

Be-Atzmi (RA)

**Financial Statements
As At December 31, 2020**

Financial Statements as at December 31, 2020

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



Somekh Chaikin
KPMG Millennium Tower
17 Ha'arba'a Street, PO Box 609
Tel Aviv 6100601, Israel
+ 972 3 684 8000

**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, 2020 and 2019, 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.


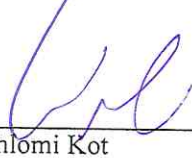
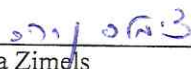
We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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, 2020 and 2019 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.)
Honorary Auditors

July 1, 2021

Balance Sheets as at December 31

	Note	2020 NIS	2019 NIS
Current assets			
Cash and cash equivalents		8,140,648	5,093,358
Marketable securities		9,675,569	7,182,555
Other receivables	3	5,788,917	6,290,390
Total current assets		23,605,134	18,566,303
Fixed and other assets, net	4	346,664	280,374
Total assets		23,951,798	18,846,677
Current liabilities			
Checks payable		11,829	27,112
Trade payables		3,529,880	4,213,723
Other payables	5	4,960,013	3,074,280
Total current liabilities		8,501,722	7,315,115
Long-term liabilities			
Liability for employee severance benefits, net	6	71,913	87,701
Total liabilities		8,573,635	7,402,816
Net assets not subject to restriction			
Designated		2,861,650	4,160,000
Undesignated		11,725,632	6,070,757
Applied to fixed assets		346,664	280,374
		14,933,946	10,511,131
Net assets subject to restriction			
Net assets subject to temporary restriction		444,217	932,730
Total net assets		15,378,163	11,443,861
Total liabilities and net assets		23,951,798	18,846,677
			
Giora Offer			
Chairman of the Board			
			
Shlomi Kot			
Chairman of Finance Committee			
			
Nira Zimels			
CEO			

Date of approval of the financial statements: July 1, 2021

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

Statements of Activities for the Year Ended December 31

	<u>Note</u>	<u>2020</u> <u>NIS</u>	<u>2019</u> <u>NIS</u>
Revenue from activities	7	50,542,254	31,379,662
Cost of activities	8	43,153,997	29,389,085
Net revenue from activities		<u>7,388,257</u>	<u>1,990,577</u>
General and administrative expenses	9	2,917,440	2,250,566
Net income (expenses) before financing		4,470,817	(259,989)
Financing income (expenses), net		<u>(48,002)</u>	<u>377,185</u>
Surplus for the year		<u><u>4,422,815</u></u>	<u><u>117,196</u></u>

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, 2019	3,597,168	6,500,351	296,416	857,860	11,251,795
Excess income over expenses for the year	117,196	-	-	-	117,196
Donations	-	-	-	3,684,816	3,684,816
Amounts transferred for the purchase of fixed assets	(101,200)	-	101,200	-	-
Amounts transferred to cover depreciation expenses	117,242	-	(117,242)	-	-
Amounts released from restriction	-	-	-	(3,609,946)	(3,609,946)
Amounts designated by management in prior periods that their designation was cancelled*	500,351	(500,351)	-	-	-
Amounts designated by management in prior periods that their designation was cancelled*	1,840,000	(1,840,000)	-	-	-
Balance as at December 31, 2019	6,070,757	4,160,000	280,374	932,730	11,443,861
Excess income over expenses for the year	4,422,815	-	-	-	4,422,815
Donations	-	-	-	5,687,211	5,687,211
Amounts transferred for the purchase of fixed assets	(164,053)	-	164,053	-	-
Amounts transferred to cover depreciation expenses	97,763	-	(97,763)	-	-
Amounts released from restriction	-	-	-	(6,175,724)	(6,175,724)
Amounts designated by management in prior periods that their designation was cancelled*	1,298,350	(1,298,350)	-	-	-
Balance as at December 31, 2020	11,725,632	2,861,650	346,664	444,217	15,378,163

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. Designation of the unused balance in the amount of NIS 500,351 was cancelled in 2019.
- ** In the minutes of the Board meeting from December 20, 2019, the Board approved using additional excess income in the amount of NIS 6 million over a three-year period. NIS 3.138 million of the designated amount was used in 2019-2020.

