

DAVID YEHEZKEL – CERTIFIED PUBLIC ACCOUNTANT (ISR.)

To:

It Works – Empowering People (Registered Association)

Gentlemen:

In accordance with your request, I have audited the financial statements of It Works – Empowering People (Registered Association) as at December 31, 2016.

In this regard, I am honored to provide you with my report and the following documents, as detailed below:

	<u>Page</u>
Auditor's Report	1
Statements of Financial Position as at December 31, 2016	2
Statements of Activities for the Year Ended December 31, 2016	3
Notes to the Financial Statements as at December 31, 2016	4 - 5
Schedules to the Financial Statements for the Year Ended December 31, 2016	6 – 7

Yours Very Truly,

**David Yehezkel,
Certified Public Accountant (Isr.)**

דוד יחזקאל-רואה חשבון
אלון צבי 20, נתניה
ע.מ. 025255571, מס' תעודת זהות 50028127

DAVID YEHEZKEL – CERTIFIED PUBLIC ACCOUNTANT (ISR.)

**Auditor's Report to the Members of
It Works - Empowering People (Registered Association)**

I have audited the accompanying Statements of Financial Position of It Works – Empowering People (Registered Association") as at December 31, 2016 and 2015, and the Statements of Activities for the years then ended. These financial statements are the responsibility of the Registered Association's Management Committee and Management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, including those prescribed by Auditors' Regulations (Auditor's Mode of Performance) - 1973. Those standards require that I plan and perform the audit to obtain reasonable assurance about 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 Registered Association's Management Committee and Management, as well as evaluating the overall financial statement presentation.

The financial statements are prepared on the basis of the historical cost convention in nominal terms.

In my opinion, the financial statements referred to above, present fairly, in accordance with generally accepted accounting principles, in all material respects, the financial position of the Registered Association as at December 31, 2016 and 2015, and the result of its activities for the years then ended, on the basis of the historical cost convention in nominal terms.

12.12.2017

Yours Very Truly,

**David Yehezkel,
Certified Public Accountant (Isr.)**

It Works - Empowering People (Registered Association)
Statements of Financial Position

(Expressed in New Israel Shekels)

	Note	December 31,	
		2016	2015
Current Assets:			
Bank – current account		2,328,290	1,442,740
Deposit		1,957,472	2,974,660
Cash, credit cards and checks		260,110	15,672
Income receivable		-	311,360
Investment in investee company		411,000	411,000
		4,956,872	5,155,432
 Fixed Assets:			
Fixed assets – depreciated cost	3	146,076	135,216
		5,102,948	5,290,648
 Current Liabilities:			
Suppliers and miscellaneous payables		518,375	366,358
Checks payable		230,318	293,917
Institutions	4	108,114	54,869
Employees		158,486	83,970
Student deposits		84,071	76,099
		1,099,364	875,213
 Net Assets:			
Net assets, not use-restricted		1,503,584	584,336
Net assets, use-restricted		2,500,000	3,831,099
		4,003,584	4,415,435
		5,102,948	5,290,648

The accompanying notes are an integral part of the financial statements.

Director

It Works - Empowering People (Registered Association)
Statements of Activities

(Expressed in New Israel Shekels)

		For the Year Ended December 31,	
	Schedule	2016	2015
Revenue - turnover	1	<u>5,178,286</u>	<u>4,953,793</u>
<u>Costs and expenses</u>			
Operating expenses	2	4,584,513	3,586,936
Management and general expenses	3	993,384	1,012,010
Financing expense, net		<u>12,240</u>	<u>4,906</u>
		<u>5,590,137</u>	<u>4,603,852</u>
Net loss for the year (previous year: net income)		(411,851)	349,941
Retained earnings, previous year		<u>4,415,435</u>	<u>4,065,494</u>
Retained earnings, end of year		<u>4,003,584</u>	<u>4,415,435</u>

The accompanying schedules are an integral part of the financial statements.

