

BATSHEVA DANCE COMPANY (REGISTERED NGO)

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

BATSHEVA DANCE COMPANY (REGISTERED NGO)

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

Contents

| | <u>Page</u> |
|-------------------------------------|--------------------|
| Independent auditors' report | 2 |
| Balance Sheets | 3 |
| Statements of Activities | 4 |
| Statements of Changes in Net Assets | 5 |
| Statements of Cash Flows | 6-7 |
| Notes to the Financial Statements | 8-15 |
| Appendix A | 16 |

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BATSHEVA DANCE COMPANY (REGISTERED NGO)

We have audited the accompanying balance sheets of The Batsheva Dance Company (Registered NGO) (hereafter- the NGO) as of December 31, 2017 and 2016, and the statements of activities, the statements of changes in net assets and the statements of cash flows for each of the years ended on those dates. These financial statements are the responsibility of the NGO's Management Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors' Regulations (Mode of Performance), 1973. These regulations 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 Board of the NGO, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 2, the aforementioned financial statements are presented in historical nominal values. The financial statements are not presented in reported amounts, this contrary to the accounting standards of the Israel Accounting Standards Board.

In our opinion, except for the aforesaid with regard to the basis of presentation of the financial statements, the above financial statements present fairly, in all material respects, the financial position of the NGO as of December 31, 2017 and 2016, and the results of its activities, changes in net assets and cash flows for each of the years ended on those dates, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).


Brightman Almagor Zohar & Co.
Certified Public Accountants
A member firm of Deloitte Touche Tohmatsu

Tel Aviv, Israel, June 20, 2018

Tel Aviv - Main Office

1 Azrieli Center Tel Aviv, 6701101 P.O.B. 16593 Tel Aviv, 6116402 | Tel: +972 (3) 608 5555 | Fax: +972 (3) 609 4022 | info@deloitte.co.il

Jerusalem

3 Kiryat Ha'Mada
Har Hotzvim Tower
Jerusalem, 914510
D. BOX 45396

Tel: +972 (2) 501 8888
Fax: +972 (2) 537 4173
info-jer@deloitte.co.il

Haifa

5 Ma'aleh Hashichrur
P.O.B. 5648
Haifa, 3105502

Tel: +972 (4) 860 7333
Fax: +972 (4) 867 2528
info-haifa@deloitte.co.il

Beer Sheva

12 Alumot
Omer Industrial park
P.O.B. 1369
Omer, 8496500

Tel: +972 (8) 690 9500
Fax: +972 (8) 690 9600
info-beersheva@deloitte.co.il

Eilat

The City Center
P.O.B. 583
Eilat, 8810402

Tel: +972 (8) 637 5676
Fax: +972 (8) 637 1628
info-eilat@deloitte.co.il

Petah Tikva

Deloitte Analytics
7 Hasivim
P.O.B. 6712
Petah Tikva, 4959368

Tel: +972 (73) 399 4163
Fax: +972 (3) 919 0372
info@deloitte.co.il

Netanya

Seker - Deloitte
7 Gilborey Israel St.
P.O.B. 8458
Netanya. 4250407

Tel: +972 (9) 892 2444
Fax: +972 (9) 892 2440
info@deloitte.co.il

Nazareth

9 Marj Ibn Amer St.
Nazareth, 16100

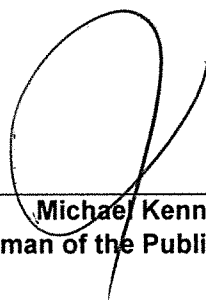
Tel: +972 (73) 399 4455
Fax: +972 (73) 399 4455
info-nazareth@deloitte.co.il

