

Krembo Wings (RA)

Financial Reports for December 31, 2013

Krembo Wings (RA)

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Auditing Accountant's Report

for Krembo Wings (RA) Members

We have audited the attached balance sheets of Krembo Wings (RA) (hereafter, KW) for December 31 2013 and 2012, as well as the activities reports, the reports on changes in net assets, and the cash flow reports for the years ending on that date. These financial reports are under the responsibility of KW's executive committee and management. It is ours to opine on these financial reports based on our audit.

We have conducted our audit based on accepted Israeli auditing standards, including standards set forth in Auditors' Regulations (Auditor's Mode of Performance), 5733-1973. These standards have required us to design our audit and conduct it so as to attain a reasonable degree of confidence that the financial reports involve no material misrepresentation. Our audit thus included sample testing of evidence which support the amounts and other data in the reports. It also included examination of the accounting rules applied and the significant estimates made by KW's management, as well as evaluation of the appropriateness of presentation in the entire reports. We believe our audit has provided us with adequate foundation for our opinion.

We find that said financial reports are an accurate reflection, in all material respects, of KW's financial status on December 31 2013 and 2012, as well as the outcomes of its activity and the changes in net assets for each of the years ending on those dates, based on accepted accounting rules (Israeli GAAP).

Weksler, Kodenzik, Enoch & Co.
Certified Public Accountants (ISR)

וקסלר, קודנצ'יק, אנוך ושות'
וקסלר, קודנצ'יק, אנוך ושות'
רואי חשבון


Ramat Gan, September 11, 2014

Krembo Wings (RA)


Balance Sheets

	December 31		
	<u>Notes</u>	<u>2013</u>	<u>2012</u>
<u>Property and Assets</u>		<u>NIS</u>	<u>NIS</u>
Current Assets			
Cash and cash equivalents	3	2,623,987	1,744,600
Collectible checks and credit cards		56,694	-
Other debtors and debit balances	4	<u>687,349</u>	<u>81,166</u>
		<u>3,386,030</u>	<u>1,825,766</u>
Permanent Assets, Net	5	114,611	14,411
		-----	-----
Total Assets		<u>3,509,641</u>	<u>1,840,177</u>
		=====	=====
<u>Liabilities</u>			
Current Liabilities			
Suppliers and service providers	6	597,949	282,818
Various creditors and credit balances	7	<u>288,589</u>	<u>107,985</u>
		886,538	390,803
Long-Term Liabilities			
Liability due to termination of employer-employee relationship		112,549	68,194
		-----	-----
Total Liabilities		<u>999,087</u>	<u>458,997</u>
Net Assets			
Net Unrestricted Assets to be used in activities designated by KW:	2(4)	2,200,000	1,150,000
Not designated by KW:		168,943	6,194
		<u>2,368,943</u>	<u>1,156,194</u>
Used for permanent assets		141,611	14,411
<u>Total unrestricted net assets</u>		2,510,554	1,170,605
<u>Temporarily restricted net assets</u>	2(4)	-	210,575
		<u>2,510,554</u>	<u>1,381,180</u>
Total net liabilities and assets		<u>3,509,641</u>	<u>1,840,177</u>


Approved on September 11, 2014 by:


 דותן ברדה, עו"ד
 חבר ועד

Att. Dotan Barda, Committee Member


 אבי ניסן, ח"כ

CPA Avi Nisan, Committee Member


 אופירה רוטם,
 מנכ"ל

Ofira Rotem, CEO

The notes attached below are an integral part of the financial reports

Krembo Wings (RA)
Activity Report

	<u>Notes</u>	<u>2013</u> <u>NIS</u>	<u>2012</u> <u>NIS</u>
Turnover			
Own revenues	8	11,490,614	6,786,029
Public funding & support	9	<u>1,580,634</u>	<u>1,090,324</u>
		13,071,248	7,876,353
		-----	-----
<u>Expenses</u>			
Activity costs	10	<u>10,944,478</u>	<u>6,629,508</u>
Net income from activities		2,126,770	1,246,845
Management & general expenses	11	836,932	673,375
Net revenues before funding		1,289,838	573,470
Net funding revenues (expenses)		(65,523)	(9,510)
		-----	-----
Surplus in accounting year		1,224,315	563,960

