

NEGBA -
CHILDREN AND YOUTH BUILDING THE
FUTURE (R.A.)

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2021



Haim Bendahan, C.P.A. (Isr.)

Michel Samuel, C.P.A. (Isr.)

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חיים בן דהן - רו"ח

מישל סמואל - רו"ח

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FINANCIAL STATEMENTS AS OF

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AUDITORS' REPORT TO THE MEMBERS OF

NEGBA -

**CHILDREN AND YOUTH BUILDING THE
FUTURE (R.A.)**

We have audited the accompanying balance sheets of Negba – children and youth building the future (R.A.) - ("the Association") as of December 31, 2021 and 2020, 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, 2021 and 2020, 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, June 22, 2022

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

NEGBA - CHILDREN AND YOUTH BUILDING THE FUTURE (R.A.)**Balance Sheets**

	<u>Note</u>	<u>As of December 31</u>	
		<u>2021</u>	<u>2020</u>
		<u>New Israeli Shekel</u>	
<u>Current Assets</u>			
Cash and cash equivalents		3,537,985	3,002,945
Debtor and debit balances	3	<u>458,313</u>	<u>489,040</u>
		3,996,298	3,491,985
		-----	-----
<u>Non – current Assets</u>			
Intended deposits	4	2,939,234	2,937,552
Savings at the bank		<u>1,106,233</u>	<u>1,100,182</u>
		4,045,467	4,037,734
		-----	-----
<u>Fixed Assets</u>			
	5	12,374,951	12,807,430
		-----	-----
		20,416,716	20,337,149
		=====	=====
<u>Current Liabilities</u>			
Suppliers	6	57,356	46,302
Creditors and credit balances	7	<u>507,895</u>	<u>483,368</u>
		565,251	529,670
		-----	-----
<u>Long term liabilities</u>			
Liabilities relating to severance pay	8	20,892	64,553
		-----	-----
<u>Funds balance</u>			
Unlimited funds			
For current activities		1,851,481	1,870,106
That were designated by the association management	4	2,745,666	2,800,000
For fixed assets		<u>12,374,951</u>	<u>12,807,430</u>
		16,972,098	17,477,536
		-----	-----
Net assets temporarily restricted	12	2,858,475	2,265,390
		-----	-----
Total net assets		19,830,573	19,742,926
		-----	-----
		20,416,716	20,337,149

The accompanying notes are an integral part of the financial statements

Statements of Income and expenses

	<u>For the year ended</u>	
	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>New Israeli Shekel</u>	
Operating income - note 9	5,941,762	6,089,304
	-----	-----
Operating expenses – note 10	5,071,809	5,024,488
	-----	-----
Net operating income	869,953	1,064,816
General and managerial expenses – note 11	1,092,354	959,959
	-----	-----
Net income (expenses) before financial income	(222,401)	104,857
Financial income (expenses)	(283,037)	23,748
	-----	-----
Net income (expenses) for the year	(505,438)	128,605
	=====	=====

The accompanying notes are an integral part of the financial statements

נגבה - ילדים ונוער בונים עתיד
580466928


NEGBA - CHILDREN AND YOUTH BUILDING THE FUTURE (R.A.)

CHANGES IN FUNDS BALANCE
(NEW ISRAELI SHEKEL)

	<u>Unlimited funds</u>				
	<u>For current activities</u>	<u>That were designated by association management</u>	<u>Fixed assets</u>	<u>Net temporarily restricted (*)</u>	<u>Total</u>
Balance as of 1.1.2020	1,301,030	2,800,000	13,031,785	2,806,850	19,939,665
<u>Increases during the year:</u>					
Donations income	-	-	-	298,120	298,120
Net income for the year	128,605	-	-	-	128,605
<u>Decreases during the year:</u>					
Transfer of unlimited funds - Used for fixed assets	(136,317)	-	136,317	-	-
Transfer of funds for depreciation	576,788	-	(576,788)	-	-
Funds released from limitation to activities	-	-	-	(623,464)	(623,464)
Funds released from limitation to activities	-	-	216,116	(216,116)	-
Balance as of 31.12.2020	1,870,106	2,800,000	12,807,430	2,265,390	19,742,926
Donations income	-	-	-	945,750	945,750
<u>Decreases during the year:</u>					
Net expenses for the year	(505,438)	-	-	-	(505,438)
Transfer of unlimited funds - Used for fixed assets	(24,283)	(54,334)	78,617	-	-
Transfer of funds for depreciation	511,096	-	(511,096)	-	-
Funds released from limitation to activities	-	-	-	(352,665)	(352,665)
Balance as of 31.12.2021	<u>1,851,481</u>	<u>2,745,666</u>	<u>12,374,951</u>	<u>2,858,475</u>	<u>19,830,573</u>

