

NEGBA -  
A NETWORK OF "HOUSES OF HOPE" FOR  
CHILDREN AT RISK  
IN ISRAEL

FINANCIAL STATEMENTS AS OF  
DECEMBER 31, 2015



Haim Bendahan, C.P.A. (Isr.)  
Michel Samuel, C.P.A. (Isr.)  
David Maman, C.P.A. (Isr.)  
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חיים בן דהן – רו"ח  
מישל סמואל – רו"ח  
דוד ממן – רו"ח  
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**FINANCIAL STATEMENTS AS OF**

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**BENDAHAN, SAMUEL, MAMAN & Co.** Certified Public Accountants (Isr.)

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**AUDITORS' REPORT TO THE MEMBERS OF**

**NEGBA – A NETWORK OF “HOUSES OF HOPE” FOR  
CHILDREN AT RISK IN ISRAEL**

We have audited the accompanying balance sheets of Negba – A Network of “House of hope” For Children At Risk in Israel - (“the Association”) as of December 31, 2015 and 2014, and the related statements of income and expenses and changes in the funds balance and the statements of cash flows for each of the years ended on those dates. These financial statements are the responsibility of the Association management. 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 under the Auditors' Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we 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 Association management, 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 respects, the financial position of the Association as of December 31, 2015 and 2014, and the results of its operations and the changes in the funds balance for each of the years ended on those dates, in conformity with generally accepted accounting principle which are accepted in Israel (Israeli GAAP).

Jerusalem, May 1, 2016

Bendahan, Samuel, Maman & Co  
Certified Public Accountants (Isr.)

**NEGBA – A NETWORK OF “HOUSES OF HOPE” FOR  
CHILDREN AT RISK IN ISRAEL**

**Balance Sheets**

	<u>Note</u>	<u>As of December 31</u>	
		<u>2015</u>	<u>2014</u>
		<u>New Israeli Shekel</u>	
 <u>Current Assets</u>			
Cash and cash equivalents		4,880,169	5,093,055
Debtor and debit balances	3	<u>58,549</u>	<u>429,816</u>
		4,938,718	5,522,871
 <u>Intended deposits</u>			
	4	<u>12,294,544</u>	<u>11,288,894</u>
 <u>Fixed Assets</u>			
	5	<u>1,250,585</u>	<u>1,183,347</u>
		<u>18,483,847</u>	<u>17,995,112</u>
 <u>Current Liabilities</u>			
Suppliers	6	200,862	197,282
Creditors and credit balances	7	<u>323,813</u>	<u>364,912</u>
		524,675	562,194
 <u>Long term liabilities</u>			
Liabilities relating to severance pay	8	<u>136,813</u>	<u>135,943</u>
 <u>Funds balance</u>			
<u>Unlimited funds</u>			
For current activities		2,687,602	3,424,602
That were designated by the association management		457,720	-
For fixed assets		<u>1,250,585</u>	<u>1,183,347</u>
		4,395,907	4,607,949
Net assets temporarily restricted	12	<u>13,426,452</u>	<u>12,689,026</u>
Total net assets		<u>17,822,359</u>	<u>17,296,975</u>
		<u>18,483,847</u>	<u>17,995,112</u>

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

**NEGBA - A NETWORK OF "HOUSES OF HOPE" FOR  
CHILDREN AT RISK IN ISRAEL**

**Statements of Income and expenses**

	<u>For the year ended</u>	
	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
	<u>New Israeli Shekel</u>	
<b><u>Operating income</u></b>		
Income - note 9	5,439,966	5,668,718
	-----	-----
<b><u>Operating expenses</u></b>		
Salaries and related expenses	2,768,446	2,640,886
Workshops	417,702	444,393
Teaching equipments	67,057	62,857
Food	361,007	397,805
Rent	156,144	149,648
Educational project - note 10	404,441	503,284
Maintenance	137,649	129,002
Transportation	7,714	27,806
Charity activity	636	1,078
Communication	34,201	30,077
Insurances	25,911	38,408
Depreciation	214,825	198,260
	-----	-----
	4,595,733	4,623,504
	-----	-----
Net operating income	844,233	1,045,214
General and managerial expenses – note 11	1,184,024	1,171,914
	-----	-----
Net expenses before financial income	(339,791)	(126,700)
Financial income (expenses)	(71,486)	919
	-----	-----
Net expenses after financial income	(411,277)	(125,781)
Other expenses – capital loss	-	(38,894)
	-----	-----
Net expenses for the year	(411,277)	(164,675)
	-----	-----

