

**Keren Or Inc. (Public Benefit Corporation) -
Jerusalem Branch**

Financial Statements as of December 31, 2017

Keren Or Inc. (P.B.C.) - Jerusalem Branch
Financial Statements as of December 31, 2017

Index

	<u>Page</u>
Auditor's Report	2
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	7
Notes to the Financial Statements	8-15

Auditor's Report to the Shareholders of
The Keren Or Inc. (P.B.C.) – Jerusalem Branch

We have audited the attached statement of financial position of the Keren Or Inc. (P.B.C.)– Jerusalem Branch (hereinafter: "**the Center**") as of December 31, 2017 and 2016, and the statement of activities, the statements of changes in net assets and the statement of cash flows, for each of the two years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards in Israel, including those prescribed by the Israeli Auditors Regulations (Auditors' Mode of Performance), 1973. These 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 management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The Center's primary financial statements were prepared in nominal New Israeli Shekels, according to the opinions of the Institute of Certified Public Accountants in Israel. The data in USD presented in these financial statements were prepared in foreign currency at the Center's request, as set forth in Note 2I, and does not include the implementation of Israel Accounting Standard 13 (Revised) "Effects of Changes in Foreign Currency Exchange Rates".

In our opinion, except for the non-implementation of Standard 13 (Revised) regarding the data in USD, the financial statements referred to above present fairly, in all material respects, the Center's financial position as of December 31, 2017 and 2016, and the results of its operations, the changes in its net assets and its cash flows, for each of the two years then ended, in accordance with accounting principles generally accepted in Israel (Israeli GAAP).

Jerusalem, September 5, 2018

Ziv Haft
Certified Public Accountants (Isr.)

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Statement of Financial Position as at December 31

	<u>Note</u>	<u>2017</u> <u>thousand NIS</u>	<u>2016</u> <u>thousand NIS</u>	<u>2017</u> <u>thousand \$</u>	<u>2016</u> <u>thousand \$</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	3	2,516	2,685	726	698
Grants receivable		346	560	100	146
Debtors and debit balances	4	50	9	14	2
		<u>2,912</u>	<u>3,254</u>	<u>840</u>	<u>846</u>
Non- current assets:					
Fixed assets	5	19,267	19,693	4,803	4,924
		<u>22,179</u>	<u>22,947</u>	<u>5,643</u>	<u>5,770</u>
<u>Liabilities and net assets</u>					
Current liabilities:					
Suppliers and service providers	6	444	212	128	55
Creditors and credit balances	7	675	546	195	142
		<u>1,119</u>	<u>758</u>	<u>323</u>	<u>197</u>
Non- current liabilities:					
Provision for severance pay, net	8	55	775	16	202
<u>Net assets</u>					
Unrestricted net assets:					
Used for operations		1,738	1,721	501	447
Used for fixed assets		19,267	19,693	4,803	4,924
		<u>21,005</u>	<u>21,414</u>	<u>5,304</u>	<u>5,371</u>
		<u>22,179</u>	<u>22,947</u>	<u>5,643</u>	<u>5,770</u>

September 5, 2018

**Date of the approve of the
Financial statements**

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

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Statement of Activities for the year ended December 31

	<u>Note</u>	<u>2017</u> <u>thousand NIS</u>	<u>2016</u> <u>thousand NIS</u>	<u>2017</u> <u>thousand \$</u>	<u>2016</u> <u>thousand \$</u>
<u>Operation Turnover</u>					
Grants and Donations					
Grants from Keren Or Inc. New York		3,049	2,370	847	617
Donations	9	87	243	24	63
		<u>3,136</u>	<u>2,613</u>	<u>871</u>	<u>680</u>
Allocations and Participations of government and local authorities					
Ministry of Welfare		2,460	2,439	683	635
Ministry of Education		-	6,006	-	1,564
Local Authorities		499	735	139	191
		<u>2,959</u>	<u>9,180</u>	<u>822</u>	<u>2,390</u>
Income from self-activities		<u>362</u>	<u>453</u>	<u>101</u>	<u>118</u>
Total income		6,457	12,246	1,794	3,188
Operation costs	10	<u>5,413</u>	<u>11,425</u>	<u>1,505</u>	<u>2,972</u>
Net income from activities, net		1,044	821	289	216
General and administrative expenses	11	<u>1,400</u>	<u>2,016</u>	<u>389</u>	<u>525</u>
Deficit from activities		(356)	(1,195)	(100)	(309)
Financial income (expenses), net		(53)	(28)	33	39
Other income	13	<u>-</u>	<u>2,377</u>	<u>-</u>	<u>619</u>
Net income (deficit) for the year		<u>(409)</u>	<u>1,154</u>	<u>(67)</u>	<u>349</u>