BATSHEVA DANCE COMPANY (REGISTERED NGO)
BALANCE SHEETS

| | Note | December 31, | |
|--|------|-------------------|-------------------|
| | | 2017 | 2016 |
| | | NIS | NIS |
| <u>Current assets</u> | | | |
| Cash and cash equivalents | 3 | 5,317,369 | 3,682,618 |
| Trade receivables | 4 | 1,888,162 | 2,102,884 |
| Other current assets | 5 | 266,739 | 249,133 |
| | | <u>7,472,270</u> | <u>6,034,635</u> |
| <u>Fixed assets, depreciated cost</u> | | | |
| | 6 | <u>8,649,170</u> | <u>4,634,800</u> |
| | | <u>16,121,440</u> | <u>10,669,435</u> |
| <u>Current liabilities</u> | | | |
| Trade payables | 7 | 553,659 | 803,197 |
| Other current liabilities | 8 | 4,247,000 | 3,072,236 |
| | | <u>4,800,659</u> | <u>3,875,433</u> |
| <u>Long term liabilities</u> | | | |
| Provision for employees rights upon retirement, net | 9 | <u>236,626</u> | <u>295,171</u> |
| <u>Provisions, contingent liability, commitments and guarantees</u> | | | |
| | 16 | <u>1,425,000</u> | <u>1,390,000</u> |
| <u>Net assets</u> | | | |
| Unrestricted net assets: | | | |
| Net assets for use in activities designated by the institutions of the non-profit | | 1,060,000 | 560,000 |
| Deficiency from net assets for use for activities not designated by the institutions of the non-profit | | (50,015) | (85,969) |
| Net assets used for fixed assets | | <u>8,649,170</u> | <u>4,634,800</u> |
| | | <u>9,659,155</u> | <u>5,108,831</u> |
| | | <u>16,121,440</u> | <u>10,669,435</u> |



Itamar Givton
Chairman of the Board of
Directors



Michael Kenny
Chairman of the Public Council



Dina Aldor
CEO

Date of approval of financial statements: June 2, 2018

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

BATSHEVA DANCE COMPANY (REGISTERED NGO)
STATEMENTS OF ACTIVITIES

| | Note | For the year ended December 31 | |
|-------------------------------------|------|-----------------------------------|------------|
| | | 2 0 1 7 | 2 0 1 6 |
| | | NIS | NIS |
| Operational volume: | | | |
| Revenues from operations | 10 | 11,603,508 | 8,474,850 |
| Revenues from appropriations | 11 | 7,538,636 | 7,686,311 |
| Revenues from contributions | 12 | 5,007,650 | 5,288,957 |
| | | 24,149,794 | 21,450,118 |
| | | 24,149,794 | 21,450,118 |
| Cost of activities: | | | |
| Salaries and related expenses | | 10,954,092 | 10,437,713 |
| Operating expenses | 13 | 8,453,957 | 7,285,524 |
| New productions | | 618,158 | 400,176 |
| Other expenses | | 447,614 | 223,137 |
| | | 20,473,821 | 18,346,550 |
| | | 20,473,821 | 18,346,550 |
| Net income from activities | | 3,675,973 | 3,103,568 |
| General and administrative expenses | 14 | 2,965,914 | 2,768,064 |
| Net income before financing | | 710,059 | 335,504 |
| Financing expenses, net | | 159,735 | 201,596 |
| Net income for year | | 550,324 | 133,908 |

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

BATSHEVA DANCE COMPANY (REGISTERED NGO)
STATEMENTS OF CHANGES IN NET ASSETS

| | <u>Net assets unrestricted for use in activities</u> | | | <u>Net assets restricted for use in activities</u> | <u>Total</u> |
|--|---|--|--|--|------------------|
| | <u>Undesignate d by institutions of the non- profit</u> | <u>Designated by institutions of the non- profit</u> | <u>Used for fixed assets N I S</u> | | |
| Balance as of January 1, 2017 | (85,969) | 560,000 | 4,634,800 | - | 5,108,831 |
| Net income for 2017 | 550,324 | - | - | - | 550,324 |
| Amounts designated by the NGO Restricted Donations(*) | (500,000) | 500,000 | - | - | - |
| | - | - | - | 4,000,000 | 4,000,000 |
| Transfer of unrestricted amounts: | | | | | |
| Used to acquire fixed assets | (844,656) | - | 4,844,656 | (4,000,000) | |
| Amounts transferred to cover depreciation expenses | 830,286 | - | (830,286) | - | |
| Balance as of December 31, 2017 | <u>(50,015)</u> | <u>1,060,000</u> | <u>8,649,170</u> | <u>-</u> | <u>9,659,150</u> |
| | | | | | |
| Balance as of January 1, 2016 | (269,227) | 560,000 | 4,684,150 | - | 4,974,923 |
| Net income for 2016 | 133,908 | - | - | - | 133,908 |
| Amounts designated by the NGO | | | | | |
| Transfer of unrestricted amounts: | | | | | |
| Used to acquire fixed assets | (757,923) | - | 757,923 | - | |
| Amounts transferred to cover depreciation expenses | 807,273 | - | (807,273) | - | |
| Balance as of December 31, 2016 | <u>(85,969)</u> | <u>560,000</u> | <u>4,634,800</u> | <u>-</u> | <u>5,108,831</u> |

