

Nalaga'at Center (Reg.Soc.)

Financial Statements

As at

December 31, 2017

Nalaga'at Center (Reg.Soc.)

Financial Statements

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Yanir, Farkash & co. | יניר, פרקש ושות'
C.P.A. (Isr.) | רואי חשבון

**Auditors' Report to the Members of
Nalag'at (Reg.Soc.)**

We have audited the attached financial statements of Nalaga'at Center (Registered Society) (the "Society") as at December 31, 2017 and 2016, and the statements of operations and the statements of changes in assets, net, and the statements of cash flows for each of 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, 2017 and 2016 and the results of its operations and the changes in its assets, net, and its cash flows for each of the years ended on those dates, in accordance with accounting principles generally accepted in Israel (Israeli GAAP).

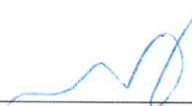
May 27, 2018

Yanir Farkash & Co.
CPA (Israel)

Balance Sheets as at December 31,

		2017	2016
	Note	N I S	N I S
Current Assets			
Cash and Cash Equivalents	2C	2,206,704	1,491,224
Income Receivable		179,040	306,776
Customers	3	970,452	667,372
Pre-Paid Expenses		90,436	-
Inventory	2D	41,582	30,166
		<u>3,488,214</u>	<u>2,495,538</u>
 Fixed Assets, Net	 4	 <u>1,423,151</u>	 <u>1,634,144</u>
		<u>4,911,365</u>	<u>4,129,682</u>
	Note	2017	2016
		N I S	N I S
Current Liabilities			
Suppliers and Service Providers	5	770,718	614,388
Payables and Credit Balances	6	883,615	780,734
		<u>1,654,333</u>	<u>1,395,122</u>
 Liability for Severance Pay, Net	 7	 <u>248,672</u>	 <u>235,856</u>
 Unrestricted Assets, Net			
For use on Earmarked Operations	8	1,120,748	864,560
Used for Fixed Assets		1,423,151	1,634,144
 Temporarily Restricted Assets, Net	 9	 <u>464,461</u>	 <u>-</u>
		<u>3,008,360</u>	<u>2,498,704</u>
		<u>4,911,365</u>	<u>4,129,682</u>

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


 Board Member
 Eran Privman


 Board Member
 Alon Sapan

Statements of Operations

		For the Year Ended on December 31,	
		2017	2016
	Note	N I S	N I S
Operations turnover	10-13	9,959,332	9,021,217
Cost of operations	14-16	9,145,402	8,306,992
Surplus from operations		813,930	714,225
Administrative and general expenses	17	1,037,658	878,414
Deficit before financing expenses, net		(223,728)	(164,189)
Financing expenses, net	18	93,372	27,433
Surplus in year of account		(317,100)	(191,622)
Capital deficit		-	(139)
Deficit in year of account		(317,100)	(191,761)

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

Statement of Changes in Assets, Net

	Unrestricted Assets, Net			Tempora- rily Restricted Assets	T o t a l
	To be Used in Operations	To be Used for Earmarked Operations	Used for Fixed Assets		
	NIS	NIS	NIS	NIS	NIS
Balance at Jan.1, 2016	-	446,140	1,641,360	-	2,087,500
Deficit in year of account	(191,761)	-	-	-	(191,761)
Earmarked amounts	(418,420)	418,420	-	-	-
Amounts c/f to cover depreciation expenses	839,549	-	(839,549)	-	-
Amounts used to purchase fixed assets	(229,368)	-	832,333	-	602,965
Balance at Jan.1, 2017	-	864,560	1,634,144	-	2,498,704
Deficit in year of account	(317,100)	-	-	-	(317,100)
Restricted donations	-	-	-	464,461	464,461
Earmarked amounts	(256,188)	256,188	-	-	-
Amounts c/f to cover depreciation expenses	610,930	-	(610,930)	-	-
Amounts used to purchase fixed assets	(37,642)	-	399,937	-	362,295
Balance at Dec.31, 2017	-	1,120,748	1,423,151	464,461	3,008,360