The notes attached below are an integral part of the financial reports

Krembo Wings (RA)

Report on Changes in Net Assets

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>TOTAL</u>
	Not designated by KW	Designated by KW*	Used as Permanent Assets		
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	
Balance on January 1, 2012	42,828	550,000	13,817	-	606,645
Surplus on accounting year	563,960	-	-	-	563,960
<u>Net amounts (designated) used by KW</u>					
Recruiting and training volunteers	100,000	(100,000)			
Special summer activities	150,000	(150,000)	-	-	-
Building a national training center	(550,000)	550,000	-	-	-
Opening new branches	(300,000)	300,000			
	(600,000)	600,000	-	-	-
<u>Unrestricted transfers</u>					
Used for permanent assets, net	(5,460)	-	5,460	-	-
Used to cover amortization expenses	4,866	-	(4,866)	-	-
	(594)	-	594	-	-
<u>Additions during the year:</u>					
Donation				385,092	385,092
<u>Reductions during the year:</u>					
Freeing restricted donations for activities	-	-	-	(174,517)	(174,517)
Balance on December 31, 2012	6,194	1,150,000	14,411	210,575	1,381,180
Surplus on accounting year	1,224,315	-	-	-	1,224,315
<u>Unrestricted transfers</u>					
Used for permanent assets	(25,450)	-	141,084	(46,197)	69,437
Used to cover amortization expenses	13,884	-	(13,884)	-	-
	(11,566)	-	127,200	(46,197)	69,437
<u>Net Amounts (designated) used by KW</u>					
Inclusion of children with special needs – project	(450,000)	450,000	-	-	-
Special summer activities	(200,000)	200,000	-	-	-
Opening new branches	(400,000)	400,000	-	-	-
	(1,050,000)	1,050,000	-	-	-

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Additions during the year: Donation	-	-	420,000	420,000
Donation towards purchase of permanent assets			46,197	46,197
			466,197	466,197
Reductions during the year: Freeing up restricted donations for activities	-	-	(630,575)	(630,575)
Balance on December 31, 2013	168,943	2,200,000	141,611	-
				2,510,554

*See Note 2(5)

The notes attached below are an integral part of the financial reports

Krembo Wings (RA)
Cash Flow Reports

	<u>2013</u> <u>NIS</u>	<u>2012</u> <u>NIS</u>
Current activity cash flow		
Surplus on accounting year	1,224,315	563,960
Adjustments required to present current activity cash flow (Annex A)	<u>(739,478)</u>	<u>(57,110)</u>
Net cash gained from current activity	484,837	506,850
	-----	-----
Cash flow from investments		
Purchasing of permanent assets	(71,647)	(5,460)
Cash gained from releasing reserves for permanent assets	46,197	-
Net cash used for investment activity	(25,450)	(5,460)
	-----	-----
Cash flow from funding		
Donations for net restricted assets	420,000	385,092
Net cash gained from funding activity	420,000	385,092
	-----	-----
Increase in cash and cash equivalents	879,387	886,482
Cash and cash equivalents balance at year's start	<u>1,744,600</u>	<u>858,118</u>
Cash and cash equivalents balance at year's end	2,623,987	1,744,600
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The notes attached below are an integral part of the financial reports