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

**NEGBA – A NETWORK OF “HOUSES OF HOPE” FOR  
CHILDREN AT RISK IN ISRAEL**

**CHANGES IN FUNDS BALANCE**  
(NEW ISRAELI SHEKEL)

	<u>Unlimited funds</u>		<u>Temporarily</u>		<u>Total</u>
	<u>Current activities</u>	<u>That were designated by association management</u>	<u>Fixed assets</u>	<u>Restricted</u>	
Balance as of 1.1.2014	3,655,202	-	1,117,422	11,968,296	16,740,920
<u>Increases during the year:</u>					
Interest income	-	-	-	151,796	151,796
Contributions and allocations	-	-	-	1,053,876	1,053,876
<u>Decreases during the year:</u>					
Net expenses for the year	(164,675)	-	-	-	(164,675)
Transfer of unlimited funds - Used for fixed assets	(385,598)	-	385,598	-	-
Transfer of funds for depreciation	231,718	-	(231,718)	-	-
Funds due from realization of fixed assets	87,955	-	(87,955)	-	-
Funds released from limitation to activities	-	-	-	(484,942)	(484,942)
Balance as of 31.12.2014	3,424,602	-	1,183,347	12,689,026	17,296,975
<u>Increases during the year:</u>					
Interest income	-	-	-	102,230	102,230
Contributions and allocations	-	-	-	1,046,401	1,046,401
<u>Decreases during the year:</u>					
Net expenses for the year	(411,277)	-	-	-	(411,277)
Funds that were designated by the association management	(457,720)	457,720	-	-	-
Transfer of unlimited funds - Used for fixed assets	(105,869)	-	105,869	-	-
Transfer of funds for depreciation	237,866	-	(237,866)	-	-
Funds due from realization of fixed assets	-	-	199,235	(199,235)	-
Funds released from limitation to activities	-	-	-	(211,970)	(211,970)
Balance as of 31.12.2015	2,687,602	457,720	1,250,585	13,426,452	17,822,359

**NEGBA – A NETWORK OF “HOUSES OF HOPE” FOR  
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**STATEMENTS OF CASH FLOWS**

	For the year ended	
	31.12.2015	31.12.2014
	N.I.S.	
<b><u>Cash flows from operating activities:</u></b>		
Net expenses from statement of income and expenses	(411,277)	(164,675)
Expenses that do not involve cash flow:		
Depreciation	237,866	231,718
Capital loss	-	38,894
Changes in assets and liabilities:		
(Increase) decrease other receivables	371,267	(417,594)
Increase in liabilities relating to severance pay	870	23,502
Decrease in suppliers	3,580	(177)
Increase (decrease) in other liabilities	<u>(41,099)</u>	<u>23,331</u>
Net cash provided by (used in) operating activities	<u>161,207</u>	<u>(265,001)</u>
<b><u>Cash flows from investing activities:</u></b>		
Investments in intended deposits	(1,005,650)	(151,796)
Proceeds from sale of fixed assets	-	49,060
Acquisition of permanent assets	<u>(305,104)</u>	<u>(385,597)</u>
Net cash used in investing activities	<u>(1,310,754)</u>	<u>(488,333)</u>
<b><u>Cash flows from financing activities:</u></b>		
Contributions with temporality limited funds	1,148,631	1,205,672
Funds released from limitation to activities	<u>(211,970)</u>	<u>(484,942)</u>
Net cash used in financing activities	<u>936,661</u>	<u>720,730</u>
<b><u>Decrease in cash and cash equivalents</u></b>	<b>(212,886)</b>	<b>(32,604)</b>
<b><u>Cash and cash equivalents at the beginning of the year</u></b>	<b><u>5,093,055</u></b>	<b><u>5,125,659</u></b>
<b><u>Cash and cash equivalents at the end of the year</u></b>	<b><u>4,880,169</u></b>	<b><u>5,093,055</u></b>

**NEGBA – A NETWORK OF “HOUSES OF HOPE” FOR  
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**MANAGEMENT’S NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

(In New Israeli Shekels)

**Note 1 - GENERAL**

- A. The association was founded in October 2006.
- B. The registration number of the association is: 580466928.
- C. The purpose of the association is to establish and to manage several homes for “children at risk” in Israel. Providing social services and education to children and youth at risk. Promoting, developing and supporting programs for children and youth at risk.

**Note 2 - SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accounting standard n<sup>o</sup> 5 of the Institute of Certified Public Accountants in Israel concerning non-profit organizations.

Basic accounting policies are as follows:

- A. The financial statements were set in accordance with the accounting principles which are generally accepted in Israel (Israeli GAAP).
- B. Fixed assets:
  - 1. Depreciation is computed by the straight-line method to the fiscal administration accepted rates.
  - 2. Expendable equipment are reduced fully at year of payment.
- C. Foreign currency:

Balances in foreign currency, have been presented at the representative rate of exchange on the balance sheet date.
- D. Report basis:

According to the accepted practice in social welfare associations, the recording system is as follows.

  - 1. The receipts are recorded in the period to which they relate.
  - 2. The expenses for which payment was due the year of the financial statements but have not yet been paid, are accumulated.
- E. The financial statements not included monetary value of volunteer activity in the association.
- F. The financial statements include partial of volunteer activities.



