

LATET - ISRAELI HUMANITARIAN AID, R.A.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

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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, 2021 and 2020, 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 2021 and 2020 totaling approximately NIS 7,911 thousand and NIS 9,118 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, 2021 and 2020, 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 15, 2022

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

STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2021	2020
		NIS in thousands	
	Note		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		7	8
Short-term investments	4	5,290	5,053
Accounts receivable	3	9,485	6,909
Designated cash in short-term deposits	4	59,382	43,447
Inventories		4,042	3,768
		78,206	59,185
NON-CURRENT ASSETS:			
Fixed assets:	5		
Cost		7,949	6,708
Less - accumulated depreciation		4,534	4,071
		3,415	2,637
		81,621	61,822
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Trade and notes payable	6	12,705	8,124
Other accounts payable	7	13,415	12,886
		26,120	21,010
NON-CURRENT LIABILITIES:			
Accrued severance pay, net	8	95	86
NET ASSETS:			
Unrestricted net assets:			
Designated by the Association's Management Committee *)		44,904	31,179
Undesignated by the Association's Management Committee		7,087	6,910
Used in fixed assets		3,415	2,637
	2k	55,406	40,726
		81,621	61,822

*) Reclassified.

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

June 15, 2022

Date of approval of the
financial statements

Itzik Saig
Management Committee
Member

Liad Cohen
Management Committee
Chair

STATEMENTS OF ACTIVITIES

	Note	Year ended December 31,	
		2021	2020
		NIS in thousands	
Operating turnover:			
Cash donations	9a	67,296	70,018
Cash-equivalent donations	9a	120,420	104,422
Total operating turnover		187,716	174,440
Cost of operations:			
Cost of products donated in cash		33,871	38,723
Cost of products donated in cash equivalents	9b	112,509	94,377
Total cost of donated products		146,380	133,100
Cost of services donated in cash equivalents	9c	7,911	9,118
Total cost of donated products and services donated in cash equivalents		154,291	142,218
Wages		9,532	8,069
Transport and conveyance		1,101	1,189
Project operating expenses		5,634	5,860
Logistic centers		2,049	1,604
Other expenses	10	2,572	2,171
Total operating costs		20,888	18,893
Total cost of operations	11	175,179	161,111
Net operating income		12,537	13,329
General and administrative expenses	12	8,280	7,335
Income from ordinary operations		4,257	5,994
Financial income (expenses), net		380	(94)
Other income, net		43	16
Net surplus		4,680	5,916

Additional information (unaudited):

The Association estimates that during 2021, some 25,860 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 408 thousand hours. The value of the services (included in the Association's operating turnover and in cost of operations in cash equivalents) approximates NIS 6,973 thousand in respect of some 10,597 non-youth volunteers with an aggregate scope of about 239 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	Total
	NIS in thousands			
Balance as of January 1, 2020	6,414	10,591	2,305	19,310
<u>Additions during the year</u>				
Net surplus	5,916	-	-	5,916
Amounts designated by the Management Committee	(5,088)	5,088	-	-
Donations for Nutritional Security initiative	-	8,000	-	8,000
Donations for Corona Relief Fund	-	7,500	-	7,500
<u>Disposals during the year</u>				
Transfer of unrestricted amounts:				
Used in fixed assets	(882)	-	882	-
Amounts transferred to cover depreciation expenses	550	-	(550)	-
Balance as of December 31, 2020	6,910	31,179	2,637	40,726
<u>Additions during the year</u>				
Net surplus	4,680	-	-	4,680
Amounts designated by the Management Committee	(3,725)	3,725	-	-
Donations for Nutritional Security initiative	-	4,500	-	4,500
Donations for Food Rescue Fund	-	13,000	-	13,000
<u>Disposals during the year</u>				
Amounts released from Corona Relief Fund	-	(7,500)	-	(7,500)
Transfer of unrestricted amounts:				
Used in fixed assets	(1,242)	-	1,242	-
Amounts transferred to cover depreciation expenses	464	-	(464)	-
Balance as of December 31, 2021	7,087	44,904	3,415	55,406

*) See Note 2k.

**) Reclassified.

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

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	2020
	NIS in thousands	
<u>Cash flows from operating activities:</u>		
Net surplus	4,680	5,916
Adjustments to reconcile net surplus to net cash provided by operating activities (a)	2,722	12,605
Net cash provided by operating activities	7,402	18,521
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(1,242)	(882)
Increase in designated cash, net	(16,171)	(33,140)
Net cash used in investing activities	(17,413)	(34,022)
<u>Cash flows from financing activities:</u>		
Temporarily restricted donations, net	10,000	15,500
Net cash provided by financing activities	10,000	15,500
Decrease in cash and cash equivalents	(1)	(1)
Cash and cash equivalents at beginning of year	8	9
Cash and cash equivalents at end of year	7	8
(a) <u>Adjustments to reconcile net surplus to net cash provided by operating activities:</u>		
Income and expenses not involving cash flows:		
Depreciation expenses	464	550
Change in accrued severance pay, net	9	-
Changes in asset and liability items:		
Increase in accounts receivable	(2,576)	(299)
Increase in inventories	(274)	(1,588)
Increase in trade and notes payable	4,570	4,521
Increase in other accounts payable	529	9,421
	2,722	12,605

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

In August 2020, the Israel Accounting Standards Board issued Accounting Standard No. 40, "Accounting Principles and Financial Reporting of Nonprofits", which supersedes Opinion 69 of the Israel Accounting Standards Board, "Accounting Principles and Financial Reporting of Nonprofits", and the amendments thereto, and also supersedes Accounting Standard No. 9, "Financial Statements of Institutions of Higher Education".