Annex A: Adjustments Required to Present Current Activity Cash Flows

	<u>2013</u>	<u>2012</u>
	<u>NIS</u>	<u>NIS</u>
Expenses not involving cash flows		
Amortization	13,844	4,866
Increased reserve for severance pay	44,355	21,732
Amounts freed from net restricted assets	<u>(630,575)</u>	<u>(174,517)</u>
	(572,336)	(147,919)
Changes in asset & liability items		
Decrease (increase) in debtors and debt balances	(606,183)	7,468
Increase in collectible checks & credit cards	(56,694)	-
Increase (decrease) in suppliers and service providers	315,131	36,154
Increase in other creditors and credit balances	<u>180,604</u>	<u>47,187</u>
	<u>(167,142)</u>	<u>90,809</u>
	-----	-----
Total adjustments required to present the cash flow from current activity	(739,478)	(57,110)

Annex B: Investment Activity Not Affecting Cash Flow

During the year, KW was donated permanent assets in a total value of 69,437.

The notes attached below are an integral part of the financial reports

Krembo Wings (RA)

Notes on Financial Reports

Note 1 – General

Krembo Wings (hereafter, "KW") was registered by the Registrar of Associations as RA 58-045-568-1. In May 2006 KW began operating as a "non-profit organization" (NPO) with the purpose of forging social ties among teenagers with cerebral palsy and other disabilities and between them and non-disabled teenagers.

In 2013, KW operated 24 regional branches (18 in 2012). In the years 2013 and 2012 respectively, 2,350 and 1,650 participants took part in its activities.

Note 2 – Accounting Policy Principles

The accounting policy principles consistently applied in compiling this financial statement are as follows:

(1) Starting point for preparation of financial reports

1. Until December 31, 2003, KW compiled its financial reports based on the convention of historical cost adjusted to changes in the Israeli currency's general purchasing power, based on changes in the CPI. Subject to Accounting Standard 12, Ending the Adjustment of Financial Reports, financial reports were no longer adjusted to inflation, as of January 1, 2004. The Adjusted amounts included in the balance on December 31, 2003 (the transition date) were used as the starting point for the nominal financial report as of January 1, 2004. Any additions made after the transition date have been included in nominal values.

2. Financial reports in reported amounts

a. Definitions

Adjusted amount – A historical nominal amount adjusted to the CPI of December 2003 subject to the provisions of Opinions 23 and 36 of the Institute of Certified Public Accountants in Israel.

Reported amount – An amount adjusted to the transition date (December 31, 2003), with the addition of amounts in nominal values added after the transition date, minus amounts deducted after that date.

b. Balance

1. Non-financial items are presented in reported amounts.

2. Financial items are presented in the balance in nominal values for the balance date.

c. Report on activities

1. Revenues and expenses from non-financial items are derived from the movement between the amount reported in the initial balance and the amount reported in the final balance.
2. The remaining components of the activities report are presented in nominal values.

(2) Accounting principles

In 1997, the Institute of Certified Public Accountants in Israel (hereafter, *the Institute*) issued Opinion 69 on "Accounting and Financial Reporting Rules for Non-Profit Organizations". In 1999, the Israeli Accounting Standard Bureau issued Standard 5, with amendments and clarifications on applying Opinion 69. The financial reports for the accounting year and the comparison data for 2009 have been presented in accordance with said opinion and standard.

(3) Revenues and expenses

The revenues and expenses included in these Financial Reports are on an aggregate basis, according to Standard 5.

(4) Presentation

The balances included in the net asset group are presented with a distinction between:

- a. Net unrestricted assets
- b. Net temporarily restricted assets
- c. Net permanently restricted assets

DEFINITIONS:

Net unrestricted assets	That part of the net assets the use of which is not restricted, either permanently or temporarily, by guidelines provided by donors, supporters or grantors
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Temporary restriction	A restriction that expires or is removed upon the occurrence of a certain event, or with time, or which can be applied to or removed from certain activities, all subject to provisions dictated by donors or external funders
Permanent restriction	A restriction that does not expire or is not removed upon the occurrence of a certain event, or with time, and which cannot be applied to or removed from certain activities. Such a restriction allows using only the output of the donations received.

