

NIRIM ASSOCIATION (R.S.)
(Registered Association)

FINANCIAL STATEMENTS

as at December 31, 2017

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(Registered Association)

FINANCIAL STATEMENTS

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Auditor's Report to the Members of
Nirim (R.A.) (Registered Association)

We have audited the accompanying balance sheets of Nirim Association (R.A.) (hereinafter - “the Association”) as at December 31, 2017 and 2016 and the statements of activities, statements of changes in net assets and the statements of cash flows for each of the years then ended. These financial statements are the responsibility of the Association's Executive Committee and 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, including those prescribed under the Auditors' Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we plan and perform the audit so as 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 significant estimates made by the 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-mentioned financial statements present fairly, in conformity with generally accepted accounting principles, in all material respects, the financial position of the Association as at December 31, 2017 and 2016 and the results of its activities, changes in net assets and cash flows for each of the years then ended, in conformity with generally accepted accounting principles (Israeli GAAP).

(-)
Hattis Greenbaum & Co.
Certified Public Accountants

July 31, 2018

Nirim Association (Registered Association)

Balance Sheets

		As at December 31	
		2017	2016
	Note	NIS thousands	
<u>Current assets</u>			
Cash and cash equivalents		1,306	1,396
Other accounts receivable	3	1,760	1,946
		<u>3,066</u>	<u>3,342</u>
<u>Fixed assets, net</u>	4	<u>8,520</u>	<u>8,970</u>
Total assets		<u>11,586</u>	<u>12,312</u>
<u>Current liabilities</u>			
Current maturities of long-term loans		501	391
Suppliers and service providers	5	1,299	2,810
Other accounts payable	6	2,251	1,744
		<u>4,051</u>	<u>4,945</u>
<u>Long-term liabilities</u>			
Long-term loans		616	1,098
Liabilities for severance pay		290	349
		<u>906</u>	<u>1,447</u>
Total liabilities		<u>4,957</u>	<u>6,392</u>
<u>Net assets</u>			
Net assets (deficit):on which there is no restriction			
Net assets used for activities:			
Not earmarked by the organization's institutions		(1,891)	(3,055)
Net assets used for fixed assets		8,520	8,970
		<u>6,629</u>	<u>5,915</u>
Net assets on which there is a temporary restriction	8	-	5
Total net assets		<u>6,629</u>	<u>5,920</u>
Total liabilities and net assets		<u>11,586</u>	<u>12,312</u>

The accompanying notes are an integral part of the financial statements

July 31, 2018	(-)	(-)
Date of approval of the financial statements	Chairman of Nirim	President of Nirim

Nirim Association (Registered Association)

Statements of Activities

		For the year ended December 31,	
	Note	2017	2016
		NIS thousands	
<u>Activities turnover</u>	10		
Donations – village		2,308	1,627
Allotments and participations - village		23,989	23,467
Donations - Nirim in the Neighborhoods		2,451	2,494*
Allocations – and participation in activities - Nirim in the Neighborhoods		2,409	1,823*
		<u>31,157</u>	<u>29,411</u>
<u>Cost of activities</u>	11		
Salaries and related expenses		16,197	15,568
Graduate activities		601	484
Farm expenses		794	530
Activities of Girls House		1,263	1,261
Food and kitchen		1,432	1,472
Maintenance expenses		1,990	1,936
Activities in the field		1,420	1,389
Depreciation		1,054	1,009
Other direct expenses		3,396	3,608
		<u>28,147</u>	<u>27,257</u>
Net revenues from activities		3,010	2,154
General and administrative expenses	12	2,172	2,075
Net revenues before financing expenses		838	79
Net financing expenses		(96)	(104)
Net revenues (deficit) after financing		742	(25)
Other income and expenses		(28)	212
Surplus (deficit) for the year		<u>714</u>	<u>(187)</u>

* Reclassified

The accompanying notes are an integral part of the financial statements

Nirim Association (Registered Association)