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

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Statement of Changes in Net Assets

	<u>Unrestricted net assets</u>		<u>Total</u> <u>thousand NIS</u>
	<u>For</u> <u>activities</u> <u>thousand NIS</u>	<u>For</u> <u>fixed assets</u> <u>thousand NIS</u>	
Balance as of January 1, 2016	(1,051)	21,311	20,260
Changes during the year:			
Total income	1,154	-	1,154
Amounts transferred for the purchase of fixed assets	(491)	491	-
Amounts transferred for disposal of fixed assets	1,407	(1,407)	-
Amounts transferred to cover depreciation expenses	702	(702)	-
Balance as of December 31, 2016	<u>1,721</u>	<u>19,693</u>	<u>21,414</u>
Total deficit	(409)	-	(409)
Amounts transferred for the purchase of fixed assets	(285)	285	-
Amounts transferred to cover depreciation expenses	711	(711)	-
Balance as of December 31, 2017	<u>1,738</u>	<u>19,267</u>	<u>21,005</u>

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

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Statement of Changes in Net Assets (cont'd)

	<u>Unrestricted in use</u>		
	<u>For</u>	<u>For</u>	<u>Total</u>
	<u>activities</u>	<u>fixed assets</u>	<u>total</u>
	<u>thousand \$</u>	<u>thousand \$</u>	<u>thousand \$</u>
Balance as of January 1, 2016	(269)	5,291	5,022
Changes during the year:			
Total income	349	-	349
Amounts transferred for the purchase of fixed assets	(128)	128	-
Amounts transferred for disposal of fixed assets	312	(312)	-
Amounts transferred to cover depreciation expenses	183	(183)	-
Balance as of December 31, 2016	<u>447</u>	<u>4,924</u>	<u>5,371</u>
Total deficit	(67)	-	(67)
Amounts transferred for the purchase of fixed assets	(77)	77	-
Amounts transferred to cover depreciation expenses	198	(198)	-
Balance as of December 31, 2017	<u>501</u>	<u>4,803</u>	<u>5,304</u>

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

Keren Or Inc. (P.B.C) - Jerusalem Branch

Statement of Cash Flows for the year ended December 31

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>thousand NIS</u>	<u>thousand NIS</u>	<u>thousand \$</u>	<u>thousand \$</u>
Cash flows from operating activities				
Income (deficit) for the year	(409)	1,154	(67)	349
Adjustments required to reflect the cash flows from operating activities (A)	<u>525</u>	<u>(2,660)</u>	<u>172</u>	<u>(739)</u>
Cash from (used for) operating activities, net	<u>116</u>	<u>(1,506)</u>	<u>105</u>	<u>(390)</u>
Cash flows from investing activities				
Sale of fixed assets	-	3,790	-	987
Acquisition of fixed assets	<u>(285)</u>	<u>(491)</u>	<u>(77)</u>	<u>(128)</u>
Cash from (used for) investing activities, net	<u>(285)</u>	<u>3,299</u>	<u>(77)</u>	<u>859</u>
Increase (decrease) in cash and cash equivalents	(169)	1,793	28	469
Cash and cash equivalents at beginning of the year	<u>2,685</u>	<u>892</u>	<u>698</u>	<u>229</u>
Cash and cash equivalents at the end of the year	<u>2,516</u>	<u>2,685</u>	<u>726</u>	<u>698</u>

(A) Adjustments required to reflect the cash flows from operating activities:

Income and expenses not involving cash flows:

Depreciation	711	702	198	183
Gain from sale of fixed assets	-	(2,383)	-	(675)
Decrease in provisions for severance pay, net	<u>(720)</u>	<u>(41)</u>	<u>(186)</u>	<u>(7)</u>
	<u>(9)</u>	<u>(1,722)</u>	<u>12</u>	<u>(499)</u>

Changes in current assets and liabilities:

