

Nalaga'at Center (Reg.Soc.)

Financial Statements

As at December 31, 2016

Nalaga'at Center (Reg.Soc.)

Financial Statements as at December 31, 2016

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יניר, פרקש ושות' : Yanir, Farkash & co.

רואי חשבון | C.P.A (Isr.)

AUDITORS REPORT
To the Members of the
Nalaga'at Center
Registered Society

We have audited the attached financial statements of Nalaga'at Center (Registered Society) (the "Society") as at December 31, 2016 and 2015, and the statements of operations and the statements of changes in assets, net for the years ended on those dates. These financial statements are the responsibility of the Society's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Israel, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance) 5733 - 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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 the significant estimates made by the Society's Board of Directors and management, 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 above financial statements represent fairly, in all material aspects applicable to non-profit organizations, the financial position of the Society as at December 31, 2016 and 2015 and the results of its operations and the changes in its assets, net for the years ended on those dates, in accordance with accounting principles generally accepted in Israel (Israeli GAAP).

June 22, 2017

Yanir Farkash & Co.
CPA (Isr.)

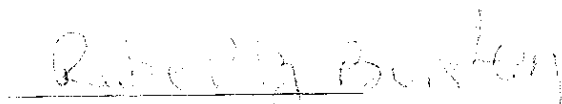
Nalaga'at Center (Reg.Soc.)

Balance Sheets as at December 31

		<u>2016</u>	<u>2015</u>
	<u>Note</u>	<u>NIS</u>	<u>NIS</u>
Current Assets			
Cash and Cash Equivalents		1,491,224	1,616,348
Income Receivable		306,776	74,184
Customers	3	667,372	261,881
Inventory		30,166	36,385
		<u>2,495,538</u>	<u>1,988,798</u>
Fixed Assets, Net			
	4	<u>1,634,144</u>	<u>1,641,360</u>
		<u>4,129,682</u>	<u>3,630,158</u>
Current Liabilities			
Suppliers and Service Providers	5	614,388	611,478
Payables and Credit Balances	6	780,734	679,874
		<u>1,395,122</u>	<u>1,291,352</u>
Liabilities - Severance Pay, Net	7	<u>235,856</u>	<u>251,306</u>
Assets, Net			
To be Used for Farnarked Operations	8	864,560	446,140
Used for Fixed Assets		1,634,144	1,641,360
		<u>2,498,704</u>	<u>2,087,500</u>
		<u>4,129,682</u>	<u>3,630,158</u>

The Notes Attached to the Financial Statements Form an Integral Part Hereof.


 Board Member
 Eran Privman


 Board Member
 Rutti Piltz Borstein

Nalaga'at Center (Reg.Soc.)

Statements of Operations for the Year Ended on December 31

		<u>2016</u>	<u>2015</u>
	<u>Note</u>	<u>N I S</u>	<u>N I S</u>
Operational turnover	9-14	9,021,217	9,885,154
Cost of operations	15	8,259,802	8,269,164
Surplus from operations		761,415	1,615,990
Administrative and general expenses	16	878,414	824,340
Surplus (Deficit) before financing expenses, net		(116,999)	791,650
Financing expenses, net		74,623	75,359
Surplus in year of account		(191,622)	716,291
Capital deficit		(139)	-
Surplus (Deficit) in year of account		<u>(191,761)</u>	<u>716,291</u>

The Notes Attached to the Financial Statements Form an Integral Part Hereof.

Statements of Changes in Assets for the Year Ended on December 31

	Assets, Net, Unrestricted			Total
	To be Used	To be Used	Used for	
	for	for	Fixed	
	Operations	Operations	Assets	
	NIS	NIS	NIS	NIS
Balance at Jan.1, 2015	(993,233)	-	2,364,442	1,371,209
Surplus in year of account	716,291	-	-	716,291
Earmarked amounts	(446,140)	446,140	-	-
Amounts transferred to cover depreciation expenses	815,445	-	(815,445)	-
Amounts used for purchase of fixed assets	(92,363)	-	92,363	-
Balance at January 1, 2016	-	446,140	1,641,360	2,087,500
Surplus in year of account	(191,761)	-	-	(191,761)
Earmarked amounts	(418,420)	418,420	-	-
Amounts transferred to cover depreciation expenses	839,549	-	(839,549)	-
Amounts used for purchase of fixed assets	(229,368)	-	832,333	602,965
Balance at Dec. 31, 2016	-	864,560	1,634,144	2,498,704

Notes to the Financial Statements for the Year Ended on December 31

Note 1 - General

- A. The Nalaga'at Center (Reg.Soc.) is a Society registered under the Societies Law 5740-1980. It was established on December 5, 2002 as Society No. 580402352, commenced operations in January 2013 and was recognized as a "public institute" under Section 9(2) of the Income Tax Ordinance (whereby the revenues of a public institute, other than from a business, are exempt from tax), and as a public institute with respect to donations under Section 46 of the Ordinance (whereby a donation received by the institution is deductible for tax purposes by the donor).
- B. The purposes of the Society are:
- To train blind and deaf people in various arts, and to employ them at an innovative cultural center which will constitute a place of entertainment and performances for the seeing and hearing public from all over the country. The focus of the Center will be a theatrical group.
- At the first stage, between 2003 and 2006, a theatrical group of blind and deaf actors was set up which presented a theatrical play and performed in various places in Israel and abroad.
- In 2006 the Society commenced renovations on a new center which it rented for the purpose of establishing the above cultural center.
- In the course of 2007 the Center was prepared, containing among other things, a theater hall, a dark restaurant, a café, and in November 2007 the Center was opened to the public.
- The blind and deaf theater and the dark restaurant are operated at the Center by blind waiters and the café is operated by deaf waiters and employees.

