred income	68,374	30,000
Institutions	254,714	310,234
Payments of participants	-	181,338
Prepayments of customers	469,098	36,352
Accrued expenses	24,005	-
	2,856,798	2,763,287

Notes to the Financial Statements as at December 31, 2016

Note 6 - Liability for Employee Severance Benefits, Net

The Organization's liability for employee severance benefits is calculated according to the Israeli law regarding severance pay.

As from March 2009 the payments to pension funds and insurance companies release the Organization from its obligation to the employees in accordance with Section 14 of the Severance Pay Law, on which all the Company's employees had signed off at that time. As from that date the amounts accumulated in the pension funds and insurance companies are not under the control or management of the Organization, and accordingly both these amounts and the severance pay liability are not presented in the balance sheet.

The net liability for severance pay that is presented in the balance sheet represents the balance of the Organization's liability to employees whose employment began before March 2009, and the liability in their respect is not fully covered by deposits in insurance policies.

Note 7 - Revenue from Activities

	<u>For the year ended December 31</u>	
	<u>2016</u>	<u>2015</u>
	<u>NIS</u>	<u>NIS</u>
Composition:		
From projects	24,100,591	32,740,496
From grants and donations (a)	491,632	652,448
Amounts designated by management in previous periods that were transferred to cover the expenses of those activities*	1,099,683	-
	<u>3,266,659</u>	<u>3,808,535</u>
Amounts released from restriction (b)	28,958,565	37,201,479
(a) Donations received free of restriction:		
Bank Hapoalim	202,100	200,000
Accenture	-	78,860
Kalkstein family	120,000	-
Hot Telecommunication Systems Ltd.	141,667	35,417
Non-cash donations	-	181,710
Sundry	27,865	156,461
	<u>491,632</u>	<u>652,448</u>

Notes to the Financial Statements as at December 31, 2016

Note 7 - Revenue from Activities (cont'd)

(b) Donations released from restriction during the year:

	For the year ended December 31	
	2016	2015
	NIS	NIS
The Ted Arison Family Foundation	1,034,126	2,510,163
The Jewish Agency (Crown Family)	656,001	279,312
Shibolet & Co. Law Firm	35,000	35,000
Keren Hayesod, UIA, The Bessen Family Foundation	100,967	91,884
DM Foundation	151,953	157,015
Ne'eman Foundation	405,112	263,430
Kasierer Foundation	-	80,000
Strauss Group	30,000	75,000
The Maurice and Vivienne Wohl Foundation	59,943	98,447
The Edmond J. Safra Family Foundation	154,320	171,810
The Peretz Naftali Foundation	20,000	20,000
Bezeq	50,000	50,000
Bank Leumi	15,000	25,000
Kalkstein family	-	100,000
The Mandell L. and Madeleine H. Berman foundation	107,433	92,086
Migdal Insurance Company	100,000	-
Yad Hanadiv Foundation	43,000	-
Brack Capital	68,000	-
Anonymous	60,000	90,000
Accenture Israel	75,000	-
Phoenix Jewish Community Foundation	28,539	-
Meitav Dash	25,000	-
Sundry	47,265	29,469
	3,266,659	3,808,616

* See Appendix B to the statement of cash flows.

(c) The donations included in the revenue from activities include donations that as at balance sheet date have been pledged but not yet received. The amount of those donations is as follows:

	December 31	December 31
	2016	2015
	NIS	NIS
Donations receivable	274,614	288,053

Notes to the Financial Statements as at December 31, 2016

Note 8 - Cost of Activities

	For the year ended December 31	
	2016	2015
	NIS	NIS
Salaries and external consultants	17,633,448	19,883,887
Training and workshops	3,533,944	4,408,448
Professional training	1,153,875	1,621,696
Rent, office maintenance and communications	1,005,183	2,171,828
Marketing and advertising	443,826	1,043,619
Infrastructures	22,507	567,635
Events and gatherings	528,950	180,212
Other	632,163	758,564
	<u>24,953,896</u>	<u>30,635,889</u>

Note 9 - General and Administrative Expenses

	For the year ended December 31	
	2016	2015
	NIS	NIS
Salaries and external consultants	816,685	876,369
Salary-related and social expenses	349,154	332,403
Professional services	62,351	27,912
Office rent and maintenance	175,800	139,382
Subsistence, refreshments and travel	24,475	37,179
Car rent and maintenance	23,342	23,231
Depreciation	17,691	18,227
Other	92,747	54,132
	<u>1,562,245</u>	<u>1,508,835</u>