Decrease in grants receivable	214	285	46	71
Decrease (increase) in debtors and debt balances	(41)	20	(12)	5
Increase (decrease) in suppliers and service providers	232	(334)	73	(85)
Increase (decrease) in creditors and credit balances	<u>129</u>	<u>(909)</u>	<u>53</u>	<u>(231)</u>
	<u>534</u>	<u>(938)</u>	<u>160</u>	<u>(240)</u>
	<u>525</u>	<u>(2,660)</u>	<u>172</u>	<u>(739)</u>

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

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 1 - General

- A. Keren Or Inc. is registered in New York, USA (P.B.C.). The Jerusalem Branch, (hereinafter: “the Center” or “Keren Or”) was incorporated as a foreign center registered in Israel. In March 2008, the Center was registered as a Public Benefit Corporation (P.B.C.). The Center is recognized as a public institution, as defined in sections 9(2) and 46 in the Income Tax Ordinance.
- B. Keren Or Inc. is a rehab institution which provides education, rehabilitation, occupation and activities to children, elders and youth who suffer from blindness, and/or other complicated disabilities.
- C. Keren Or Jerusalem is managed by Keren Or New York. Keren Or New York, located at 3 Abba Hillel Silver Street, Jerusalem, undertook the financing of the Center's activities. Keren Or New York allows the Center to use its main premises (3 Abba Hillel Silver Street), free of charge.
- D. The financial statements reflect the Keren Or's activities as recorded in its books. The activities of the head office in New York and activities directly paid by Keren Or New York, are not reflected in these statements.
- E. On September 1, 2016, the Center transferred the school activities to the joint management of the Jerusalem Municipality and the Ministry of Education, subject to the agreement signed with them. Keren Or provides the Center's facilities at the school for free, and operates the therapeutic pool for the benefit of the school. Most of the funding for the therapeutic pool comes from donations with partial participation of the Jerusalem Municipality in accordance with the terms of the above agreement, while the Center continues to operate the afternoon programs funded by the Ministry of Welfare.

Note 2 - Main points of the Accounting Policies

- A. **The center**
Keren Or Inc. (P.B.C.) - Jerusalem Branch.
- B. **Reporting Basis**
The financial statements have been prepared on the basis of the historical cost convention and were not adjusted to the effect of changes in the purchasing power of the Israeli currency, and they are not presented in reported amounts as defined and required by Accounting Standard No. 12 of the Israeli Accounting Standards Board.
- C. **Restricted and non-Restricted Assets**
The financial statements are presented in the format prescribed in Opinion No. 69 of the Institute of Certified Public Accountants in Israel – “Rules for Accounting and Reporting by Not For Profit Organizations” and Accounting Standard No. 5 – “Amendments and Clarifications to Opinion No. 69”.

In accordance with the Opinion, the net assets are categorized as follows:

“Net assets temporarily restricted in use” –

These are donors' conditions regarding the use of their donations. When the specified purposes are fulfilled, the funds are released and presented in the statement of operations.

“Unrestricted net assets” –

Those net assets upon which no restrictions have been made by their donors. From these assets sums have been separated to cover part of the purchase of fixed assets.

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 2 - Accounting Policies (cont'd)

D. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles, requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported income and expenses during reporting period. Due to the nature of these estimates and assumptions, actual results could differ from those estimates.

E. Cash and cash equivalents

Cash equivalents include high liquidity investments and short term deposits that their maturity, at time of deposit, was no longer than three months.

F. Fixed assets

1. Improvements are charged to the cost of the assets, while maintenance and repair expenses are charged to the statement of operations when they occur.
2. Basic inventory is recorded at cost, and further purchases of basic inventory are recorded in the profit and loss statement on their purchase.
3. Fixed assets are measured at cost less accumulated depreciation and losses in respect of impairment in value. The cost includes expenditures which are directly related to the purchase of the asset.
4. The depreciation is charged in the statement of operations using the straight-line method, based on the estimated useful lives of each item of fixed assets. Annual depreciation rates are as follows:

	<u>%</u>
Vehicles	15
Furniture and equipment	10-33
Buildings	2
Leasehold improvements	10

G. Income and expenses

Income and expenses are recorded in the financial statements on the accrual basis.

H. Impairment of assets

Keren Or applies Accounting Standard 15 – "Impairment of Assets" (hereafter: "the Standard"). The Standard determines procedures to be applied by Keren Or in order to ensure that the assets in the balance sheet (to which the Standard refers), are not presented at an amount exceeding their recoverable value, which is the higher between the net sales price and the value in use (the present value of the anticipated future cash flow estimate from the asset's use and realization).