Statements of Changes in Net Assets

	<u>On which there is no restriction</u>	<u>On which there is a restriction</u>		
	Used for activities not earmarked by the Organization's institutions	Net assets used for fixed assets	Temporary restriction	
			<u>Total</u>	
	NIS thousands			
<u>Balance as at January 1, 2016</u>	(4,169)	9,310	105	5,246
<u>Additions during the year</u>				
Donations	-	-	586	586
Financing	-	-	(100)	(100)
Net surplus for the year	187	-	-	187
	187	-	486	673
<u>Withdrawals during the year</u>				
Amounts released from restricted net assets used for fixed assets	-	-	(586)	(586)
Transfer of amounts on which there is no restriction				
Used for fixed assets	(82)	669	-	587
Amounts transferred to cover depreciation expenses	1,009	(1,009)	-	-
	927	(340)	-	587
	927	(340)	(586)	1
Balance as at December 31, 2016	(3,055)	8,970	5	5,920
<u>Additions during the year</u>				
Financing	-	-	(5)	(5)
Net surplus for the year	714	-	-	714
	714	-	(5)	709
<u>Withdrawals during the year</u>				
Amounts released from net restricted assets used for fixed assets				
Transfer of amounts on which there is no restriction:				
Used for fixed assets	(604)	604	-	-
Amounts transferred to cover depreciation expenses	1,054	(1,054)	-	-
	450	(450)	-	-
Balance as at December 31, 2017	(1,891)	8,520	-	6,629

The accompanying notes are an integral part of the financial statements

Nirim Association (Registered Association)

Statements of Cash Flows

	For the year ended December 31,	
	2017	2016
	NIS thousands	
<u>Cash flows from activities</u>		
Net surplus as per the statements of activities	714	187
Reconciliations required to present cash flows from activities - Appendix A		
Revenues and expenses not connected with cash flows	987	1,110
Changes in items of assets and liabilities	(810)	(985)
Total reconciliations required to represent cash flows from activities – Appendix A	177	125
Net cash provided by activities	891	312
<u>Cash flows from investing activities</u>		
Acquisition of fixed assets	(604)	(668)
Net cash used for investing activities	(604)	(668)
<u>Cash flows from financing activities</u>		
Short-term credit from banks, net	110	101
Receipt (repayment) of long-term loans and payables	(482)	436
Receipts (payments) for assets on which there is a temporary restriction	(5)	486
Net cash used for (provided by) financing activities	(377)	1,023
<u>Increase in cash and cash equivalents</u>	(90)	667
<u>Balance of cash and cash equivalents at beginning of year</u>	1,396	729
Balance of cash and cash equivalents at end of year	1,306	1,396

The accompanying notes are an integral part of the financial statements

Nirim Association (Registered Association)

Statements of Cash Flows

Reconciliations required to present cash flows from operating activities – Appendix A

	For the year ended December 31,	
	2017	2016
	NIS thousands	
<u>Revenues and expenses not connected with cash flows:</u>		
Depreciation and amortization	1,054	1,009
Increase (decrease) in surplus of reserve for severance pay, net	(59)	23
Increase (decrease) in provision for leave pay	(8)	78
	<u>987</u>	<u>1,110</u>
<u>Changes in items of assets and liabilities:</u>		
Decrease in other accounts receivable	186	532
Increase (decrease) in suppliers and checks payable	(1,511)	406
Increase (decrease) in other accounts payable	515	(1,923)
	<u>(810)</u>	<u>(985)</u>
Total reconciliations required to present cash flows from operating activities – Appendix A	<u>177</u>	<u>125</u>

The accompanying notes are an integral part of the financial statements

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 1: General

a. General

The Nirim Association (Registered Association) (hereinafter: "the Association") was registered as an "Association" under the Associations Law – 1980, on August 5, 2002.

b. Description of the Association

Establishment of the Association

In April 2002, during the operations of Flotilla 13 during "Defensive Shield" Campaign the late Nir Krichman fell., a combat soldier in Flotilla 13, fell. His commander and the members of the combat team, of which he was part, decided to commemorate his memory in a dedicated educational project and for that purpose, they set up the "Nirim" Association. Since June 2003, the Association has been leasing part of the Hofim Youth Village, which is located near to the city of Acre, from the Jewish Agency, and this is where the Association's facilities have been set up. The educational activities have been conducted within the framework of a boarding school since October 2003.

Purpose

The "Nirim" Association initiates and operates unique educational projects "Nirim in the Neighborhoods" and "The Nirim Youth Village" each year, under the sponsorship of Flotilla 13. These initiatives provide some 500 young people, who are at extreme risk, an additional (and often a last) opportunity to acquire, develop and obtain skills, new habits, values, a feeling of capability and self-confidence, which will enable them to once again to return to the very center of normative society and community in Israel, as equal, motivated, contributing citizens.

