

With God's help

**Kedar & Kedar** Certified Public Accountants

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Michael Kedar, CPA  
Ronen Kedar CPA, LL.M Law  
June 16, 2016  
10 of the month Sivan 5776

**Financial Statements of**  
**the Institute for Democratic Education**  
**(registered association)**  
**As of December 31,**

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**The Institute for Democratic Education (registered  
association)**

**Financial Statements as of December 31, 2015**

**TABLE OF CONTENTS**

**Independent auditors' opinion**  
**Balance sheets**  
**Reports on the business results**  
**Notes to the financial statements**

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### **Independent auditors' opinion to the members of the Institute for Democratic Education (registered association)**

We have audited the attached balance sheets of the Institute for Democratic Education (registered association) (hereinafter: the Association) as of December 31, 2015 and 2014 and the reports on its operations for the years that ended upon such dates. These financial statements are the responsibility of the board of directors and the management of the association. Our responsibility is to express our opinion as to these financial statements based upon our audit.

We have conducted our audit according to generally accepted auditing standards in Israel, including the standards as provided in the Accountants Regulations (Manner of operation of an accountant), 5733- -1973. Pursuant to these standards we are required to plan and perform our audit in order to achieve a reasonable degree of assurance that the financial statements are free of material misstatements. An audit includes a test of the evidence supporting the amounts and the disclosures in the financial statements. An audit also includes an examination of the accounting principles applied and of the significant estimates made by the board of directors and the management of the Company, and also an evaluation of the adequacy of the overall presentation in the financial statements. We are of the opinion that our audit provides an adequate basis for our opinion.

In our opinion, the above mentioned financial statements present fairly, in accordance with generally accepted accounting principles, in all material respects, the financial position of

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the association as of December 31, 2015 and 2014 and the results of its operations for each of the years ended on those dates, in accordance with generally accepted accounting

principles in Israel.

Without qualifying our above opinion we refer you to notes 6 and 7 to the financial statements pursuant to which as of the balance sheet date the association has a liability surplus in the amount of 559,644 NIS for severance pay and a liability in the amount of 259,986 for employees' vacation.

Ramat Gan  
June 16, 2016

Keda & Kedar  
Certified public  
accountants

**Institute for Democratic Education (registered association)**  
**Balance sheets**

	<u>Note</u>	<u>As of December 31,</u>	
		<u>2015</u>	<u>2014</u>
		<u>NIS</u>	
<b><u>Fixed assets</u></b>	3	176,468	163,976
<b><u>Current assets</u></b>			
Cash and cash equivalents		2,822,785	3,535,266
Checks to collect		1,000,800	656,896
Services recipients		2,596,193	1,534,096
Accounts receivable and debit balances		91,647	201,495
		<u>6,511,425</u>	<u>5,927,753</u>
		<u>6,687,893</u>	<u>6,091,729</u>
	<u>Note</u>	<u>As of December 31,</u>	
		<u>2015</u>	<u>2014</u>
		<u>NIS</u>	
<b><u>Current Liabilities</u></b>			
Suppliers and service providers	4	210,901	163,584
Accounts payable and credit balances	5	1,023,606	976,109
		<u>1,234,507</u>	<u>1,139,693</u>
<b><u>Net provision for severance pay</u></b>	6	559,644	613,439
<b><u>Provision for vacation</u></b>	7	259,986	187,773
<b><u>Capital, reserves and surplus</u></b>			
Net assets			
Unappropriated surplus balance from previous years		370,326	370,326
Net assets balance		4,263,430	3,780,498
		<u>4,633,756</u>	<u>4,150,824</u>
		<u>6,687,893</u>	<u>6,091,729</u>

The enclosed notes constitute an integral part of these financial statements.

June 16, 2016  
Date of approval  
of  
the financial  
statements

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Board of directors  
member

**Institute for Democratic Education (registered association)**  
**Report on the Business Results**

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		<b>for the year ending on December 31</b>	
		<b>2015</b>	<b>2014</b>
		<b>NIS</b>	
	<b>Note</b>		
Operations turnover	8	14,968,254	13,641,895
Cost of operations	9	12,577,190	10,245,597
Net revenues from operations		2,391,064	3,396,298
General and administrative expenses	10	1,887,522	2,421,112
Net revenues, before financing expenses		503,542	975,186
Net income (expense) from financing		(20,610)	8,677
Surplus for the year		482,932	983,863
Net assets balance for the beginning of the year		3,780,498	2,796,635
Net assets balance for the end of the year		<u>4,263,430</u>	<u>3,780,498</u>

The enclosed notes constitute an integral part of these financial statements.

