

Machshava Tova (R.A.)

Financial Statements as at December 31 2015

Machshava Tova (R.A.)

Table of Contents

	<u>Page</u>
Auditors' Report to the Members of the Association	1
Balance Sheets	2
Statements of Activities	3
Statements of Changes in Net Assets	4
Notes to the Financial Statements	5-12

Auditors' Report
To the members of
Machshava Tova (R.A.)

We have audited the accompanying balance sheets of Machshava Tova (R.A.) (hereafter “the Association”) as of December 31 2015 and 2014, the statements of activities and the statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Association's executive. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors (Auditor's Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 Executive and management of the association, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Association as of December 31 2015 and 2014, the results of its activities and the changes in its net assets for the years then ended. in conformity with accounting principles generally accepted in Israel (Israeli GAAP).

Ben David Shalvi Kop & co.
Certified Public Accountants, (Isr.)

Jerusalem, _____ 2016

Machshava Tova (R.A.)
Balance Sheets
(New Israeli Shekels)

		<u>As of December 31</u>	
	<u>Note</u>	<u>2015</u>	<u>2014</u>
<u>Curret Assets</u>			
Cash and cash equivalents	3	1,321,193	593,462
Debtors and debit balances	4	65,336	97,907
		<u>1,386,529</u>	<u>691,369</u>
<u>Long Term Deposits</u>	5	4,107,172	5,269,043
<u>Fixed Assets, Net</u>	6	1,380,792	1,212,167
		<u>6,874,493</u>	<u>7,172,579</u>
<u>Current Liabilities</u>			
Suppliers and service providers	7	425,937	342,324
Creditors and credit balances	8	633,775	304,709
		<u>1,059,712</u>	<u>647,033</u>
<u>Long Term Liabilities</u>			
Provision for severance pay	9	195,184	211,124
<u>Net Assets</u>			
<u>Unrestricted Net Assets</u>			
Used for current activities		238,805	102,255
Used for fixed assets		1,380,792	1,212,167
		<u>1,619,597</u>	<u>1,314,422</u>
<u>Temporarily Restricted Net Assets</u>	9	4,000,000	5,000,000
		<u>5,619,597</u>	<u>6,314,422</u>
		<u>6,874,493</u>	<u>7,172,579</u>

Date

Board Member

Board Member

The attached notes are an integral part of these statements

Machshava Tova (R.A.)
Statements of Activities
(New Israeli Shekels)

	<u>Note</u>	Year ended December 31	
		<u>2015</u>	<u>2014</u>
Activities turnover	11	9,661,144	5,444,237
Cost of activities	12	<u>8,876,633</u>	<u>4,403,303</u>
Net income from activities		784,511	1,040,934
Administrative and general expenses	13	<u>903,209</u>	<u>775,324</u>
Income (deficit) before financing income		(118,698)	265,610
Financing income, (expenses) net	14	<u>(35,101)</u>	<u>36,155</u>
Net income (deficit) for the year		<u>(153,799)</u>	<u>301,765</u>

The attached notes are an integral part of these statements

Machshava Tova (R.A.)
Statements of Changes in Net Assets
(New Israeli Shekels)

	<u>Unrestricted</u>		<u>Restricted</u>	<u>Total</u>
	<u>Used for Current Activities</u>	<u>Used for Fixed Assets</u>	<u>Temporarily *</u>	
Balance as of January 1 2014	(82,008)	739,210	666,666	1,323,868
<u>Changes during the year</u>				
Net income for the year	301,765	-	-	301,765
Designated donation	-	-	5,000,000	5,000,000
Temporary restricted sums transfer for activity	-	-	(666,666)	(666,666)
<u>Transfer of unrestricted amounts</u>				
Donation of fixed assets	-	355,455	-	355,455
Used for fixed assets	(484,562)	484,562	-	-
To cover depreciation expenses	367,060	(367,060)	-	-
Balance as of December 31 2014	102,255	1,212,167	5,000,000	6,314,422
<u>Changes during the year</u>				
Deficit for the year	(153,799)	-	-	(153,799)
Temporary restricted sums transfer for activity	-	-	(1,000,000)	(1,000,000)
<u>Transfer of unrestricted amounts</u>				
Donation of fixed assets	-	458,974	-	458,974
Used for fixed assets	(198,296)	198,296	-	-
To cover depreciation expenses	488,645	(488,645)	-	-
Balance as of December 31 2015	238,805	1,380,792	4,000,000	5,619,597