Note 2 - Principal Accounting Policies

- A. The financial statements are presented in accordance with Pronouncement 69 of the Israel Association of Accountants and Accounting Standard No. 5 of the Israeli Institute of Accounting Standards.
- B. Effect of Changes on the General Purchasing Power of the Israeli Currency.
- The financial statements were prepared in accordance with accounting principles generally accepted in Israel (Israeli GAAP), regardless of the rise in the general purchasing power of the Israeli currency. During the year of account, the Consumer Price Index declined at the rate of 0.2 % (last year it declined at the rate of 1%).

Notes to the Financial Statements for the Year Ended on December 31

C. Cash and Cash Equivalents

Cash and cash equivalents include high-liquidity investments, including bank deposits the redemption period of which at the time of investment therein did not exceed three months.

D. Use of Estimates and Assessments

When preparing the financial statements in accordance with generally accepted accounting principles the management is required to use estimates and assessments with respect to transactions or matters the final effect of which on the financial statement cannot be precisely determined at the time of preparation. Although the estimates or assessments are made at the best discretion of the management, the final effect of such transactions or matters could be different from the estimates or assessments made in respect thereof.

E. Fixed Assets

Fixed assets items are presented at cost, less accumulated depreciation. Depreciation is calculated by the straight line method, at annual rates considered sufficient to depreciate the assets over their estimated lifetime, which do not necessarily represent the actual decline in their value.

Depreciation rates are as follows:

	<u>%</u>
Furniture and equipment	7 - 33
Leasehold improvements	10
Computers	15-33
Machinery and equipment	12-15

F. Cash Flow

A cash flow statement for the Society has not been included in these financial statements, since such a statement would not add any significant information to that contained in the financial statements.

Note 3 - Customers

	<u>2016</u>	<u>(*)2015</u>
	<u>N I S</u>	<u>N I S</u>
Outstanding accounts	500,579	82,582
Credit cards and checks collectible	166,793	179,299
	<u>667,372</u>	<u>261,881</u>

(*) Reclassified

Nalaga'at Center (Reg.Soc.)

Notes to the Financial Statements for the Year Ended on December 31

Note 4 - Fixed Assets, Net

	Machinery & Equip- ment	Com- puters	Furniture & Equip- ment	Leasehold Improve- ments	T o t a l
	NIS	NIS	NIS	NIS	NIS
Cost					
Cost at beginning of year	97,899	845,033	642,061	6,570,780	8,155,773
Purchases in year of account	123,108	21,406	28,026	666,257	838,797
Withdrawals during the year	-	-	21,100	-	21,100
Cost at end of year	<u>221,007</u>	<u>866,439</u>	<u>648,987</u>	<u>7,237,037</u>	<u>8,973,470</u>
Accumulated Depreciation					
Accumulated depreciation at start of year	69,248	619,981	452,016	5,373,167	6,514,412
Depreciation in year of account	19,790	76,262	60,952	682,546	839,550
Withdrawals during the year	-	-	14,636	-	14,636
Accumulated depreciation at end of year	<u>89,038</u>	<u>696,243</u>	<u>498,332</u>	<u>6,055,713</u>	<u>7,339,326</u>
Depreciated cost at 1 31, 2016	<u>131,969</u>	<u>170,196</u>	<u>150,655</u>	<u>1,181,324</u>	<u>1,634,144</u>
 Depreciated cost at 1 31, 2015	<u>28,651</u>	<u>225,051</u>	<u>190,045</u>	<u>1,197,613</u>	<u>1,641,360</u>

Note 5 - Suppliers and Service Providers

	2016	2015
	NIS	NIS
Outstanding accounts	571,927	569,803
Checks payable	42,461	41,675
	<u>614,388</u>	<u>611,478</u>

Note 6 - Payables and Credit Balances

	2016	2015
	NIS	NIS
Institutions	149,216	152,838
Employees	307,676	326,819
Expenses payable	156,737	18,758
Provision for vacation	125,196	132,873
Provision for recuperation	41,909	48,586
	<u>780,734</u>	<u>679,874</u>

Notes to the Financial Statements for the Year Ended on December 31

Note 7 - Liability for Severance Pay, Net

	<u>2016</u>	<u>2015</u>
	N I S	N I S
Reserve for severance pay	912,106	820,129
Less - provision deposited for severance pay	(676,250)	(568,823)
	<u>235,856</u>	<u>251,306</u>

Liability for termination of employee-employer relationship is calculated on the basis of the employees' last salary at Balance Sheet date, pursuant to the Severance Pay Law. To cover the liability the Society deposits money in manager's insurance policies and pension funds. The balance of the liability at Balance Sheet date relates to severance pay for employees not covered by manager's insurance policy and pension funds.

