

LATET - ISRAELI HUMANITARIAN AID, R.A.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

INDEX

	<u>Page</u>
Auditors' Report	2
Statements of Financial Position	3
Statements of Activities	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 17

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, 2022 and 2021, 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 2022 and 2021 totaling approximately NIS 8,356 thousand and NIS 7,911 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, 2022 and 2021, 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, 2023

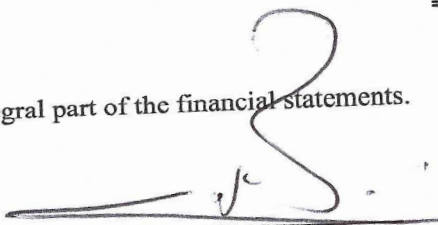
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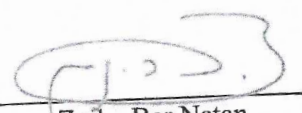
STATEMENTS OF FINANCIAL POSITION

	Note	December 31,	
		2022	2021
		NIS in thousands	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		6	7
Short-term investments	4	4,875	5,290
Accounts receivable	3	9,479	9,485
Designated cash in short-term deposits	4	60,480	59,382
Inventories		5,089	4,042
		<u>79,930</u>	<u>78,206</u>
NON-CURRENT ASSETS:			
Fixed assets:	5		
Cost		9,155	7,949
Less - accumulated depreciation		4,904	4,534
		<u>4,251</u>	<u>3,415</u>
		<u>84,181</u>	<u>81,621</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Trade and notes payable	6	16,254	12,705
Other accounts payable	7	14,099	13,415
		<u>30,353</u>	<u>26,120</u>
NON-CURRENT LIABILITIES:			
Accrued severance pay, net	8	96	95
NET ASSETS:			
Unrestricted net assets:			
Designated by the Association		42,261	44,904
Undesignated by the Association		7,220	7,087
Used in fixed assets		4,251	3,415
	2k	<u>53,732</u>	<u>55,406</u>
		<u>84,181</u>	<u>81,621</u>

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

XXX, 2023
Date of approval of the
financial statements


Itzik Saig
Member of the
Executive Committee


Zvika Bar Natan
Chairman of the
Executive Committee

STATEMENTS OF ACTIVITIES

	Note	Year ended December 31,	
		2022	2021
		NIS in thousands	
Operating turnover:			
Cash donations	9a	73,346	67,296
Cash-equivalent donations	9a	130,669	120,420
Total operating turnover		204,015	187,716
Cost of operations:			
Cost of products donated in cash		36,892	33,871
Cost of products donated in cash equivalents	9b	121,266	112,509
Total cost of donated products		158,158	146,380
Cost of services donated in cash equivalents	9c	8,356	7,911
Total cost of donated products and services donated in cash equivalents		166,514	154,291
Wages		10,810	9,532
Transport and conveyance		1,650	1,101
Project operating expenses		7,616	5,634
Logistic centers		2,379	2,049
Other expenses	10	2,844	2,572
Total operating costs		25,299	20,888
Total cost of operations	11	191,813	175,179
Net operating income		12,202	12,537
General and administrative expenses	12	9,092	8,280
Income from ordinary operations		3,110	4,257
Financial income (expenses), net		(379)	380
Other income, net		110	43
Net surplus		2,841	4,680

Additional information (unaudited):

The Association estimates that during 2022, some 29,264 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 448 thousand hours. The value of the services (included in the Association's operating turnover and in cost of operations in cash equivalents) approximates NIS 7,427 thousand in respect of some 14,197 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			Total
	Undesignated by the Association *)	Designated by the Association	Used in fixed assets	
	NIS in thousands			
Balance as of January 1, 2021	6,910	31,179	2,637	40,726
Additions during the year:				
Net surplus	4,680	-	-	4,680
Amounts designated by Association	(3,725)	3,725	-	-
Donations to the Nutritional Security infrastructures	-	4,500	-	4,500
Donations to the Food Rescue Fund	-	13,000	-	13,000
Disposals during the year:				
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
Additions during the year:				
Net surplus	2,841	-	-	2,841
Amounts designated by Association	(1,872)	1,857	-	(15)
Donations to the Nutritional Security infrastructures	-	8,500	-	8,500
Donations to the Food Rescue Fund	-	8,500	-	8,500
Disposals during the year:				
Amounts released from Corona Relief Fund	-	(13,000)	-	(13,000)
Transfer of unrestricted amounts:				
Used in fixed assets, net	(1,206)	-	1,206	-
Amounts transferred to cover depreciation expenses	370	-	(370)	-
Balance as of December 31, 2022	7,220	42,261	4,251	53,732

*) See Note 2k.

