

HARHAVAT HAMA'AGALIM (R.S)

FINANCIAL STATEMENTS

DECEMBER 31, 2019

HARHAVAT HAMA'AGALIM (R.S)

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FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of

HARHAVAT HAMA'AGALIM (R.S)

We have audited the accompanying balance sheet of **Harhavat Hama'agalim (R.S)** (hereinafter – “the Society”) as of December 31, 2019 and 2018, and the statement of activities, statement of changes in net assets and cash flow statements for the year then ended. These financial statements are the responsibility of the Society's Committee. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was made in accordance with generally accepted auditing standards, including those prescribed under the Auditors' 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 Society's committee 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 aspects, the financial position of the Society as of December 31, 2019 and 2018, and the results of its operations, changes in its net assets and cash flow statements for the year then ended.

As explained in Note 2(a) the financial statements referred to above are presented in reported amounts, in accordance with the accounting standards of the Israel Accounting Standards Board.

Horowitz Oshrat Madjar Apelker Lugassi
Certified Public Accountants

Haifa ,28 November 2019



HARHAVAT HAMA'AGALIM (R.S)


Balance sheets

	<u>Note</u>	<u>As of December 31,</u>	
		2019	2018
		<u>NIS</u>	<u>NIS</u>
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	(3)	3,241,613	4,852,796
Other receivable		2,356,791	1,401,171
		5,598,404	6,253,967
Non-current assets			
Property plant and equipment, net	(4)	283,592	225,653
		5,881,996	6,479,620
<u>Liabilities and Net Assets</u>			
Current liabilities			
Trade payables		1,474,254	246,520
Accounts payable	(5)	1,756,256	1,816,250
		3,230,510	2,062,770
Noncurrent liabilities			
Liabilities for employee benefits	(6)	1,886,544	1,887,490
Net Assets			
For which no restrictions exist		481,350	303,707
Used for fixed assets		283,592	225,653
For which restrictions of temporary nature		-	2,000,000
		764,942	2,529,360
		5,881,996	6,479,620

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

26 November 2020

Date of approval of the
financial statements


Avigdor Weizman,
Chairman of the
Society


Yuval Elimelech,
Member of the Society's
Committee

HARHAVAT HAMA'AGALIM (R.S)



Statements of activities

	<u>Note</u>	Period ended December 31	
		2019	2018
		<u>NIS</u>	<u>NIS</u>
Income:			
Educational activity		781,478	920,954
Ministry of Education		10,507,944	10,589,365
Donations and support from funds and institutions		3,630,802	5,141,266
		14,920,224	16,651,585
 Operating costs	(7)	14,644,954	15,411,306
Operating Surplus		275,270	1,240,279
 Administration and General Expenses	(8)	2,026,371	1,801,603
Expenses over income before financing		(1,751,101)	(561,324)
 Financial expenses, net		13,318	50,291
Deficit for the period in net assets		(1,764,419)	(611,615)

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

HARHAVAT HAMA'AGALIM (R.S)

Statements of changes in net assets

For the year ended December 31, 2018

	<u>Unrestricted</u>		<u>On which there is a restriction</u>		<u>Total</u> <u>NIS</u>
	<u>Used for</u> <u>activities</u> <u>NIS</u>	<u>Used for</u> <u>fixed assets</u> <u>NIS</u>	<u>Temporary</u> <u>NIS</u>	<u>Permanent</u> <u>NIS</u>	
<u>Balance as at December 31, 2017</u>	894,026	246,949	2,000,000	-	3,140,975
<u>Changes during 2018:</u>					
Deficit in assets for the period	(611,615)	-	-	-	(611,615)
Used for purchase of fixed assets, Net	(56,045)	56,045	-	-	-
Amounts transferred for coverage of depreciation costs, Net	77,341	(77,341)	-	-	-
<u>Balance as at December 31, 2018</u>	303,707	225,653	2,000,000	-	2,529,360
<u>Changes during 2019:</u>					
Deficit in assets for the period	(1,764,419)	-	-	-	(1,764,419)
Amounts that were designated and their designation has been canceled	2,000,000	-	(2,000,000)	-	-
Used for purchase of fixed assets, Net	(127,388)	127,388	-	-	-
Amounts transferred for coverage of depreciation costs, Net	69,450	(69,450)	-	-	-
<u>Balance as at December 31, 2019</u>	481,350	283,592	-	-	764,942

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

HARHAVAT HAMA'AGALIM (R.S)