Net unrestricted assets are presented with a distinction between assets

- a. Designated by KW's management
 - b. Not yet designated by KW
 - c. Used for permanent property
- (5) The report on activities includes the incomes and expenses during the reporting period. The first include those received and gained during the period when their use was not restricted, as well as net assets restricted and freed during the period. The expenses also include those funded from restricted sources.
- (6) The report on changes in net assets includes, in addition to a surplus (deficit) transferred from the report on activities all sources received while still restricted as well as the amounts freed of restrictions.
- Amounts freed of restrictions thanks to their use in activities are transferred as incomes to the activity report, while amounts freed thanks to use for permanent assets, including permanent property received as a gift (and the income from its realization has not be restricted) are transferred directly to the balance of net unrestricted assets used as permanent property in the report on the changes in net assets.
- (7) The report on changes in net assets also includes transfers between net unrestricted assets for amounts used during the report year for permanent property, amounts due to the realization of permanent property and amounts transferred to cover amortization expenses.

(8) Unrestricted net assets designated by KW:

Designation	Balance on Dec. 31,	Realizing assets	Designating assets in	Balance on Dec. 31,
	2012	designated in 2013	2013	2013
Inclusion of children with special needs	-	-	450,000	450,000
Summer camp	-	-	200,000	200,000
Building a national training center	550,000	-	-	550,000
Opening new branches	600,000	(600,000)	1,000,000	1,000,000
	1,150,000	(600,000)	1,650,000	2,200,000

(9) Permanent assets:

The assets are presented in the Financial Reports before cost after deduction for aggregate amortization. The amortization is calculated under the straight line amortization method in annual rates considered sufficient for amortizing the hardware over its estimated usage period:

<u>Type of asset</u>	<u>Rate</u>
Equipment	7-15%
Computers	33%

(10) Use of estimates:

When preparing Financial Reports subject to acceptable accounting rules, the management had to rely on estimates and evaluations affecting the data reported on assets and liabilities as well as the data on contingent assets and liabilities reported herein, hence on revenue and expense data over the reporting periods; actual results may differ from these estimates.

(11) Exchange rates: Balances in a foreign currency are presented in NIS based on the exchange rate on balance day. Rate differentials have been represented as financing costs. The following are the exchange rates for the main currencies used by KW (figures are in NIS):

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
USD	3.471	3.733
Pound	5.741	6.037
Euro	4.782	4.921
S. Franc	3.897	4.077

Note 3 – Cash and Cash Equivalents

	<u>On December 31</u>	
	<u>2013</u>	<u>2012</u>
Cash in the cashbox – NIS	12,561	4,030
Cash in the bank – NIS	806,528	564,469
Cash in the bank – Forex	838,197	595,389
Short-term deposits	<u>966,701</u>	<u>580,712</u>
	2,623,987	1,744,600
	=====	=====

Note 4 – Other Debtors and Debt Balances

	<u>On December 31</u>	
	<u>2013</u>	<u>2012</u>
	NIS	NIS
Advance expenses	164,744	35,462
Revenues receivable	522,605	15,704
Advances to suppliers	-	30,000
	687,349	81,166
	=====	=====

Note 5 – Permanent Assets

	<u>Computers</u> NIS	<u>Equipment</u> NIS	<u>TOTAL</u> NIS
<u>Cost</u>			
On Jan 1, 2013	11,961	18,833	30,794
Acquisitions this year	39,176	101,908	141,084
On Dec 31, 2013	51,137	120,741	171,878
	-----	-----	-----
<u>Amortization</u>			
On Jan 1, 2013	6,549	9,834	16,383
Amortization this year	6,429	7,455	12,884
On Dec 31, 2012	12,978	17,289	30,267
	-----	-----	-----
Amortized cost on Dec 31, 2013	38,159	103,452	141,611
Amortized cost on Dec 31, 2012	5,412	8,999	14,411

See Note 2(9) above for annual amortization rates.

