

LATET - ISRAELI HUMANITARIAN AID, R.A.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

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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, 2023 and 2022, 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 2023 and 2022 totaling approximately NIS 8,941 thousand and NIS 8,356 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, 2023 and 2022, 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 24, 2024

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

STATEMENTS OF FINANCIAL POSITION

		December 31,	
		2023	2022
		NIS in thousands	
	Note		
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		20	6
Short-term investments		5,148	4,875
Accounts receivable	3	4,458	9,479
Designated cash in short-term deposits	4	78,069	60,480
Inventories		5,558	5,089
		93,253	79,930
NON-CURRENT ASSETS:			
Fixed assets:	5		
Cost		12,951	9,155
Less - accumulated depreciation		5,772	4,904
		7,179	4,251
		100,432	84,181
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Trade and notes payable	6	13,299	16,254
Other accounts payable	7	21,200	14,099
		34,499	30,353
NON-CURRENT LIABILITIES:			
Accrued severance pay, net	8	151	96
NET ASSETS:			
Unrestricted net assets:			
Designated by the Association		51,143	42,261
Undesignated by the Association		7,460	7,220
Used in fixed assets		7,179	4,251
	2k	65,782	53,732
		100,432	84,181

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

June 24, 2024

Date of approval of the
financial statements

Tsolia Cohen
Member of the
Executive Committee

Zvika Bar Natan
Chairman of the
Executive Committee

STATEMENTS OF ACTIVITIES

	Note	Year ended December 31,	
		2023	2022
		NIS in thousands	
Operating turnover:			
Cash donations	9a	95,101	73,346
Cash-equivalent donations	9a	187,945	130,669
Total operating turnover		283,046	204,015
Cost of operations:			
Cost of products donated in cash		50,646	36,892
Cost of products donated in cash equivalents	9b	178,686	121,266
Total cost of donated products		229,332	158,158
Cost of services donated in cash equivalents	9c	8,941	8,356
Total cost of donated products and services donated in cash equivalents		238,273	166,514
Wages		13,049	10,810
Transport and conveyance		2,035	1,650
Project operating expenses		8,178	7,616
Logistic centers		2,634	2,379
Other expenses	10	3,755	2,844
Total operating costs		29,651	25,299
Total cost of operations	11	267,924	191,813
Net operating income		15,122	12,202
General and administrative expenses	12	10,714	9,092
Income from ordinary operations		4,408	3,110
Financial income (expenses), net		925	(379)
Other income, net		167	110
Net surplus		5,500	2,841

Additional information (unaudited):

The Association estimates that during 2023, some 38,376 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 459 thousand hours. The value of the services (included in the Association's operating turnover and in cost of operations in cash equivalents) approximates NIS 8,127 thousand in respect of some 28,348 non-youth volunteers with an aggregate scope of about 265 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	Designated by	Used in	
	by the Association *)	the Association	fixed assets	
	NIS in thousands			
Balance as of January 1, 2022	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				
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, net	370	-	(370)	-
Balance as of December 31, 2022	7,220	42,261	4,251	53,732
Additions during the year:				
Net surplus	5,500	-	-	5,500
Amounts designated by Association	(2,332)	2,332	-	-
Donations to the War Fund	-	15,050	-	15,050
Disposals during the year:				
Amounts released from Corona Relief Fund	-	(8,500)	-	(8,500)
Transfer of unrestricted amounts:				
Used in fixed assets, net	(4,151)	-	4,151	-
Amounts transferred to cover depreciation expenses, net	1,223	-	(1,223)	-
Balance as of December 31, 2023	7,460	51,143	7,179	65,782

*) See Note 2k.

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

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2023	2022
	NIS in thousands	
<u>Cash flows from operating activities:</u>		
Net surplus	5,500	2,841
Adjustments to reconcile net surplus to net cash provided by operating activities (a)	9,977	3,563
Net cash provided by operating activities	15,477	6,404
<u>Cash flows from investing activities:</u>		
Purchase of fixed assets	(4,151)	(1,206)
Increase in designated cash, net	(17,862)	(685)
Net cash used in investing activities	(22,014)	(1,891)
<u>Cash flows from financing activities:</u>		
Temporarily restricted donations, net	6,550	(4,500)
Net cash provided by (used in) financing activities	6,550	(4,500)
Increase (decrease) in cash and cash equivalents	14	(1)
Cash and cash equivalents at beginning of year	6	7
Cash and cash equivalents at end of year	20	6
(a) <u>Adjustments to reconcile net surplus to net cash provided by operating activities:</u>		
Income and expenses not involving cash flows:		
Depreciation expenses	1,223	370
Increase in accrued severance pay, net	56	1
Changes in asset and liability items:		
Decrease in accounts receivable	5,021	6
Increase in inventories	(469)	(1,047)
Increase (decrease) in trade and notes payable	(2,955)	3,549
Increase in other accounts payable	7,101	684
	9,977	3,563

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 7,460 thousand and NIS 7,220 thousand in 2023 and 2022, 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,	
	2023	2022
	NIS in thousands	
Credit cards	1,124	1,039
Prepaid expenses and advances to suppliers	1,913	1,839
Accrued income	1,421	6,601
	<u>4,458</u>	<u>9,479</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>
19,000	Setting up the War Fund
1,328	"Give with Love"
12,500	"Nutritional Security" infrastructures
35,141	"Nutritional Security"
101	"Foreign Aid"
1,190	"Latet Youth"
1,349	"Aid for Life"
7,460	donations that can be used freely by the Association in the various projects.

As of December 31, 2023, 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 4.2%.

