

DAVID YEHEZKEL – CERTIFIED PUBLIC ACCOUNTANT (ISR.)

Netanya, September 16th, 2020

To:

It Works – Empowering People (Registered Association)

Gentlemen:

In accordance with your request, I have audited the financial statements of itworks – Empowering People (Registered Association) as at December 31, 2019.

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, 2019	2
Statements of Activities for the Year Ended December 31, 2019	3
Notes to the Financial Statements as at December 31, 2019	4-5
Schedules to the Financial Statements for the Year Ended December 31, 2019	6-7

Yours Very Truly,

David Yehezkel,
Certified Public Accountant

דוד יחזקאל-רואה חשבון
שדרות בנימין 30/2, תנייה 4231322
ע.מ. 025255571
טל: 08-8874475

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, 2018 and 2017, 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, 2018 and 2019, 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.

16.9.2020

Yours Truly,

David Yehezkel,
Certified Public Accountant (Isr.)

דוד יחזקאל-רואה חשבון
שדרות בנימין 30/2, תלמי 4231322
ע.מ. 025255571
טל: 02-8824475

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

(Expressed in New Israel Shekels)

	Note	December 31, 2019	2018
<u>Current Assets:</u>			
Bank – current account		3,191,237	3,689,066
Bank - deposit		4,501	-
Deposit – rents		76,440	76,440
Cash, credit cards and checks		1,780	2,444
Prepaid expenses		-	75,410
Income received		1,119,118	1,791,203
Clients		300,948	247,577
Advances to suppliers		116,143	214,107
Investment in subsidiary company		126,799	
		4,937,036	6,096,247
 <u>Fixed Assets:</u>			
Fixed assets – depreciated cost	3	260,551	294,791
		5,197,587	6,391,038
 <u>Current Liabilities:</u>			
Suppliers and miscellaneous payables		224,589	617,950
Checks payable		311,694	296,935
Institutions	4	138,274	174,168
Employees		193,497	235,676
Advances from customers		347,358	247,012
Student deposits		-	11,028
		1,215,412	1,582,769
 <u>Net Assets:</u>			
Net assets, not use-restricted		2,100,000	2,100,000
Net assets, use-restricted		1,882,175	2,708,269
		3,982,175	4,808,269
		5,197,587	6,391,038

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

Zohar Maimon, ID
028086655
Board Chairman

Naama Giladi, ID 026625772
Board Member

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

(Expressed in New Israel Shekels)

	Schedule	For the Year Ended December 31,	
		2019	2018
Revenue - turnover	1	<u>6,845,496</u>	<u>8,242,445</u>
<u>Costs and expenses</u>			
Operating expenses	2	6,383,480	6,738,742
Management and general expenses	3	1,288,904	1,307,931
Financing expense. net	4	<u>14,990</u>	<u>(178,690)</u>
		<u>7,687,374</u>	<u>7,867,983</u>
Net income for the year (previous year: net loss)		(841,878)	374,462
Job placements		15,784	(13,998)
Retained earnings, previous year		<u>4,808,269</u>	<u>4,447,805</u>
Retained earnings, end of year		<u>3,982,175</u>	<u>4,808,269</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. During the year the association started job placement activity. During 2019 the association transferred the placement activity into a for-profit company. The association holds 100% of the redeemed equity capital of the company.

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.

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,	
			2019	2018
			Undepreciated Cost	
Equipment	484,480	245,596	238,884	270,923
Leasehold improvements	26,298	4,631	21,667	23,868
	528,754	225,053	260,551	294,791

Note 4 – Institutions:

	December 31,	
	2019	2018
Income tax – deductions	73,588	34,071
National Insurance Institute - deductions	26,635	34,438
Provision for social benefits	38,051	105,659
	138,274	174,168

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

(Expressed in New Israel Shekels)

**For the Year Ended
December 31,**

2019 2018

Schedule 1 – Revenue Turnover:

Government ministries	5,188	741,636
Local authorities	50,020	-
Participation in courses	335,249	21,170
Israel funds	114,413	440,599
Participation – Public Benefit Company	4,412,204	4,554,450
Business sector	125,683	(257,327)
Foreign funds	1,351,406	2,670,243
Consulates and embassies	31,851	-
Related companies	195,220	-
Income from Services	50,400	-
In-kind support	173,862	71,674
	6,845,496	8,242,445

Schedule 2 – Operating Expenses:

Salaries and benefits	2,285,789	3,427,853
Seminars	3,057,356	2,242,176
Course advertising	301,417	434,837
Equipment depreciation	40,598	39,621
Office	18,924	31,992
Computerization	12,131	69,075
Course hospitality	158,204	110,632
Insurance	24,000	24,000
Mobile phone (net of implicit mobile tax value of NIS 3,378)	8,451	19,032
Conferences	84,655	19,766
Vehicle maintenance (net of implicit vehicle tax value of NIS 31,816)	34,057	88,802
Legal fees	10,678	21,000
Office rent and maintenance	347,220	162,206
Reimbursement of fee to participants	-	57,750
	6,383,480	6,738,742

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

(Expressed in New Israel Shekels)

	For the Year Ended December 31	
	2019	2018
<u>Schedule 3 – Management and General Expenses:</u>		
Salaries and benefits	886,167	848,558
Fundraising	42,900	70,339
Office	16,090	12,918
Accounting and audit	41,150	79,268
Mobile and landline phones (net of implicit mobile tax value of NIS 1,260)	21,448	27,817
Fees	-	2,469
Office rental and maintenance	152,715	60,907
Municipal taxes	18,196	17,684
Leasehold improvements amortization	2,202	2,172
Vehicle maintenance (net of implicit vehicle tax value of NIS 45,660)	9,541	17,937
Hospitality	5,706	16,094
Preparation for tenders	36,815	134,369
Legal fees	43,297	2,991
Office insurance	12,677	14,454
	1,288,904	1,307,931

Schedule 4 – Financing Costs, Net:

The Registered Association holds foreign currency cash balances.

As at December 31, 2018, a total of NIS 206,517 of financing expenses resulted from the revaluation of the foreign currency balances.

Schedule 5 – Job Placement:

In 2018 the association began activities of manpower job placement.

The following is a calculation of profit / loss from this activity –

	For the Year Ended December 31	
	2019	2018
Income	400,039	257,147
Salaries and benefits	(384,255)	(271,145)
	15,784	(13,998)