

Be-Atzmi (RA)

**Financial Statements
As At December 31, 2018**

Financial Statements as at December 31, 2018

Contents

	<u>Page</u>
Auditors' Report	2
Balance Sheets	3
Statements of Activities	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	7
Notes to the Financial Statements	9-14



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**Auditors' Report to the Board of Directors of
Be-Atzmi (RA)**

We have audited the accompanying balance sheets of Be-Atzmi (RA) (hereinafter –“the Organization”) as at December 31, 2018 and 2017, and the related statements of activities, statement of changes in net assets and statements of cash flows for each of the years ended on such dates. These financial statements are the responsibility of the Organization's Board and of its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance), 1973. Such 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 Board and Management of the Organization, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as at December 31, 2018 and 2017 and the results of its activities, changes in net assets and its cash flows for each of the years ended on such dates, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

Somekh Chaikin
Certified Public Accountants (Isr.)

June 20, 2019

Balance Sheets as at December 31

	Note	2018 NIS	2017 NIS
Current assets			
Cash and cash equivalents		1,497,587	3,915,810
Marketable securities		9,260,606	9,456,962
Other receivables	3	3,548,490	2,274,698
Total current assets		14,306,683	15,647,470
Fixed and other assets, net	4	296,416	373,197
Total assets		14,603,099	16,020,667
Current liabilities			
Checks payable		17,405	37,972
Trade payables		1,236,349	1,300,892
Other payables	5	2,010,808	2,071,436
Total current liabilities		3,264,562	3,410,300
Long-term liabilities			
Liability for employee severance benefits, net	6	86,742	81,563
Total liabilities		3,351,304	3,491,863
Net assets not subject to restriction			
Designated		6,500,351	2,680,351
Undesignated		3,597,168	8,710,311
Applied to fixed assets		296,416	373,197
		10,393,935	11,763,859
Net assets subject to restriction			
Net assets subject to temporary restriction		857,860	764,945
Total net assets		11,251,795	12,528,804
Total liabilities and net assets		14,603,099	16,020,667

Giora Offer
Chairman of the Board

Shlomi Kot
Chairman of Finance Committee

Nira Zimels
CEO

Date of approval of the financial statements: June 20, 2019

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

Statements of Activities for the Year Ended December 31

	Note	2018 NIS	2017 NIS
Revenue from activities	7	23,770,367	22,731,338
Cost of activities	8	23,043,705	23,161,473
Net revenue (expenses) from activities		726,662	(430,135)
General and administrative expenses	9	1,875,638	1,723,467
Net expenses before financing		(1,148,976)	(2,153,602)
Financing income (expenses), net		(220,948)	319,515
Deficit for the year		(1,369,924)	1,834,087

Additional information –

A. Composition of revenue from activities executed in the reporting year:

Revenue from activities – from external sources	23,770,367	22,731,338
Revenue from activities from internal sources designated by management	2,180,000	2,219,966
Total revenue from activities	25,950,367	24,951,304

B. Net revenue from activities executed in the reporting year:

Deficit for the year	(1,369,924)	(1,834,087)
Revenue from activities from internal sources designated by management	2,180,000	2,219,966
Total net revenues from activities executed	810,076	385,879

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

Statements of Changes in Net Assets

	Net assets not subject to restriction			Net assets subject to temporary restriction	Total
	Not designated by management	Designated by management **	Applied to fixed assets		
	NIS	NIS	NIS		
Balance as at January 1, 2017	8,270,268	4,900,317	427,361	816,194	14,414,140
Excess expenses over income for the year	(1,834,087)	-	-	-	(1,834,087)
Donations	-	-	-	3,216,694	3,216,694
Amounts transferred for the purchase of fixed assets	(87,274)	-	87,274	-	-
Amounts transferred to cover depreciation expenses	141,438	-	(141,438)	-	-
Amounts released from restriction	-	-	-	(3,267,943)	(3,267,943)
Amounts designated by management in prior periods that their designation was cancelled	2,219,966	(2,219,966)	-	-	-
Balance as at December 31, 2017	8,710,311	2,680,351	373,197	764,945	12,528,804
Excess expenses over income for the year	(1,369,924)	-	-	-	(1,369,924)
Donations	-	-	-	3,396,040	3,396,040
Amounts transferred for the purchase of fixed assets	(35,786)	-	35,786	-	-
Amounts transferred to cover depreciation expenses	112,567	-	(112,567)	-	-
Amounts released from restriction	-	-	-	(3,303,125)	(3,303,125)
Amounts designated by management**	(6,000,000)	6,000,000	-	-	-
Amounts designated by management in prior periods that their designation was cancelled*	2,180,000	(2,180,000)	-	-	-
Balance as at December 31, 2018	3,597,168	6,500,351	296,416	857,860	11,251,795

