

LATET - ISRAELI HUMANITARIAN AID, R.A.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2018

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AUDITORS' REPORT

To the Members of

LATET - ISRAELI HUMANITARIAN AID, R.A.

We have audited the accompanying balance sheets of Latet - Israeli Humanitarian Aid, R.A. ("the Association") as of December 31, 2018 and 2017, and the related statements of activities, changes in net assets and cash flows for each of the years then ended. These financial statements are the responsibility of the Association's 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 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 Association's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We did not audit revenues from services for 2018 and 2017 totaling approximately NIS 8,408 thousand and approximately NIS 7,434 thousand, respectively.

In our opinion, except for the abovementioned, these financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2018 and 2017, and the results of its operations, changes in its net assets and cash flows for each of the years then ended, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

Tel-Aviv, Israel
June 18, 2019

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

BALANCE SHEETS

		December 31,	
		2018	2017
	Note	NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		7	13
Accounts receivable	3	4,907	4,699
Inventories		1,892	2,138
		6,806	6,850
DESIGNATED CASH	4	13,234	12,702
FIXED ASSETS:			
Cost	5	5,957	5,658
Less - accumulated depreciation		3,254	3,487
		2,703	2,171
		22,743	21,723
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Trade and notes payable	6	2,605	3,434
Other accounts payable	7	2,952	2,056
		5,557	5,490
LONG-TERM LIABILITIES:			
Accrued severance pay, net	8	169	113
NET ASSETS:			
Unrestricted net assets:			
Designated by the Association's Management Committee		8,394	8,114
Undesignated by the Association's Management Committee	2k	5,910	5,825
Used in fixed assets		2,703	2,171
Temporarily restricted net assets		10	10
		17,017	16,120
		22,743	21,723

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

June 18, 2019

Date of approval of the
financial statements

Gilles Darmon
Management Committee
Chair

David Baruch
Management Committee
Member

STATEMENTS OF ACTIVITIES

	Note	Year ended December 31,	
		2018	2017
		NIS in thousands	
Operating turnover:			
Cash donations	9a	32,974	30,247
Cash-equivalent donations	9a	75,238	79,495
Total operating turnover		108,212	109,742
Cost of operations:			
Cost of products donated in cash		11,601	10,927
Cost of products donated in cash equivalents	9b	67,077	71,192
Total cost of donated products		78,678	82,119
Cost of services donated in cash equivalents	9c	8,408	7,434
Total cost of donated products and services donated in cash equivalents		87,086	89,553
Wages		6,639	6,013
Transport and conveyance		975	1,077
Project operating expenses		3,640	3,801
Logistic centers		1,258	1,221
Other expenses	10	1,867	2,066
Total operating costs		14,379	14,178
Total cost of operations	11	101,465	103,731
Net operating income		6,747	6,011
General and administrative expenses	12	5,997	5,351
Income from ordinary operations		750	660
Financial income (expenses), net		70	(107)
Other income, net		11	3
Net surplus		831	556

Additional information (unaudited):

The Association estimates that during 2018, some 19,094 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 452 thousand hours. The value of the services (included in the Association's operating turnover and in cost of operations in cash equivalents) approximates NIS 7,089 thousand in respect of some 12,014 non-youth volunteers with an aggregate scope of about 243 thousand volunteer hours. See Note 9a(3).

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

STATEMENTS OF CHANGES IN NET ASSETS

	Unrestricted net assets				
	Undesignated by the Association's Management Committee *)	Designated by the Association's Management Committee	Used in fixed assets	Temporarily restricted net assets	Total
	NIS in thousands				
Balance as of January 1, 2017	5,776	7,317	2,439	10	15,542
Additions during the year:					
Donations received	-	-	22	-	22
Net surplus	556	-	-	-	556
Amounts designated by the Management Committee	(797)	797	-	-	-
Disposals during the year:					
Transfer of unrestricted amounts:					
Used in fixed assets	(548)	-	548	-	-
Amounts transferred to cover depreciation expenses	838	-	(838)	-	-
Balance as of December 31, 2017	5,825	8,114	2,171	10	16,120
Additions during the year:					
Donations received	-	-	66	-	66
Net surplus	831	-	-	-	831
Amounts designated by the Management Committee	(280)	280	-	-	-
Disposals during the year:					
Transfer of unrestricted amounts:					
Used in fixed assets	(1,034)	-	1,034	-	-
Amounts transferred to cover depreciation expenses	568	-	(568)	-	-
Balance as of December 31, 2018	5,910	8,394	2,703	10	17,017

*) See Note 2k.