Statement of Cash Flows

	For the Year Ended on	
	December 31,	
	2017	2016
	NIS	NIS
Cash Flows from Current Operations		
Deficit as per Statement of Operations	(317,100)	(191,761)
Adjustments required to present cash flows from current operations - Appendix A	605,761	296,145
Cash, net, derived from current operations	288,661	104,384
Cash Flows for Investment Operations		
Purchase of fixed assets	(399,937)	(832,333)
Proceeds of sale of fixed assets	-	6,325
Exercise of earmarked funds for fixed assets	362,295	596,500
Cash, net, used for investment operations	(37,642)	(229,508)
Cash Flows from Financing Operations		
Restricted donations	464,461	-
Cash, net, derived from financing operations	464,461	-
Increase (Decrease) in Cash and Cash Equivalents	715,480	(125,124)
Balance of cash and cash equivalents at beginning of year	1,491,224	1,616,348
Balance of Cash and Cash Equivalents at end of Year	2,206,704	1,491,224

The Adjustments Required to Present Cash Flows from Current Operations - Schedule A

Expenses Not Involving Cash Flows

Depreciation	610,930	839,550
Decrease in reserve due to severance pay, net	(12,816)	15,450
Capital deficit	-	139
	623,746	824,239
Changes in Assets and Liabilities Items		
Increase in donations and allocations receivable	(175,344)	(638,083)
Increase in receivables and debit balances	(90,436)	-
Decrease (Increase) in inventory	(11,416)	6,219
Increase in service providers	156,330	2,910
Increase in payables and credit balances	102,881	100,860
	(17,985)	(528,094)
Total Adjustments Required to Present Cash Flows from Current Operations - Schedule A	605,761	296,145

Notes to the Financial Statements

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 institution" under Section 9(2) of the Income Tax Ordinance (whereby the revenues of a public institution, other than from a business, are exempt from tax), and as a public institution 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, including 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 in the General Purchasing Power of the Israeli Currency.
- The financial statements were prepared in accordance with generally accepted accounting principles (Israeli GAAP), regardless of the decline in the general purchasing power of the Israeli currency. During the year of account, the Consumer Price Index rose at the rate of 0.4% (last year it declined at the rate of 0.2%).

Notes to the Financial Statements

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 deposit did not exceed three months.

D. Inventory

Inventory is presented at cost or exercise value, net. Exercise value, net, is the estimated sale price in the ordinary course of business less anticipated selling costs.

E. 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

Note 3 - Customers

	As at December 31,	
	2017	2016
	N I S	N I S
Outstanding invoices	800,630	500,579
Credit cards and checks collectible	169,822	166,793
	<u>970,452</u>	<u>667,372</u>

Notes to the Financial Statements

Note 4 - Fixed Assets, Net

	<u>Machinery & Equip.</u>	<u>Com- puters</u>	<u>Furniture & Equip.</u>	<u>Leasehold Improve- ments</u>	<u>T o t a l</u>
	<u>N I S</u>	<u>N I S</u>	<u>N I S</u>	<u>N I S</u>	<u>N I S</u>
Cost					
Cost at start of year	221,007	866,439	648,987	7,237,037	8,973,470
Purchase in year of a/c	51,624	81,391	132,336	134,586	399,937
Cost at end of year	<u>272,631</u>	<u>947,830</u>	<u>781,323</u>	<u>7,371,623</u>	<u>9,373,407</u>
Accumulated Depreciation					
Accumulated Depre- ciation at start of year	89,038	696,243	498,332	6,055,713	7,339,326
Depr. in year of a/c	25,938	64,223	46,723	474,046	610,930
Accumulated Depre- ciation at end of year	<u>114,976</u>	<u>760,466</u>	<u>545,055</u>	<u>6,529,759</u>	<u>7,950,256</u>
Depreciated cost as at December 31, 2017	<u>157,655</u>	<u>187,364</u>	<u>236,268</u>	<u>841,864</u>	<u>1,423,151</u>
Depreciated Cost as at December 31, 2016	<u>131,969</u>	<u>170,196</u>	<u>150,655</u>	<u>1,181,324</u>	<u>634,144,</u>