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

Statements of Changes in Net Assets

- * In the minutes of the Board meeting from December 29, 2015, the Board approved using excess income of NIS 6 million over a three-year period. The amount is based on retained earnings less a safety cushion. NIS 5.5 million of the designated amount was used in 2016-2018, of which NIS 2.18 million was used in the reporting year.

- ** In the minutes of the Board meeting from December 20, 2018, the Board approved using additional excess income in the amount of NIS 6 million over a three-year period. The amount is based on retained earnings less a safety cushion.

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

Statements of Cash Flows for the Year Ended December 31

	<u>2018</u>	<u>2017</u>
	<u>NIS</u>	<u>NIS</u>
Cash flows from operating activities		
Excess expenses over income for the year	(1,369,924)	(1,834,087)
Adjustments to reconcile net expenses to net cash from operating activities – Appendix A	<u>(1,301,784)</u>	<u>(710,074)</u>
Net cash used in operating activities	<u>(2,671,708)</u>	<u>(2,544,161)</u>
Cash flows from investing activities		
Change in marketable securities, net	196,356	(342,925)
Purchase of fixed assets	<u>(35,786)</u>	<u>(87,274)</u>
Net cash used in investing activities	<u>160,570</u>	<u>(430,199)</u>
Cash flows from financing activities		
Increase (decrease) in donations subject to temporary restriction	<u>92,915</u>	<u>(51,249)</u>
Net cash from (used in) financing activities	<u>92,915</u>	<u>(51,249)</u>
Decrease in cash and cash equivalents	<u>(2,418,223)</u>	<u>(3,025,609)</u>
Cash and cash equivalents at the beginning of the year	<u>3,915,810</u>	<u>6,941,419</u>
Cash and cash equivalents at the end of the year	<u>1,497,587</u>	<u>3,915,810</u>

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

Statements of Cash Flows for the Year Ended December 31

	<u>2018</u>	<u>2017</u>
	NIS	NIS
Appendix A - Adjustments to reconcile net expenses to net cash from operating activities		
<u>Income and expenses not involving cash flows:</u>		
Depreciation	112,567	141,438
<u>Changes in asset and liability items:</u>		
Decrease (increase) in other receivables	(1,273,792)	229,878
Decrease in trade payables	(64,543)	(211,337)
Decrease in checks payable	(20,567)	(86,471)
Decrease in other payables	(60,628)	(785,362)
Increase in severance pay	5,179	1,780
	<u>(1,301,784)</u>	<u>(710,074)</u>

Appendix B – Non-cash activity

In the minutes of the Board meeting from December 29, 2015, the Board approved using excess income of NIS 6 million over a three-year period. The amount is based on retained earnings less a safety cushion. NIS 5.5 million of the designated amount was used in 2016-2018, of which NIS 2.18 million was used in the reporting year.

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

Notes to the Financial Statements as at December 31, 2018

Note 1 - General

- A. Be-Atzmi (hereinafter – the Organization) was founded and registered with the Registrar of Associations on July 4, 1995 in accordance with the Associations Law – 1980.
- B. The Organization was recognized by the Income Tax Authority as a public institution for purposes of donations according to Section 46 of the Income Tax Ordinance, effective as from January 1, 2013. The approval is in effect until December 31, 2018.
- C. The objectives of the Organization are as follows:
To give disadvantaged populations tools, knowledge, support and assistance in their transition from being supported and dependent people to being creative and active people who are involved in the society in general and in the work market in particular, by means of unique training and development models.