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

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2018	2017
	NIS in thousands	
<u>Cash flows from operating activities:</u>		
Net surplus	831	556
Adjustments to reconcile net surplus to net cash provided by operating activities (a)	729	(399)
Net cash provided by operating activities	1,560	157
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(1,034)	(548)
Decrease (increase) in designated cash, net	(532)	391
Net cash used in investing activities	(1,566)	(157)
Decrease in cash and cash equivalents	(6)	-
Cash and cash equivalents at beginning of year	13	13
Cash and cash equivalents at end of year	7	13
(a) <u>Adjustments to reconcile net surplus to net cash provided by operating activities:</u>		
Income and expenses not involving cash flows:		
Depreciation expenses	568	838
Increase in accrued severance pay, net	56	14
Changes in asset and liability items:		
Decrease (increase) in accounts receivable	(208)	1,549
Decrease (increase) in inventories	246	(909)
Decrease in trade and notes payable	(829)	(1,215)
Increase (decrease) in other accounts payable	896	(676)
	729	(399)
(b) <u>Significant non-cash activity:</u>		
Receipt of fixed assets for no consideration	66	22

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1:- GENERAL

- a. Latet - Israeli Humanitarian Aid, R.A. ("the Association") is a non-profit organization.
- b. The Association was founded to offer humanitarian aid. The Association commenced its operation on February 11, 1997.
- c. Definitions:

In these financial statements:

Related party - As defined in Accounting Standard No. 5 of the Israel Accounting Standards Board.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements on a consistent basis are as follows:

- a. Reporting basis of the financial statements:

The financial statements have been prepared in nominal amounts based on the historical cost convention since the effect of the changes in the general purchasing power of the Israeli currency on the financial statements prior to December 31, 2003 (the date of transition to nominal financial reporting in accordance with Accounting Standard No. 12 of the Israel Accounting Standards Board) is immaterial.

- b. Net assets:

The Association's accounting policies are prescribed by the financial reporting principles set forth in Accounting Standard 5 of the Israel Accounting Standards Board and in Opinion 69 of the Institute of Certified Public Accountants in Israel regarding accounting and financial reporting principles for non-profit organizations.

Unrestricted net assets:

The Association's component of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations

The Association's unrestricted net assets are presented in three subcategories as follows:

- 1. Net assets undesignated by the Association's Management Committee.
- 2. Net assets designated by the Association's Management Committee.
- 3. Net assets used in fixed assets.

NOTES TO FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Cash equivalents:

The Association considers all highly liquid investments, including unrestricted short-term bank deposits purchased with original maturities of three months or less, to be cash equivalents.

d. Designated cash:

Designated cash is considered cash which is earmarked for the Association's activities.

e. Inventories of food and disposable products:

Inventories of donated food and disposable products are included based on the donors' pricelists.

f. Fixed assets:

Fixed assets are measured at cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis at annual rates which management deems are commensurate with the useful life of the assets as follows:

	<u>%</u>
Computers and related equipment	33
Office furniture and equipment	6 - 15
Motor vehicles	15
Leasehold improvements	10

g. Accrued severance pay:

The plans are normally financed by contributions to insurance companies and classified as defined benefit plans or as defined contribution plans.

The Association has defined contribution plans pursuant to section 14 to the Severance Pay Law under which the Association pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services and no additional contribution is required in the financial statements.

NOTES TO FINANCIAL STATEMENTS**NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

h. Revenue recognition:

Revenues and expenses are included on an accrual basis, other than revenues from donations (in cash and other) which are included based on actual receipts. Revenues in cash equivalents are carried according to the Association's current records of the quantitative data of disposable assets and services received by the Association from donations and offered by it as aid and the Association's current costs. The financial statements include the value of goods received by the Association in cash equivalents as donations based on the donors' pricelists and references. The value of donated services is estimated by the Association based on its evaluation and references of the service's market value.

i. Expenses in cash equivalents:

Expenses in cash equivalents are carried based on pricelists and references regarding the value of the donated goods. Expenses in respect of donated services are carried by the Association concurrently with the revenue according to management's evaluation and references of the service's market value.

j. Use of estimates for the preparation of financial statements:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make judgments, estimates and assumptions that affect the adoption of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. The basis of the estimates and assumptions is reviewed regularly. The changes in accounting estimates are reported in the period of the change in estimate. See also h and i above.

k. Net assets undesignated by the Association's Management Committee:

The balance of net assets undesignated by the Association's Management Committee totaling NIS 5,910 thousand and NIS 5,825 thousand in 2018 and 2017, respectively, represents donations designated by the Association to the various projects and to its operating activities and not designated by the donors.