Cash Flow Statements

	Period ended	
	December 31	
	2019	2018
	<u>NIS</u>	<u>NIS</u>
<u>Cash flows from operating activity:</u>		
Deficit for the period in net assets	(1,764,419)	(611,615)
	-----	-----
<u>Adjustments:</u>		
Adjustments required for presentation of cash flows from regular activities		
Depreciation	69,450	77,341
Increase (Decrease) Liabilities for employee benefits	(946)	23,724
	-----	-----
	68,504	101,065
	-----	-----
Changes in current assets and liabilities		
Increase in other receivables	(955,620)	(938,767)
Increase (Decrease) in trade payables	1,227,734	(651,422)
Increase (Decrease) in accounts payable	(59,994)	448,144
	-----	-----
	212,120	(1,142,045)
	-----	-----
Net cash that used in operating activities	(1,483,795)	(1,652,595)
	-----	-----
<u>Cash flows from investing activity:</u>		
Purchases of equipment	(127,388)	(56,045)
	-----	-----
Net cash that used in investing activities	(127,388)	(56,045)
	-----	-----
Net decrease in cash and cash equivalents	(1,611,183)	(1,708,640)
Cash and cash equivalents at beginning of year	4,852,796	6,561,436
	-----	-----
Cash and cash equivalents at end of year	3,241,613	4,852,796
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The accompanying notes are an integral part of the financial statements.

HARHAVAT HAMA'AGALIM (R.S)

Notes to Financial Statements

Note 1 – General

- a. Harhavat Hama'agalim (R.S) (hereinafter: "the Society") was registered under the Societies Law - 1980 and started its activities in October 1998.
- b. The main goals of the society are: to train the youth ahead of their departure to life in general and military service especially.
- c. Sources of funding our activities stem from allocations of the Ministry of Education, attending schools in current expenditure, donations and support from foundations in Israel and abroad.

Note 2 – Significant accounting principles

The significant accounting principles implemented in the preparation of the financial statements on a consistent basis are as follows:

a. Basis of reporting of the financial statements

The Society's financial statements are expressed in reported amounts, as required by the accounting standards of the Israel Accounting Standards Board.

The financial statements are prepared in accordance with the provisions of Pronouncement 69 of the Institute of Certified Public Accountants in Israel and Accounting Standard No.5 of the Israel Accounting Standards Board.

b. Details regarding foreign currency exchange rates and the CPI

Details regarding consumer price index, the exchange rates of major currencies and rates of change in the reporting periods:

1. Information on consumer price indices and exchange rates of major currencies:

	For the year ended December 31	
	2019	2018
The CPI (in points)	100.68	100.09
US dollars (NIS to 1 dollar)	3.45	3.75
Euro (NIS to 1 euro)	3.87	4.29

2. Information on the CPI and the exchange rate in the reporting year.

	The rate of change in percent For the year ended December 31	
	2019	2018
The CPI	0.6	0.8
US dollars	(8)	8.07
Euro	(9.79)	3.37

c. Foreign Currency and Linkage

Transactions in Foreign Currency are translated according to the exchange rate in effect at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated according to the exchange rate in effect at that date. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency according to the exchange rate in effect on the date

HARHAVAT HAMA'AGALIM (R.S)

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Notes to Financial Statements

Note 2 – Significant accounting principles (cont.)

on which the fair value is determined. Exchange-rate differences arising from translation into the functional currency are recognized in profit and loss.

d. Cash and cash equivalents

Cash equivalents are considered highly liquid investments, including, inter alia, short-term deposits deposited in banks, and the time period until their implementation at time of investment does not exceed 3 months.

e. Fixed Assets

1. Fixed assets items are measured at cost less accrued depreciation. The cost includes exits that may be directly attributed to the purchase of the property.
2. The cost of replacing a part of a fixed asset item is recognized as part of the book value of that item if it is expected that future economic benefit embodied in that item will flow to the association and if its cost may be measured in a reliable manner. The book value of the replaced part is then subtracted. Regular maintenance costs are attributed to the Profit and Loss upon their creation.
3. Depreciation is attributed to the Profit and Loss Statement according to the straight-line method based on the estimated useful life of each part of the fixed asset items.

4. The Annual depreciation rates are:

	<u>%</u>
Office furniture and equipment	7-33
Leasehold improvements	10
Vehicles	15

f. Employee Rights-

The society is obligated by law, agreements and practice, for payments of retirement benefits to employees, which include payments under defined benefit plans in respect of pensions (such as pension payments, severance pay and retirement), payments under other plans after retirement (such as holiday gifts and other welfare and health contributions paid to pensioners or on their behalf).

