

Nalaga'at Center (Reg.Soc.)

Financial Statements

As at

December 31, 2018

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**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, 2018 and 2017, 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, 2018 and 2017 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).

June 10, 2019

Yanir Farkash & Co.
CPA (Israel)

Balance Sheets as at December 31,

	Note	2018 NIS	2017 NIS
Current Assets			
Cash and Cash Equivalents	2C	2,519,316	2,206,704
Income Receivable		140,835	179,040
Customers	3	895,071	970,452
Pre-Paid Expenses		18,492	90,436
Inventory	2D	31,831	41,582
		<u>3,605,545</u>	<u>3,488,214</u>
Fixed Assets, Net	4	<u>1,445,448</u>	<u>1,423,151</u>
		<u>5,050,093</u>	<u>4,911,365</u>
	Note	2017 NIS	2016 NIS
Current Liabilities			
Suppliers and Service Providers	5	549,378	770,718
Payables and Credit Balances	6	1,110,532	883,615
		<u>1,649,910</u>	<u>1,654,333</u>
Liability for Severance Pay, Net	7	<u>245,820</u>	<u>248,672</u>
Unrestricted Assets, Net			
For use on Earmarked Operations	8	1,206,723	1,120,748
Used for Fixed Assets		1,445,448	1,423,151
Temporarily Restricted Assets, Net			
	9	503,092	464,461
		<u>3,115,263</u>	<u>3,008,360</u>
		<u>5,050,993</u>	<u>4,911,365</u>

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

Board Member
Eran Privman

Board Member
Alon Sefen

Statements of Operations

	<u>Note</u>	For the Year Ended on December 31,	
		2018	2017
		<u>NIS</u>	<u>NIS</u>
Operations turnover	10-13	9,709,298	9,959,332
Cost of operations	14-16	9,227,489	9,145,402
Surplus from operations		481,809	813,930
Administrative and general expenses	17	974,843	1,037,658
Deficit before financing expenses, net		(493,034)	(223,728)
Financing (expenses), net	18	51,307	(93,372)
Deficit in year of account		<u>(441,727)</u>	<u>(317,100)</u>

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

Statement of Cash Flows

	Unrestricted Assets, Net				T o t a l
	To be Used in Operations	To be Used for Earmarked Operations	Used for Fixed Assets	Tempora- rily Restricted Assets	
	NIS	NIS	NIS	NIS	
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)	-	339,937	-	362,295
Balance at Jan.1, 2018	-	1,120,748	1,423,151	464,461	3,008,360
Balance at Jan.1, 2018	-	1,120,748	1,423,150	464,461	3,008,359
Deficit in year of account	(441,727)	-	-	-	(441,727)
Restricted donations	-	-	-	38,631	38,631
Earmarked amounts	(85,975)	85,975	-	-	-
Amounts c/f to cover depreciation expenses	306,906	-	(306,906)	-	-
Amounts used to purchase fixed assets (*)	220,796	-	329,204	-	550,000
Balance at Dec.31, 2018	-	1,206,723	1,445,448	503,092	3,155,263

(*) In 2018 for use for operations in the amount of NIS 220,796, including NIS 300 thousand donation for use for fixed assets received regarding the previous year.

Statement of Cash Flows

	For the Year Ended on December 31,	
	2018	2017
	<u>NIS</u>	<u>NIS</u>
Cash Flows from Current Operations		
Deficit as per Statement of Operations	(441,728)	(317,100)
Adjustments required to present cash flows from current operations - Schedule A	494,913	605,761
Cash, net, derived from current operations	<u>53,185</u>	<u>288,661</u>
Cash Flows from Investment Operations		
Purchase of fixed assets	(329,204)	(399,937)
Exercise of earmarked funds for fixed assets	550,000	362,295
Cash, net, derived from (used for) investment operations	<u>220,796</u>	<u>(37,642)</u>
Cash Flows from Financing Operations		
Restricted donations	38,631	464,461
Cash, net, derived from financing operations	<u>38,631</u>	<u>464,461</u>
Increase in Cash and Cash Equivalents	312,612	715,480
Balance of cash and cash equivalents at beginning of year	2,206,704	1,491,224
Balance of Cash and Cash Equivalents at end of Year	<u>2,519,316</u>	<u>2,206,704</u>

The Adjustments Required to Present Cash Flows from Current Operations - Schedule A**Expenses Not Involving Cash Flows**

