

FINANCIAL STATEMENTS

of

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

as at December 31, 2021

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

FINANCIAL STATEMENTS

as at December 31, 2021

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SHAVIT

Certified Public Accountants

Auditors' Report to the Shareholders 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, 2021 and 2020 and the results of activities, statements of changes in shareholders equity 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, 2021 and 2020 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).

(-)

SHAVIT.

Certified Public Accountants

June 29, 2022

Nirim Association (R.A.)

Balance Sheets

		<u>As at December 31</u>	
		<u>2021</u>	<u>2020</u>
	<u>Note</u>	<u>NIS thousands</u>	
<u>Current assets</u>			
Cash and cash equivalents		2,788	1,335
Other accounts receivable	3	950	2,527
		<u>3,738</u>	<u>3,862</u>
<u>Fixed assets, net</u>			
	4	9,110	8,187
Total assets		<u>12,848</u>	<u>12,049</u>
<u>Current liabilities</u>			
Short-term loans and current maturities of long-term loans		333	624
Suppliers and service providers	5	2,634	2,009
Other accounts payable	6	3,357	2,834
		<u>6,324</u>	<u>5,467</u>
<u>Long-term liabilities</u>			
Liabilities for severance pay		89	119
		<u>89</u>	<u>119</u>
Total liabilities		<u>6,413</u>	<u>5,586</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		(2,675)	(1,724)
Net assets used for fixed assets		9,110	8,187
		<u>6,435</u>	<u>6,463</u>
Total liabilities and net assets		<u>12,848</u>	<u>12,049</u>

The accompanying notes are an integral part of the financial statements

June 29, 2022

Date of approval of
the financial statements

(-)

Chairman of Nirim
Association

(-)

President of Nirim
Association

Nirim Association (Registered Association)

Statements of Activities

		For the year ended December 31,	
	Note	2021	2020
		NIS thousands	
<u>Activities turnover</u>			
Donations – village		6,455	5,298
Allotments and participations - village		29,413	24,895
Donations - Nirim in the Neighborhoods		1,461	1,215
Allocations – and participation in activities - Nirim in the Neighborhoods		4,308	2,808
		<u>41,637</u>	<u>34,216</u>
<u>Cost of activities</u>			
Salaries and related expenses	9	19,329	16,715
Graduate activities		654	674
Farm expenses		1,514	1,396
Activities of Girls House		1,506	1,501
Food and kitchen		2,317	1,927
Maintenance expenses		2,720	2,291
Activities in the field		1,570	1,861
Depreciation		1,461	1,292
Other direct expenses		7,555	3,562
Raising amounts from abroad expenses		-	64
		<u>38,626</u>	<u>31,283</u>
Net revenues from activities		3,011	2,933
General and administrative expenses	10	2,966	2,307
Net revenues (expenses) before financing expenses		45	626
Net financing expenses		(73)	(53)
Surplus (deficit) for the year		<u>(28)</u>	<u>573</u>

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>Used for activities not earmarked by the Organization's institutions</u>	<u>Net assets used for fixed assets</u>	<u>Total</u>
	<u>NIS thousands</u>		
<u>Balance as at January 1,2020</u>	(2,425)	8,315	5,890
<u>Additions during the year</u>			
Net surplus for the year	573	-	573
<u>Withdrawals during the year</u>			
<u>Transfer of amounts on which there is no restriction</u>			
Used for fixed assets	(1,163)	1,163	-
Amounts transferred to cover depreciation expenses	1,291	(1,291)	-
	128	(128)	-
<u>Balances as at December 20,2020</u>	(1,724)	8,187	6,463
<u>Additions during the year</u>			
<u>Deficit for the year</u>	(28)	-	(28)
<u>Withdrawals during the year</u>			
<u>Transfer of amounts on which there is no restriction:</u>			
Used for fixed assets	(2,384)	2,384	-
Amounts transferred to cover depreciation expenses	1,461	(1,461)	-
	(923)	923	-
<u>Balance as at December 31, 2021</u>	(2,675)	9,110	6,435