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

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2022	2021
	NIS in thousands	
<u>Cash flows from operating activities:</u>		
Net surplus	2,841	4,680
Adjustments to reconcile net surplus to net cash provided by operating activities (a)	3,563	2,722
Net cash provided by operating activities	6,404	7,402
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(1,206)	(1,242)
Increase in designated cash, net	(685)	(16,171)
Net cash used in investing activities	(1,891)	(17,413)
<u>Cash flows from financing activities:</u>		
Temporarily restricted donations, net	(4,500)	10,000
Net cash provided by (used in) financing activities	(4,500)	10,000
Decrease in cash and cash equivalents	(1)	(1)
Cash and cash equivalents at beginning of year	7	8
Cash and cash equivalents at end of year	6	7
<u>(a) Adjustments to reconcile net surplus to net cash provided by operating activities:</u>		
Income and expenses not involving cash flows:		
Depreciation expenses	370	464
Increase in accrued severance pay, net	1	9
Changes in asset and liability items:		
Decrease (increase) in accounts receivable	6	(2,576)
Increase in inventories	(1,047)	(274)
Increase in trade and notes payable	3,549	4,570
Increase in other accounts payable	684	529
	3,563	2,722

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.
2. Net assets designated by the Association.
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:

The balance of net assets undesignated by the Association totaling NIS 7,220 thousand and NIS 7,087 thousand in 2022 and 2021, respectively, represents donations that can be used freely by the Association in the various projects and its operating activities and that have been designated by the Association and not by the donors.

l. Initial application of accounting standards:

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 was first applied to the financial statements for 2021. 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,	
	2022	2021
	NIS in thousands	
Credit cards	1,039	1,160
Prepaid expenses and advances to suppliers	1,839	1,568
Accrued income	6,601	6,504
	<u>9,479</u>	<u>9,485</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>
8,500	Establishment of the "Food Rescue" Fund
3,416	"Give with Love"
12,500	"Nutritional Security" infrastructures
31,613	"Nutritional Security"
103	"Foreign Aid"
502	"Latet Youth"
1,501	"Aid for Life"
7,220	donations that can be used freely by the Association in the various projects.

As of December 31, 2022, 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 2.5%.

The designated cash will be used by the Association for its operating activities in 2023 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, 2022	587	429	4,853	2,080	7,949
Purchased fixed assets	128	-	911	592	1,631
Disposals during the year	-	-	(425)	-	(425)
Balance at December 31, 2022	<u>715</u>	<u>429</u>	<u>5,339</u>	<u>2,672</u>	<u>9,155</u>
Accumulated depreciation:					
Balance at January 1, 2022	381	280	2,853	1,019	4,533
Additions during the year	119	34	474	169	795
Disposals during the year	-	-	(425)	-	(425)
Balance at December 31, 2022	<u>500</u>	<u>314</u>	<u>2,902</u>	<u>1,188</u>	<u>4,904</u>
Depreciated cost at December 31, 2022	<u>215</u>	<u>116</u>	<u>2,437</u>	<u>1,484</u>	<u>4,251</u>
Depreciated cost at December 31, 2021	<u>206</u>	<u>149</u>	<u>2,000</u>	<u>1,061</u>	<u>3,415</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6:- TRADE AND NOTES PAYABLE

	December 31,	
	2022	2021
	NIS in thousands	
Trade payables	8,865	5,998
Notes payable	7,389	6,707
	<u>16,254</u>	<u>12,705</u>

NOTE 7:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2022	2021
	NIS in thousands	
Employees and payroll accruals	2,001	1,853
Deferred revenues	10,605	9,970
Government ministries	298	394
Accrued expenses	1,195	1,198
	<u>14,099</u>	<u>13,415</u>

NOTE 8:- ACCRUED SEVERANCE PAY, NET

a. Composition:

	December 31,	
	2022	2021
	NIS in thousands	
Accrued severance pay, net	96	95
	<u>96</u>	<u>95</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 9:- DONATIONS

