

LATET - ISRAELI HUMANITARIAN AID, R.A.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

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AUDITORS' REPORT

To the Members of

LATET - ISRAELI HUMANITARIAN AID, R.A.

We have audited the accompanying statements of financial position of Latet - Israeli Humanitarian Aid, R.A. ("the Association") as of December 31, 2019 and 2018, 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 2019 and 2018 totaling approximately NIS 8,749 thousand and approximately NIS 8,408 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, 2019 and 2018, 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
July 19, 2020

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

STATEMENTS OF FINANCIAL POSITION


		December 31,	
		2019	2018
	Note	NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		9	7
Accounts receivable	3	6,610	4,907
Inventories		2,180	1,892
		8,799	6,806
DESIGNATED CASH	4	15,360	13,234
FIXED ASSETS:			
Cost	5	5,911	5,957
Less - accumulated depreciation		3,606	3,254
		2,305	2,703
		26,464	22,743
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Trade and notes payable	6	3,603	2,605
Other accounts payable	7	3,465	2,952
		7,068	5,557
LONG-TERM LIABILITIES:			
Accrued severance pay, net	8	86	169
NET ASSETS:			
Unrestricted net assets:			
Designated by the Association's Management Committee		10,581	8,394
Undesignated by the Association's Management Committee	2k	6,414	5,910
Used in fixed assets		2,305	2,703
Temporarily restricted net assets		10	10
		19,310	17,017
		26,464	22,743

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

July 19, 2020

Date of approval of the
financial statements


Gilles Darmon
Management Committee
Chair


Liad Cohen
Management Committee
Member

STATEMENTS OF ACTIVITIES

	Note	Year ended December 31,	
		2019	2018
		NIS in thousands	
Operating turnover:			
Cash donations	9a	37,665	32,974
Cash-equivalent donations	9a	93,652	75,238
Total operating turnover		131,317	108,212
Cost of operations:			
Cost of products donated in cash		12,565	11,601
Cost of products donated in cash equivalents	9b	84,903	67,077
Total cost of donated products		97,468	78,678
Cost of services donated in cash equivalents	9c	8,749	8,408
Total cost of donated products and services donated in cash equivalents		106,217	87,086
Wages		7,313	6,639
Transport and conveyance		1,296	975
Project operating expenses		3,983	3,640
Logistic centers		1,421	1,258
Other expenses	10	2,058	1,867
Total operating costs		16,071	14,379
Total cost of operations	11	122,288	101,465
Net operating income		9,029	6,747
General and administrative expenses	12	6,670	5,997
Income from ordinary operations		2,359	750
Financial income (expenses), net		(86)	70
Other income, net		20	11
Net surplus		2,293	831

Additional information (unaudited):

The Association estimates that during 2019, some 26,979 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 477 thousand hours. The value of the services (included in the Association's operating turnover and in cost of operations in cash equivalents) approximates NIS 7,436 thousand in respect of some 13,291 non-youth volunteers with an aggregate scope of about 255 thousand volunteer hours. See Note 9a(4).

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, 2018	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
Additions during the year:					
Net surplus	2,293	-	-	-	2,293
Amounts designated by the Management Committee	(2,187)	2,187	-	-	-
Disposals during the year:					
Transfer of unrestricted amounts:					
Used in fixed assets	(173)	-	173	-	-
Amounts transferred to cover depreciation expenses	571	-	(571)	-	-
Balance as of December 31, 2019	6,414	10,581	2,305	10	19,310

*) See Note 2k.

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

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2019	2018
	NIS in thousands	
<u>Cash flows from operating activities:</u>		
Net surplus	2,293	831
Adjustments to reconcile net surplus to net cash provided by operating activities (a)	8	729
Net cash provided by operating activities	2,301	1,560
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(173)	(1,034)
Increase in designated cash, net	(2,126)	(532)
Net cash used in investing activities	(2,299)	(1,566)
Increase (decrease) in cash and cash equivalents	2	(6)
Cash and cash equivalents at beginning of year	7	13
Cash and cash equivalents at end of year	9	7
(a) <u>Adjustments to reconcile net surplus to net cash provided by operating activities:</u>		
Income and expenses not involving cash flows:		
Depreciation expenses	571	568
Increase (decrease) in accrued severance pay, net	(83)	56
Changes in asset and liability items:		
Increase in accounts receivable	(1,703)	(208)
Decrease (increase) in inventories	(288)	246
Increase (decrease) in trade and notes payable	998	(829)
Increase in other accounts payable	513	896
	8	729
(b) <u>Significant non-cash activity:</u>		
Receipt of fixed assets for no consideration		66

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.

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 8,601 thousand and NIS 5,910 thousand in 2019 and 2018, 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,	
	2019	2018
	NIS in thousands	
Credit cards	475	383
Prepaid expenses and advances to suppliers	1,130	690
Accrued income	4,984	3,771
Notes receivable	21	63
	<u>6,610</u>	<u>4,907</u>

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>
3,199	"Give with Love".
4,103	"Nutritional Security".
179	"Foreign Aid".
722	"Latet Youth".
743	"Aid for Life".
6,414	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, 2019, the deposits earn average annual interest of about 0.2%.

