

DAVID YEHEZKEL – CERTIFIED PUBLIC ACCOUNTANT (ISR.)

Netanya, August 27, 2018

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, 2017.

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

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Yours Very Truly,

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

דוד יחזקאל - רואה חשבון
אלון צבי, נתניה
ע.מ. 025255571, מס' קשיונה 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, 2017 and 2016, 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, 2017 and 2016, and the result of its activities for the years then ended, in accordance with generally accepted accounting principles in Israel (Israeli GAAP), on the basis of the historical cost convention in nominal terms.

27.8.2018

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,	
		2017	2016
<u>Current Assets:</u>			
Bank – current account		3,182,291	2,328,290
Bank - deposit		1,053,962	1,957,472
Deposit – rents		76,440	-
Cash, credit cards and checks		565,118	260,110
Investment in an investee company		-	411,000
		4,877,811	4,956,872
 <u>Fixed Assets:</u>			
Fixed assets – depreciated cost	3	303,701	146,076
		5,181,512	5,102,948
 <u>Current Liabilities:</u>			
Suppliers and miscellaneous payables		230,961	518,375
Checks payable		64,981	230,318
Institutions	4	219,032	108,114
Employees		218,733	158,486
Student deposits		-	84,071
		733,707	1,099,364
 <u>Net Assets:</u>			
Net assets, not use-restricted		1,597,805	1,503,584
Net assets, use-restricted		2,850,000	2,500,000
		4,447,805	4,003,584
		5,181,512	5,102,948

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

**Zohar Maimon, ID
028086655
Director**

**Naama Giladi, ID 026625772
Director**

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

(Expressed in New Israel Shekels)

		For the Year Ended December 31,	
	Schedule	2017	2016
Revenue - turnover	1	<u>7,370,250</u>	<u>5,178,286</u>
<u>Costs and expenses</u>			
Operating expenses	2	5,385,922	4,584,513
Management and general expenses	3	1,319,812	993,384
Financing expense. net	4	<u>220,295</u>	<u>12,240</u>
		<u>6,926,029</u>	<u>5,590,137</u>
Net income for the year (previous year: net loss)		444,221	(411,851)
Retained earnings, previous year		<u>4,003,584</u>	<u>4,415,435</u>
Retained earnings, end of year		<u>4,447,805</u>	<u>4,003,584</u>

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

**Zohar Maimon, ID
028086655
Director**

**Naama Giladi, ID 026625772
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. The Registered Association was registered as a "non-profit institution" for Value Added Tax purposes and is registered 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.
6. Investment in a company – the Registered Association holds one-third of the paid-up share capital of "Good Cause for Haredi Employment Ltd." (Company Registration Number 515183457)
7. The Registered Association has guaranteed the execution of projects through its bank account totaling NIS 238,705 as at December 31, 2017.

Note 2: Significant Accounting Policies:

A. Accounting policy 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.

In 2017, various fixed assets that were no longer in use, were removed from the fixed asset base.

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

(Expressed in New Israel Shekels)

Note 3 - Fixed Assets – Depreciated Cost:

	Cost	Accumulated Depreciation	December 31,	
			2017	2016
			Undepreciated Cost	
Equipment	453,734	165,374	288,360	111,650
Leasehold improvements	75,020	59,679	15,341	34,426
	528,754	225,053	303,701	146,076

Note 4 – Institutions:

	December 31,	
	2017	2016
Income tax – deductions	42,645	27,839
National Insurance Institute - deductions	44,615	27,916
Provision for social benefits	131,772	52,359
	219,032	108,114

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

(Expressed in New Israel Shekels)

	For the Year Ended	
	December 31,	
	2017	2016
<u>Schedule 1 – Revenue Turnover:</u>		
Government ministries	2,123,911	1,508,777
Local authorities	10,632	-
Participation in courses	292,732	120,552
Israel funds	555,313	260,668
Participation – Public Benefit Company	2,252,323	1,380,380
Business sector	337,448	124,648
Foreign funds	1,561,326	800,597
Consulates and embassies	192,451	321,067
Related companies	44,114	661,597
	7,370,250	5,178,286
<u>Schedule 2 – Operating Expenses:</u>		
Salaries and benefits	3,201,778	2,126,696
Seminars	1,318,623	2,022,890
Course advertising	386,025	122,448
Equipment depreciation	28,311	26,289
Office	11,745	7,886
Computerization	185,938	74,523
Course hospitality	69,926	21,484
Insurance	20,000	28,600
Mobile phone (net of implicit mobile tax value of NIS 5,729)	9,211	16,977
Conferences	37,524	59,188
Vehicle maintenance (net of implicit vehicle tax value of NIS 52,052)	116,841	77,352
	5,385,922	4,584,513

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

(Expressed in New Israel Shekels)

	For the Year Ended	
	December 31	
	2017	2016
<u>Schedule 3 – Management and General Expenses:</u>		
Salaries and benefits	815,215	649,909
Fundraising	88,808	32,933
Office	7,729	7,057
Accounting and audit	33,535	46,110
Mobile and landline phones (net of implicit mobile tax value of NIS 1,260)	17,176	12,005
Fees	1,865	1,406
Legal	-	400
Office rental and maintenance	241,991	175,490
Municipal taxes	39,076	38,198
Leasehold improvements amortization	34,683	5,941
Vehicle maintenance (net of implicit vehicle tax value of NIS 45,660)	15,334	20,892
Hospitality	24,400	3,043
	<u>1,319,812</u>	<u>993,384</u>

Schedule 4 – Financing Costs, Net:

The Registered Association holds foreign currency cash balances.

As at December 31, 2017, a total of NIS 209,456 of financing expenses resulted from the revaluation of the foreign currency balances.