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

Statements of Cash Flows for the Year Ended December 31

	<u>2020</u>	<u>2019</u>
	NIS	NIS
Cash flows from operating activities		
Excess income over expenses for the year	4,422,815	117,196
Adjustments to reconcile net expenses to net cash from operating activities – Appendix A	<u>1,770,055</u>	<u>1,426,854</u>
Net cash from operating activities	<u>6,192,870</u>	<u>1,544,050</u>
Cash flows from investing activities		
Change in marketable securities, net	(2,493,014)	2,078,051
Purchase of fixed assets	<u>(164,053)</u>	<u>(101,200)</u>
Net cash from (used in) investing activities	<u>(2,657,067)</u>	<u>1,976,851</u>
Cash flows from financing activities		
Increase (decrease) in donations subject to temporary restriction	<u>(488,513)</u>	<u>74,870</u>
Net cash from (used in) financing activities	<u>(488,513)</u>	<u>74,870</u>
Increase in cash and cash equivalents	3,047,290	3,595,771
Cash and cash equivalents at the beginning of the year	<u>5,093,358</u>	<u>1,497,587</u>
Cash and cash equivalents at the end of the year	<u>8,140,648</u>	<u>5,093,358</u>

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

Statements of Cash Flows for the Year Ended December 31

	<u>2020</u>	<u>2019</u>
	<u>NIS</u>	<u>NIS</u>
Appendix A - Adjustments to reconcile net expenses to net cash from operating activities		
<u>Income and expenses not involving cash flows:</u>		
Depreciation	97,763	117,242
<u>Changes in asset and liability items:</u>		
Decrease (increase) in other receivables	501,473	(2,741,900)
Increase (decrease) in trade payables	(683,843)	9,707
Increase (decrease) in checks payable	(15,283)	2,977,374
Increase in other payables	1,885,733	1,063,472
Increase (decrease) in severance pay	(15,788)	959
	<u>1,770,055</u>	<u>1,426,854</u>

Appendix B – Non-cash activity

In the minutes of the Board meeting from December 20, 2019, 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 1.298 million of the designated amount was used in 2020.

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

Notes to the Financial Statements as at December 31, 2020

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 July 25, 2002. The approval is in effect until December 31, 2021.
- 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, 2020

Note 2 - Significant Accounting Policies (cont'd)**C. Standards not yet adopted**

In May 2020 the Israel Accounting Standards Board published Accounting Standard No. 40, Accounting Principles and Financial Reporting of Non-Profit Organizations (hereinafter: "Standard 40"). When it comes into effect, Standard 40 will replace the combined version of Opinion No. 69 of the Institute of Certified Public Accountants in Israel and Accounting Standard No. 5 of the Israel Accounting Standards Board regarding the accounting principles and financial reporting of non-profit organizations (hereinafter: "the combined version").

The main changes in Standard 40 compared to the combined version relate to: recognition of donations of fixed assets and of cash for investment in fixed assets, distinction between a conditional donation and an unconditional donation, elimination of the distinction between temporary restriction and permanent restriction, recognition of revenue from services received for no consideration, recognition of revenue from a conditional donation and a pledged donation, and other matters.

The effect of adopting the measurement requirements of Standard 40 on the date of initial application will be recognized as an adjustment to the balances of net assets at the beginning of the period in which the Standard was initially applied without a restatement of comparative data, with respect to changes in measurement that derive from the requirements of Standard 40. Nevertheless the presentation requirements of Standard 40 will be applied retrospectively.

Standard 40 is applicable to annual financial statements of non-profit organizations for periods beginning on or after January 1, 2021 with earlier application being permitted. The Organization is not planning to early apply Standard 40. The Organization is examining the guidance of Standard 40 and its effects on its financial statements.

D. 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.

E. Non-cash donations

Non-cash donations given or received are not reflected in the financial statements, other than donations of computer monitors, a computer course and gift cards.