Depreciation	306,907	610,930
Increase (Decrease) in reserve due to severance pay, net	2,852	(12,816)
	<u>304,055</u>	<u>623,746</u>
Changes in Assets and Liabilities Items		
Decrease (Increase) in donations and allocations receivable	113,586	(175,344)
Decrease (Increase) in receivables and debit balances	71,944	(90,436)
Decrease (Increase) in inventory	9,751	(11,416)
Increase (Decrease) in service providers	(221,230)	156,330
Increase in payables and credit balances	216,917	102,881
	<u>190,858</u>	<u>(17,985)</u>
Total Adjustments Required to Present Cash Flows from Current Operations - Schedule A	<u>494,913</u>	<u>605,761</u>

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 2003 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 and 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 accounting principles generally accepted in Israel (Israeli GAAP), regardless of the change in the general purchasing power of the Israeli currency. During the year of account, the Consumer Price Index rose at the rate of 0.8% (last year it rose at the rate of 0.4%).

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

	<u>As at December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>NIS</u>	<u>NIS</u>
Outstanding invoices	722,802	800,630
Credit cards and checks collectible	172,269	169,822
	<u>895,071</u>	<u>970,452</u>

Notes to the Financial Statements

Note 4 - Fixed Assets, Net

	<u>Machinery & Equip.</u> NIS	<u>Com- puters</u> NIS	<u>Furniture & Equip.</u> NIS	<u>Leasehold Improve- ments</u> NIS	<u>T o t a l</u> NIS
Cost					
Cost at start of year	272,631	947,830	781,323	7,371,623	9,373,407
Purchases in year of a/c	35,399	103,207	67,873	122,725	329,204
Cost at end of year	<u>308,030</u>	<u>1,051,037</u>	<u>849,196</u>	<u>7,494,348</u>	<u>9,702,611</u>
Accumulated Depreciation					
Accumulated Depre- ciation at start of year	114,976	760,466	545,055	6,529,759	7,950,256
Depr. in year of a/c	31,659	82,354	49,791	143,103	306,907
Accumulated Depre- ciation at end of year	<u>146,635</u>	<u>842,820</u>	<u>594,846</u>	<u>6,672,862</u>	<u>8,257,163</u>
Depreciated cost as at December 31, 2017	<u>161,395</u>	<u>208,217</u>	<u>254,350</u>	<u>822,486</u>	<u>1,445,448</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>

Note 5 - Suppliers and Service Providers

	<u>As at December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>N I S</u>	<u>N I S</u>
Outstanding invoices	545,502	769,348
Checks Payable	3,876	1,370
	<u>549,378</u>	<u>770,718</u>

Note 6 - Payables and Credit Balances

	<u>As at December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>N I S</u>	<u>N I S</u>
Income in advance	382,383	191,958
Institutions	156,272	154,165
Employees	350,497	332,698
Expenses payable	83,307	43,374
Provision for vacation pay	103,430	138,204
Provision for recuperation pay	24,643	23,216
	<u>1,100,532</u>	<u>883,615</u>

Notes to the Financial Statements**Note 7 - Liability for Severance Pay**

	As at December 31,	
	2018	2017
	NIS	NIS
A. Composition:		
Reserve for Retirement Pay	1,004,357	1,026,225
Less - Provision for Compensation Deposited	(758,537)	(777,553)
	<u>245,820</u>	<u>248,672</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 managers' insurance policy and a pension fund. The balance of the liability as at balance sheet date is for severance pay to employees which is not covered by managers' insurance policies or 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,	
	2018	2017
	NIS	NIS
Budgetary reserve	1,206,723	1,120,748
	<u>1,206,723</u>	<u>1,120,748</u>

Note 9 - Temporarily Restricted Assets (*)

	As at December 31,	
	2018	2017
	NIS	NIS
Lina and Patrick Drahi Foundation	393,361	393,361
Matanel Foundation	42,780	-
Richard Stiftung - Alfred and Gertrud Bernays	50,529	71,100
Stiftung - Rene und Susanne Braginsky	11,421	-
Isracard	5,000	-
	<u>503,092</u>	<u>464,461</u>

The funds are designated for renovating the Nalaga'at Center and a new theater production in 2019

Notes to the Financial Statements**Note 10 - Operations Turnover**

	For the Year Ended on December 31,	
	2018	2017
	NIS	NIS
Events and workshops (see Note 11)	5,543,822	6,127,387
Theater and festival (see Note 12)	2,369,400	2,369,400
Raising funds (see Note 13)	1,462,545	1,462,545
	<u>9,959,332</u>	<u>9,959,332</u>