STATEMENTS OF CASH FLOWS

	For the year ended	
	31.12.2021	31.12.2020
	N.I.S.	
<u>Cash flows from operating activities:</u>		
Net income (expenses) from statement of income and expenses	(505,438)	128,605
<u>Required adjustments to present cash flow from operating activities - appendix A</u>	<u>533,743</u>	<u>469,152</u>
Net cash used in (provided by) operating activities	<u>28,305</u>	<u>597,757</u>
<u>Cash flows from investing activities:</u>		
Investments in intended deposits	(7,733)	(77,479)
Acquisition of permanent assets	<u>(78,617)</u>	<u>(352,433)</u>
Net cash used in investing activities	<u>(86,350)</u>	<u>(429,912)</u>
<u>Cash flows from financing activities:</u>		
Contributions with limited funds	945,750	298,120
Funds released from limitation to activities	<u>(352,665)</u>	<u>(623,464)</u>
Net cash used in (provided by) financing activities	<u>593,085</u>	<u>(325,344)</u>
<u>Increase (decrease) in cash and cash equivalents</u>	535,040	(157,499)
<u>Cash and cash equivalents at the beginning of the year</u>	<u>3,002,945</u>	<u>3,160,444</u>
<u>Cash and cash equivalents at the end of the year</u>	<u>3,537,985</u>	<u>3,002,945</u>

STATEMENTS OF CASH FLOWS

Appendix A – Required adjustments to present

For the year ended	
<u>31.12.2021</u>	<u>31.12.2020</u>
<u>N.I.S.</u>	

Income and expenses that do not involve cash flow:

Depreciation	511,096	576,788
Decrease in liabilities relating to severance pay	(43,661)	(33,625)

Changes in assets and liabilities:

Increase (decrease) other receivables	30,727	(87,301)
(Decrease) increase in suppliers	11,054	(36,359)
Increase in other liabilities	<u>24,527</u>	<u>49,649</u>
	<u>533,743</u>	<u>469,152</u>

MANAGEMENT'S NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(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, from the geographical or social periphery. Contributing to the development of their professional future and being citizens who will lead productive and independent live.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accounting standard n^o 40 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. Cash and Cash Equivalents

Cash equivalents are investments in banks with high liquidity, with an original maturity period not exceeding three months from the date of purchase and where there are no restrictions on their immediate use.

- C. Foreign currency:

Balances in foreign currency, have been presented at the representative rate of exchange on the balance sheet date.

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Note 2 - SIGNIFICANT ACCOUNTING POLICIES - continued

C. Foreign currency: continued

The following is basic data on the CPI and on the exchange rates:

	<u>31.12.21</u>	<u>31.12.20</u>	<u>31.12.19</u>
Exchange rate of the U.S. dollar (in NIS)	3.11 =====	3.215 =====	3.456 =====
Exchange rate of the euro. (in NIS)	3.5199 =====	3.9441 =====	3.8782 =====
	Percent Change <u>2021</u>	Percent Change <u>2020</u>	Percent Change <u>2019</u>
Exchange rate of U.S. dollar	(3.3%) =====	(7%) =====	(7.8%) =====
Exchange rate of the euro. (in NIS)	(10.8%) =====	1.7% =====	(9.6%) =====

D. Fixed assets:

1. Depreciation is computed by the straight-line method to the fiscal administration accepted rates.
2. Main annual depreciation rates:

Buildings	2%.
Furniture and equipment	7%-33%.
Leasehold improvement	10%
Vehicles	15%

- E. The financial statements included monetary value of volunteer activity in the association.

Note 3 - OTHER RECEIVABLES

	<u>As of December 31</u>	
	<u>2021</u>	<u>2020</u>
Receivable Income	353,770	379,358
Checks from donors	30,432	36,324
Prepaid expenses	60,156	62,856
Other receivables	13,955	10,502
	458,313 =====	489,040 =====

NEGBA - CHILDREN AND YOUTH BUILDING THE FUTURE (R.A.)**Note 4 - INTENDED DEPOSITS**

Amounts intended for the construction are deposited in solid investment.

