

Institute for NGO Research (R.A.)

Financial Statements as of December 31, 2016

Institute for NGO Research (R.A.)

Table of Contents

| | <u>Page</u> |
|----------------------------------------------------|-------------|
| Auditors' Report to the Members of the Association | 1 |
| Balance Sheets | 2 |
| Statements of Activities | 3 |
| Statements of Changes in Net Assets | 4 |
| Notes to Financial Statements | 5-11 |

Auditors' Report
To the shareholders of
Institute for NGO Research (R.A.)

We have audited the accounting balance sheets of Institute for NGO Research (R.A.) (hereinafter: "the Association") as of December 31, 2016 and 2015, the statement of activities and the statement of changes in net assets for each of the years then ended. These financial statements are the responsibility of the Association's board of directors and 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 by the Auditor's 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 examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the board of directors and 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, 2016 and 2015, the results of its activities and the changes in its net assets for each of the years then ended, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

Ben David Shalvi Kop
Ben David Shalvi Kop & Co.
Certified Public Accountants, (Isr.)

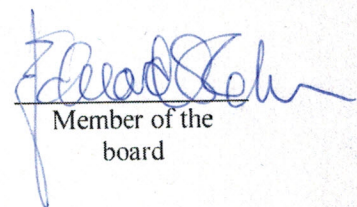
Jerusalem, 26 June 2017

Institute for NGO Research (R.A.)
Balance Sheets
(New Israeli Shekels)

| | <u>Note</u> | <u>As of December 31</u> | |
|---------------------------------------|-------------|--------------------------|------------------|
| | | <u>2016</u> | <u>2015</u> |
| <u>Curret Assets</u> | | | |
| Cash and cash equivalents | | 661,401 | 201,503 |
| Debtors and debit balances | 3 | 38,372 | 1,230,277 |
| | | 699,773 | 1,431,780 |
| | | | |
| <u>Long-term Deposits</u> | | 52,522 | - |
| | | | |
| <u>Fixed Assets, Net</u> | 4 | 113,236 | 111,891 |
| | | 865,531 | 1,543,671 |
| *** | | | |
| | | | |
| <u>Current Liabilities</u> | | | |
| Suppliers and service providers | 5 | 70,637 | 47,172 |
| Creditors and credit balances | 6 | 503,675 | 492,776 |
| | | 574,312 | 539,948 |
| | | | |
| <u>Long-term Liabilities</u> | | | |
| Provision for severance pay | 7 | 246,757 | 208,976 |
| | | | |
| <u>Net Assets</u> | | | |
| <u>Unrestricted Net Assets</u> | | | |
| Used for current activities | | (68,774) | 682,856 |
| Used for fixed assets | | 113,236 | 111,891 |
| | | 44,462 | 794,747 |
| | | 865,531 | 1,543,671 |

20/6/17 _____
Date


Member of the
board


Member of the
board

The attached notes are an integral part of these statements

Institute for NGO Research (R.A.)
Statements of Activities
(New Israeli Shekels)

| | | Year ended December 31 | |
|-------------------------------------|----|-----------------------------------|----------------|
| | | 2016 | 2015 |
| Activities turnover | 8 | 4,651,933 | 5,001,237 |
| Cost of activities | 9 | 4,633,280 | 4,122,870 |
| Net income from activities | | 18,653 | 878,367 |
| General and administrative expenses | 10 | 710,543 | 759,521 |
| Net income before financing | | (691,890) | 118,846 |
| Financial (expenses) income ,net | 11 | (58,395) | 2,449 |
| (Deficit) net income for the year | | (750,285) | 121,295 |

The attached notes are an integral part of these statements

Institute for NGO Research (R.A.)
Statements of Changes in Net Assets
(New Israeli Shekels)

| | Unrestricted Net Assets | | Total |
|-----------------------------------------|-------------------------|----------------|----------------|
| | Used for activities | Used for fixed | |
| Balance as of January 1, 2015 | 587,587 | 85,865 | 673,452 |
| <u>Changes during the year</u> | | | |
| Net income for the year | 121,295 | - | 121,295 |
| <u>Transfer of unrestricted amounts</u> | | | |
| Used for fixed assets | (62,748) | 62,748 | - |
| To cover depreciation expenses | 36,722 | (36,722) | - |
| Balance as of December 31, 2015 | 682,856 | 111,891 | 794,747 |
| <u>Changes during the year</u> | | | |
| Deficit for the year | (750,285) | - | (750,285) |
| <u>Transfer of unrestricted amounts</u> | | | |
| Used for fixed assets | (48,684) | 48,684 | - |
| To cover depreciation expenses | 47,339 | (47,339) | - |
| Balance as of December 31, 2016 | (68,774) | 113,236 | 44,462 |

The attached notes are an integral part of these statements

Institute for NGO Research (R.A.)
Notes to Financial Statements
(New Israeli Shekels)

Note 1 - General

Institute for NGO Research (R.A.) (hereafter: "the Association") was established as a non-profit organization on January 7, 2007 according to the Association law 1980. up until August 16, 2016 the Association operated under the name "The Amutah for NGO Responsibility (R.A.)"