(*) See note 16 B (2)

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

BATSHEVA DANCE COMPANY (REGISTERED NGO)
STATEMENTS OF CASH FLOWS

| | Year ended December 31, | |
|--|--------------------------------|------------------|
| | 2 0 1 7 | 2 0 1 6 |
| | NIS | NIS |
| <u>Cash flows - current operations:</u> | | |
| Net income for year | 550,324 | 133,908 |
| Adjustments necessary to present cash flows from current operations (Appendix A) | 1,929,083 | 398,503 |
| Net cash derived from current operations | 2,479,407 | 532,411 |
| <u>Cash flows - investment activities:</u> | | |
| Acquisition of fixed assets | (4,844,656) | (757,923) |
| Net cash used for investment activities | (4,844,656) | (757,923) |
| <u>Cash flows - financing activities:</u> | | |
| Restricted contributions designated for purchasing of assets | 4,000,000 | - |
| Net cash used for financing activities | 4,000,000 | - |
| (Decrease) Increase in cash and cash equivalents | 1,634,751 | (225,512) |
| Balance of cash and cash equivalents at beginning of year | 3,682,618 | 3,908,130 |
| Balance of cash and cash equivalents at end of year | 5,317,369 | 3,682,618 |

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

BATSHEVA DANCE COMPANY (REGISTERED NGO)
STATEMENTS OF CASH FLOWS

Appendix A - Adjustments necessary to present cash flows from current operations

| | Year ended December 31 | |
|--|-------------------------------|----------------|
| | 2 0 1 7 | 2 0 1 6 |
| | NIS | NIS |
| <u>Income and expenses not involving cash flows</u> | | |
| Depreciation | 830,286 | 807,273 |
| Increase in provision for employee rights upon retirement, net | (58,545) | 62,937 |
| Capital loss on reduction of fixed assets | - | - |
| | 771,741 | 870,210 |
| | 771,741 | 870,210 |
| <u>Changes in asset and liability items</u> | | |
| Decrease (increase) in trade receivables | 214,721 | (775,241) |
| (Increase) Decrease in other current assets | (17,605) | 13,704 |
| Decrease in accounts payable | (249,538) | (308,717) |
| (Decrease) Increase in other current liabilities | 1,174,764 | 501,547 |
| Increase in provisions, contingent liability, commitments and guarantees | 35,000 | 97,000 |
| | 1,157,342 | (471,707) |
| | 1,157,342 | (471,707) |
| | 1,929,083 | 398,503 |

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

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

NOTE 1 - GENERAL

- A. The NGO was established for the purpose of advancing the subsistence and success of the "Batsheva" modern dance company.
- B. The NGO assembles various monetary sources mostly for the following activities:
- (1) Maintaining a troupe of dancers and choreographers and preparing a cache of dancers.
 - (2) Undertakings with originators in the area of encouraging Israeli conceptions.
 - (3) Acquisition, production and presentation of creations.
 - (4) Encouragement of interest by the audience in modern dance and the work of the NGO.

NOTE 2 - ACCOUNTING POLICIES

A. Accounting Opinion Number 69 and Accounting Standard Number 5:

The NGO is an entity whose purpose is not the generation of income. The financial statements of the NGO have been prepared according to the provisions of Accounting Opinion Number 69 of the Institute of Certified Public Accountants in Israel and according to Accounting Standard Number 5 of the Israel Accounting Standards Board.

B. General:

The financial statements of the NGO are expressed in nominal NIS and are being prepared mainly for reporting to the various authorities according to law.