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**Note 3 - OTHER RECEIVABLES**

	<u>As of December 31</u>	
	<u>2015</u>	<u>2014</u>
Income tax	112	-
Receivables	-	387,890
Prepaid expenses	28,832	36,716
Other receivables	<u>29,605</u>	<u>5,210</u>
	<u>58,549</u>	<u>429,816</u>

**Note 4 - INTENDED DEPOSITS**

Amounts intended for the construction are deposited in solid investment.

**Note 5 - FIXED ASSETS**

	Cost as of <u>31.12.2015</u>	Accumulated depreciation <u>31.12.2015</u>	Balance as of <u>31.12.2015</u>	Balance as of <u>31.12.2014</u>
Renovations in buildings	1,411,122	804,722	606,400	689,602
Equipment and furniture	552,599	294,276	258,323	291,412
Computers	352,364	291,336	61,028	61,363
Cars	157,230	43,488	113,742	129,113
Down payment of construction of a building	<u>211,092</u>	<u>-</u>	<u>211,092</u>	<u>11,857</u>
	<u>2,684,407</u>	<u>1,433,822</u>	<u>1,250,585</u>	<u>1,183,347</u>

**Note 6 - SUPPLIERS**

	<u>As of December 31</u>	
	<u>2015</u>	<u>2014</u>
Open accounts	155,780	158,422
Checks payable	<u>45,082</u>	<u>38,860</u>
	<u>200,862</u>	<u>197,282</u>

**Note 7 - OTHER LIABILITIES**

	<u>As of December 31</u>	
	<u>2015</u>	<u>2014</u>
Employees and institutions	291,975	324,240
Other liabilities and expenses payable	<u>31,838</u>	<u>40,672</u>
	<u>323,813</u>	<u>364,912</u>

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**Note 8 - LIABILITIES RELATING TO SEVERANCE PAY**

The association's liability for severance pay for its employees is partially covered by deposits into a managerial insurance fund.

**Note 9 - INCOME**

	<u>For the Year Ended</u>	
	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
	<u>New Israeli Shekel</u>	
Donations	3,363,307	3,768,912
Income from local authorities	114,285	102,502
Haapotropus	-	48,970
Funds released from limitation to activities	211,970	484,942
Ministry of social affairs	1,321,206	1,167,101
Education ministry – (1) cash equal	263,480	-
Revenue participations	<u>165,718</u>	<u>96,291</u>
	<u>5,439,966</u>	<u>5,668,718</u>

(1) The association receive hours of help from education ministry, free.

**Note 10 - EDUCATIONAL PROJECTS**

	<u>For the Year Ended</u>	
	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
	<u>New Israeli Shekel</u>	
Negba training	362,433	357,832
Establishment afternoon program ("Bedouin" diaspora)	<u>42,008</u>	<u>145,452</u>
	<u>404,441</u>	<u>503,284</u>

**Note 11 - GENERAL AND MANAGERIAL EXPENSES**

	<u>For the Year Ended</u>	
	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
	<u>New Israeli Shekel</u>	
Salaries and related expenses, net	971,623	896,753
Office expenses	14,610	23,115
Public relations	36,422	79,664
Car expenses	23,226	36,800
Communication	6,485	18,291
Professional fees	59,206	47,436
Taxes and fees	1,814	1,316
Insurances	7,407	7,120
Rent	62,528	61,646
Refreshments and Other	<u>703</u>	<u>(227)</u>
	<u>1,184,024</u>	<u>1,171,914</u>

**NEGBA – A NETWORK OF “HOUSES OF HOPE” FOR  
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**Note 12 – NET ASSETS TEMPORARILY RESTRICTED**

	<u>Construction</u>	<u>Frank Vilar's house</u>	<u>Beduin diaspora</u>	<u>Grossman's projects</u>	<u>Educational assistance</u>	<u>Negba Training</u>	<u>Meitar</u>	<u>Total</u>
Balance as of 1.1.2014	11,137,098	190,712	-	411,371	-	-	229,115	11,968,296
Temporarily restricted	151,796	-	-	759,646	-	294,230	-	1,205,672
Funds released from limitation	<u>-</u>	<u>(190,712)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(294,230)</u>	<u>-</u>	<u>(484,942)</u>
Balance as of 31.12.2014	11,288,894	-	-	1,171,017	-	-	229,115	12,689,026
Temporarily restricted	747,166	-	22,142	-	200,000	179,323	-	1,148,631
Funds released from limitation	<u>(199,235)</u>	<u>-</u>	<u>(22,142)</u>	<u>-</u>	<u>(10,505)</u>	<u>(179,323)</u>	<u>-</u>	<u>(411,205)</u>
Balance as of 31.12.2015	<u>11,836,825</u>	<u>-</u>	<u>-</u>	<u>1,171,017</u>	<u>189,495</u>	<u>-</u>	<u>229,115</u>	<u>13,426,452</u>

**Note 13 -** The association did not receive donations from foreign entities.