The aim of the Association is to serve as a public research institute that publicly (not politically) analyses the activities of NGO's, especially those working within the international community and in the Palestinian Authority territories and who deal with the Arab-Israeli conflict, and to examine the transparency of the mission statements of the humanitarian NGO's.

The association is defined as a public institution as defined in Article 9(2) of the Income Tax Ordinance.

The Organization has a proper management confirmation form in 2017.

The organization has an income tax certificate for purposes of donations under section 46 of the Income Tax Ordinance, which is valid until December 2017.

Note 2 - Significant Accounting Policies

A. The financial statements were prepared according to generally accepted accounting principles for non-profit institution and in accordance with Standard No. 5 of the Israel Accounting Standard Board, regarding "accounting principles and financial reporting by nonprofit organizations."

B. Historical Cost Convention

The financial statements were prepared on the basis of the historical cost convention and do not include the impact of changes in the general purchasing power of the Israeli currency on the results of the activities.

C. Presentation of financial statements:

(1) Definitions:

Net assets" - the difference between the assets and liabilities of the Association.

"Restriction" - the restriction on the use of net assets imposed by donors or other external factors.

"Net assets for which there is no restriction" - that part of the net assets of the Association deriving from donations, allocations or other income, the use of which has not been limited by external factors.

(2) In accordance with Opinion No. 69, all the Association's accounts are presented in the financial statements in only one comprehensive framework, while classifying all the balances of the funds under the heading "Net assets."

Institute for NGO Research (R.A.)
Notes to Financial Statements
(New Israeli Shekels)

Note 2 - Significant Accounting Policies (Cont.)

The classification of the balances included in the net asset group is made by distinguishing between:

- Net assets for which there is no restriction.
- Net assets for which there is a temporary restriction.
- Fixed assets with fixed restrictions.

The net assets for which there is no restriction are presented with a distinction between:

- Net assets used for activities.
- Net assets used to purchase fixed assets.
- Net assets designated by the Association's institutions.

(3) The statement of activities and the statement of changes in net assets:

The activities statement includes all income and all expenses in the reporting period.

"Revenues" includes all income received and accrued in the period without any restriction on their use, as well as that part of the net assets that were restricted and released during the period from the contributing stipulations.

"Expenses" also include expenditures financed from sources restricted by their grant.

The statement of changes in net assets includes, in addition to the net result transferred from the activities statement, all the sources received while limiting their use and the amounts released from the restrictions. Amounts released from the restrictions due to use of activities are transferred as income to the statement of activities.

D. Cash and Cash Equivalents

The Association considers all highly liquid investments, including short-term bank deposits (up to three months from date of deposit) that are not restricted as to withdrawal or use, to be cash equivalents.

E. Fixed Assets

Fixed assets are shown at cost less accumulated depreciation. The depreciation was calculated according to the estimated length of use of the assets and at the following rates:

| | |
|-------------------------|-------|
| Computers | 33% |
| Furniture and equipment | 7-15% |

Institute for NGO Research (R.A.)
Notes to Financial Statements
(New Israeli Shekels)

Note 2 - Significant Accounting Policies (Cont.)

Leasehold improvements 10%

F. Indexation to Foreign Currency

Balances in or indexed to foreign currency are recorded at the exchange rate on the balance sheet. Income and expenses indexed to foreign currency are recorded on the transaction day, as follows:

| | <u>As of December 31</u> | |
|-----------|--------------------------|-------------|
| | <u>2016</u> | <u>2015</u> |
| US dollar | 3.8450 | 3.9020 |
| Euro | 4.0438 | 4.2468 |

G. Statements of Changes in Cash Flows

The financial statements do not include a statement of cash flow, as such a statement would not add significant financial information to that already included in the financial statements.

H. Donatons in kind

The Association recieves donations in money value for the Association's activities. Donations in money value are valued according to the market value of the donation, according to the management's assessment.