Note 6 – Suppliers and Service Providers

	<u>December 31</u>	
	<u>2013</u> NIS	<u>2012</u> NIS
Open accounts	309,835	49,777
Cashable checks	<u>288,114</u>	<u>233,041</u>
	597,949	282,818
	=====	=====

Note 7 – Various Creditors and Credit Balances

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
	NIS	NIS
Employees and institutes for pay	136,612	32,427
Income tax	22,903	14,866
Expenses payable	82,301	42,738
Vacation allowance	<u>46,773</u>	<u>17,954</u>
	288,589	107,985
	=====	=====

Note 8 – Own Incomes

	<u>2013</u>	<u>2012</u>
	NIS	NIS
Donations	5,604,344	3,653,038
Donations in monetary equivalent	181,328	178,080
Donations freed of temporary restriction	630,575	174,517
Deduction for transfer to others	(70,188)	-
Total donations	<u>6,346,059</u>	<u>4,005,635</u>
Participant and counselor participation	684,747	159,242
Volunteer work equivalent*	<u>4,459,808</u>	<u>2,621,152</u>
	11,490,614	6,786,029

*See also notes 10 & 13(1) below.

Note 9 – Public Budgeting & Support

	<u>2013</u>	<u>2012</u>
	NIS	NIS
Ministry of Welfare & Social Services joint venture	265,189	85,410
Support by the Ministry of Welfare & Social Services	63,647	60,119
Support by local authorities	182,388	57,795
Value of local authority transportation support	354,533	375,000
Value of local authority facility allocation support*	439,000	342,000
Support by the Ministry of Education	275,877	-
Value of Ministry of Education's transportation support	-	150,000
Value of Ministry of Education's counselor training support	-	20,000
	1,580,634	1,090,324

*See also notes 10 & 13(2) below.

Note 10 – Activity Costs

	<u>2013</u>	<u>2012</u>
	NIS	NIS
Salaries and related costs	* 741,315	1,614,111
Equivalent of volunteer pay (1)	2,621,152	4,459,806
Summer camp and delegation to Poland	635,634	983,653
Participant trips to branch activities (2)	982,555	893,274
Branch operations & volunteer training (3)	* 608,822	798,654
Event production	11,456	588,178
Equivalent of facility allocation – branches (4)	342,000	439,000
Vehicle maintenance	254,225	311,814
Public relations & fundraising (5)	201,720	238,809
Scholarships	93,500	110,950
Amortization	4,866	13,884
Insurances	58,798	76,490
Uniforms	73,465	65,330
Theory and training development	-	350,525
	6,629,508	10,944,478

*** Resorted**

(1) See note 12(1) below.

(2) 2013: Including value of local authority participant transportation support, totaling 354,533.

2012: Including value of local authority participant transportation support, totaling of 375,000 NIS and Ministry of Education support totaling 150,000 NIS.

(3) 2013: Including equivalent expenses totaling 163,328 NIS (2012: 122,171 NIS).

(4) See note 12(2) below.

(5) 2012: Including equivalent expenses totaling 3,553 NIS.

Note 11 – Management and General Expenses

	<u>2012</u>	<u>2013</u>
	NIS	NIS
Salaries and benefits	250,176	384,500
Communication	72,212	78,912
Offices and computers (1)	94,464	48,471
Catering and per diem	49,457	61,881
Professional services	54,604	71,403
Vehicle maintenance	105,291	105,973
Office rental & maintenance (2)	36,000	62,326
Taxes, levies and insurances	* 7,710	12,739
Travel	3,461	10,727
	673,375	836,932
	=====	=====

* Resorted

(1) 2012: Including expenses equivalent to 9,500 NIS for creating the website

(2) 2013: 18,000 NIS are a cash-equivalent donation for use as KW's office (2012: 36,000 NIS).

Note 12 – Estimated Value of Volunteer Activities & Use of Facilities

A. Volunteer activities

KW's services are provided mainly by teenage volunteers who instruct the participants (children with special needs) and interact with them socially.