In November 2021, the Israel Accounting Standards Board issued an amendment to Accounting Standard No. 40 (2021), "Accounting Principles and Financial Reporting of Nonprofits" ("the Standard").

The Standard is applicable to the financial statements of nonprofits for annual periods beginning on or after January 1, 2021.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

b. 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.

c. Cash equivalents:

The Association considers highly liquid investments, including unrestricted short-term bank deposits purchased with original maturities of three months or less from the date of investment, 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 rates which, in management opinion, correspond to the 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

NOTES TO FINANCIAL STATEMENTS

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

h. Revenue recognition:

Unrestricted unconditional donations are recognized as revenue. 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.

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

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

The balance of net assets undesignated by the Association's Management Committee totaling NIS 7,090 thousand and NIS 6,910 thousand in 2021 and 2020, respectively, represents donations for free use by the Association designated by the Association to the various projects and to its operating activities and not designated by the donors.

- l. Newly applied accounting pronouncements:

In August 2020, the Israel Accounting Standards Board issued Accounting Standard No. 40, "Accounting Principles and Financial Reporting of Nonprofits", which supersedes Opinion 69 of the Israel Accounting Standards Board, "Accounting Principles and Financial Reporting of Nonprofits", and the amendments thereto, and also supersedes Accounting Standard No. 9, "Financial Statements of Institutions of Higher Education".

In November 2021, the Israel Accounting Standards Board issued an amendment to Accounting Standard No. 40 (2021), "Accounting Principles and Financial Reporting of Nonprofits" ("the Standard").

The Standard is applicable to the financial statements of nonprofits for annual periods beginning on or after January 1, 2021. Early application is permitted.

The Standard has been applied for the first time in these financial statements. According to the Standard's transition provisions, the Association is required to report the effect of the adoption of the Standard's measurement guidelines on the initial adoption date as an adjustment of net assets at beginning of the period in which the Standard is initially applied without restatement of comparative date for changes in measurement arising from the Standard's provisions, but with retrospective application of the Standard's presentation guidelines.

The application of the Standard did not have a material impact on the Association's financial statements.

NOTE 3:- ACCOUNTS RECEIVABLE

	December 31,	
	2021	2020
	NIS in thousands	
Credit cards	1,160	757
Prepaid expenses and advances to suppliers	1,568	1,580
Accrued income	6,504	4,548
Notes receivable	-	24
	9,485	6,909

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>
13,000	Establishment of the "Food Rescue" Fund
1,582	"Give with Love"
12,500	"Nutritional Security" infrastructures
24,410	"Nutritional Security"
145	"Foreign Aid"
688	"Latet Youth"
5,256	"Aid for Life"
7,090	Donations to be used freely by the Association in the various programs.

As of December 31, 2021, the designated funds are deposited in current bank accounts in NIS and in foreign currency and in short-term deposits. The deposits earn interest at the average rate of about 1%.

The designated cash will be used by the Association for its operating activities in 2022 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, 2021	559	429	3,937	1,783	6,708
Purchased fixed assets	100	-	1,071	297	1,468
Disposals during the year	(72)	-	(154)	-	(226)
Balance at December 31, 2021	587	429	4,853	2,080	7,949
Accumulated depreciation:					
Balance at January 1, 2021	387	247	2,610	827	4,071
Additions during the year	66	33	398	192	689
Disposals during the year	(72)	-	(155)	-	(227)
Balance at December 31, 2021	381	280	2,853	1,019	4,534
Depreciated cost at December 31, 2021	<u>206</u>	<u>149</u>	<u>2,000</u>	<u>1,061</u>	<u>3,415</u>
Depreciated cost at December 31, 2020	<u>172</u>	<u>182</u>	<u>1,327</u>	<u>956</u>	<u>2,637</u>

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

	December 31,	
	2021	2020
	NIS in thousands	
Trade payables	5,998	4,264
Notes payable	6,707	3,860
	<u>12,705</u>	<u>8,124</u>

NOTE 7:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2021	2020
	NIS in thousands	
Employees and payroll accruals	1,853	1,802
Deferred revenues	9,970	9,846
Government ministries	394	326
Accrued expenses	1,198	912
	<u>13,415</u>	<u>12,886</u>

NOTE 8:- ACCRUED SEVERANCE PAY, NET

a. Composition:

	December 31,	
	2021	2020
	NIS in thousands	
Accrued severance pay	597	588
Less - amounts funded	(502)	(502)
	<u>95</u>	<u>86</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.
- 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9:- DONATIONS

- a. Revenues from donations:

	Year ended December 31,	
	2021	2020
	NIS in thousands	
Donations in cash (1)	60,193	64,288
Government (2)	7,103	5,730
Services received gratis (3)	938	1,117
Services provided by volunteers (4)	6,973	8,001
Donated food and disposable products (5)	112,509	95,304
	<u>187,716</u>	<u>174,440</u>

- (1) Includes donations from companies, foundations and the public. Donations from companies and foundations in 2021 and 2020 totaled approximately NIS 32.49 million and NIS 35.44 million, respectively. Public donations in 2021 and 2020 totaled approximately NIS 27.7 million and NIS 28.84 million, respectively.
- (2) Government: Ministry of Education, Ministry of Welfare and State Guardianship Committee.
- (3) Services received gratis from various companies consisting, among others, of communication, graphics and advertising, audit, logistic assistance etc.
- (4) In 2021, some 25,860 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 408 thousand hours. Revenues from donations in cash equivalents consisted of about 239 thousand volunteer hours by 10,597 non-youth volunteers based on a minimum wage of approximately NIS 29.12 per hour (a total of approximately NIS 6,973 thousand). This information is unaudited.

In 2020, some 24,583 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 433 thousand hours. Revenues from donations in cash equivalents consisted of about 275 thousand volunteer hours by 14,988 non-youth volunteers based on a minimum wage of approximately NIS 29.12 per hour (a total of approximately NIS 8,001 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 2021 and 2020 totaled approximately NIS 108.75 million and NIS 93 million, respectively and public donations in 2021 and 2020 amounted to approximately NIS 3.75 million and NIS 2.3 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, 2021 and 2020 is NIS 1,629 thousand and NIS 1,598 thousand, respectively. The closing balance of inventories donated in cash equivalents as of December 31, 2021 and 2020 is NIS 2,413 thousand and NIS 2,170 thousand, respectively.

The total cost of donated products in 2021 and 2020 based on market prices in leading retail chains amounted to approximately NIS 187.18 million and NIS 171.03 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,	
	2021	2020
	NIS in thousands	
Value of volunteer hours (see a(4))	6,973	8,001
Production of "Give with Love" and "Give for Passover" food drives	329	522
Operation of "Latet Youth" program	520	520
Professional and logistic aid	29	15
Audit fees	60	60
	<u>7,911</u>	<u>9,118</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10:- OTHER EXPENSES

	Year ended December 31,	
	2021	2020
	NIS in thousands	
Office and printing expenses	206	158
IT expenses	767	664
Vehicle maintenance and equipment	809	607
Depreciation	506	438
Office maintenance	284	304
	<u>2,572</u>	<u>2,171</u>

NOTE 11:- COST OF OPERATIONS

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

	Year ended December 31,	
	2021	2020
	NIS in thousands	
Nutritional Security, Food Rescue Fund, Latet in City	158,747	148,406
Aid for Life	11,648	8,707
Latet Youth	4,784	3,998
	<u>175,179</u>	<u>161,111</u>

NOTE 12:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2021	2020
	NIS in thousands	
Wages and related expenses	6,829	6,270
Office maintenance and rent	338	303
Vehicle maintenance and travel expenses	171	90
Professional services	144	148
Office and communication expenses	212	244
Depreciation	184	111
Marketing events	301	85
Other	101	84
	<u>8,280</u>	<u>7,335</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:- ADDITIONAL INFORMATION TO STATEMENTS OF ACTIVITIES

	Year ended December 31,	
	2021	2020
	NIS in thousands	
Operating turnover:		
Donations	172,702	159,592
State appropriations / funding	7,103	5,730
Services received without payment	7,911	9,118
Total	187,716	174,440
Expenses:		
Cost of donated products	146,379	133,100
Cost of services	7,911	9,118
Wages and related expenses – employee benefits	16,362	14,338
Vehicle and equipment maintenance	980	697
Office maintenance, office and printing expenses	1,040	1,009
IT	767	664
Transport and conveyance	1,101	1,189
Project operation	5,634	5,860
Logistic center operation	2,049	1,604
Marketing events	301	85
Depreciation	690	549
Procurement of services	144	148
Other	58	69
Total	183,416	168,430
Net revenues before financing	4,300	6,010
Financial income (expenses)	380	(94)
Net surplus for the year	4,680	5,916

NOTES TO FINANCIAL STATEMENTS

NOTE 15:- EVENTS AFTER THE REPORTING DATE

In furtherance to the matters discussed in Note 4 above, during the year, the Association established a NIS 15 million Food Rescue Fund in order to expand aid to needy populations whose situation has worsened as well as to new economically challenged populations.

As of the date of approval of the financial statements, a total of approximately NIS 9 million from this fund has been used and the balance will be used by the end of 2022.

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