

Foundation for the Preservation of Jewish Heritage in Poland
00-105 Warsaw
6 Twarda Street

Profit and loss account

(by type of expenditure)

As at 1st January 2016 and 31st December 2016

Item name	As at 12/31/2015	As at 12/31/2016
A. Net sales/turnover, thereof:	2 664 236,83	1 231 407,49
- from interrelated entities	0,00	0,00
I. Income for statutory goals	2 252 296,63	801 033,84
II. Income from the business activity	411 940,20	430 373,65
III. Cost of finished products manufactured/produced for the entity's own needs	0,00	0,00
IV. Net sales of goods for resale and raw materials	0,00	0,00
B. Operating costs/expenses	3 434 243,96	1 980 872,39
I. Amortisation/depreciation	241 186,20	206 599,51
II. Consumption of (raw) materials and energy	73 373,03	76 906,05
III. Third-party services	2 076 411,26	894 686,60
IV. Taxes, fees and charges, thereof:	70 642,42	44 172,48
- excise duty	0,00	0,00
V. Payroll	671 794,64	537 797,80
VI. Social insurance and other benefits	112 605,28	85 967,14
VII. Other costs by kind	188 231,13	134 742,81
VIII. Cost of goods for resale and raw materials sold	0,00	0,00
C. Profit/(loss) on sales (A – B)	-770 007,13	-749 464,90
D. Other operating revenues	1 196 452,97	619 784,82
I. Gains on disposal of non-financial fixed assets	0,00	0,00
II. Dotations/ Subsidies	264 746,71	318 004,58
III. Other operating revenues	931 706,26	301 780,24
E. Other operating costs/expenses	109 193,84	201 555,93
I. Loss on disposal of non-financial fixed assets	4 650,00	51 586,00
II. Revaluation of non-financial fixed assets	0,00	0,00
III. Other operating costs/expenses	104 543,84	149 969,93
F. Operating profit/(loss) (C + D – E)	317 252,00	-331 236,01
G. Financial income	64 754,11	47 611,45
I. Dividends and profit sharing, thereof:	0,00	0,00
- from interrelated entities	0,00	0,00
II. Interest, thereof:	64 754,11	44 970,58
- from interrelated entities	0,00	0,00
III. Gains on disposal of investments	0,00	0,00
IV. Revaluation of investments	0,00	0,00
V. Other	0,00	2 640,87
H. Financial expenses	226 227,18	77 023,96
I. Interest, thereof:	13,46	842,37
- for interrelated entities	0,00	0,00
II. Loss on transfer of investments	0,00	0,00
III. Revaluation of investments	0,00	0,00
IV. Other	0,00	0,00
I. Profit/(loss) on business operations (F + G – H)	226 213,72	76 181,59
J. Result on extraordinary events (J.I. – J.II.)	155 778,93	-360 648,52
I. Extraordinary gains	0,00	0,00
II. Extraordinary losses	0,00	0,00
K. Profit/(loss) before taxation (I+/-J)	155 778,93	-360 648,52
L. Income tax	0,00	0,00
M. Other mandatory appropriations – decreases in profit/(increases in loss)	0,00	0,00
N. Profit/(loss) after taxation (K – L – M)	155 778,93	-360 648,52

Warszawa, dnia 04.07.2018 r.