Note 3 - Debtors and debit balances

| | <u>As of December 31</u> | |
|-------------------|--------------------------|------------------|
| | <u>2016</u> | <u>2015</u> |
| Prepaid expenses | 38,372 | 61,707 |
| Income receivable | - | 1,168,570 |
| | <u>38,372</u> | <u>1,230,277</u> |

Institute for NGO Research (R.A.)
Notes to Financial Statements
(New Israeli Shekels)

Note 4 - Fixed Assets, Net

| | <u>Computers</u> | <u>Furniture</u> | <u>Leasehold Improvements</u> | <u>Total</u> |
|------------------------------------------------------|----------------------|----------------------|-----------------------------------|-----------------------|
| <u>Cost</u> | | | | |
| Balance as of January 1, 2016 | 230,746 | 72,144 | 46,200 | 349,090 |
| Additions | 43,532 | 5,152 | - | 48,684 |
| Balance as of December 31, 2016 | 274,278 | 77,296 | 46,200 | 397,774 |
| <u>Accumulated Depreciation</u> | | | | |
| Balance as of January 1, 2016 | 166,563 | 35,434 | 35,202 | 237,199 |
| Depreciation for the year | 37,045 | 5,674 | 4,620 | 47,339 |
| Balance as of December 31, 2016 | 203,608 | 41,108 | 39,822 | 284,538 |
| Fixed Assets, Net as of December 31, 2016 | <u>70,670</u> | <u>36,188</u> | <u>6,378</u> | <u>113,236</u> |
| Fixed Assets, Net as of December 31, 2015 | <u>64,183</u> | <u>36,710</u> | <u>10,998</u> | <u>111,891</u> |

Note 5 - Suppliers and service providers

| | <u>As of December 31</u> | |
|----------------|--------------------------|----------------------|
| | <u>2016</u> | <u>2015</u> |
| Checks payable | 48,971 | 42,687 |
| Open accounts | 21,666 | 4,485 |
| | <u>70,637</u> | <u>47,172</u> |

Note 6 - Creditors and credit balances

| | <u>As of December 31</u> | |
|------------------------------------|--------------------------|-----------------------|
| | <u>2016</u> | <u>2015</u> |
| Employees and related institutions | 455,093 | 450,755 |
| Expenses payable | 45,359 | 42,021 |
| Other creditors | 3,223 | - |
| | <u>503,675</u> | <u>492,776</u> |

Institute for NGO Research (R.A.)
Notes to Financial Statements
(New Israeli Shekels)

Note 7 - Provision for severance pay

- A. The provision for severance pay is computed based on the last salary of the employees and according to their seniority, for the employees who worked in the Association more than one year.
- B. The liability for severance pay to employees as of the balance sheet date is covered by payments to a management insurance policy and funds included in a provision for severance pay.

Note 8 - Activities turnover

| | Year ended December 31 | |
|-------------------------------------|-----------------------------------|-------------------------|
| | 2016 | 2015 |
| Donations | 4,467,571 | 4,788,089 |
| Donations in kind * | 137,241 | 210,384 |
| Income from research and consulting | 47,121 | 2,764 |
| | <u>4,651,933</u> | <u>5,001,237</u> |

* See note 2H.

Institute for NGO Research (R.A.)
Notes to Financial Statements
(New Israeli Shekels)

Note 9 - Cost of activities

| | Year ended | |
|-----------------------------------------------------|-------------------------|-------------------------|
| | December 31 | |
| | 2016 | 2015 |
| Salaries and related expenses | 3,775,025 | 3,421,048 |
| Office expenses, advertising, printing and research | 251,631 | 196,533 |
| Travel (includes travel abroad) | 229,097 | 183,579 |
| Research and information expenses in kind * | 137,241 | 210,384 |
| Events | 120,278 | 3,322 |
| Rent | 74,400 | 72,004 |
| Depreciation | 42,605 | 33,050 |
| Translation | 3,003 | 2,950 |
| | <u>4,633,280</u> | <u>4,122,870</u> |

* see note 2H.

Note 10 - General and administrative expenses

| | Year ended | |
|--------------------------------------|-----------------------|-----------------------|
| | December 31 | |
| | 2016 | 2015 |
| Salaries and related expenses | 254,101 | 300,992 |
| Fundraising - travel abroad | 188,434 | 199,317 |
| Professional services | 82,796 | 92,323 |
| Hospitality from Israel and abroad | 68,745 | 55,355 |
| Property tax | 32,691 | 33,083 |
| Communication and postage | 31,295 | 33,861 |
| Office expenses | 18,414 | 13,363 |
| Insurance | 14,591 | 14,209 |
| Bank fees | 6,671 | 3,670 |
| Professional training and literature | 5,194 | 6,763 |
| Depreciation | 4,734 | 3,672 |
| Gifts | 1,593 | 1,590 |
| Taxes and fees | 1,284 | 1,323 |
| | <u>710,543</u> | <u>759,521</u> |

Institute for NGO Research (R.A.)
Notes to Financial Statements
(New Israeli Shekels)

Note 11 - Financial (expenses) income ,net

| | Year ended December 31 | |
|----------------------------------------------------|-----------------------------------|---------------------|
| | 2016 | 2015 |
| (Expenses) income from exchange rate differentials | (58,676) | 2,451 |
| Interest income (expense) | 281 | (2) |
| | <u>(58,395)</u> | <u>2,449</u> |