**Institute for Democratic Education (registered association)**  
**Notes to the financial statements**

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**Note 1 - General**

- a. The association was established as a registered association at the office the the Registrar of Associations on December 14, 1998 and its registered association number is 580330660. The association began its operations in January 1999.
- b. The main goals of the association are: The promotion of human rights through education for entrepreneurship, creativity, responsibility, skepticism, dialog and multiculturalism.

**Note 2 - principal accounting policies**

The principal accounting policies consistently applied to the preparation of the financial statements are as follows:

- a. The association applies the provisions of audit statement 69 of the Institute of Certified Public Accountants in Israel and the provisions of standard 5 consolidated version - amendments and clarifications to audit statement 69.
- b. **Fixed assets:**
  1. Fixed assets are presented on a cost basis deducted by accrued depreciation
  2. The depreciation is calculated according to the straight line depreciation method in annual rates deemed sufficient to depreciate the assets during their estimated useful lives.  
The annual depreciation rates correspond to those set forth in the Income Tax Regulations - Depreciation , 1941 and Income Tax Law (adjustments due to inflation) 5745 - 1985.
- c. **Reported amounts:**

The reports are made pursuant to the principles regarding the discontinuation of adjustment of financial statements, set forth in accounting standards 12 and 17 providing that financial reporting will be in reported amounts.

**Institute for Democratic Education (registered association)**  
**Notes to the financial statements**

**Note 3: Fixed assets -**

	As of December 31,				2014
	2015				
	Development of learning method	Leasehold improvements	Furniture and equipment	Total	
	NIS				
Cost	120,000	110,175	243,725	473,900	424,221
Accrued depreciation	(75,000)	(55,058)	(167,374)	(297,432)	(260,245)
	45,000	55,117	76,351	176,468	163,976

**Note 4 - suppliers and service providers**

	As of December 31,	
	2015	2014
	NIS	
Outstanding debts	76,631	59,408
Outstanding checks	134,270	104,176
	210,901	163,584

**Note 5 - Accounts payable and credit balances**

	As of December 31,	
	2015	2014
	NIS	
Institutions	399,968	362,913
Employees	623,638	592,016
Payable expenses	-	21,180
	1,023,606	976,109

**Note 6 - Net provision for severance pay**

a. Composition of this item:

	As of December 31,	
	2015	2014
	NIS	
Provision for retirement compensation	2,614,795	2,054,900
Deposited fund	(2,055,151)	(1,441,461)
	559,644	613,439

b. The net liability of the association for termination of employer-employee relationships is calculated based upon the last salary of the employees as of the balance sheet date and pursuant to the Severance Pay Law.

To cover its liabilities, the association deposits amounts in executive insurance policies.

c. In calculating the liability of the association for termination of employer-employee



**Institute for Democratic Education (registered association)**  
**Notes to the financial statements**

relationship, a possible liability to service providers that do not appear in the salary sheets and are employed as independent contractors pursuant to special agreements was not taken into account, the management of the association is of the opinion that the possibility that such liability materializes is remote.

**Note 7 - Provision for vacation**

a. Provision for vacation was calculated pursuant to the provisions of the Annual Vacation Law.

b. In calculating the liability of the association for vacations to employees, a possible liability to service providers that do not appear in the salary sheets and are employed as independent contractors pursuant to special agreements was not taken into account, the management of the association is of the opinion that the possibility that such liability materializes is remote.

**Note 8 - Operations turnover**

	<b>for the year ending on December 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>NIS</b>	
Provision of services	274,400	172,650
Learning workshops, guidance and advice to schools	11,622,113	8,957,826
Literature	7,295	70,889
Lectures and seminars	347,750	388,896
Donations	2,716,696	4,051,634
	14,968,254	13,641,895

**Note 9 - Cost of operations**

	<b>for the year ending on December 31</b>	
	<b>2015</b>	<b>2014</b>
	<b>NIS</b>	
Wages and related	10,248,913	8,867,776
Advice and guidance	2,201,115	1,273,397
Editing, printing and publishing	127,162	104,424
	12,577,190	10,245,597

**Institute for Democratic Education (registered association)**  
**Notes to the financial statements**

**Note10 - general and administrative expenses**

	for the year ending on December 31	
	2015	2014
	NIS	
Salary	1,274,714	1,766,521
Rent and maintenance	184,597	127,633
Post and telephone	12,154	12,509
Office expenses	51,352	77,590
Professional services	77,206	201,275
Refreshments and gifts	24,097	26,320
Insurances	59,112	48,671
Travel	10,450	3,513
Travel abroad	37,532	40,498
Internet website maintenance	-	36,928
Taxes and charges	1,314	1,316
Depreciation expenses	37,187	34,121
Literature and professional training	35,925	13,948
Advertising	80,509	27,692
Shipping and deliveries	1,373	2,370
Fines	-	207
	1,887,522	2,421,112