Note 11 - Events

	For the Year Ended on December 31,	
	2018	2017
	NIS	NIS
Black Kapish	3,723,685	4,374,646
Workshops	1,307,234	1,102,461
Ministry of Welfare - allocations	512,903	523,927
Ministry of Welfare - special venture	-	126,353
	<u>5,543,822</u>	<u>6,127,387</u>

Note 12 - Theater

	For the Year Ended on December 31,	
	2018	2017
	NIS	NIS
<u>Independent Income</u>		
Theater performances (*)	812,780	720,593
Festival	151,331	183,895
<u>Allocations</u>		
Estates	91,343	-
Tel Aviv Municipality	95,000	95,000
Ministry of Welfare	428,087	336,616
Ministry of Culture and Sport	1,109,838	1,033,293
	<u>1,724,268</u>	<u>1,464,909</u>
Donations	71,000	-
	<u>2,759,479</u>	<u>2,369,400</u>

(*) In 2017, including a donation from Dalia Horowitz Foundation of NIS 100,000.

Notes to the Financial Statements**Note 13 - Fund Raising**

	As at December 31,	
	2018	2017
	NIS	NIS
<u>Donations in Israel</u>		
Donations (*)	235,863	123,240
Wendy & Kirsch Fisher Foundation	-	35,580
Y. Liran	-	20,000
Igul Letova	-	30,622
Check Point	-	130,000
<u>Donations from Foundations</u>		
Dalia and Eli Horowitz Foundation	165,000	200,000
Donations from foundations	87,000	3,708
Yosef and Christina Kasierer Foundation	100,000	-
The late Hoffman Harta Zerlina Foundation	-	40,000
	<u>352,500</u>	<u>243,708</u>
	<u>588,363</u>	<u>583,150</u>
<u>Donations from Abroad</u>		
E.P.F. Israel Endowment Funds, Inc.	484,647	549,177
Others (*)	-	19,298
Matanel Foundation	99,820	104,010
The Lina and Patrick Drahi Foundation	185,155	150,000
	<u>769,622</u>	<u>822,485</u>
<u>Income from Cash Equivalent Donations</u>		
Municipal Rates Discount - Tel Aviv Municipality	27,271	53,400
Income from Cash Equivalent Donations	20,741	3,510
	<u>48,012</u>	<u>56,910</u>
	<u>1,405,997</u>	<u>1,462,545</u>

(*) Donations smaller than NIS 100,000 each

Notes to the Financial Statements

Note 14 - Cost of Operations

	For the Year Ended December 31,	
	2018	2017
	NIS	NIS
Events (see Note 16)	5,276,006	5,181,965
Theater (see Note 15)	3,256,909	2,740,563
Fund raising	184,605	304,333
Advertising, marketing and propaganda	211,804	328,993
Depreciation	296,165	589,548
	<u>9,227,489</u>	<u>9,145,402</u>

Note 15 - Theater

	For the Year ended December 31,	
	2018	2017
	NIS	NIS
Salaries and related benefits (*)	1,750,885	1,585,206
Performances	744,158	474,107
Rental, maintenance and office expenses	433,309	425,002
Festival	244,317	164,988
Technical Management	84,240	91,260
	<u>3,246,909</u>	<u>2,740,563</u>

(*) In the year of account, this item includes artistic management fee in the amount of NIS 180,166.

Note 16 - Events

	For the Year Ended on December 31,	
	2018	2017
	NIS	NIS
Salaries and related benefits	3,288,247	3,009,849
Rental, maintenance and office expenses	833,995	994,707
Purchases	872,121	954,161
Transportation	179,555	163,729
Workshops	104,088	59,519
	<u>5,278,006</u>	<u>5,181,965</u>

Notes to the Financial Statements

Note 17 - Administrative and General Expenses

	For the Year Ended on December 31,	
	2018	2017
	NIS	NIS
Salaries and related benefits	738,733	762,167
Vehicle maintenance	34,033	41,008
Professional services	91,883	128,667
Travel abroad	1,921	-
Rental fees, maintenance and office expenses	32,688	34,647
Communication	2,388	4,156
Insurance	32,996	24,924
Gifts	29,459	20,707
Depreciation	10,742	21,382
	<u>974,843</u>	<u>1,037,658</u>

Note 18 - Financing Expenses, Net

	For the Year Ended on December 31,	
	2018	2017
	NIS	NIS
Interest and commissions	(2,859)	(10,198)
Exchange rate differences	55,396	(83,174)
Interest and commissions	(1,230)	-
	<u>51,307</u>	<u>(93,372)</u>