Note 5 - Suppliers and Service Providers

	<u>As at December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>N I S</u>	<u>N I S</u>
Outstanding invoices	769,348	571,927
Checks Payable	1,370	42,461
	<u>770,718</u>	<u>614,388</u>

Note 6 - Payables and Credit Balances

	<u>As at December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>N I S</u>	<u>N I S</u>
Income in advance	191,958	-
Institutions	154,165	149,216
Employees	332,698	307,676
Expenses payable	43,374	156,737
Provision for vacation pay	138,204	125,196
Provision for recuperation pay	23,216	41,909
	<u>883,615</u>	<u>780,734</u>

Notes to the Financial Statements

Note 7 - Liability for Severance Pay

		As at December 31,	
		2017	2016
		N I S	N I S
A.	Composition:		
	Reserve for Retirement Pay	1,026,225	912,106
	Less - Provision for Compensation Deposited	(777,553)	(676,250)
		<u>248,672</u>	<u>235,856</u>
B.	Liability for termination of employee-employer relationship is calculated on the basis of the employee's last salary as at balance sheet date, as provided in the Severance Pay Law. To cover its liability, the Society deposits funds in a manager's insurance policy and a pension fund.		
C.	The reserve relates to deposit in a compensation fund. The money deposited in the reserve may be withdrawn only after the obligations pursuant to the Severance Pay Law have been fulfilled.		

Note 8 - For use on Earmarked Operations.

		As at December 31,	
		2017	2016
		N I S	N I S
	Development budget for creating new income centers	1,120,748	864,560
		<u>1,120,748</u>	<u>864,560</u>

Note 9 - Temporarily Restricted Assets (*)

		As at December 31,	
		2017	2016
		N I S	N I S
	Patrick The & Lina Drahi Foundation	393,361	-
	Richard Stiftung -Alfred and Gertrud Bernays	71,100	-
		<u>464,461</u>	<u>-</u>

The funds are designated for renovating the Nalaga'at Center and a new theater production in 2018

Notes to the Financial Statements

Note 10 - Operations Turnover

	For the Year Ended on December 31,	
	2017	(*)2016
	N I S	N I S
Events (see Note 11)	6,127,387	5,305,988
Theater (see Note 12)	2,369,400	2,157,664
Raising funds (see Note 13)	1,462,545	1,557,565
	<u>9,959,332</u>	<u>9,021,217</u>

(*) Reclassified

Note 11 - Events

	For the Year Ended on December 31,	
	2017	2016
	N I S	N I S
Black Kapish	4,374,646	4,186,653
Workshops	1,102,461	742,984
Ministry of Welfare - allocations	523,927	351,751
Ministry of Welfare - special venture	126,353	24,600
	<u>6,127,387</u>	<u>5,305,988</u>

Note 12 - Theater

	For the Year Ended on December 31,	
	2017	(*)2016
	N I S	N I S
<u>Independent Income</u>		
Theater performances (**)	904,491	910,760
Performances abroad	-	41,928
	<u>904,491</u>	<u>952,688</u>
<u>Allocations</u>		
Tel Aviv Municipality	95,000	95,000
Ministry of Welfare	336,616	512,917
Ministry of Culture and Sport	1,033,293	574,559
Estates Committee (by means of the Min. of Welfare)	-	22,500
	<u>1,464,909</u>	<u>1,204,976</u>
	<u>2,369,400</u>	<u>2,157,664</u>