BALANCE SHEET: ASSETS

As at 1st January 2016 and 31st December 2016

Assets		As at 12/31/2015	As at 12/31/2016
A. FIXED ASSETS		16 363 820,16	16 556 546,94
I. Intangible fixed assets		5 945,40	5 945,40
1. Cost of development works completed		0,00	0,00
2. Goodwill		0,00	0,00
3. Other intangible fixed assets		5 945,40	5 945,40
4. Prepayments toward intangible fixed assets		0,00	0,00
II. Tangible fixed assets		10 688 054,37	10 788 816,96
1. Fixed assets		8 328 292,87	8 377 743,46
a) land (own, including perpetual usufruct of land)		1 294 076,37	1 315 370,71
b) buildings, premises and civil-engineering structures/facilities		7 012 177,43	7 033 374,95
c) plant and machinery		19 925,26	28 997,80
d) motor vehicles		0,00	0,00
e) other fixed assets		2 113,81	0,00
2. Fixed assets under construction		2 359 761,50	2 411 073,50
3. Prepayments toward fixed assets under construction		0,00	0,00
III. Long-term debtors/receivables		0,00	0,00
1. From interrelated entities		0,00	0,00
2. From any other entities		0,00	0,00
IV. Long-term investments		5 669 820,39	5 761 784,58
1. Real estate		5 669 820,39	5 761 784,58
2. Intangible fixed assets		0,00	0,00
3. Long-term financial assets		0,00	0,00
a) in interrelated entities:		0,00	0,00
- shares, stocks, interests		0,00	0,00
- other securities/stocks-and-bonds		0,00	0,00
- loans granted		0,00	0,00
- other long-term financial assets		0,00	0,00
b) in other entities:		0,00	0,00
- shares, stocks, interests		0,00	0,00
- other securities/stocks-and-bonds		0,00	0,00
- loans granted		0,00	0,00
- other long-term financial assets		0,00	0,00
4. Other long-term investments		0,00	0,00
V. Long-term deferred costs (prepayments and accrued income)		0,00	0,00
1. Assets on account of deferred income tax		0,00	0,00
2. Other deferred costs/prepayments and accrued income		0,00	0,00
B. CURRENT ASSETS		5 108 872,30	3 405 335,73
I. Stocks/Inventory		0,00	0,00
1. (Raw) materials		0,00	0,00
2. Semi-finished products and production in progress		0,00	0,00
3. Finished products		0,00	0,00
4. Goods (for resale)		0,00	0,00
5. Prepayments received on account		0,00	0,00
II. Short-term debtors/receivables		734 421,67	221 854,48
1. Debtors receivable from interrelated entities:		0,00	0,00
a) trade debtors, with maturities of:		0,00	0,00
- up to 12 months;		0,00	0,00
- over 12 months;		0,00	0,00
b) other		0,00	0,00
2. Debtors receivable from any other entities:		734 421,67	221 854,48
a) trade debtors, with maturities of:		18 196,67	18 177,48
- up to 12 months;		18 196,67	18 177,48
- over 12 months;		0,00	0,00
b) State debtors (incl. taxes, subsidies, customs duties, social insurance, health insurance and any other benefits)		35 625,00	12 777,00
c) other		680 600,00	190 900,00
d) debtors taken to court		0,00	0,00
III. Short-term investments		4 367 092,14	3 165 714,18
1. Short-term financial assets		4 367 092,14	3 165 714,18
a) in interrelated entities:		0,00	0,00
- shares, stocks, interests		0,00	0,00
- other securities/stocks-and-bonds		0,00	0,00
- loans granted		0,00	0,00
- other short-term financial assets		0,00	0,00
b) in any other entities:		0,00	0,00
- shares, stocks, interests		0,00	0,00
- other securities/stocks-and-bonds		0,00	0,00
- loans granted		0,00	0,00
- other short-term financial assets		0,00	0,00
c) cash (and cash equivalents) and other pecuniary assets:		4 367 092,14	3 165 714,18
- cash in hand and cash at bank		4 367 092,14	3 165 714,18
- other cash (and cash equivalents)		0,00	0,00
- other pecuniary assets		0,00	0,00
2. Other short-term investments		0,00	0,00
IV. Short-term deferred costs (prepayments and accrued income)		7 358,49	17 767,07
TOTAL ASSETS		21 472 692,46	19 961 882,67

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BALANCE SHEET : LIABILITIES

As at 1st January 2016 and 31st December 2016

Liabilities	As at 31-12-2015	As at 31-12-2016
A. Capital-and-reserves (stockholders' equity)/own fund	12 048 210,28	11 635 778,76
I. Share capital/fund	200 000,00	200 000,00
II. Share capital receivable (negative)	0,00	0,00
III. Shares/stocks/interests, own (negative)	0,00	0,00
IV. Supplementary capital/fund	0,00	0,00
V. Revaluation reserve	0,00	529 223,71
VI. Other reserve capitals/funds	0,00	0,00
VII. Profit/(loss) from previous years brought forward	11 692 431,35	11 267 203,57
VIII. Profit/(loss) after taxation	155 778,93	-360 648,52
IX. Net profit write-downs within the financial year (negative)	0,00	0,00
B. Creditors/liabilities and provisions	9 424 482,18	8 326 103,91
I. Provisions	0,00	20 000,00
1. Deferred income tax provision	0,00	0,00
2. Provision for retirement-pension benefits and similar benefits:	0,00	0,00
- long-term,	0,00	0,00
- short-term	0,00	0,00
3. Others:	0,00	0,00
- long-term,	0,00	20 000,00
- short-term	0,00	20 000,00
II. Long-term creditors/liabilities	880 210,58	0,00
1. To related entities	0,00	0,00
2. To other entities	880 210,58	0,00
a) loans and credits	880 210,58	0,00
b) on account of issuance of debt securities	0,00	0,00
c) other financial liabilities	0,00	0,00
d) other	0,00	0,00
III. Short-term creditors/liabilities	557 510,02	580 711,05
1. To related entities	0,00	0,00
a) trade creditors, with maturities of:	0,00	0,00
- up to 12 months,	0,00	0,00
- over 12 months	0,00	0,00
b) other	0,00	0,00
2. To other entities	557 510,02	580 711,05
a) credits and loans	487 637,50	522 412,50
b) on account of issuance of debt securities	0,00	0,00
c) other financial liabilities	0,00	0,00
d) trade creditors, with maturities of:	0,00	0,00
- up to 12 months,	15 772,64	14 332,30
- over 12 months	15 772,64	14 332,30
e) prepayments received on account/from supplier(s)	0,00	0,00
f) bills-of-exchange	0,00	0,00
g) State creditors (incl. taxes, customs duties, insurances, other benefits)	0,00	0,00
h) payroll	36 919,88	26 786,25
i) other	0,00	0,00
3. Special funds	17 180,00	17 180,00
IV. Accrued expenses	0,00	0,00
1. Goodwill, negative	7 986 761,58	7 725 392,86
2. Other accrued expenses:	0,00	0,00
- long-term,	7 986 761,58	7 725 392,86
- short-term	7 986 761,58	7 556 369,04
	0,00	169 023,82
TOTAL LIABILITIES	21 472 692,46	19 961 882,67