Note 2 - Significant Accounting Policies

- A. These financial statements have been prepared in accordance with Opinion 69 of the Institute of Certified Public Accountants in Israel and Accounting Standard No. 5 of the Israel Accounting Standards Board.

According to the guidance in the opinion, the net assets were classified as follows:

Net assets subject to temporary restriction

The use of the donations is subject to conditions of the donors. When the amounts are used for their designated purposes, they are released and presented in the statement of activities.

Accordingly, special grants that were received in the reporting period were recognized in the statement of activities concurrently with the costs for which they were designated. The amounts recognized as revenue in the reporting period are classified as “amounts released from net assets subject to restriction” in the statement of activities.

Net assets not subject to restriction

The portion of net assets that its use is not subject to any restriction on the part of the donors. Amounts were separated from these net assets and transferred to cover purchases of fixed assets and amounts designated by management.

- B. The financial statements have been prepared according to generally accepted accounting principles on the basis of historical cost.

Notes to the Financial Statements as at December 31, 2018

Note 2 - Significant Accounting Policies (cont'd)**C. Services received for no consideration**

Various services were received for no consideration such as: accounting services, legal services, general meeting membership and CEO services, and services from various volunteers including students and instructors.

These services are not reflected in the financial statements.

D. Non-cash donations

Non-cash donations given or received are not reflected in the financial statements, other than donations of a marketing campaign, photos at a fundraising event, donations of rent and donations of leased cars.

E. Revenue recognition

Revenues from services are recognized proportionately over the period of the agreement or upon the performance of the service if it is certain that the economic benefits attributed to the performance of the service will be received.

Accrued income from donations and allocations are recognized as revenue if they were pledged in the reporting period and actually received before the date of preparing the financial statements or if there is an irrevocable commitment of the donor that relates to the reporting period, the donor's donation commitment is not contingent upon any future event and it is legally enforceable.

F. Cash and cash equivalents

Cash and cash equivalents include short-term bank deposits with an original maturity not exceeding three months.

G. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure relating to contingent assets and liabilities, and also the amounts of revenues and expenses in the reporting period. Actual results may differ from these estimates.

H. Fixed assets

- (1) Fixed assets are presented at cost.
- (2) Improvements and enhancements are added to the cost of the assets whereas maintenance and repairs are charged to expense as incurred.

Notes to the Financial Statements as at December 31, 2018

Note 2 - Significant Accounting Policies (cont'd)

H. Fixed assets (cont'd)

- (3) Depreciation is calculated by the straight line method on the basis of the estimated useful lives of the assets.
Annual depreciation rates are as follows:

	%
Office furniture and equipment	6-10
Computers and software	33

Leasehold improvements are amortized over the shorter of the lease period or the useful life of the asset.

Note 3 - Other Receivables

A. Composition

	December 31 2018 NIS	December 31 2017 NIS
Customers	2,231,175	2,141,410
Donations receivable (Note 7.B)	1,271,917	74,421
Prepaid expenses	20,398	33,867
Deposit	25,000	25,000
	<u>3,548,490</u>	<u>2,274,698</u>

B. Major customers

The Organization's revenue from two projects with a major customer amounted to NIS 18,979 thousand and NIS 18,006 thousand in 2018 and 2017, respectively, which constitutes 80% and 79%, respectively, of the Organization's total revenue.