(*) Reclassified

(**) In the year of account, including a donation from the Dalia Horowitz Foundation, in the amount of NIS 100,000

Notes to the Financial Statements

Note 13 - Raising Funds

	As at December 31,	
	2017	2016
	NIS	NIS
<u>Donations in Israel</u>		
Donations (*)	50,980	151,085
Wendy & Kirsch Fisher Foundation	35,580	38,000
Matan Community Investments - Perlman Prize - Genesis	72,260	-
Y. Liran	20,000	-
Igul Letova	30,622	20,971
Check Point	130,000	145,000
	<u>339,442</u>	<u>355,056</u>
<u>Donations from Abroad</u>		
E.P.F. Israel Endowment Funds, Inc.	549,177	485,624
Others (*)	19,298	49,933
Matanel Foundation	104,010	114,000
Emouna Foundation	-	78,740
Richard Stiftung - Alfred und Gertrud Bernays	-	58,217
The Lina and Patrick Drahi Foundation	150,000	-
	<u>822,485</u>	<u>786,514</u>
<u>Donations from Foundations</u>		
Dalia & Eli Horowitz Foundation	200,000	100,000
Donations from Foundations	3,708	-
Varda Bornstein Estate	-	155,781
Yahel Foundation	-	20,000
Yosef & Christina Kasirer Foundation	-	100,000
Hofman Herta Charlina Foundation	40,000	-
	<u>243,708</u>	<u>375,781</u>
<u>Income from Cash Equivalent Donations</u>		
Municipal Rates Discount - Tel Aviv Municipality	53,400	40,214
Income from Cash Equivalent Donations	3,510	-
	<u>56,910</u>	<u>40,214</u>
	<u>1,462,545</u>	<u>1,557,565</u>

(*) Donations smaller than NIS 20,000 each

Notes to the Financial Statements

Note 14 - Cost of Operations

	For the Year Ended December 31,	
	2017	(*)2016
	N I S	N I S
Theater (see Note 15)	2,740,563	2,495,860
Events (see Note 16)	5,181,965	4,586,034
Raising funds	304,333	218,722
Advertising, marketing and propaganda	328,993	196,211
Depreciation	589,548	810,165
	<u>9,145,402</u>	<u>8,306,992</u>

(*) Reclassified

Note 15 - Theater

	For the Year ended December 31,	
	2017	2016
	N I S	N I S
Salaries and related benefits (*)	1,585,206	1,533,299
Performances	474,107	560,851
Rental, maintenance and office expenses	425,002	401,710
Festival	164,988	-
Technical Management	91,260	-
	<u>2,740,563</u>	<u>2,495,860</u>

(*) In the year of account, this item includes artistic management fee in the amount of NIS 241,448

Note 16 - Events

	For the Year Ended on December 31,	
	2017	2016
	N I S	N I S
Salaries and related benefits	3,009,849	2,703,435
Rental, maintenance and office expenses	994,707	851,390
Purchases	954,161	859,552
Transportation	163,729	120,042
Workshops	59,519	51,615
	<u>5,181,965</u>	<u>4,586,034</u>

Notes to the Financial Statements

Note 17 - Administrative and General Expenses

	For the Year Ended on December 31,	
	2017	2016
	N I S	N I S
Salaries and related benefits	762,167	592,101
Vehicle maintenance	41,008	46,491
Professional services	128,667	126,390
Travel abroad	-	2,002
Rental fees, maintenance and office expenses	34,647	36,497
Communication	4,156	2,936
Insurance	24,924	19,885
Gifts	20,707	22,728
Depreciation	21,382	29,384
	<u>1,037,658</u>	<u>878,414</u>

Note 18 - Financing Expenses, Net

	For the Year Ended on December 31,	
	2017	2016
	N I S	N I S
Interest and commissions	10,198	5,984
Exchange rate differences	83,174	21,449
	<u>93,372</u>	<u>27,433</u>