Warszawa, dnia 04.07.2018 r.

A. B O M B I K

Kancelaria Biegłego Rewidenta Spółka z o.o.

04-314 Warszawa ul. Chłopickiego 11/13 tel. 22 612 16 01 tel.22 612 16 05 tel./fax 22 612 15 97

REPORT OF INDEPENDENT STATUTORY AUDITOR on the audit of the annual financial statements

For: the Founders' Assembly and the Audit Committee of Fundacji Ochrony Dziedzictwa Żydowskiego, with its registered office in Warsaw (00-105), ul. Twarda 6.

Report on audit of the annual financial statements

We audited the enclosed annual financial statements ("financial statements") of Fundacji Ochrony Dziedzictwa Żydowskiego, with its registered office in Warsaw (00-105), ul. Twarda 6, which consist of:

- balance sheet drawn up as of 31 December 2016, where on the side of assets and liabilities is the amount of PLN 19 961 882,67,
- profit and loss account for the financial year from 1 January 2016 to 31 December 2016 indicating a gross loss of PLN 360 648,52,
- additional information including introduction to the financial statements and notes to the financial statements.

Liability of the entity manager and persons supervising the entity for the financial statements

The Management Board and the Audit Committee shall be responsible for the preparation of the financial statements on the basis of the correctly kept accounts and for their reliable presentation according to the Accounting Act of 29 September 1994 (Journal of Laws of 2018, item 395 as amended) (the "Accounting Act"), implementing provisions of law issued based thereon and other applicable legal regulations as well as the Foundation's Articles of Association. The Management Board and the Audit Committee shall be also responsible for internal control which is deemed necessary to draw up the financial statements without any relevant distortion caused by fraud or error.

According to the Accounting Act, the Management Board and the Audit Committee are required to ensure that the financial statements meet the requirements provided for in the Accounting Act.

Responsibility of the statutory auditor.

Our duty was to present an opinion whether these financial statements reliably and clearly present the asset position and financial standing and the financial result of the enterprise according to the applicable regulations of the Accounting Act and adopted accounting principles (policy).

The audit of the financial statements was conducted by us appropriate to the regulations of:

- 1) Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (Journal of Laws of 2017, item 1089) ("*Statutory Auditor Act*"),
- 2) National Standards of Financial Audit worded as the International Standards on Auditing issued by the National Council of Statutory Auditors in Poland under resolution no. 2783/52/2015 of 10 February 2015 as amended in connection with resolution no. 2041/37a/2018 of 5 March 2018 on the National Standards for Practising Professions



- 3) regulations of the Accounting Act of 29 September 1994 (consolidated text of 2018, item 395 as amended) (hereinafter referred to as the Accounting Act) as applicable to financial statements audit,
- 4) contained in the contract for the financial statements audit of 4/06/2018.

Such regulations shall require observance of the ethical requirements as well as planning and conducting of audit of financial statements in such a way as to achieve reasonable certainty that the financial statements do not contain any relevant distortion.

The audit meant application of the procedures to obtain the evidence of audit of the amounts and disclosures included in the financial statements. Selection of the audit procedures depends on the statutory auditor's opinion, including assessment of the risk of relevant distortion of the financial statements caused by fraud or error. By assessing such risk the statutory auditor takes into account how internal control works as regards preparation and reliable presentation of the financial statements by the Foundation in order to plan the appropriate under the given circumstances audit procedures, not to express the opinion about efficiency of the internal control of the Foundation. The audit also includes assessment of adequacy of the adopted accounting principles (policy), reasonability of the estimates established by the Management Board and members of the Supervisory Board as well as assessment of general presentation of the financial statements.