The society's obligations for payment of compensation, pension and severance pay to employees of the society that are not in accordance with Section 14 of the Severance Pay Law, are accounted for in defined benefit plans calculated on an actuarial basis taking into account probabilities based on past experience.

Short-term employee benefits (such as salaries, vacation, and bonuses) are measured on an undiscounted basis and are expensed at the time of the related service.

HARHAVAT HAMA'AGALIM (R.S)

Notes to Financial Statements

Note 2 – Significant accounting principles (cont.)

g. Use of Estimates

The preparation of the financial statements in conformity with Israeli GAAP requires the Society's Committee to exercise judgment in the use of estimates, evaluations, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income, and expenses.

It is hereby clarified that actual results may differ from such estimates.

h. Reporting basis

The society's revenues and expenses are recorded to the statements of activities by the accrual method.

Note 3 – Other receivable

	For the year ended	
	December 31	
	<u>2 0 1 9</u>	<u>2 0 1 8</u>
	<u>NIS</u>	<u>NIS</u>
Receivables for activity	2,344,791	1,349,373
Employees	12,000	51,798
	<u>2,356,791</u>	<u>1,401,171</u>

Note 4– Property plant and equipment, net

	<u>Office furniture and equipment</u>	<u>Leasehold improvements</u>	<u>Vehicles</u>	<u>Total</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
<u>Cost:</u>				
Balance as at January 1, 2019	588,066	267,895	96,000	951,961
Purchases	29,755	97,633	-	127,388
Balance as at December 31, 2019	<u>617,821</u>	<u>365,528</u>	<u>96,000</u>	<u>1,079,349</u>
<u>Accrued Depreciation</u>				
Balance as at January 1, 2019	501,042	138,595	86,671	726,308
Annual depreciation	36,874	23,247	9,329	69,450
Balance as at December 31, 2019	<u>537,916</u>	<u>161,842</u>	<u>96,000</u>	<u>795,758</u>
<u>Property plant and equipment, net at December 31, 2019</u>	<u>79,905</u>	<u>203,686</u>	<u>-</u>	<u>283,592</u>
<u>Property plant and equipment, net at December 31, 2018</u>	<u>87,024</u>	<u>129,300</u>	<u>9,329</u>	<u>225,653</u>

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Notes to Financial Statements

Note 5– Accounts payable

	For the year ended	
	December 31	
	2 0 1 9	2 0 1 8
	<u>NIS</u>	<u>NIS</u>
Employees	773,262	865,453
Institutions	784,530	825,540
Provision for vacation and Convalescence pay	112,854	101,757
Payable expenses	85,610	23,500
	<u>1,756,256</u>	<u>1,816,250</u>

Note 6– Liabilities for employee benefits

The Association's liability regarding severance pay is partially covered by execution of regular deposits, on behalf of the employees, into employee insurance policies, pension funds and provident funds that are registered under names of the employees. The amounts deposited are neither under control nor under management of the association and may therefore not be presented in the balance sheet and neither may any expenses associated therewith.

The liability arising from the termination of employee-employer relations which is included in the balance sheet represents the balance of liability which is not covered by the aforesaid senior employee's insurance policies, pension funds and provident funds.

Note 7 – Operating costs

	For the year ended	
	December 31	
	2 0 1 9	2 0 1 8
	<u>NIS</u>	<u>NIS</u>
<u>Salaries and related costs</u>	10,474,452	11,404,062
<u>Operational Costs</u>		
Educational events, Preparation Training	3,342,580	3,244,471
Teams and conferences	827,922	762,773
Car Maintenance	4,170,502	4,007,244
	<u>14,644,954</u>	<u>15,411,306</u>

HARHAVAT HAMA'AGALIM (R.S)

Notes to Financial Statements

Note 8– Administration and General Expenses

	For the year ended December 31	
	2019	2018
	<u>NIS</u>	<u>NIS</u>
Salaries and related costs	936,873	889,801
Rent and Building maintenance	88,173	83,253
Mail and communications	18,451	16,253
Professional Services	112,443	117,568
Strategic Consulting and Development	245,759	261,833
Public Relations	224,597	99,117
Office expenses	83,486	75,227
Taxes and levies	1,635	1,303
Insurance	48,161	38,442
Travel abroad	124,391	75,123
Car Maintenance	72,952	66,342
Depreciation expenses	69,450	77,341
	<u>2,026,371</u>	<u>1,801,603</u>