The provision relates to deposits in severance pay funds. The money deposited in the funds can be withdrawn only after fulfillment of obligations pursuant to the Severance Pay Law.

Note 8 - To be Used for Earmarked Operations

	<u>2016</u>	<u>2015</u>
	N I S	N I S
Development budget for the creation of new income centers	864,560	446,140
	<u>864,560</u>	<u>446,140</u>

Note 9 - Operations Turnover

	<u>For the Year Ended on</u> <u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
	N I S	N I S
Donations (Note 10)	806,837	694,233
Donations from abroad (Note 11)	710,514	1,341,501
Allowance from Tel Aviv Municipality	95,000	195,000
Allowance from Government Ministries (Note 12)	621,659	854,055
Income from donations in kind (Note 13)	40,214	37,583
Independent income (Note 14)	6,746,993	6,762,782
	<u>9,021,217</u>	<u>9,885,154</u>

Notes to the Financial Statements for the Year Ended on December 31

Note 10 - Donations

	For the Year Ended on December 31,	
	2016	2015
	NIS	NIS
Donations (*)	151,085	84,642
Contributions collection day	-	164,625
Azrieli Israel Foundation (Reg.Soc.)	-	75,000
Varda Bornstein estate	155,781	115,966
Dalia Horowitz	100,000	50,000
Buksenbaum Foundation Ltd.	-	50,000
Yahel Foundation	20,000	25,000
The Late Hoffman Harta Charlina Trust	-	50,000
Mifal HaPayis	-	41,000
L.O.P. Holdings Ltd.	-	38,000
Igul Letova	20,971	-
Check Point	145,000	-
Yosef and Christina Kasirer Foundation	100,000	-
Matanel	114,000	-
	<u>806,837</u>	<u>694,233</u>

(*) Donations of less than NIS 20,000 each

Note 11 - Donations from Abroad

	For the Year Ended on December 31,	
	2016	2015
	NIS	NIS
Israel Endowment Funds P.E.F. Inc.	485,624	955,764
The Jewish Agency (New York Federation)	-	152,920
Others (*)	49,933	35,070
Stiching Arbutus	-	83,622
Alfred	-	56,135
Hillard Fahn Revocable Trust	-	57,990
Emouna foundation	78,740	-
Richard Stiftung - Alfred und Gertrud Bernays	58,217	-
Wendy Fisher Foundation & Kirsch	38,000	-
	<u>710,514</u>	<u>1,341,501</u>

(*) Donations of less than NIS 20,000 each

Notes to the Financial Statements for the Year Ended on December 31**Note 12 - Allowances from Government Ministries**

	For the Year Ended on December 31,	
	2016	2015
	N I S	N I S
Ministry of Welfare	24,600	179,643
Cultural Administration	574,559	584,412
Estates Committee (by means of the Ministry of Welfare)	22,500	90,000
	<u>621,659</u>	<u>854,055</u>

Note 13 - Income from Donations in Kind

	For the Year Ended on December 31,	
	2016	2015
	N I S	N I S
Discount on Municipal Rates - Tel Aviv Municipality	40,214	37,583

Note 14 - Independent Income

	For the Year Ended on December 31,	
	2016	2015
	N I S	N I S
Theater performances	910,760	1,032,081
Performances abroad	41,928	-
Operation of Black Restaurant - Kapish	3,833,457	3,940,717
Events and workshops	1,096,181	962,281
Ministry of Welfare	864,667	827,703
	<u>6,746,993</u>	<u>6,762,782</u>

Notes to the Financial Statements for the Year Ended on December 31

Note 15 - Cost of Operations

	For the Year Ended on December 31,	
	2016	(*)2015
	N I S	N I S
Salaries and related payments	4,455,454	4,245,471
Office expenses	21,810	41,005
Transportation	340,818	510,643
Advertising, marketing and publicity	207,379	173,431
Shows production and rental of halls	431,969	429,206
Purchases and changes in inventory	866,296	803,773
Maintenance of equipment and structure	842,671	925,623
Communication	55,776	78,568
Fees and insurance	35,587	44,749
Depreciation	810,165	786,904
Rentals	191,877	229,791
	<u>8,259,802</u>	<u>8,269,164</u>

(*) Reclassified

Note 16 - Administrative and General Expenses

	For the Year Ended on December 31,	
	2016	2015
	N I S	N I S
Salaries and related expenses	592,101	572,737
Vehicle maintenance	46,491	41,137
Professional services	126,390	120,420
Travel abroad	2,002	4,004
Rental, maintenance and office expenses	36,497	39,025
Communication	2,936	4,135
Insurance	19,885	2,030
Gifts	22,728	12,311
Depreciation	29,384	28,541
	<u>878,414</u>	<u>824,340</u>