For this reason, and other practical reasons derived from the size of the NGO and from the reporting requirements, these financial statements have not been presented in reported amounts as is required by Standard 12 of the Israel Accounting Standards Board and the comparative figures were not presented in adjusted amounts as is mandated by the accounting opinions of the Institute of Certified Public Accountants in Israel.

C. Basis for recognition of revenues and expenses:

Revenues and expenses are included in the financial statements on the accrual basis.

D. Fixed assets:

Fixed assets acquired or received as a gift prior to January 1, 1997 are presented at marginal value.

Fixed assets acquired after that date are presented at cost

Depreciation is computed at equal annual rates according to the estimated useful lives of the assets.

Annual depreciation rates:

| | (%) |
|-------------------------|------|
| Building | 4 |
| Leasehold improvements | 10 |
| Furniture and equipment | 6-33 |

E. Cash and cash equivalents:

The section includes cash and short term deposits for up to 3 months.

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

NOTE 3 - CASH AND CASH EQUIVALENTS

Composition:

| | As of December 31, | |
|------------------------|--------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Cash | 1,897,880 | 1,869,609 |
| Short term deposits(*) | 3,419,489 | 1,813,009 |
| | <u>5,317,369</u> | <u>3,682,618</u> |

(*) Of which 156 thousand is pledged.

NOTE 4 - TRADE RECEIVABLES

Composition:

| | As of December 31, | |
|------------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Open accounts | 391,482 | 476,102 |
| Checks receivable and credit cards | 391,294 | 519,025 |
| Income receivable (*) | 1,108,279 | 1,107,757 |
| | <u>1,891,055</u> | <u>2,102,884</u> |
| Doubtful debts | (2,893) | - |
| | <u>1,888,162</u> | <u>2,102,884</u> |

(*) In 2017, donations in amount of approximately NIS 943 thousand were promised to the NGO. The amounts were received at the beginning of 2018. (in 2016 the amount was NIS 897 thousand)

NOTE 5 - OTHER CURRENT ASSETS

Composition:

| | As of December 31, | |
|-----------------------|--------------------|----------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Other receivables | 76,526 | 78,208 |
| Prepaid expenses | 157,551 | 162,641 |
| Advances to suppliers | 32,662 | 8,284 |
| | <u>266,739</u> | <u>249,133</u> |

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

NOTE 6 - FIXED ASSETS

A. Composition

| | Advance payment s at the expense of fixed assets | Furniture & Equipmen t | Payment s on account of building | Leasehold improvements N I S | Technolog y project | Total |
|---|---|---------------------------------|--|--|------------------------|-------------------|
| Cost | | | | | | |
| Cost - January 1, 2017 | 1,613,734 | 3,069,954 | 261,540 | 4,500,562 | 75,968 | 9,521,758 |
| Acquisitions during year | 4,258,930 | 531,295 | - | 54,431 | - | 4,844,656 |
| Cost - December 31, 2017 | <u>5,872,664</u> | <u>3,601,249</u> | <u>261,540</u> | <u>4,554,993</u> | <u>75,968</u> | <u>14,366,414</u> |
| Accumulated depreciation | | | | | | |
| Depreciation- January 1, 2017 | - | 2,018,916 | 180,375 | 2,642,770 | 44,897 | 4,886,958 |
| Additions for year | - | 403,248 | 10,462 | 391,506 | 25,070 | 830,286 |
| Accumulated depreciation- December 31, 2017 | <u>-</u> | <u>2,422,164</u> | <u>190,837</u> | <u>3,034,276</u> | <u>69,967</u> | <u>5,717,244</u> |
| Balance at the end of period: | | | | | | |
| December 31, 2017 | <u>5,872,664</u> | <u>1,179,085</u> | <u>70,703</u> | <u>1,520,717</u> | <u>6,001</u> | <u>8,649,170</u> |
| December 31, 2016 | <u>1,613,734</u> | <u>1,051,038</u> | <u>81,165</u> | <u>1,857,792</u> | <u>31,071</u> | <u>4,634,800</u> |