Objectives

The "Nirim" Association sets a very high threshold, a full matriculation in theoretical sciences, enlistment in significant valuable service in the IDF, social involvement and personal development as achievable targets, whilst operating a therapeutic educational program, which is unconventional and demanding, yet supportive and inclusive, so that these objectives can be achieved.

Exceptional achievements

The achievements of the young people who complete the Nirim Youth Village path – approximately 60% are entitled to a high school matriculation certificate, 100% proceed to significant service in the army, most of whom join combat units and achieve command positions- are exceptional achievements in comparison with the national average, even for normative educational institutes, and dozens of percentage points above average for youth at risk.

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 1: General (contd.)

- c. The Association's activities are not-for-profit activities. The Association is considered to be a "Public Institution", within the meaning of that term in section 9(2) of the Income Tax Ordinance, and donations to the Association entitle donors to a tax refund under section 46 of the Ordinance; see also Note 17.

- d. The Association has received a certificate of "Proper Management" from the Registrar of Societies, which is valid until December 31, 2018.

Note 2: Significant accounting policies

The significant accounting policies, which have been consistently implemented in the preparation of the financial statements, are as follows:

a. Net assets

The Association implements Pronouncement 69 of the Institute of Certified Public Accountants in Israel and Standard 5 of the Israel Accounting Standards Board, on the subject of accounting and financial reporting principles by not-for-profit organizations. Accordingly, the reserves are presented as net assets, as follows:

Net assets in respect of which there is no restriction

The component of the Association's net assets in respect of which no permanent or temporary restriction has been placed on their use by the donors.

The Association presents two further sub-divisions within the framework of the net assets on which no restrictions on their use exist:

- 1) Net assets, used for activities.
- 2) Net assets, used for fixed assets.

Net assets on which restrictions of a temporary nature exist

The component of the Association's net assets which are derived from donations that have been received and whose use by the Association has been temporarily restricted by instructions issued by the donors, for use in construction, equipping and financing specific projects.

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 2: Significant accounting policies (contd.)

b. The basis of reporting

The financial statements have been prepared in nominal values and not in reported amounts, as required by the Accounting Standards issued by the Israel Accounting Standards Board.

c. Cash equivalents

Cash equivalents are considered by the Association include short-term deposits with banks, for periods not exceeding three months at the time that they were invested in and which are not restricted by a lien.

d. Fixed assets

- 1) Fixed assets are presented at cost.
- 2) Depreciation is calculated by the straight-line method at annual rates considered to be sufficient to depreciate the assets over their estimated useful lifespans, as follows:

	<u>%</u>
Office furniture and equipment	6 – 7
Computers and peripheral equipment	33
Leasehold improvements and instillations	5

e. The recognition of revenues

Revenues are recorded by the accrual method, except for revenues from donations, which are recorded on a cash basis.

f. Expenses

Expenses are recorded by the accrual method.

g. Exchange rates and linkage

- 1) Assets and liabilities in foreign currency or linked thereto, have been recorded in accordance with the representative exchanges rates published by the Bank of Israel, which were in force on the balance sheet date.
- 2) Assets and liabilities linked to the Consumer Prices Index have been recorded in accordance with the appropriate index for each linked asset or liability.

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 2: Significant accounting policies (contd.)

h. The use of estimates in the preparation of the financial statements

In the preparation of the financial statements in conformity with generally accepted accounting principles, management is required to make use of estimates and assessments, which affect the reported amounts of assets and liabilities and the data in respect of conditional assets and contingent liabilities, which are given disclosure in the financial statements, as well as the data on revenues and expenses during the period of report. Actual results are liable to be different from these estimates.

i. The fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, short-term credit from banks and others, trade and other payables, match or are close to their fair value.

j. Guarantees

The Association has a guarantee with Bank Hapoalim in favor of "Participation in Assets" of NIS 183,000. To secure this guarantee there is a deposit of NIS 170,000.