The audit shall not include any assurance of any future profitability of the Foundation or efficiency of the business conducted by the management board and members of the Audit Committee at present and in the future.

We consider the audit evidence obtained by us to have given us enough basis to express our audit qualified opinion.

Reasons for qualified opinion

In accordance with Article 28 Para. 1.1a of the Accounting Act, real properties classed as investments are valued not less frequently than at the balance sheet date. The Foundation for the way of valuation chose the valuation according to fair value. Against the Accounting Act, the Foundation didn't perform annually the valuation of the investment. Such valuation was performed only once every four years. The last valuation of the investment was done in year 2013 and the differences from valuation adjustment amounted to 529,000 PLN. Because of the date when the inspection has been carried out, we also know about the valuation carried out for year 2017, of which additional write-down amounted to 519,000 PLN. Calculating approximately, one should say that the value of the investment increases year by year by about 130,000 PLN. Therefore in year 2016 the value of long-term investments should increase from 5,761,000 PLN to 6,151,000 PLN, whereas the value of capital from valuation adjustment should increase by 529,000 PLN, which means to 919,000 PLN. In connection with these adjustments the balance sheet total should increase to 20,351,000 PLN.

Qualified opinion

In our opinion, with the exception of the consequences of the case described in „Reasons for qualified opinion”, the attached annual financial statements:

- reliably and clearly present the property and financial position of the Foundation as of 31 December 2016, as well as its financial result for the financial year from 1 January 2016 to 31 December 2016 according to the applicable regulations of the Accounting Act and adopted accounting principles (policy),
- were prepared on the basis of the correctly kept accounts, according to regulations of chapter 2 of the Accounting Act,
- are compliant as regards their form and content with the provisions of law applicable to the Foundation and the Foundation's articles of association.



Clarification – other case

In addition to the issue described above we would like to draw your attention to the fact that according to Para. 12 item 2 of the Articles of Association, the Founders' Assembly should accept (approve) the financial statements on the date of submission of financial statements. At the same time, Art. 52 Para. 1 of the Accounting Act indicates that the Management Board should prepare such a report no later than within 3 months from the end of the calendar year and present it to the Audit Committee and the Founders' Assembly. Pursuant to Art. 53 Para. 1 of the Accounting Act, the Founders' Assembly should approve the financial statements within 6 months from the end of the year. If the Founders' Assembly orders auditing of the financial statement, the audit should be completed before the report is approved.

Please note that the financial statement for 2015 have not been approved by the Founders' Assembly until the end of the audit, which violates Art. 53 of the Accounting Act and Para. 12 item 2 of the Articles of Association. Also, the financial statement for 2016 was not approved in 2017 by the Founders' Assembly and the audit of the financial statements was agreed only in 2018.

We would like to point out that this way of operating exposes the Foundation to the sanctions described in Art. 79 of the Accounting Act (i.e. fine or imprisonment) as well as in Art. 80b of the Penal and Fiscal Code (that is, a fine for fiscal offenses).

Report on other legal requirements and regulations

Our opinion on the financial statements does not cover the report on the Foundation's business activity.

The Management Board shall be responsible for drawing up the business activity report pursuant to the laws.

According to the requirements of the Statutory Auditor Act our obligation was to issue opinion whether the business activity report was prepared according to the legal regulations and is compliant with the information contained in the annual financial statements. Our responsibility was also to make a declaration whether according to our knowledge of the Foundation and its environment obtained during audit of the financial statements we found out any relevant misstatements in the business activity report and indication what each of such relevant misstatement means.

In our opinion the business activity report was prepared according to the applicable provisions of law and is compliant with the information contained in the annual financial statements. Furthermore, in a view of the knowledge of the Foundation and its environment obtained during audit of the financial statements we declare not to have found out any relevant misstatements in the report on business activity.

Agnieszka Baklarz
Key Statutory Auditor
Registration number 12469



Acting on behalf of
A.Bombik Kancelaria Biegłego Rewidenta Sp. z o.o [Ltd.]
Registration number 228
Warsaw ul. Chłopskiego 11/13

A. BOMBIK
Kancelaria Biegłego Rewidenta Spółka z o.o.
nr ew. KRBR.228

Elżbieta Bombik-Puławska
Przesła Zarządu
Doradca Podatkowy 00713

Date of audit report: 05/07/2018