* see note 10

The attached notes are an integral part of these statements

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 1 - General

Machshava Tova (R.A.) (hereafter: "the Association") was registered as an "Amuta", a non-for profit association, in May 2003 and its Number is: 580409191.

The Association promotes the needy class using the computer for education, leisure and professional skills development.

The Association is recognized as a Not for Profit Organization by the V.A.T. authorities and is registered as a "Public Institution" in accordance with article 9(2) of the income tax ordinance.

The Association is a "Recognized Institution" for donation purposes as defined in section 46 of the income tax ordinance until December 2017.

The Association has a proper management confirmation form in 2016.

Note 2 - Significant Accounting Policies

A. The financial statements were prepared according to generally accepted accounting principles for non-profit institution and in accordance with standard no. 5 of the Israel Accounting Standard Board, regarding "accounting principles and financial reporting by non-profit organization".

B. Historical Cost Convention

The financial statements were prepared on the basis of the historical cost convention and do not include the impact of changes in the general purchasing power of the Israeli currency on the results of the activities.

C. Cash and Cash Equivalents

Cash and Cash Equivalents include bank deposits for immediate withdrawal and short-term deposits whose date of maturity is no more then three months from the date of deposit.

D. Marketable securities

Investment in marketable securities shown at market value as of the balance sheet.

E. Fixed Assets

The fixed assets are stated at cost less accumulated depreciation. the depreciation was calculated according to the estimated length of use of the assets and the following rates:

Electronic equipment	15%
Vehicles	15%
Furniture and equipment	7%-15%
Leasehold improvements	10%
Computer software and internet website	33%

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 2 - Significant Accounting Policies (Cont.)

F. Indexation to Foreign Currency

Balances in or indexed to foreign currency are recorded at the exchange rate on the balance sheet. The dollar exchange rates for the dates of the financial statement are as follows:

	As of December	
	2015	2014
US Dollar	3.902	3.889

G. Statements of Cash Flows

The association did not prepare a statement on cash flows because it does not add meaningful financial information to the information in the financial statements.

Note 3 - Cash and cash equivalents

	As of December 31	
	2015	2014
Cash in Israeli currency	880,848	593,462
Cash in foreign currency	440,345	-
	1,321,193	593,462

Note 4 - Debtors and debit balances

Prepaid expenses	53,589	91,810
Checks receivable and credit companies	11,747	3,180
Employees	-	2,917
	65,336	97,907

Note 5 - Long Term Deposits

	As of December 31	
	2015	2014
Marketable securities	4,029,711	5,241,311
Deposits for Long term in Bank	77,461	27,732
	4,107,172	5,269,043

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 6 - Fixed Assets, Net

	<u>Electronic equipment</u>	<u>Vehicles</u>	<u>Furniture and equipment</u>	<u>Leaslhold improvement</u>	<u>Computer software and internet website</u>	<u>Total</u>
<u>Cost</u>						
Balance as of January 1 2015	102,552	54,252	297,063	433,169	1,890,011	2,777,047
Acquisitions this year	51,189	-	20,750	22,100	563,231	657,270
Balance as of December 31 2015	153,741	54,252	317,813	455,269	2,453,242	3,434,317
<u>Accumulated Depreciation</u>						
Balance as of January 1 2015	2,089,378	23,551	98,464	121,013	767,526	1,564,880
Depreciation of the year	19,992	8,138	24,901	45,485	390,129	488,645
Balance as of December 31 2015	2,109,370	31,689	123,365	166,498	377,397	2,053,525
Fixed Assets, Net as of December 31 2015	1,955,629	22,563	194,448	288,771	2,830,639	1,380,792
Fixed Assets, Net as of December 31 2014	65,826	30,701	198,118	312,156	605,366	1,212,167