B. See Note 2D with regard to rates of depreciation.

C. See note 16 B (2)

NOTE 7 - TRADE PAYABLES

Composition:

| | As of December 31, | |
|----------------|--------------------|----------------|
| | 2017 NIS | 2016 NIS |
| Open accounts | 417,167 | 534,599 |
| Checks payable | 136,492 | 268,598 |
| | <u>553,659</u> | <u>803,197</u> |

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

NOTE 8 - OTHER CURRENT LIABILITIES

Composition:

| | As of December 31, | |
|----------------------------------|--------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Employees and payroll deductions | 1,356,632 | 1,308,075 |
| Government institutions | 13,675 | 13,962 |
| Accrued expenses | 709,878 | 592,710 |
| Prepaid income | 2,166,815 | 1,157,489 |
| | <u>4,247,000</u> | <u>3,072,236</u> |

NOTE 9 - PROVISION FOR EMPLOYEE RIGHTS UPON RETIREMENT, NET

The provision for employee rights upon retirement included in the balance sheet represents the balance of the liability in the name of employees not covered by current deposits with insurance companies and by deposits to severance pay funds in the name of the NGO.

| | As of December 31, | |
|---|--------------------|----------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Obligation for the termination of employee employer relationships | 562,737 | 610,544 |
| Less: severance pay fund | (326,111) | (315,373) |
| | <u>236,626</u> | <u>295,171</u> |

NOTE 10 - REVENUES FROM OPERATIONS

Composition:

| | As of December 31, | |
|------------------------|--------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Performances in Israel | 4,896,082 | 4,131,047 |
| Performance abroad | 5,369,630 | 3,399,317 |
| Other income | 1,337,796 | 944,486 |
| | <u>11,603,508</u> | <u>8,474,850</u> |

NOTE 11 - REVENUES FROM APPROPRIATIONS

Composition:

| | Year ended December 31 | |
|---|------------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Revenues from appropriations from the Ministry of Education and Culture | 6,878,278 | 6,961,056 |
| Revenues from appropriations from the Tel Aviv Municipality (*) | 660,358 | 725,255 |
| | <u>7,538,636</u> | <u>7,686,311</u> |

(*) Includes income due to a discount from municipal tax costs for NIS 94 thousand (last year-approximately NIS 125 thousand).

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

NOTE 12 - REVENUES FROM CONTRIBUTIONS

Composition:

| | Year ended December 31 | |
|---|-------------------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| American Friends of Batsheva | 710,543 | 806,888 |
| The Robert Weil Family Foundation | 525,000 | 1,049,963 |
| Sandra Weil | 525,000 | - |
| In kind Donations(*) | 335,296 | 102,364 |
| Dalia & Eli Hurvitz Foundation | 280,000 | 380,000 |
| Pluriel Fondation pour l'Art Contemporaine | 271,792 | 80,983 |
| Fintex Worldwide LTD | 250,000 | - |
| NovoCure Ltd | 225,000 | 223,500 |
| Michael Sela Foundation | 100,000 | 100,000 |
| Check Point Software Technologies Ltd. | 100,000 | - |
| Poalim in the Community | 100,000 | 125,000 |
| Samuel Tob | 65,896 | - |
| Aaron Gutwirth Fund | 55,000 | 70,000 |
| Burak Jacob & Nehama | 50,000 | 60,000 |
| Boxenbaum Netta Foundation | 50,000 | 60,000 |
| Eastronics LTD | 50,000 | 50,000 |
| The Azrieli Foundation | 50,000 | 50,000 |
| The Fidelio Foundation | 34,420 | - |
| Brand Industries LTD | 33,475 | - |
| Daphi & Gigi Levy Weiss | 32,500 | - |
| Neta Segal | 30,000 | 50,000 |
| IBI Amban Investment Portfolio Management LTD | 30,000 | 30,000 |
| M.E.H foundation | 25,000 | 30,000 |
| A.L Electronics Ltd | 25,000 | 45,000 |
| Zisman Shmuel Yehuda | 25,000 | 25,000 |
| S.C. Vigneronne Rishon Lezion & Zichron Yaacov LTD | 25,000 | 25,000 |
| Arie Rotenberg | 25,000 | - |
| Anata LTD | 21,000 | - |
| L.I.N Holdings LTD | - | 250,000 |
| The Beracha Foundation | - | 135,800 |
| Teva Pharmaceutical Company Ltd | - | 100,000 |
| Achi Ezer Fund | - | 55,000 |
| The Jewish Agency | - | 47,924 |
| Sharon Harel & Sir Ronald Cohen | - | 38,500 |
| Dan Unger | - | 35,000 |
| JFC-UIA | - | 28,048 |
| Dvori Hfman | - | 24,000 |
| Shani Hadasim foundation | - | 20,000 |
| Individual contributors, including members of the Management Board and Public Council | 957,728 | 1,190,987 |
| | <u>5,007,650</u> | <u>5,288,957</u> |