Note 3: Other accounts receivable

	<u>As at December 31</u>	
	<u>2017</u>	<u>2016</u>
	<u>NIS thousands</u>	
Petty cash	65	-
Leasing deposits	71	86
Revenues receivable	1,611	1,786
Checks for collection	2	50
Other	11	24
	<u>1,760</u>	<u>1,946</u>

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 4: Fixed assets, net

	<u>Furniture and equipment</u>	<u>Equipment, instillations and leasehold improvements</u>	<u>Base inventory</u>	<u>Total</u>
	NIS thousands			
Cost				
Balance as at January 1, 2017	136	16,060	32	16,228
Additions during the year	<u>13</u>	<u>591</u>	<u>-</u>	<u>604</u>
Balance as at December 31, 2017	<u>149</u>	<u>16,651</u>	<u>32</u>	<u>16,832</u>
Accumulated depreciation				
Balance as at January 1, 2017	50	7,208	-	7,258
Depreciation for the year	<u>60</u>	<u>994</u>	<u>-</u>	<u>1,054</u>
Balance as at December 31, 2017	<u>110</u>	<u>8,202</u>	<u>-</u>	<u>8,312</u>
Depreciated cost as at December 31, 2017	<u>39</u>	<u>8,449</u>	<u>32</u>	<u>8,520</u>
Depreciated cost as at December 31, 2016	<u>34</u>	<u>8,904</u>	<u>32</u>	<u>8,970</u>

Note 5: Trade payables

	<u>As at December 31</u>	
	<u>2017</u>	<u>2016</u>
	NIS thousands	
Open accounts	1,031	1,213
Checks payable	<u>268</u>	<u>1,597</u>
	<u>1,299</u>	<u>2,810</u>

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 6: Other accounts payable

	As at December 31	
	2017	2016
	NIS thousands	
Institutions relating to salaries	817	1,318
Employees	1,032	-
Provision for leave pay	402	410
Other	-	16
	2,251	1,744

Note 7: Contingent liabilities and commitments

The Association has no commitments that require reporting.

Note 8: Assets in respect of which a restriction exists

During the course of 2007, the Association received an amount of approximately NIS 1.4 million from members of the Association.

No time has been set for the repayment of that amount, unless the following situations occurred:

- a. The management of the Association is transferred to another body.
- b. The financial position of the Association will enable the repayment of those amounts or part thereof.

In 2009, the Association began to repay part of the amounts received, and in 2012 interest and linkage differences were added. During the year of account the Association completed repaying all the amounts so received.

Note 9: Commitments

a) **Agreement between the Association and the Ministry of Labor and Welfare**

In January 2012 an agreement was signed with the Ministry of Labor and Welfare (hereinafter – the Ministry), according to which it was agreed that the Association will manage a day care center that will absorb 96 pupils who will be referred to it by the Ministry and in return, the Ministry will pay monthly payments to the Association to cover the expenses relating to operating the day care center.

During the year of account the number of pupils was increased by 12 and in total 108 pupils were approved.

Nirim Association (Registered Association)

Notes to the Financial Statements
(In thousands of New Israeli Shekels)

Note 9: Commitments (contd.)

b) Agreement between the Association and the Ministry of Education

1. In accordance with a summary of a discussion dated August 11, 2003, received from the Ministry of Education, the Ministry of Education has decided that, subject to compliance with the conditions that have been set, the study fees of the students in the "Nirim" Youth Village will be budgeted as is generally accepted in technological education centers.
2. The youth village received the status of a "Recognized School" with an Institute symbol, whose number is 240820, which will assure current support for the study fees in respect of the pupils who study in the village.

Note 10: Activities turnover

	For the year ended	
	December 31	
	2017	2016
	NIS thousands	
Donations – village	2,308	1,627
Allocations and participations – village	23,989	23,467
Donations – Nirim in the Neighborhoods	2,451	2,494
Allocations – Nirim in the Neighborhoods	2,409	1,823
	<u>31,157</u>	<u>29,411</u>

Nirim Association (Registered Association)

Notes to the Financial Statements
(In thousands of New Israeli Shekels)

Note 11: Cost of activities

	For the year ended	
	December 31	
	2017	2016
	NIS thousands	
Salaries and social benefits		
Salaries – village	6,671	6,211
Salaries – school	4,727	4,636
Salaries – Nirim in the Neighborhoods	4,799	4,721
	<u>16,197</u>	<u>15,568</u>
Graduate activities	601	484*
Farm activities	794	530*
Girls House activities	1,263	1,261
Food and kitchen	1,432	1,472
Maintenance expenses	1,990	1,936
Activities in the field	1,420	1,389
Depreciation	1,054	1,009
Other direct expenses:		
Other expenses, net – Village	1,916	2,275
Other expenses – School	600	440
Other expenses – Nirim in the Neighborhoods	880	893
	<u>3,396</u>	<u>3,608</u>
	<u>28,147</u>	<u>27,257</u>

