



Kadar & Kadar Accountants.

קדר את קדר – רואי חשבון ^{ב"ס}

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Michel Kadar, CPA
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July 20, 2015

The Institute for Democratic Education (R"א)

Registered Association

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2014



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IN NEW ISRAELI SHEKELS

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REPORT OF INDEPENDENT AUDITORS

To the Members of the Association

The Institute for Democratic Education

We have audited the Association balance sheets of the Institute for Democratic Education Association (hereinafter –"the Association") as of December 31, 2014 and 2013 and the related statements of activities, and statement of changes in net assets for the year ended on these dates. These financial statements are the responsibility of the Association's managing committee. My responsibility is to express an opinion on these statements based on my audit.

We conducted our audit in accordance with generally accepted auditing standards including standards set in the Auditors' Regulations (Directives for the auditor -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 management, as well as evaluating the overall financial statement's presentation. We believe that our audit provides 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, 2014 and 2013 and the results of its activities and the changes in its net assets for the years then ended, in accordance with the Generally Accepted Accounting Principles in Israel (GAAP Israel).

Without qualifying our above opinion, attention is drawn to notes 6 and 7 of the Financial Statements in which, on the balance date, the Association has a liability of 613,439 NIS for severance pay and a liability of 187,773 NIS for employees' vacation fees.

July 20, 2015

Kadar & Kadar Accountants.

STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | December 31, | |
|---|-------------|---------------------|------------------|
| | | 2014 | 2013 |
| PROPERTY AND EQUIPMENT, NET | 3 | 163,976 | 189,442 |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | 3,535,266 | 2,217,913 |
| Cheks receivables | | 656,896 | - |
| Services recipients | | 1,534,096 | 2,054,596 |
| Accounts receivables | | 201,495 | 281,846 |
| Total current assets | | 5,927,753 | 4,554,355 |
| | | | |
| Total assets | | 6,091,729 | 4,743,797 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES: | | | |
| Suppliers | 4 | 163,584 | 485,999 |
| Accounts payable | 5 | 976,109 | 665,204 |
| Total current liabilities | | 1,139,693 | 1,151,203 |
| LONG-TERM LIABILITIES: | | | |
| Accrued severance pay net | 6 | 613,439 | 302,135 |
| Accrued annual leave liability | 7 | 187,773 | 123,498 |
| Total liabilities | | 1,940,905 | 1,576,836 |
| NET ASSETS: | | | |
| Unrestricted accrued surpluses | | 370,326 | 370,326 |
| Temporary Restricted net assets | | 3,780,498 | 2,796,635 |
| Total net assets | | 4,150,824 | 3,166,961 |
| | | | |
| Total liabilities and net assets | | 6,091,729 | 4,743,797 |

Approval date: July 20, 2015

Chairman of the
board

Member of the
board

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

STATEMENTS OF ACTIVITIES

| | Note | Year ended December 31, | |
|--|------|-------------------------|------------------|
| | | 2014 | 2013 |
| Turnover income | 8 | 13,641,895 | 11,066,996 |
| Cost of activities: | 9 | 10,245,597 | 8,913,259 |
| Net income from activities | | 3,396,298 | 2,153,737 |
| General and Administration | 10 | 2,421,112 | 1,687,334 |
| <u>Income before financial expenses</u> | | <u>975,186</u> | <u>466,403</u> |
| Financial income (expenses) | | 8,677 | (88,030) |
| <u>Income for the year</u> | | <u>983,863</u> | <u>378,373</u> |
| <u>Total net assets as of 1/1/2014</u> | | <u>2,796,635</u> | <u>2,418,262</u> |
| <u>Total net assets as of 31/12/2014</u> | | <u>3,780,498</u> | <u>2,796,635</u> |

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

Note 1: - General

a) General

- 1 The Association is registered since December 14, 1998 according to the Israeli Association law 1980. (R. No. 58-033-066-0). The Association started its activities on January 1999.
- 2 The main Association aims are the promotion of human rights by educating towards initiative, creativity, responsibility, skepticism, dialogue and multi-culturalism.

Note 2: - Significant Accounting Policies

The main accounts policy that was applied in the preparation of the financial statements, in consistency with the preceeding year is detailed below:

a) The Accounting principles:

The financial statements were prepared in accordance with the 1997's Institute of Certified Public Accountants in Israel's pronouncement No. 69 on the subject of "Accounting standards and policy in financial reports of nonprofit organizations" (NPO), and the 2002's Israel Accounting Standard Board ("IASB") pronouncement No. 5.

b) Fixed assets:

1. Property and equipment are stated at historical costs, net from accumulated depreciation.
2. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Annual depreciation rates are similar to the Income Tax Regulations - Depreciation 1941, and the Income Law (Adjustments for Inflation – 1985).

c) Reported sums

The financial statements are prepared in nominal NIS. Information as to the influence of the exclusion of presentation of the changes in the general purchasing power of the Israeli currency on the financial statements, in accordance with the pronouncements No. 12 of the Institute of Certified Public Accountants in Israel, or as required by the IASB pronouncements No. 12 and 17 is not included in these financial statements.