NOTE 3:- ACCOUNTS RECEIVABLE

	December 31,	
	2018	2017
	NIS in thousands	
Credit cards	383	349
Prepaid expenses and advances to suppliers	690	1,254
Accrued income	3,771	3,040
Notes receivable	63	56

NOTES TO FINANCIAL STATEMENTS

4,907

4,699

NOTES TO FINANCIAL STATEMENTS

NOTE 4: BALANCES OF DESIGNATED CASH

In the context of the Association's activities, donations were received and allocated to the following projects:

<u>NIS in thousands</u>	<u>Project</u>
2,162	"Give with Love".
4,365	"Nutritional Security".
179	"Foreign Aid".
133	"Latet Youth".
485	"Aid for Life".
5,910	Donations to be used freely by the Association in the various programs.

The designated funds are deposited in current bank accounts in NIS and in foreign currency and in short-term deposits. As of December 31, 2018, the deposits earn average annual interest of about 0.2%.

The designated cash will be used by the Association for its operating activities in 2019 and thereafter.

NOTE 5:- FIXED ASSETS

	<u>Computers and related equipment</u>	<u>Office furniture and equipment</u>	<u>Motor vehicles</u>	<u>Warehouse equipment and leasehold improvements</u>	<u>Total</u>
	<u>NIS in thousands</u>				
Cost:					
Balance at January 1, 2018	396	346	3,119	1,797	5,658
Purchased fixed assets	98	81	545	377	1,101
Disposals during the year	(33)	(6)	(75)	(688)	(802)
Balance at December 31, 2018	461	421	3,589	1,486	5,957
Accumulated depreciation:					
Balance at January 1, 2018	300	166	1,930	1,091	3,487
Additions during the year	48	63	360	98	569
Disposals during the year	(33)	(6)	(75)	(688)	(802)
Balance at December 31, 2018	315	223	2,215	501	3,254
Depreciated cost at December 31, 2018	146	198	1,374	985	2,703
Depreciated cost at December 31, 2017	96	180	1,189	706	2,171

NOTES TO FINANCIAL STATEMENTS**NOTE 6:- TRADE AND NOTES PAYABLE**

	December 31,	
	2018	2017
	NIS in thousands	
Trade payables	1,155	894
Notes payable	1,450	2,540
	<u>2,605</u>	<u>3,434</u>

NOTE 7:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2018	2017
	NIS in thousands	
Employees and payroll accruals	1,326	1,172
Deferred revenues	1,182	79
Government authorities	202	188
Accrued expenses	237	612
Other	5	5
	<u>2,952</u>	<u>2,056</u>

NOTE 8:- ACCRUED SEVERANCE PAY, NET

a. Composition:

	December 31,	
	2018	2017
	NIS in thousands	
Accrued severance pay	529	466
Less - amounts funded	<u>(360)</u>	<u>(353)</u>
	<u>169</u>	<u>113</u>

- b. The Association's liabilities for severance pay are computed on the basis of the employees' last salary as of the reporting date and in accordance with the Severance Pay Law and are fully covered by regular contributions to insurance companies in respect of managers' insurance policies and provident funds as well as by the accrual that is presented in the balance sheet.

NOTES TO FINANCIAL STATEMENTS

NOTE 8:- ACCRUED SEVERANCE PAY, NET (Cont.)

- c. The amounts accumulated in managers' insurance policies and provident funds on behalf of the employees and the respective liabilities are not included in the balance sheet since they are not under the control or management of the Association.
- d. The amounts contributed to severance pay funds include profits accrued through the reporting date. The amounts contributed can be withdrawn only after compliance with the obligations under the Severance Pay Law or labor agreements.

NOTE 9:- DONATIONS

- a. Revenues from donations:

	Year ended December 31,	
	2018	2017
	NIS in thousands	
Donations in cash (1)	28,750	26,227
Government (2)	4,224	4,020
Services received gratis (3)	1,319	1,158
Services provided by volunteers (4)	7,089	6,276
Donated food and disposable products (5)	66,830	72,061
	<u>108,212</u>	<u>109,742</u>

- (1) Includes donations from companies, foundations and the public. Donations from companies and foundations in 2018 and 2017 totaled approximately NIS 16.55 million and NIS 15.05 million, respectively. Public donations in 2018 and 2017 totaled approximately NIS 12.2 million and NIS 11.1 million, respectively.

- (2) Government: Ministry of Education and Ministry of Welfare.