(*) During the reporting year, the NGO received In kind donations estimated by the NGO's management in the amount of approximately NIS 335 thousand, of which 259 thousands are from American Friends of Batsheva.

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

NOTE 13 - OPERATING EXPENSES

Composition:

| | Year ended December 31 | |
|-------------------------------------|-------------------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Performance operations | 1,802,440 | 1,914,428 |
| Travel abroad | 2,697,184 | 1,455,838 |
| General operations | 1,042,272 | 1,156,304 |
| Advertising, marketing and sales | 728,831 | 735,553 |
| Raising resources | 378,084 | 290,398 |
| Royalties and copyrights | 548,094 | 508,010 |
| Treatments for dancers | 303,548 | 353,002 |
| Taxes and fees | 201,123 | 157,179 |
| Depreciation of operating equipment | 752,381 | 714,812 |
| | <u>8,453,957</u> | <u>7,285,524</u> |

NOTE 14- GENERAL AND ADMINISTRATIVE EXPENSES

Composition:

| | Year ended December 31 | |
|--|-------------------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Salaries and related expenses | 2,389,230 | 2,342,644 |
| Postage, telephone and messenger service | 224,662 | 181,999 |
| Insurance | 10,455 | 11,191 |
| Per diem, entertainment and gifts | 40,639 | 20,780 |
| Car maintenance | 20,562 | 15,614 |
| Professional fees | 158,662 | 69,010 |
| Depreciation | 77,905 | 92,461 |
| Courses and professional development | 22,617 | 14,385 |
| Others | 21,182 | 19,980 |
| | <u>2,965,914</u> | <u>2,768,064</u> |

NOTE 15- TAXES ON INCOME

The NGO is a non-profitable institution and therefore is not obligated to pay income taxes on its income from operations. The NGO is recognized as a public institution for purposes of contributions pursuant to Section 46 of the Income Tax Ordinance.

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

NOTE 16 - PROVISIONS, CONTINGENT LIABILITY, COMMITMENTS AND GUARANTEES

A. Provisions:

Composition

| | Year ended December 31 | |
|---------------------------------|-------------------------------|------------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Contingent liability (*) | 828,000 | 828,000 |
| Commitments and guarantees (**) | 570,000 | 540,000 |
| Others | 27,000 | 22,000 |
| | <u>1,425,000</u> | <u>1,390,000</u> |

(*) In Previous years, the NGO executed a provision in a total of NIS 828 thousand towards Proventous, in respect of money paid by them towards third parties. In case the new hall project will not carried out, the NGO will be obligated to pay back the amount.

(**) In previous years, the NGO executed a provision in a total of NIS 540 thousand with respect to the NGO's commitments.in the reporting year, the NGO added NIS 30 thousands to the commitment.

B. Commitments:

1. Ohad Naharin is the artistic director for the troupe and as well as the principal creator for the troupe. In 2005, the NGO entered with Ohad Naharin into a system of agreements according to which he will serve as the artistic director of the Batsheva Company, will be entitled to compensation for the new creations which he creates for the troupe, and will be entitled to royalties for the creations which he created for the troupe in the past and which are presented as part of its repertoire. An audit carried out by the Accountant General in 2011 led to the claim that the amount of payments made to Ohad pursuant to the agreements with him create a deviation from the salary limitations itemized in the tests for distribution of support funds by the Ministry of Culture and Sport to public institutions-support of cultural institutions in the sector of dance troupes ("support tests") and determined that the terms of the undertaking with Ohad Naharin should be rearranged according to the limitations itemized in the support tests.