Director

**It Works - Empowering People (Registered Association)
Notes to the Financial Statements**

(Expressed in New Israel Shekels)

Note 1 – General:

1. It Works - Empowering People (Registered Association), was founded on 21.9.2006 and began operations on the same date.
2. The main goal of the Registered Association is to promote and assimilate communication networks among disadvantaged populations, along with promoting excellence through academies throughout the country.
3. It Works - Empowering People (Registered Association) was registered as a "non-profit institution" for Value Added Tax purposes, and is recorded in the Registrar of Associations under file number 580466464.
4. The breakdown of expenses between operating expenses and management and general expenses is made by the authorized forums of the Registered Association.
5. The breakdown between restricted net assets and non-restricted net assets is made by the authorized forums of the Registered Association.

Note 2: Significant Accounting Policies:

A. Accounting measurement basis:

The financial statements of the Registered Association are prepared in accordance with generally accepted accounting principles, in accordance with Standard 5 issued by the Israel Accounting Standards Board.

B. Fixed assets:

Fixed assets are recorded at historical cost. Depreciation is calculated using the straight-line method and is recognized over the asset's life.

Note 3 - Fixed Assets – Depreciated Cost:

			December 31,	
	Cost	Accumulated Depreciation	2016	2015
Equipment	472,511	360,861	111,650	94,847
Leasehold improvements	59,421	24,995	34,426	40,369
	<u>531,932</u>	<u>385,856</u>	<u>146,076</u>	<u>135,216</u>

It Works - Empowering People (Registered Association)
Notes to the Financial Statements

(Expressed in New Israel Shekels)

Note 4 – Institutions:

	December 31,	
	2016	2015
Income tax – deductions	27,839	21,747
National Insurance Institute - deductions	27,916	15,078
Provision for social benefits	52,359	18,044
	<hr/>	<hr/>
	108,114	54,869

It Works - Empowering People (Registered Association)
Schedules to the Financial Statements

(Expressed in New Israel Shekels)

	For the Year Ended December 31,	
	2016	2015
<u>Schedule 1 – Revenue Turnover:</u>		
Government ministries	1,508,777	2,050,021
Local authorities	-	59,700
Participation in courses	120,552	91,513
Israel funds	260,668	568,395
Participation – Public Benefit Company	1,380,380	427,308
Business sector	124,648	235,000
Foreign funds	800,597	1,452,250
Consulates and embassies	321,067	-
Related companies	661,597	69,606
	5,178,286	4,953,793
<u>Schedule 2 – Operating Expenses:</u>		
Salaries and benefits	2,126,696	1,169,435
Seminars	2,022,890	2,125,962
Course advertising	122,448	43,833
Equipment depreciation	26,289	30,710
Office	7,886	19,594
Student transportation	-	22,659
Computerization	74,523	18,808
Refreshments at courses	21,484	4,077
Insurance	28,600	29,535
Mobile phone (net of implicit mobile tax value of NIS 4,590)	16,977	27,139
Conferences	59,188	54,206
Vehicle maintenance (net of implicit vehicle tax value of NIS 43,176)	77,352	40,978
	4,584,513	3,586,936

It Works - Empowering People (Registered Association)
Schedules to the Financial Statements

(Expressed in New Israel Shekels)

	For the Year Ended	
	December 31	
	2016	2015
<u>Schedule 3 – Management and General Expenses:</u>		
Salaries and benefits	649,909	592,390
Fundraising	32,933	88,749
Office	7,057	3,247
Accounting and audit	46,110	47,500
Mobile and landline phones (net of implicit mobile tax value of NIS 1,260)	12,005	14,701
Fees	1,406	1,607
Legal	400	-
Office rental and maintenance	175,490	156,193
Software servicing	-	2,106
Municipal taxes	38,198	38,298
Leasehold improvements depreciation	5,941	5,941
Vehicle maintenance (net of implicit vehicle tax value of NIS 48,060)	20,892	51,179
Hospitality	3,043	10,099
	993,384	1,012,010

Netanya December 12, 2017