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,	
	2021	2020
	NIS thousands	
<u>Cash flows from activities</u>		
Net surplus (deficit) as per the statements of activities	(28)	573
Reconciliations required to present cash flows from activities - Appendix A		
Revenues and expenses not connected with cash flows	1,480	1,785
Changes in items of assets and liabilities	2,676	(1,091)
Total reconciliations required to represent cash flows from activities – Appendix A	4,156	694
Net cash provided by activities	4,128	1,267
<u>Cash flows from investing activities</u>		
Acquisition of fixed assets	(2,384)	(1,164)
Net cash used for investing activities	(2,384)	(1,164)
<u>Cash flows from financing activities</u>		
Short-term credit from banks, net	-	(151)
Receipt (repayment) of long-term loans and payables	(291)	366
Net cash provided by (used for) financing activities	(291)	215
<u>Increase in cash and cash equivalents</u>	1,435	318
<u>Balance of cash and cash equivalents at beginning of year</u>	1,335	1,017
<u>Balance of cash and cash equivalents at end of year</u>	2,788	1,335

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,	
	2021	2020
	NIS thousands	
<u>Revenues and expenses not connected with cash flows:</u>		
Depreciation and amortization	1,461	1,292
Increase (decrease) in surplus of reserve for severance pay, net	(30)	17
Increase in provision for leave pay and vacation allowance	49	476
	<u>1,480</u>	<u>1,785</u>
<u>Changes in items of assets and liabilities:</u>		
Decrease (increase) in other accounts receivable	1,577	(292)
Increase (decrease) in suppliers and checks payable	625	(1,093)
Increase in other accounts payable	474	294
	<u>2,676</u>	<u>(1,091)</u>
Total reconciliations required to present cash flows from operating activities – Appendix A	<u>4,156</u>	<u>694</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. 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 established. The educational activities have been conducted within the framework of a boarding school since October 2003.

***Purpose**

The "Nirim" Association initiates and operates under the sponsorship of Flotilla 13 unique educational projects "Nirim in the Neighborhoods" and "The Nirim Youth Village" each year. These initiatives provide some 500 young people, who are at extreme risk, an additional (and often 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 but 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 75% are entitled to a high school matriculation certificate, 95% 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 Associations, which is valid until December 31, 2022.

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 has adopted 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.

In the framework of the net assets on which there is no restriction, the Association presents two further sub-divisions:

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

Net assets on which a temporary restriction exists

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 to include short-term deposits with banks, for periods not exceeding three months from the time of the investment 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 - 10

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 included in accordance with the representative exchanges rates of exchange published by the Bank of Israel, and which were in force on the balance sheet date.
- 2) Assets and liabilities linked to the Consumer Prices Index have been included 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 periods 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 from Bank Hapoalim in favor of "Participation in Assets" and the Local Council of NIS 358,852.

Note 3: Other accounts receivable

	As at December 31	
	2021	2020
	NIS thousands	
Prepaid expenses –testing unit	35	443
Petty cash	33	27
Leasing deposits	172	146
Revenues receivable	641	1,854
Checks for collection	39	52
Other	30	5
	<u>950</u>	<u>2,527</u>