In June 2016, the Board approved the extension of the agreements with Ohad Naharin.

Based on its legal advisors, the management estimates, that there is no exposure as described above.

In July 2017, Ohad Naharin announced his intention to resign as Batsheva's artistic director starting in September 2018. Naharin will remain the NGO's choreographer and Gili Navot will take his place as an Artistic Director. The Board of Directors approved the appointment of Gili Navot on July 10, 2017. The management will finalize the agreements of engagement with Ohad accordingly.

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

2. On December 6, 2017, an agreement was signed between the NGO and the Tel Aviv-Yafo Foundation (hereinafter: "the Fund") for the construction of a new campus for the activities and needs of the NGO. The NGO is responsible for raising and transferring an amount of NIS 74 million (half of the project costs). The payments of the NGO will be transferred to the Fund in installments, on the dates and under the conditions specified in the agreement.

Designated contributions for the Campus:

| | Year ended December 31 | |
|---|-------------------------------|-------------|
| | 2017 | 2016 |
| | NIS | NIS |
| Opening balance as of January 1 st | - | - |
| Designated contributions received (*) | 4,000,000 | - |
| Less: Designated Contributions transferred | (4,000,000) | - |
| Closing balance as of December 31 st | <u>-</u> | <u>-</u> |

(*) Designated contributions composition

| | Year ended December 31 | |
|------------------------------|-------------------------------|-------------|
| | 2017 | 2016 |
| | NIS | NIS |
| American friends of BatSheva | 1,651,600 | - |
| Intermediate financing | 2,348,400 | - |
| Total | <u>4,000,000</u> | <u>-</u> |

C. Guarantees:

The NGO has a bank guarantee vis-à-vis third parties in an amount of NIS 264 thousands.

BATSHEVA DANCE COMPANY (REGISTERED NGO)
NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

Apendix A

| | <u>2017</u> | <u>2016</u> |
|---|---------------------------|-------------------|
| | <u>NIS</u> | <u>NIS</u> |
| | <u>Current activities</u> | |
| <u>Items of sources and uses</u> | | |
| <u>Sources:</u> | | |
| Ministry of Science, Culture and Sport | 6,878,278 | 6,961,056 |
| Tel Aviv-Jaffe Municipality | 660,358 | 725,255 |
| Contributions | 5,007,650 | 5,288,957 |
| Revenues from performances | 11,603,508 | 8,474,850 |
| Total sources | <u>24,149,794</u> | <u>21,450,118</u> |
| <u>Uses:</u> | | |
| <u>Operations</u> | | |
| Salaries for operations | <u>10,954,092</u> | <u>10,437,713</u> |
| <u>Expenses for activities:</u> | | |
| Performance operations | 1,802,440 | 1,914,428 |
| Travel abroad | 2,697,184 | 1,455,838 |
| General operations | 1,042,272 | 1,156,304 |
| Advertising, marketing and sales | 728,831 | 735,553 |
| Raising resources | 378,084 | 290,398 |
| Royalties and copyrights | 548,094 | 508,010 |
| Treatments for dancers | 303,548 | 353,002 |
| Taxes and fees | 201,123 | 157,179 |
| New productions | 618,158 | 400,176 |
| Depreciation of operating equipment | 752,381 | 714,812 |
| Other expenses | 447,614 | 223,137 |
| Total operating expenses | <u>9,519,729</u> | <u>7,908,837</u> |
| <u>Overhead</u> | | |
| Administrative salaries | 2,389,230 | 2,342,644 |
| Professional services | 158,662 | 69,010 |
| Car maintenance and travel | 20,562 | 15,614 |
| Gifts and entertainment | 40,639 | 20,780 |
| Other overhead | 356,821 | 320,016 |
| Total overhead | <u>2,965,914</u> | <u>2,768,064</u> |
| Total uses for activities | <u>23,439,735</u> | <u>21,114,614</u> |
| Revenues from activities | <u>710,059</u> | <u>335,504</u> |
| Financing expenses | <u>159,735</u> | <u>201,596</u> |
| Net income for year | <u>550,324</u> | <u>133,908</u> |