Note 3: - Property and equipment:

| | <u>Study Method Development</u> | <u>Leasehold improvements</u> | <u>Furniture & Equipment</u> | <u>Total</u> |
|--|-------------------------------------|-----------------------------------|--------------------------------------|----------------|
| Cost. | <u>120,000</u> | <u>96,607</u> | <u>207,614</u> | <u>424,221</u> |
| Accumulated depreciation. | <u>60,000</u> | <u>45,165</u> | <u>155,080</u> | <u>260,245</u> |
| Depreciated cost as of December 31, 2014. | <u>60,000</u> | <u>51,442</u> | <u>52,534</u> | <u>163,976</u> |
| Depreciated cost as of December 31, 2013. | <u>75,000</u> | <u>61,105</u> | <u>53,337</u> | <u>189,442</u> |

NOTE 4: - Suppliers:

| | <u>As Of December 31</u> | |
|----------------------|--------------------------|----------------|
| | <u>2014</u> | <u>2013</u> |
| Current liabilities. | 59,408 | 286,027 |
| Checks payable. | 104,176 | 199,972 |
| | <u>163,584</u> | <u>485,999</u> |

Note 5 -Accounts Payable:

| | <u>As Of December 31,</u> | |
|--------------------------------|---------------------------|----------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>NIS</u> | <u>NIS</u> |
| Institutions. | 362,913 | 252,055 |
| Employees. | 592,016 | 362,916 |
| Expenses Payable. | 21,180 | 50,233 |
| Total accounts payable. | <u>976,109</u> | <u>665,204</u> |

NOTE 6 - Accrued severance pay liability, net:

| | As Of December 31, | |
|--|---------------------------|----------------|
| | 2014 | 2013 |
| | NIS | NIS |
| Liabilities for severance pay. | 2,054,900 | 1,773,488 |
| Value of the deposits. | (1,441,461) | (1,471,353) |
| Total liability for severance payments. | 613,439 | 302,135 |

According to Israeli law and work agreements, the Association is required to record, in its books, a severance pay liability for employees who are asked to retire and in certain circumstances for employees who retire voluntarily. Employees who retire before retirement age are entitled to severance compensations based on the last salary multiplied by the number of seniority years.

The Association has covered most of its liability for severance pay with Manager's Insurance policies, whose amounts are not reflected in the balance sheet as they are not managed by or under the Movement's control.

The severance liabilities calculation did not include the liability to service suppliers that are not part of the employees' wages sheets and are employed as free-lance. The management opinion is that the possibility of the liability's implementation is slim.

NOTE 7 - Accrued annual leave liability, net:

The annual leave allowance is calculated according to the Provisions of the Annual Leave Act.

The annual leave allowance calculation did not include the liability to service suppliers that are not part of the employees' wages sheets and are employed as free-lance. The management opinion is that the possibility of the liability's implementation is slim.

Note 8 – Activities Turnover:

| | Year ended December 31, | |
|--|--------------------------------|-------------------|
| | 2014 | 2013 |
| | NIS | NIS |
| Services supplied. | 172,650 | 116,352 |
| Learning Workshops, tutoring and school's guidance | 8,957,826 | 7,917,593 |
| Literature. | 70,889 | 5,992 |
| Lectures and training. | 388,896 | 217,249 |
| Donations. | 4,051,634 | 2,809,810 |
| Total Income and Donations. | 13,641,895 | 11,066,996 |

Note 9 - Cost of activities:

| | Year ended December 31, | |
|----------------------------------|--------------------------------|-------------------------|
| | 2014 | 2013 |
| | NIS | NIS |
| Wages and related expenses. | 8,867,776 | 6,460,208 |
| Advice and guidance. | 1,273,397 | 2,391,213 |
| Binding Printing and Publishing. | 104,424 | 61,838 |
| Total cost of activities. | <u>10,245,597</u> | <u>8,913,259</u> |

Note 10 - General and Administrative Expenses:

| | Year ended December 31, | |
|--|--------------------------------|-------------------------|
| | 2013 | 2013 |
| | NIS | NIS |
| Wages and related expenses. | 1,766,521 | 1,051,877 |
| Rent and maintenance. | 127,633 | 121,213 |
| Post Telephone Communication. | 12,509.00 | 11,791 |
| Office maintenance. | 77,590 | 54,911 |
| Professional services. | 201,275 | 204,124 |
| Refreshments and Gifts. | 26,320 | 42,538 |
| Insurance. | 48,671 | 67,613 |
| Travel. | 3,513 | 14,633 |
| Travel abroad. | 40,498 | 39,712 |
| Car Maintenance. | - | 2,112 |
| Internet web maintenance. | 36,928 | 1,493 |
| Taxes and dues. | 1,316 | 1,291 |
| Depreciation. | 34,121 | 33,990 |
| Professional training and publication. | 13,948 | 17,218 |
| Publicity. | 27,692 | 20,468 |
| Transport and Shipments. | 2,370 | 2,350 |
| Fines. | 207 | - |
| | <u>2,421,112</u> | <u>1,687,334</u> |