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 7 - Suppliers and service providers

	As of December 31	
	2015	2014
Checks payable	210,369	247,945
Open accounts	202,529	71,317
Credit companies	13,039	23,062
	425,937	342,324

Note 8 - Creditors and credit balances

	As of December 31	
	2015	2014
Employees and related institutions	617,980	301,759
Expenses payable	15,795	2,950
	633,775	304,709

Note 9 - Provision for severance pay

- A. The obligations are calculated according to the last salary of employees and their seniority for employees employed for over one year.
- B. The liability recorded in the books, together with the sums deposited for executive insurance, covers the entire liability for termination of employee-employer relations as of the date of the balance sheet.

Note 10- Temporarily Net Assets

In 2014, the association received a donation of 5,000,000 NIS in order to expand its operations with an emphasis on children population and youth population at risk. In the year 2015 1,000,000 NIS was released to activities.

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 11 - Activities turnover

	Year ended December 31	
	2015	2014
<u>Contributions</u>		
Funds	1,644,407	802,109
Temporary restricted sums transfer for activity	1,000,000	666,666
Rental income in money equivalent (A)	409,200	384,000
Private donations	317,332	596,339
Donations from businesses	255,000	150,000
Income in money equivalent of volunteer hours (B)	226,127	217,696
Income in money equivalent (C)	74,529	102,592
	3,926,595	2,919,402
<u>Income from the operation of the Joint programs</u>		
Immigrants and young centers	1,335,641	-
Employment and education for Ethiopian	951,010	-
Employment center in East Jerusalem	529,384	-
Youth center in Lod	312,074	-
Social business	139,619	-
	3,267,728	-
<u>Income from activities participants</u>	1,860,892	1,621,350

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 11 - Activities turnover (Cont.)

	Year ended December 31	
	2015	2014
<u>Allocations</u>		
Revenue from National Insurance	542,585	712,031
Allocations from the Ministry of Health	51,344	146,596
Revenues from the Jerusalem municipality	12,000	9,500
Subsidies from Estates Committee	-	35,358
	605,929	903,485
	9,661,144	5,444,237

- A. Rental revenues in money equivalent for halls used for the association's activities. The computation is performed by the management of the association according to the difference between the market value and the rent actually paid.
- B. Valuation of volunteer hours made by management, at a price acceptable to the economy per hour multiplied by the number of hours of volunteer work.
- C. Donations in money equivalent of moving services, Workshops and lectures, Advertising courses, printing and Office Hours. The computation is performed by the management of the association according to the market value.

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 12 - Cost of Activities

	Year ended December 31	
	2015	2014
Salaries and related expenses	6,005,417	2,889,171
Events and activities	1,063,276	105,474
Portable classroom maintenance and computer rooms	710,482	661,113
Depreciation	488,645	367,060
Training and seminars	377,831	174,628
Scholarships	75,418	59,420
Printing and communication	60,814	61,993
Courses advertising	55,354	35,814
Travel and transport	24,579	38,477
Insurances	14,817	10,153
	<u>8,876,633</u>	<u>4,403,303</u>

(*) Including expenses in money equivalent - see note 10.

Note 13 - Administrative and general expenses

	Year ended December 31	
	2015	2014
Salaries and related expenses	577,272	410,571
Professional services (*)	88,193	108,513
Vehicle maintenance	66,149	63,183
Fundraising	57,745	112,181
Taxes and Fees	55,812	1,337
Office expenses	40,035	50,756
Refreshment, gifts and donations	11,581	8,302
Commissions	2,090	8,435
Communication	4,332	5,646
Advertising	-	6,400
	<u>903,209</u>	<u>775,324</u>

(*) Including expenses in money equivalent - see note 10.

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 14 - Financing income, (expenses) net

	Year ended	
	December 31	
	2015	2014
Bank interests	20	628
Bank charges	(9,429)	(5,890)
Revaluation of Securities	(25,692)	41,417
	<u>(35,101)</u>	<u>36,155</u>