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 4: Fixed assets, net

	<u>Vehicle</u>	<u>Furniture and equipment</u>	<u>Equipment, instillations and leasehold improvements</u>	<u>Base inventory</u>	<u>Total</u>
	<u>NIS thousands</u>				
Cost					
Balance as at January 1, 2021	-	331	19,596	139	20,066
Additions during the year	<u>75</u>	<u>-</u>	<u>2,300</u>	<u>-</u>	<u>2,375</u>
Balance as at December 31, 2021	<u>75</u>	<u>331</u>	<u>21,896</u>	<u>139</u>	<u>22,441</u>
Accumulated depreciation					
Balance as at January 1, 2021	-	125	11,745	-	11,870
Depreciation for the year	<u>-</u>	<u>5</u>	<u>1,456</u>	<u>-</u>	<u>1,461</u>
Balance as at December 31, 2021	<u>-</u>	<u>130</u>	<u>13,201</u>	<u>-</u>	<u>13,331</u>
Depreciated cost as at December 31, 2021	<u>75</u>	<u>201</u>	<u>8,695</u>	<u>139</u>	<u>9,110</u>
Depreciated cost as at December 31, 2020	<u>-</u>	<u>23</u>	<u>8,025</u>	<u>139</u>	<u>8,187</u>

Note 5: Trade payables

	<u>As at December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>NIS thousands</u>	
Open accounts	2,419	1,517
Checks payable	<u>215</u>	<u>492</u>
	<u>2,634</u>	<u>2,009</u>

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 6: Other accounts payable

	As at December 31	
	2021	2020
	NIS thousands	
Accrued expenses	67	30
Institutions relating to salaries	791	598
Employees	1,455	1,221
Provision for leave pay	813	712
Provision of vacation allowance	231	283
	<u>3,357</u>	<u>2,834</u>

Note 7: Contingent liabilities and commitments

The Association has no commitments that require reporting.

Note 8: 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 108 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 2020 the number of pupils was increased by 12 and in total 120 pupils were approved.

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.

Nirim Association (Registered Association)

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

Note 9: Cost of activities

	For the year ended	
	December 31	
	2021	2020
	NIS thousands	
<u>Salaries and social benefits</u>		
Salaries – village	8,454	7,892
Salaries – school	6,155	5,675
Salaries – Nirim in the Neighborhoods	4,720	3,148
	<u>19,329</u>	<u>16,715</u>
Graduate activities	654	674
Farm activities	1,514	1,396
Girls House activities	1,506	1,501
Food and kitchen expenses	2,317	1,927
Maintenance expenses	2,720	2,291
Activities in the field	1,570	1,861
Depreciation	1,461	1,292
Other direct expenses:		
Other expenses, net – Village	5,529	2,379
Other expenses – School	932	796
Other expenses – Nirim in the Neighborhoods	1,094	387
	<u>7,555</u>	<u>3,562</u>
Raising funds abroad expenses	-	64
	<u>38,626</u>	<u>31,283</u>

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 10: General and Administrative expenses

	For the year ended December 31	
	2021	2020
	NIS thousands	
Salaries and related expenses	1,788	1,594
Communications	1	1
Maintenance	145	108
Professional services	197	86
Maintenance of vehicle	441	218
Advertising	148	62
Raising donations and travel abroad	-	7
Further studies and seminars	12	9
Miscellaneous	234	222
	<u>2,966</u>	<u>2,307</u>

Note 11: 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, as 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". 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, 2023.

Nirim Association (Registered Association)

Notes to the Financial Statements

Note 14 – Details of donations exceeding NIS 20,000

The donors:

	For the year ended	
	December 31	
	2021	2020
	<u>NIS</u>	<u>NIS</u>
Gilead Sciences Israel Ltd.	-	28,000
NIRIM USA INC.	1,352,172	201,558
Supporters of Israel	-	43,212
Foundation Lombard Odier	83,416	-
UK Online Giving	21,414	-
DITY Investment	62,758	-
Jewish Women's Association of Hong Kong	32,588	69,876
United Jewish Israel Appeal	86,000	-
Shelby Developments Ltd.	-	42,993
O.P.C. Rotem Ltd.	150,000	300,000
Um Output Solutions Ltd.	-	24,000
Oscar Shmuel	50,000	-
ION Est Management Ltd.	125,000	80,000
Altschuler Shaham	36,000	-
Ellie Aloni Allum	50,000	-
Alexander Eshel	-	50,000
Anata Ltd.	30,000	45,000
Anonymous	400,000	-
Enlight Renewable Energy Ltd.	20,000	-
I.B.I. Ambern Investments Management Ltd.		
	25,000	25,000
Energix Renewable Energies Ltd.	180,000	180,000
Euro-Asia LTD	-	106,963
Arkin Holdings	-	80,000
Arpilai Ltd.	-	25,000
Discount Bank	30,000	-
Bank Leumi	50,000	50,000
Gorev Eran	-	50,000
Galila Promote and Develop the Galilee	63,000	34,000
Diti Investments 2006 Ltd.	-	126,479
Gad Dror	250,000	-
The Central Bottling Company - CBC (Coca Cola Israel)	500,000	-
Neve David Community Center	-	
U.J.A.	568,851	1,001,241
The Phoenix Insurance Company Ltd.	20,000	-
The General Guardian	-	45,000
Joshua Zakbach	40,000	-
Gav-Yam Ltd	250,000	-

Hod Atir Ltd.	35,250	-
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Nirim Association (Registered Association)

Notes to the Financial Statements

Note 14 – Details of donations exceeding NIS 20,000 (contd.)

	<u>2020</u>	<u>2021</u>
	<u>NIS</u>	<u>NIS</u>
Stybel Ltd.- Flour Mills	23,000	-
Trico Fox Ltd.	600,000	-
I.C.A. In Israel	64,300	-
Israel Perl	-	50,000
Charmochrom Ltd.	-	-
Leumi Partners Ltd.	20,000	
Monday Com. Ltd.	-	28,000
Miluot Ltd.	20,000	
Milram Gush Tefen Ltd.	30,000	-
Michael Jeffrey Sinclair	-	50,000
Matan Investors in Community	42,281	-
Matan Investors in Community - Microsoft	64,700	-
Nofei Can'an Ltd.	25,000	-
N.G. Software and Media	-	25,000
Nir Arkin	80,000	-
Nir Barkan	-	367,500
Amigav Properties Ltd.	100,000	100,000
Spiral Solutions Ltd.	30,000	50,000
Sphera Funds Management Ltd.	-	25,000
Igul Letova	90,211	59,663
Ira Palti	-	20,000
Yiftah Society	30,000	25,000
Private - anonymous	84,400	-
Ira Palti	40,000	-
P.E.F. Israel Endowment Funds, Inc.	51,115	182,838
Philip Morris Ltd.	43,000	50,000
Zim Combined Shipping Services Ltd.	310,000	-
Kibbutz Gal-Ed	-	45,000
Pitro Hecht Group Ltd.	-	105,000
Kleos Holdings LTD	28,000	
Keren Hayesod Amir Bornstein	-	61,236
Keren Hayesod Amir Bornstein	114,613	
Keren Hayesod – Benzy Schneider	105,687	
Keren Hayesod Guido Rakach	31,390	
David Friedman Foundation	118,000	36,000
Azrieli Israel Foundation	100,000	-
Peretz Naftali Fund	-	50,000
Israel Independence Fund	80,000	120,000
Dalia and Eli Hurvitz Foundation LTD	-	180,000
Boxenbaum-Neta Foundation	150,000	150,000

The Joseph and Christina Kasierer Foundation	-	200,000
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Nirim Association (Registered Association)

Notes to the Financial Statements

Note 14 – Details of donations exceeding NIS 20,000 (contd.)

Azrieli Foundation	-	100,000
Razin Sela – Kitchen Equipment	-	79,907
Shvoong Sports Events Ltd.	200,000	
Uri Zvi Shahak	-	40,000
Tadiran Consumer Products Ltd.	20,000	-
Tmura (Society) of Argos Employees	-	33,010
Tarshish General Plant for Metal Production Ltd.	25,000	20,000
Donations of less than NIS 20,000	683,648	1,651,022
	<u>7,915,524</u>	<u>6,512,498</u>