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 2 - Accounting Policies (cont'd)

I. Translation into US dollars

Balances in, or linked to, foreign currencies have been translated according to the representative exchange rate at the balance sheet date - US \$1 = NIS 3.467 (2016 - US \$1 = NIS 3.845).

Transactions during the year were translated according to the average exchange rate during the reported period - US\$ 1 = NIS 3.6 (2016 – US \$1 = NIS 3.8406).

Exchange differences as result of changes in the exchange rates during the year, are included in the statement of operations.

The abovementioned translation should not be construed as representing actual amounts in or convertible to dollars. The primary financial statements of the Center were prepared in nominal Israeli Shekels in accordance with the opinions of the Institute of Certified Public Accountants in Israel. These financial statements were prepared in foreign currency at the request of the Center's shareholders. However, Israel Accounting Standard 13 (Revised) "Effects of Changes in Foreign Currency Exchange Rates" has not been implemented.

J. The statement of operation includes all income and expenses during the reporting period as follows:

Income – Includes all income that was received and increased during the period that do not have any restrictions on their use, and the part of the restricted assets that were released during this period.

Expense – Includes all expenses during the reporting period, including expenses related to income restricted by donors.

Note 3 – Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>thousand NIS</u>	<u>thousand NIS</u>	<u>thousand \$</u>	<u>thousand \$</u>
Cash in banks – Israeli currency	2,516	2,682	726	697
Cash in banks – Foreign currency	-	3	-	1
	<u>2,516</u>	<u>2,685</u>	<u>726</u>	<u>698</u>

Note 4 - Debtors and Debit Balances

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>thousand NIS</u>	<u>thousand NIS</u>	<u>thousand \$</u>	<u>thousand \$</u>
Advanced payments to suppliers	1	2	0.3	0.5
Postdated checks	43	-	12	-
Employees	1	2	0.3	0.5
Other	5	5	1.4	1
	<u>50</u>	<u>9</u>	<u>14</u>	<u>2</u>

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 5 - Fixed Assets

	Building extension (1)	Renovations	Furniture and Equipment thousand NIS	Vehicles	Total
Cost					
As of January 1,2017	19,883	2,218	3,547	516	26,164
Additions during the period	-	119	166	-	285
As of December 31,2017	19,883	2,337	3,713	516	26,449
Accumulated depreciation					
As of January 1,2017	2,544	1,184	2,471	443	6,642
Additions during the period	387	29	251	44	711
As of December 31,2017	2,931	1,213	2,722	487	7,353
Depreciated cost as of December 31, 2017	16,952	1,124	991	29	19,096
Basic inventory					171
Total fixed assets as of December 31, 2017					19,267
Depreciated cost as of December 31, 2016	17,339	1,034	1,076	73	19,522
Basic inventory					171
Total fixed assets as of December 31, 2016					19,693

(1) The building extension includes a therapeutic center and pool. Regarding the building ownership see Note 1.

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 5 - Fixed Assets (cont'd)

	Building Extension (1)	Renovations	Furniture and Equipment Thousand \$	Vehicles	Total
Cost					
As of January 1,2017	5,006	529	917	138	6,590
Additions during the period	-	31	46	-	77
As of December 31,2017	5,006	560	963	138	6,667
Accumulated depreciation					
As of January 1,2017	671	294	639	109	1,713
Additions during the period	108	8	70	12	198
As of December 31,2017	779	302	709	121	1,911
Depreciated cost as of December 31, 2017	4,227	258	254	17	4,756
Basic inventory					47
Total fixed assets as of December 31, 2017					4,803
Depreciated cost as of December 31, 2016	4,335	235	278	29	4,877
Basic inventory					47
Total fixed assets as of December 31, 2016					4,924

(1) The building extension includes a therapeutic center and pool. Regarding the building ownership see Note 1.

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 6 - Suppliers and Service Providers

	December 31 2017	December 31 2016	December 31 2017	December 31 2016
	thousand NIS	thousand NIS	thousand \$	thousand \$
Checks payable	94	41	27	11
Suppliers	350	171	101	44
	<u>444</u>	<u>212</u>	<u>128</u>	<u>55</u>

Note 7 - Creditors and Credit Balances

	December 31 2017	December 31 2016	December 31 2017	December 31 2016
	thousand NIS	thousand NIS	thousand \$	thousand \$
Expenses payable	83	-	24.7	-
Employees	220	180	63	47
Institutions payables	124	108	36	28
Provision for vacation pay	247	253	71	66
Others	1	5	0.3	1
	<u>675</u>	<u>546</u>	<u>195</u>	<u>142</u>

Note 8 – Provisions for Severance Pay, Net

A.