* Reclassified

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 12: General and Administrative expenses

	For the year ended	
	December 31	
	2017	2016
	NIS thousands	
Salaries and related expenses	1,276	1,303
Communications	36	53
Maintenance	50	53
Professional services	88	182
Maintenance of vehicle	127	117
Advertising	126	132
Raising donations and travel abroad	245	54
Further studies and seminars	68	45
Gifts	-	1
Miscellaneous	156	135
	<u>2,172</u>	<u>2,075</u>

Note 13: Taxes on income

- a) The Association is considered to be a public institution in accordance with Section 9(2) of the Income Tax Ordinance and it is exempt from taxation on its activities, so long as they do not amount to business operations.
- b) On June 10, 2003, the Association received a "Certificate as a Public Institution for Donations" from the Income Tax Commission. Accordingly, donations to the Association are recognized for the donor in accordance with Section 46 of the Income Tax Ordinance.
- c) The said certificate is in force until December 31, 2020.

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 14 – Details of donations exceeding NIS 20,000

	For the year ended	
	December 31	
	2017	2016
	<u>NIS</u>	<u>NIS</u>
Eventbrite	42,412	-
P.E.F Israel Endowment funds, Inc.	-	26,725
Supporters of Israel Dependents	-	-
Victory Christ	59,993	-
Abby and Tony Meisler	34,742	-
O.P.C. Rotem	180,000	150,000
I.B.I. Investments Management Ltd.	25,000	-
Ben Giron	40,000	-
James Packer	-	189,271
Bank Leumi "Follow Leumi"	45,000	25,000
Geoff Schwartz	-	376,954
Galila - To promote the Development of the Galilee	135,000	136,250
Galila – Adam Bern	-	46,250
Galila – Marl Shimmel	-	34,418
Gandir Investments Ltd.	-	50,000
Administrator General	30,000	45,000
The Baron De-Hirsch Fund	-	111,839
The Central Bottling Company	92,000	-
The Jewish Agency	1,390,622	733,824
Phoenix Insurance Company	-	84,628
Electric Corporation Workers Committee	-	30,000
Vitania Ltd.	30,000	-
Eilat Ashkelon Pipeline	-	20,000
Natalie and Yaniv Tal	50,000	-
Yehuda Doron	121,245	-
Israel Gives	-	25,863
Charmochrome	213,000	200,000
David and Eilat Elit Lederer	50,000	-
M. Arkin	-	50,000
M. Arkin Ltd.	-	25,000
Miluot Ltd.	30,000	-
David Menashe	-	30,000
Ministry of Welfare - Estates Fund	-	93,187
Matan Investors in the Community	70,686	-
Marius Necht	358,091	-
Jewish Women Association of Hong Kong	87,986	112,402
Spiral Solutions	50,000	-
Igul Letova	49,652	-
Yiftach Society	-	25,000

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 16 – Details of donations exceeding NIS 20,000 (contd.)

	For the year ended	
	December 31	
	2017	2016
	NIS	NIS
P.E.F. Israel Endowment funds, Inc.	175,314	95,146
Ron Frindenberg	-	-
Boxenbaum-Neta Fund	100,000	100,000
Glencore Fund	-	96,093
David Friedman Fund	-	65,000
Dalya and Eli Horwitz Foundation	75,000	100,000
Keren Hayesod	176,776	-
Keren Israel Pa'amei Tikva	-	189,260
Nachalat Atzmaut Fund – to establish a horse farm On the Golan	27,000	-
Azrieli Foundation	100,000	100,000
Pratt Fund	-	72,653
Jewish National Fund – "After Me"	181,764	-
Kasierer Fund	300,000	300,000
Uri and Zvi Shachak	100,000	-
Foreign Corporation –EFRAT	74,400	-
Tarshish Ltd.	-	30,000
Donations of less than NIS 20,000	262,601	351,644
	<u>4,758,284</u>	<u>4,121,407</u>