The designated cash will be used by the Association for its operating activities in 2020 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, 2019	461	399	3,589	1,508	5,957
Purchased fixed assets	73	-	-	100	173
Disposals during the year	-	-	(219)	-	(219)
Balance at December 31, 2019	534	399	3,370	1,608	5,911
Accumulated depreciation:					
Balance at January 1, 2019	339	172	2,215	528	3,254
Additions during the year	58	38	331	144	571
Disposals during the year	-	-	(219)	-	(219)
Balance at December 31, 2019	397	210	2,327	672	3,606
Depreciated cost at December 31, 2019	137	189	1,043	936	2,305
Depreciated cost at December 31, 2018	122	227	1,374	980	2,703

NOTE 6:- TRADE AND NOTES PAYABLE

	December 31,	
	2019	2018
	NIS in thousands	
Trade payables	2,357	1,155
Notes payable	1,246	1,450
	<u>3,603</u>	<u>2,605</u>

NOTE 7:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2019	2018
	NIS in thousands	
Employees and payroll accruals	1,519	1,326
Deferred revenues	1,207	1,182
Government authorities	225	202
Accrued expenses	509	237
Other	5	5
	<u>3,465</u>	<u>2,952</u>

NOTE 8:- ACCRUED SEVERANCE PAY, NET

a. Composition:

	December 31,	
	2019	2018
	NIS in thousands	
Accrued severance pay	556	529
Less - amounts funded	(470)	(360)
	<u>86</u>	<u>169</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 statement of financial position.
- 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 statement of financial position since they are not under the control or management of the Association.

NOTES TO FINANCIAL STATEMENTS**NOTE 8:- ACCRUED SEVERANCE PAY, NET (Cont.)**

- 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,	
	2019	2018
	NIS in thousands	
Donations in cash (1)	35,235	28,750
Government (2)	2,430	4,224
Services received gratis (3)	1,313	1,319
Services provided by volunteers (4)	7,436	7,089
Donated food and disposable products (5)	84,903	66,830
	<u>131,317</u>	<u>108,212</u>

- (1) Includes donations from companies, foundations and the public. Donations from companies and foundations in 2019 and 2018 totaled approximately NIS 18.38 million and NIS 16.55 million, respectively. Public donations in 2019 and 2018 totaled approximately NIS 16.85 million and NIS 12.2 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 2019, some 26,979 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 477 thousand hours. Revenues from donations in cash equivalents consisted of about 255 thousand volunteer hours by 13,291 non-youth volunteers based on a minimum wage of approximately NIS 29.12 per hour (a total of approximately NIS 7,436 thousand). This information is unaudited.

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.

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 2019 and 2018 totaled approximately NIS 79.95 million and NIS 62.75 million, respectively and public donations in 2019 and 2018 totaled approximately NIS 5 million and NIS 4.1 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 a above.

The closing balance of inventories of cash donations as of December 31, 2019 and 2018 is NIS 937 thousand and NIS 662 thousand, respectively. The closing balance of inventories donated in cash equivalents as of December 31, 2019 and 2018 is NIS 1,243 thousand and NIS 1,229 thousand, respectively.

The total cost of donated products in 2019 and 2018 based on market prices in leading retail chains totaled approximately NIS 122.73 million and NIS 99.1 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 a above.

	Year ended December 31,	
	2019	2018
	NIS in thousands	
Value of volunteer hours (see a(3))	7,436	7,089
Production of "Give with Love" and "Give for Passover" food drives	671	689
Operation of "Latet Youth" program	520	520
Logistic aid	62	40
Audit fees	60	70
	<u>8,749</u>	<u>8,408</u>

NOTES TO FINANCIAL STATEMENTS**NOTE 10:- OTHER EXPENSES**

	Year ended December 31,	
	2019	2018
	NIS in thousands	
Office and printing expenses	141	186
IT expenses	574	368
Vehicle maintenance and equipment	595	538
Depreciation	471	494
Office maintenance	277	281
	<u>2,058</u>	<u>1,867</u>

NOTE 11:- COST OF OPERATIONS

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

	Year ended December 31,	
	2019	2018
	NIS in thousands	
National Nutritional Security and Municipal Nutritional Security	108,685	90,714
Aid for Life	9,128	6,666
Latet Youth	4,475	4,085
	<u>122,288</u>	<u>101,465</u>

NOTE 12:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2019	2018
	NIS in thousands	
Wages and related expenses	5,625	5,117
Office maintenance and rent	343	201
Vehicle maintenance and travel expenses	158	168
Professional services	140	153
Office and communication expenses	106	103
Depreciation	100	74
Marketing events	140	117
Other	58	64
	<u>6,670</u>	<u>5,997</u>

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 14:- EVENTS AFTER THE REPORTING DATE

At the beginning of the Corona crisis, the Association identified an urgent mission to help seniors 75 years old and older who were forced to remain isolated in their homes in light of the Ministry of Health guidelines. Identifying the need to support this disadvantaged and vulnerable population has led to a rapid turn to donors to raise funds at a significant scale, to develop a concept of operation and set up a dedicated operational logistics system for a period of about three months. The Association has launched a large-scale operation, mobilizing for a national mission to help seniors in need of food and hygiene products so that they stay home thus assist containing the outbreak of the coronavirus.

At the same time, the Association has taken several actions to reduce the financial impact by streamlining, cutting expenses in the various programs, maintaining ongoing monitoring, working in accordance with various alternatives and scenarios and investing in infrastructure to raise support and develop new sources.

As of the date of approval of the financial statements, the stability of the Association has not been significantly adversely affected as a result of the crisis. However, if the crisis deepens and leads to economic impairment of, among others, local and international philanthropic bodies, it may have an impact on the Association's future activities.

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