- (3) Services received gratis from various companies consisting, among others, of communication, graphics and advertising, audit, logistic assistance etc.

- (4) In 2018, some 19,094 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 452 thousand hours. Revenues from donations in cash equivalents consisted of about 243 thousand volunteer hours by 12,014 non-youth volunteers based on a minimum wage of approximately NIS 29.12 per hour (a total of approximately NIS 7,089 thousand). This information is unaudited.

In 2017, some 16,009 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 401 thousand hours. Revenues from donations in cash equivalents consisted of about 220 thousand volunteer hours by 8,308 non-youth volunteers based on a minimum wage of approximately NIS 28.49 per hour (a total of approximately NIS 6,276 thousand). This information is unaudited.

NOTES TO FINANCIAL STATEMENTS

NOTE 9:- DONATIONS (Cont.)

(5) Donated food and other disposable products and equipment were used in the various programs. The products and equipment were donated by businesses and the public. As per management's estimate, donations from companies in 2018 and 2017 totaled approximately NIS 62.75 million and NIS 67.5 million, respectively and public donations in 2018 and 2017 amounted to approximately NIS 4.1 million and NIS 4.5 million, respectively.

The Association's revenues from donations of disposable assets are recognized in the financial statements based on the current quantitative records kept by the Association. The monetary value is determined based on pricelists and references regarding the value of the donations.

b. Cost of donated products:

The cost of products donated in cash equivalents includes the provision of aid packages of food and disposable products to needy populations and therefore the expenses in respect of these donations are identical to the Association's revenues therefrom in cash equivalents, see also paragraph a above. The closing balance of inventories of cash donations as of December 31, 2018 and 2017 is NIS 662 thousand and NIS 700 thousand, respectively. The closing balance of inventories donated in cash equivalents as of December 31, 2018 and 2017 is NIS 1,229 thousand and NIS 1,438 thousand, respectively.

The total cost of donated products in 2018 and 2017 based on market prices in leading retail chains amounted to approximately NIS 99.1 million and NIS 104.57 million, respectively. This information is unaudited.

c. Cost of services donated in cash equivalents:

The cost of services donated in cash equivalents includes cost of services received by the Association as donations. Therefore, the expenses in respect of these donations are identical to the Association's revenues therefrom in cash equivalents, see also paragraph a above.

	Year ended December 31,	
	2018	2017
	NIS in thousands	
Value of volunteer hours (see a(3))	7,089	6,276
Production of "Give with Love" and "Give for Passover" food drives	689	514
Operation of "Latet Youth" program	520	520
Logistic aid	40	22
Audit fees	70	102
	<u>8,408</u>	<u>7,434</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10:- OTHER EXPENSES

	Year ended December 31,	
	2018	2017
	NIS in thousands	
Office and printing expenses	186	180
IT expenses	368	297
Vehicle maintenance and equipment	538	432
Depreciation	494	771
Office maintenance	281	312
Give a Future - micro-business development venture *)	-	74
	<u>1,867</u>	<u>2,066</u>

*) In 2015, the Association founded Give a Future - a micro-business development venture (R.A. no. 580602258, " Give a Future" or "the organization") whose entire activities and employees formerly worked on the program within the Association and were assigned to the organization from the Association.

NOTE 11:- COST OF OPERATIONS

Following is a breakdown of the Association's cost of operations according to projects:

	Year ended December 31,	
	2018	2017
	NIS in thousands	
Nutritional Security	90,714	93,911
Aid for Life	6,666	6,412
Latet Youth	4,085	3,334
Give a Future *)	-	74
	<u>101,465</u>	<u>103,731</u>

*) See Note 10 above.

NOTES TO FINANCIAL STATEMENTS**NOTE 12:- GENERAL AND ADMINISTRATIVE EXPENSES**

	Year ended December 31,	
	2018	2017
	NIS in thousands	
Wages and related expenses	5,117	4,574
Office maintenance and rent	201	142
Vehicle maintenance and travel expenses	168	126
Professional services	153	114
Office and communication expenses	103	70
Depreciation	74	68
Marketing events	117	202
Other	64	55
	<u>5,997</u>	<u>5,351</u>

NOTE 13:- TAXES ON INCOME

The Association operates as a non-profit organization and accordingly it is tax exempt pursuant to Article 9(2) to the Income Tax Ordinance. Payroll tax imposed pursuant to the Value Added Tax Law is included in payroll expenses.

The Association has obtained the Income Tax Commission's approval according to which it is a recognized institution for donation purposes pursuant to Article 46 to the Income Tax Ordinance.