Note 5 - FIXED ASSETS

	Cost as of 31.12.2021	Accumulated depreciation 31.12.2021	Balance as of 31.12.2021	Balance as of 31.12.2020
Building	12,100,377	875,809	11,224,568	11,502,785
Renovations in buildings	832,847	505,466	327,381	409,793
Equipment and furniture	1,015,025	438,169	576,856	633,977
Computers	346,601	308,799	37,802	62,646
Cars	294,789	140,779	154,010	198,229
Solar facility	54,334	-	54,334	-
	<u>14,643,973</u>	<u>2,269,022</u>	<u>12,374,951</u>	<u>12,807,430</u>

(*) In 2021, fixed assets were deducted in the amount of 57,688 Nis.

Note 6 - SUPPLIERS

	<u>As of December 31</u>	
	<u>2021</u>	<u>2020</u>
Open accounts	40,162	30,674
Checks payable	<u>17,194</u>	<u>15,628</u>
	<u>57,356</u>	<u>46,302</u>

Note 7 - OTHER LIABILITIES

	<u>As of December 31</u>	
	<u>2021</u>	<u>2020</u>
Employees and institutions	477,895	453,368
Other liabilities and expenses payable	<u>30,000</u>	<u>30,000</u>
	<u>507,895</u>	<u>483,368</u>

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.

NEGBA - CHILDREN AND YOUTH BUILDING THE FUTURE (R.A.)**Note 9 - INCOME**

	<u>For the Year Ended</u> <u>December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>New Israeli Shekel</u>	
Donations	2,440,291	1,551,296
Income from local authorities	680,133	630,329
Funds released from limitation to activities	352,665	623,464
Ministry of social affairs	1,808,634	1,769,059
Education ministry - (1) cash equal	480,219	416,874
Revenue participations	<u>138,090</u>	<u>113,705</u>
	5,900,032	5,104,727
Haapotropus & Ezvonot	<u>41,730</u>	<u>984,577</u>
	<u>5,941,762</u>	<u>6,089,304</u>

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

In addition there are volunteer hours.

Note 10 - OPERATING EXPENSES

	<u>For the Year Ended</u> <u>December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>New Israeli Shekel</u>	
Salaries and related expenses	3,282,418	3,077,276
Workshops	416,179	305,453
Teaching equipments	29,724	31,490
Food	463,698	394,212
Rent	30,800	167,000
Maintenance	270,525	385,674
Transportation	13,972	13,361
Communication	20,585	22,345
Charity activity	9,098	24,152
Gifts for volunteers	5,509	8,403
Insurances	62,424	62,552
Depreciation	<u>466,877</u>	<u>532,570</u>
	<u>5,071,809</u>	<u>5,024,488</u>

NEGBA - CHILDREN AND YOUTH BUILDING THE FUTURE (R.A.)

Note 11 - GENERAL AND MANAGERIAL EXPENSES

	<u>For the Year Ended</u>	
	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
	<u>New Israeli Shekel</u>	
Salaries and related expenses, net	924,270	785,318
Public relations	86,983	83,728
Car expenses	(1,570)	(2,504)
Professional fees	52,884	61,659
Communication	1,029	1,800
Taxes and fees	3,546	4,475
Insurances	7,664	7,964
Office expenses	17,548	17,315
Refreshments and Other	-	204
	<u>1,092,354</u>	<u>959,959</u>

Note 12 - NET ASSETS TEMPORARILY RESTRICTED

	<u>Construction</u>	<u>Grossman's projects</u>	<u>Educational assistance</u>				<u>Total</u>
Balance as of 1.1.2020	2,485,919	320,931	-	-	-	-	2,806,850
Temporarily restricted	260,558	-	37,562	-	-	-	298,120
Funds released from limitation	<u>(512,936)</u>	<u>(302,492)</u>	<u>(24,152)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(839,580)</u>
Balance as of 31.12.2020	2,233,541	18,439	13,410	-	-	-	2,265,390
Temporarily restricted	120,000	-	-	169,240	543,510	113,000	945,750
Funds released from limitation	<u>(311,430)</u>	<u>(18,439)</u>	<u>(11,761)</u>	<u>(11,035)</u>	<u>-</u>	<u>-</u>	<u>(352,665)</u>
Balance as of 31.12.2021	<u>2,042,111</u>	<u>-</u>	<u>1,649</u>	<u>158,205</u>	<u>543,510</u>	<u>113,000</u>	<u>2,558,475</u>