2018: Project A – 54%, Project B – 26%

2017: Project A – 54%, Project B – 25%

Notes to the Financial Statements as at December 31, 2018

Note 4 - Fixed and Other Assets, Net

	Computers and software <u>NIS</u>	Office furniture and equipment <u>NIS</u>	Leasehold improvements <u>NIS</u>	<u>Total NIS</u>
Cost				
Balance as at January 1, 2017	866,886	63,792	290,031	1,220,709
Additions	<u>77,510</u>	<u>9,764</u>	<u>-</u>	<u>87,274</u>
Balance as at December 31, 2017	<u>944,396</u>	<u>73,556</u>	<u>290,031</u>	<u>1,307,983</u>
Additions	<u>31,737</u>	<u>4,049</u>	<u>-</u>	<u>35,786</u>
Balance as at December 31, 2018	<u>976,133</u>	<u>77,605</u>	<u>290,031</u>	<u>1,343,769</u>
Accumulated depreciation				
Balance as at January 1, 2017	698,536	32,040	62,772	793,348
Additions	<u>107,445</u>	<u>5,260</u>	<u>28,733</u>	<u>141,438</u>
Balance as at December 31, 2017	<u>805,981</u>	<u>37,300</u>	<u>91,505</u>	<u>934,786</u>
Additions	<u>80,145</u>	<u>5,878</u>	<u>26,544</u>	<u>112,567</u>
Balance as at December 31, 2018	<u>886,126</u>	<u>43,178</u>	<u>118,049</u>	<u>1,047,353</u>
Carrying amount as at December 31, 2018	<u>90,007</u>	<u>34,427</u>	<u>171,982</u>	<u>296,416</u>
Carrying amount as at December 31, 2017	<u>138,415</u>	<u>36,256</u>	<u>198,526</u>	<u>373,197</u>

Note 5 - Other Payables

	<u>December 31 2018 NIS</u>	<u>December 31 2017 NIS</u>
Liabilities to employees and other salary-related liabilities	1,743,248	1,822,350
Institutions	267,560	236,019
Accrued expenses	<u>-</u>	<u>13,067</u>
	<u>2,010,808</u>	<u>2,071,436</u>

Notes to the Financial Statements as at December 31, 2018**Note 6 - Liability for Employee Severance Benefits, Net**

The Organization's liability for employee severance benefits is calculated according to the Israeli law regarding severance pay.

As from March 2009 the payments to pension funds and insurance companies release the Organization from its obligation to the employees in accordance with Section 14 of the Severance Pay Law, on which all the Company's employees had signed off at that time. As from that date the amounts accumulated in the pension funds and insurance companies are not under the control or management of the Organization, and accordingly both these amounts and the severance pay liability are not presented in the balance sheet. The net liability for severance pay that is presented in the balance sheet represents the balance of the Organization's liability to employees whose employment began before March 2009, and the liability in their respect is not fully covered by deposits in insurance policies.

Note 7 - Revenue from Activities

		<u>For the year ended December 31</u>	
		<u>2018</u>	<u>2017</u>
		<u>NIS</u>	<u>NIS</u>
A.	Revenue:		
	From projects	20,086,970	19,066,561
	From grants and donations	380,272	396,834
	Amounts released from restriction	3,303,125	3,267,943
		<u>23,770,367</u>	<u>22,731,338</u>
B.	The donations included in the revenue from activities include donations that as at balance sheet date have been pledged but not yet received. The amount of those donations is as follows:		
		<u>December 31</u>	<u>December 31</u>
		<u>2018</u>	<u>2017</u>
		<u>NIS</u>	<u>NIS</u>
	Donations receivable	<u>1,271,917</u>	<u>74,421</u>

Notes to the Financial Statements as at December 31, 2018

Note 8 - Cost of Activities

	For the year ended December 31	
	2018	2017
	NIS	NIS
Salaries	17,131,412	16,834,681
Training and workshops	3,180,649	3,795,640
Professional training	1,284,024	1,132,599
Rent, office maintenance and communications	605,082	648,988
Marketing and advertising	284,875	191,206
Infrastructures	1,720	-
Events and gatherings	127,911	120,258
Other	428,032	438,101
	<u>23,043,705</u>	<u>23,161,473</u>

Note 9 - General and Administrative Expenses

	For the year ended December 31	
	2018	2017
	NIS	NIS
Salaries	889,310	1,005,914
Salary-related and social expenses	297,164	305,070
Professional services	156,993	79,527
Office rent and maintenance and marketing	377,405	233,208
Subsistence, refreshments and travel	37,766	28,910
Car rent and maintenance	27,967	27,850
Depreciation	22,513	28,288
Other	66,520	14,700
	<u>1,875,638</u>	<u>1,723,467</u>