	December 31 2017	December 31 2016	December 31 2017	December 31 2016
	thousand NIS	thousand NIS	thousand \$	thousand \$
Reserve for severance pay (*)	128	850	37	222
Less deposits in severance pay fund	<u>(73)</u>	<u>(75)</u>	<u>(21)</u>	<u>(20)</u>
	<u>55</u>	<u>775</u>	<u>16</u>	<u>202</u>

(*) As per note 1.E, the management of the school was transferred to the Jerusalem council and to the ministry of the education. Therefore, the employees that liabilities was also transferred and was reduced during 2017.

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 8 – Provisions for Severance Pay, Net (cont'd)

B. Additional details

The Center's liability for severance pay to its employees is covered by regular deposits to recognized pension and severance pay funds in the name of the employee and/or by purchasing insurance policies. These deposits are not reflected in the financial statements as they do not belong to the Center and are not under its control.

The liability for employees' termination benefits included in the balance sheet represents the balance of the liability, which is not covered by the above-mentioned deposits and insurance policies. For this uncovered liability, deposits have been made in a recognized central severance fund in the Center's name.

Note 9 – Donation

List of donors who donated over 20,000 NIS:

	<u>December 31 2017</u>	<u>December 31 2016</u>	<u>December 31 2017</u>	<u>December 31 2016</u>
	thousand NIS	thousand NIS	thousand \$	thousand \$
Bank Jerusalem	20	-	6	-
Galnor Building & Development LTD	-	20	-	5
Red Sea Club LTD	-	40	-	10
	<u>20</u>	<u>60</u>	<u>6</u>	<u>15</u>

Note 10 - Operation Costs

	<u>For the year ended December 31 2017</u>	<u>For the year ended December 31 2016</u>	<u>For the year ended December 31 2017</u>	<u>For the year ended December 31 2016</u>
	thousand NIS	thousand NIS	thousand \$	thousand \$
Salaries and related expenses	3,048	8,768	847	2,283
Maintenance and rent	1,032	900	287	234
Food and clothing for students	184	336	51	87
Cleaning	121	353	34	92
Medical and sanitary treatment	6	117	2	30
Cultural and entertainment activities for students	118	96	33	25
Computerization and communication	60	-	17	-
Recruiting of assistants	17	-	5	-
Depreciation	687	639	191	166
Volunteers	-	8	-	2
Taxes and fees	5	17	1	4
Travel and deliveries	26	17	7	4
Professional consulting	30	39	8	10
Insurance	77	130	21	34
Others	2	5	1	1
	<u>5,413</u>	<u>11,425</u>	<u>1,505</u>	<u>2,972</u>

Keren Or Inc. (P.B.C.) - Jerusalem Branch

Notes to the Financial Statements as of December 31, 2017

Note 11- General and Administrative Expenses

	<u>For the year ended December 31</u>		<u>For the year ended December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>thousand NIS</u>	<u>thousand NIS</u>	<u>thousand \$</u>	<u>thousand \$</u>
Salaries and related expenses	1084	1,272	301	331
Professional services	244	510	68	133
Advertising and public relations	21	31	6	8
Postage, telephone and communication	6	37	2	10
Depreciation	24	63	7	16
Vehicle maintenance	5	15	1	4
Office supplies	16	88	4	23
	<u>1,400</u>	<u>2,016</u>	<u>389</u>	<u>525</u>

Note 12 – Contingent Liabilities

In 2016, three lawsuits were filed against the Center by former employees in respect of salary differences, severance pay, etc. in the total amount of NIS 840 thousand, In 2017, two of the claims were settled, and the third claim was rejected by the Court. The employee filed an appeal, asking for 127,000 NIS. The parties filed responses to the National Labor Court regarding the issue of a delay in filing the appeal. In light of this legal situation, no provision was recorded in the statements in respect of this claim

Note 13– Other Income

	<u>For the year ended December 31</u>		<u>For the year ended December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>thousand NIS</u>	<u>thousand NIS</u>	<u>thousand \$</u>	<u>thousand \$</u>
Income from selling apartments	-	2,383	-	675
Doubtful debts	-	(6)	-	(56)
	<u>-</u>	<u>2,377</u>	<u>-</u>	<u>619</u>