F. 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.

Notes to the Financial Statements as at December 31, 2020

Note 2 - Significant Accounting Policies (cont'd)

G. Cash and cash equivalents

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

H. 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.

I. 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.
- (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 2020 NIS	December 31 2019 NIS
Customers	5,667,827	6,066,778
Donations receivable (Note 7.B)	91,000	183,600
Prepaid expenses	5,090	15,012
Deposit	25,000	25,000
	<u>5,788,917</u>	<u>6,290,390</u>

Notes to the Financial Statements as at December 31, 2020

Note 3 - Other Receivables (cont'd)

B. Major customers

The Organization's revenues from four projects with a major customer amounted to NIS 41,957 thousand and NIS 26,207 thousand in 2020 and 2019, respectively, which constitute 83% and 84%, respectively, of the Organization's total revenue.

2020: Project A – 22%, Project B – 11%, Project C – 41%, Project D – 9%.

2019: Project A – 43%, Project B – 19%, Project C – 17%, Project D – 3%.

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>	Total <u>NIS</u>
Cost				
Balance as at January 1, 2019	976,133	77,605	290,031	1,343,769
Additions	<u>101,200</u>	<u>-</u>	<u>-</u>	<u>101,200</u>
Balance as at December 31, 2019	1,077,333	77,605	290,031	1,444,969
Additions	<u>162,053</u>	<u>2,000</u>	<u>-</u>	<u>164,053</u>
Balance as at December 31, 2020	<u>1,239,386</u>	<u>79,605</u>	<u>290,031</u>	<u>1,609,022</u>
Accumulated depreciation				
Balance as at January 1, 2019	886,126	43,178	118,049	1,047,353
Additions	<u>86,452</u>	<u>5,183</u>	<u>25,607</u>	<u>117,242</u>
Balance as at December 31, 2019	972,578	48,361	143,656	1,164,595
Additions	<u>67,086</u>	<u>5,058</u>	<u>25,619</u>	<u>97,763</u>
Balance as at December 31, 2020	<u>1,039,664</u>	<u>53,419</u>	<u>169,275</u>	<u>1,262,358</u>
Carrying amount as at December 31, 2020	<u>199,722</u>	<u>26,186</u>	<u>120,756</u>	<u>346,664</u>
Carrying amount as at December 31, 2019	<u>104,755</u>	<u>29,244</u>	<u>146,375</u>	<u>280,374</u>

Notes to the Financial Statements as at December 31, 2020**Note 5 - Other Payables**

	<u>December 31</u> <u>2020</u> <u>NIS</u>	<u>December 31</u> <u>2019</u> <u>NIS</u>
Liabilities to employees and other salary-related liabilities	2,926,532	2,618,719
Institutions	588,226	438,322
Accrued expenses	1,445,255	17,239
	<u>4,960,013</u>	<u>3,074,280</u>

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>2020</u>	<u>2019</u>
	<u>NIS</u>	<u>NIS</u>
A. Revenue:		
From projects	43,818,860	27,646,914
From grants and donations	547,670	122,802
Amounts released from restriction	6,175,724	3,609,946
	<u>50,542,254</u>	<u>31,379,662</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>2020</u> <u>NIS</u>	<u>December 31</u> <u>2019</u> <u>NIS</u>
Donations receivable	<u>91,000</u>	<u>183,600</u>

Notes to the Financial Statements as at December 31, 2020

Note 8 - Cost of Activities

	For the year ended December 31	
	2020	2019
	NIS	NIS
Salaries	26,492,662	18,718,636
Training and workshops	4,113,161	3,507,107
Professional training	1,533,526	1,556,783
Grants to participants	1,760,000	726,000
Equipment and economic assistance to participants	2,752,829	-
Setup costs	1,325,521	2,865,583
Rent, office maintenance and communications	3,218,564	848,833
Marketing and advertising	827,581	505,355
Infrastructures	-	7,481
Events and gatherings	182,322	117,127
Other	947,831	536,180
	<u>43,153,997</u>	<u>29,389,085</u>

Note 9 - General and Administrative Expenses

	For the year ended December 31	
	2020	2019
	NIS	NIS
Salaries	1,261,101	1,049,808
Salary-related and social expenses	554,625	374,752
Professional services	382,409	227,375
Office rent and maintenance and marketing	577,054	462,345
Subsistence, refreshments and travel	27,842	30,027
Car rent and maintenance	31,072	11,694
Depreciation	19,553	23,448
Other	63,784	71,117
	<u>2,917,440</u>	<u>2,250,566</u>