The designated cash will be used by the Association for its operating activities in 2024 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, 2023	715	429	5,339	2,672	9,155
Purchased fixed assets	39	72	1,141	2,899	4,151
Disposals during the year	(49)	(138)	-	(168)	(355)
Balance at December 31, 2023	<u>705</u>	<u>363</u>	<u>6,480</u>	<u>5,403</u>	<u>12,951</u>
Accumulated depreciation:					
Balance at January 1, 2023	500	314	2,902	1,188	4,904
Additions during the year	119	27	574	502	1,222
Disposals during the year	(49)	(138)	-	(167)	(354)
Balance at December 31, 2023	<u>570</u>	<u>203</u>	<u>3,476</u>	<u>1,523</u>	<u>5,772</u>
Depreciated cost at December 31, 2023	<u>135</u>	<u>160</u>	<u>3,004</u>	<u>3,880</u>	<u>7,179</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>

NOTES TO FINANCIAL STATEMENTS

NOTE 6:- TRADE AND NOTES PAYABLE

	December 31,	
	2023	2022
	NIS in thousands	
Trade payables	7,889	8,865
Notes payable	5,411	7,389
	<u>13,300</u>	<u>16,254</u>

NOTE 7:- OTHER ACCOUNTS PAYABLE

	December 31,	
	2023	2022
	NIS in thousands	
Employees and payroll accruals	2,558	2,001
Deferred revenues	13,990	10,605
Government ministries	503	298
Accrued expenses	4,150	1,195
	<u>21,201</u>	<u>14,099</u>

NOTE 8:- ACCRUED SEVERANCE PAY, NET

a. Composition:

	December 31,	
	2023	2022
	NIS in thousands	
Accrued severance pay, net	151	96
	<u>151</u>	<u>96</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,	
	2023	2022
	NIS in thousands	
Donations in cash (1)	87,263	66,613
Government (2)	7,838	6,733
Assets received for free	319	-
Services received gratis (3)	813	929
Services provided by volunteers (4)	8,128	7,427
Donated food and disposable products (5)	178,685	122,313
	<u>283,046</u>	<u>204,015</u>

(1) Includes donations from companies, foundations and the public. Donations from companies and foundations totaled approximately NIS 42.48 million, the Claims Conference - NIS 6.58 million and NIS 35.36 million, the Claims Conference - NIS 3.35 million, respectively. Public donations in 2023 and 2022 totaled approximately NIS 38.2 million and NIS 27.9 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 2023, some 38,376 volunteers took part in the various projects hosted by the Association with an aggregate scope of about 459 thousand hours. Revenues from donations in cash equivalents consisted of about 265 thousand volunteer hours by 28,348 non-youth volunteers based on a minimum wage of approximately NIS 30.61 per hour (a total of approximately NIS 8,127 thousand). This information is unaudited.

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.

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 2023 and 2022 totaled approximately NIS 176.32 million and NIS 119.21 million, respectively and public donations in 2023 and 2022 totaled approximately NIS 2.36 million and NIS 3.1 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 paragraph a above. The closing balance of inventories of cash donations as of December 31, 2023 and 2022 is NIS 1,692 and NIS 1,665 thousand, respectively. The closing balance of inventories donated in cash equivalents as of December 31, 2023 and 2022 is NIS 3,866 thousand and NIS 3,424 thousand, respectively.

The total cost of donated products in 2023 and 2022 based on market prices in leading retail chains totaled approximately NIS 295.12 million and NIS 203.56 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. This information is unaudited.

	Year ended December 31,	
	2023	2022
	NIS in thousands	
Value of volunteer hours (see a(4))	8,128	7,427
Production of "Give with Love" and "Give for Passover" food drives	133	352
Operation of "Latet Youth" program	520	520
Professional and logistic aid	120	7
Audit fees	40	50
	<u>8,941</u>	<u>8,356</u>

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

	Year ended December 31,	
	2023	2022
	NIS in thousands	
Office and printing expenses	253	255
IT expenses	886	989
Vehicle maintenance and equipment	1048	980
Depreciation	828	275
Office maintenance	739	345
	<u>3,754</u>	<u>2,844</u>

NOTE 11:- COST OF OPERATIONS

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

	Year ended December 31,	
	2023	2022
	NIS in thousands	
Nutritional Security, Food Rescue Fund, Latet in City	245,924	170,674
Aid for Life	16,451	15,963
Latet Youth	5,547	5,176
	<u>267,922</u>	<u>191,813</u>

NOTE 12:- GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31,	
	2023	2022
	NIS in thousands	
Wages and related expenses	8,786	7,587
Office maintenance and rent	457	361
Vehicle maintenance and travel expenses	245	178
Professional services	255	182
Office and communication expenses	181	237
Depreciation	395	143
Marketing events	304	271
Other	91	133
	<u>10,714</u>	<u>9,092</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,	
	2023	2022
	NIS in thousands	
Operating turnover:		
Donations	266,267	188,926
State appropriations / funding	7,838	6,733
Services received without payment	8,941	8,356
Total	283,046	204,015
Expenses:		
Cost of donated products	229,331	158,158
Cost of services	8,941	8,356
Wages and related expenses – employee benefits	21,836	18,397
Vehicle and equipment maintenance	1,048	1,044
Office maintenance, office and printing expenses	992	1,144
IT	767	981
Transport and conveyance	2,035	1,650
Project operation	8,178	7,416
Logistic center operation	2,634	2,379
Marketing events	304	271
Depreciation	1,223	370
Procurement of services	255	182
Other	927	447
Total	278,471	200,795
Net revenues before financing	4,575	3,220
Financial income (expenses)	925	(379)
Net surplus for the year	5,500	2,841

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 19 million War Fund to benefit families evicted from their homes and families in need of financial aid due to the war.

As of the date of approval of the financial statements, a total of approximately NIS 11 million from this fund has been used and the balance will be used by the end of 2024.

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