Our estimation of these teenage volunteer activities is based on the minimum wage rate for 17-18 year-old minors. In order to appropriately reflect the extent of KW's activities, its management has decided to present the value of activities by its youth counselors (volunteers) – 1,677 in 2013 and 1,037 in 2012 – within the financial reports according to accepted accounting rules.

Our financial estimate of the value of volunteer activity in 2013 and 2012 is 4,459,806 and 2,621,152 NIS, respectively. The estimate is based on the total number of volunteers in each branch throughout the year (according to the number of active months) at an equivalent hourly wage of 18.64 NIS.

B. Use of facilities

KW is active in properties provided without financial consideration and uses them for its purposes and only during activity hours. According to its estimate, the value of its use of facilities in 2013 and 2012 is 439,000 and 342,000, respectively.

Note 12 – Events after the Balance Date

In February 2014, the Ministry of Welfare approved a project for expanding KW's activities in existing branches and new ones to be opened during 2014. As part of this project, the ministry undertook to finance KW costs at an amount of up to 2.76 million NIS. This support will be given on a monthly basis, subject to KW's compliance with the terms stipulated in the parties' agreement.

Note 14 – Donations Exceeding 20,000 NIS

According to the RA regulations (determination of maximal totals and procedures for recording anonymous donations in financial reports), 2002, the following are the donors who donated over 20,000 NIS.

Donor	Amount in NIS	
	2012	2013
David Klein		1,000,000
Tmura Foundation	177,150	765,842
Jewish Agency for Israel	39,843	301,316
Bezeq	25,000	200,000
Clal Insurance		148,845
New Israel Fund		113,920
Lev Gan Hair		110,000
Ruderman Family Foundation		104,801
Azrieli Israel Fund	100,000	101,500
Azorim		100,000
Bank Hapoalim	40,000	100,000
Joseph & Christina Kasierer Foundation	300,000	100,000
Maurice and Vivienne Wohl Philanthropic Foundation		92,372
NeoGames Technologies	150,000	90,000
Zan Tickets		86,975
Matan – Effective Community Investment in Israel	597,830	81,567
Fiat		69,000
Mizrabi-Tefahot Bank		60,000
HFN Trust		55,431
Gandy Israel Financial Holdings	60,000	55,000
Kadoorie Charitable Foundation		53,171
A.A. Rahmaninov Diamonds		50,000
Bank Leumi	25,000	50,000
Dalia Goldstein	25,000	75,000
Makhteshim Agan Industries	26,000	50,000
Adi Altschuler		50,000
Jordan Valley Community Administration		47,500
Rechtsanvaltsk		44,362
City Lifestyle		39,615
Goldman-Sachs Israel		36,000
Gamma Management and Clearing		30,000
Mozes-Wolfowitz Fund	30,000	30,000
Kost/Ernst & Young		28,344
Shikun & Binui	26,000	26,500

Donor	Amount in NIS	
	2012	2013
Bank Leumi Capital Markets Division		25,000
Phoenix Insurance		25,000
Jewish Child's Day		24,198
Amirey Zichron Yaakov		23,000
Hadran		23,000
Wolfsohn family		21,999
Zipa Karmon	20,000	20,360
Irit Rappaport		20,000
Isracard	40,000	20,000
Peninsula Finances		20,000
Peretz Naftali Foundation	20,000	20,000
Shufersal	500,150	
Sobell Foundation	123,501	
Boeing	54,236	
Maurice and Vivienne Wohl Philanthropic Foundation	93,350	
Elharizi School	36,970	
Home Center	138,335	
Citybank Europe Marathon	28,665	
Check Point	250,000	
IDB for the Community	50,000	
Yad Hanadiv Foundation	61,324	
Ted Arison Family Foundation	385,092	
Shimon Barzilai	25,000	
Kennedy Lee Foundation	56,778	