- a. Revenues from donations:

	Year ended December 31,	
	2022	2021
	NIS in thousands	
Donations in cash (1)	66,613	60,193
Government (2)	6,733	7,103
Services received gratis (3)	929	938
Services provided by volunteers (4)	7,427	6,973
Donated food and disposable products (5)	122,313	112,509
	<u>204,015</u>	<u>187,716</u>

- (1) Includes donations from companies, foundations and the public. Donations from companies and foundations in 2022 and 2021 totaled approximately NIS 35.36 million, the Claims Conference - NIS 3.35 million and NIS 29.29 million, the Claims Conference - NIS 3.2 million, respectively. Public donations in 2022 and 2021 totaled approximately NIS 27.9 million and NIS 27.7 million, respectively.
- (2) Government: Ministry of Education, Ministry of Welfare and Ministry for Social Equality.
- (3) Services received gratis from various companies consisting, among others, of communication, graphics and advertising, audit, logistic assistance etc.
- (4) In 2022, some 29,264 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 448 thousand hours. Revenues from donations in cash equivalents consisted of about 255 thousand volunteer hours by 14,197 non-youth volunteers based on a minimum wage of approximately NIS 29.12 per hour (a total of approximately NIS 7,427 thousand). This information is unaudited.

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.

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 2022 and 2021 totaled approximately NIS 119.21 million and NIS 108.75 million, respectively and public donations in 2022 and 2021 totaled approximately NIS 3.1 million and NIS 3.75 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, 2022 and 2021 is NIS 1,665 thousand and NIS 1,629 thousand, respectively. The closing balance of inventories donated in cash equivalents as of December 31, 2022 and 2021 is NIS 3,424 thousand and NIS 2,413 thousand, respectively.

The total cost of donated products in 2022 and 2021 based on market prices in leading retail chains totaled approximately NIS 203.56 million and NIS 187.18 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,	
	2022	2021
	NIS in thousands	
Value of volunteer hours (see a(4))	7,427	6,973
Production of "Give with Love" and "Give for Passover" food drives	352	329
Operation of "Latet Youth" program	520	520
Professional and logistic aid	7	29
Audit fees	50	60
	<u>8,356</u>	<u>7,911</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10:- OTHER EXPENSES

	Year ended December 31,	
	2022	2021
	NIS in thousands	
Office and printing expenses	255	206
IT expenses	989	767
Vehicle maintenance and equipment	980	809
Depreciation	275	506
Office maintenance	345	284
	2,844	2,572

NOTE 11:- COST OF OPERATIONS

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

	Year ended December 31,	
	2022	2021
	NIS in thousands	
Nutritional Security, Food Rescue Fund, Latet in City	170,674	158,747
Aid for Life	15,963	11,648
Latet Youth	5,176	4,784
	191,813	175,179

NOTE 12:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2022	2021
	NIS in thousands	
Wages and related expenses	7,587	6,829
Office maintenance and rent	361	338
Vehicle maintenance and travel expenses	178	171
Professional services	182	144
Office and communication expenses	237	212
Depreciation	143	184
Marketing events	271	301
Other	133	101
	9,092	8,280

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,	
	2022	2021
	NIS in thousands	
Operating turnover:		
Donations	188,926	172,702
State appropriations / funding	6,733	7,103
Services received without payment	<u>8,356</u>	<u>7,911</u>
Total	<u>204,015</u>	<u>187,716</u>
Expenses:		
Cost of donated products	158,158	146,379
Cost of services	8,356	7,911
Wages and related expenses – employee benefits	18,397	16,362
Vehicle and equipment maintenance	1,044	980
Office maintenance, office and printing expenses	1,144	1,040
IT	981	767
Transport and conveyance	1,650	1,101
Project operation	7,416	5,634
Logistic center operation	2,379	2,049
Marketing events	271	301
Depreciation	370	690
Procurement of services	182	144
Other	<u>447</u>	<u>58</u>
Total	<u>200,795</u>	<u>183,416</u>
Net revenues before financing	3,220	4,300
Financial income (expenses)	<u>(379)</u>	<u>380</u>
Net surplus for the year	<u><u>2,841</u></u>	<u><u>4,680</u></u>

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 8.5 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 5 million from this fund has been used and the balance will be used by the end of 2023.

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