

Krembo Wings (RA)

Financial Reports for December 31, 2015

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WEKSLER, KODENZIK, ENOCH & CO. Certified Public Accountants (ISR).

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 2015 and 2014, 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 2015 and 2014, 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).

Respectfully,


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

Ramat Gan, September 28, 2016

**Krembo Wings (RA)
Balance Sheets**

		December 31 <u>2015</u>	December 31 <u>2014</u>
	Notes	NIS (in K)	NIS (in K)
<u>Current Assets</u>			
Cash and cash equivalents	3	3,559	2,421
Collectible checks and credit cards		454	179
Other debtors and debit balances	4	<u>1,110</u>	<u>1,013</u>
		<u>5,123</u>	<u>3,613</u>
<u>Permanent Assets, Net</u>	b	<u>217</u>	<u>216</u>
Total Assets		<u><u>5,340</u></u>	<u><u>3,829</u></u>
		December 31 <u>2015</u>	December 31 <u>2014</u>
	Notes	NIS (in K)	NIS (in K)
<u>Current Liabilities</u>			
Suppliers and service providers	6	729	889
Various creditors and credit balances	7	<u>565</u>	<u>340</u>
		<u>1,294</u>	<u>1,229</u>
<u>Long-Term Liabilities</u>			
Liability due to termination of employer-employee relationship, net		<u>220</u>	<u>147</u>
Total Liabilities		<u><u>1,514</u></u>	<u><u>1,376</u></u>
<u>Net Assets</u>			
<u>Net Unrestricted Assets</u>			
to be used in activities designated by KW's institutions	2(4)	2,300	1,500
not designated by KVV's institutions		<u>279</u>	<u>98</u>
		<u>2,579</u>	<u>1,598</u>
Net assets used for permanent assets		<u>217</u>	<u>216</u>
Total unrestricted net assets		<u>2,796</u>	<u>1,814</u>
Temporarily restricted net assets	2(4)	<u>1,030</u>	<u>639</u>
		<u>3,826</u>	<u>2,453</u>
Total net liabilities and assets		<u><u>5,340</u></u>	<u><u>3,829</u></u>

Approved on September 28, 2016 by:

Att. Dotan Barda, Committee Member
CPA Avi Nisan, Committee Member
Talya Harel Bejerano , Committee Member & CEO

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

**Krembo Wings (RA)
Activity Report**

	<u>For the year ending on:</u>		
	<u>December 31 2015</u>	<u>December 31 2014</u>	
	<u>Notes</u>	<u>NIS (in K)</u>	<u>NIS (in K)</u>
Turnover			
Own revenues	8	16,134	11,577
Public funding & support	9	5,892	4,523
		<u>22,026</u>	<u>16,100</u>
Activity costs			
Net revenues from activities	10	18,740	14,810
		<u>3,286</u>	<u>1,290</u>
Management & general expenses	11	2,232	1,979
Net revenues (expenses) before funding		1,054	(689)
Net funding revenues (expenses)		<u>(71)</u>	<u>(8)</u>
Surplus (deficit) in accounting year		<u>983</u>	<u>(697)</u>

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

Krembo Wings (RA)
Report on Changes in Net Assets

Net Unrestricted Assets

	Net undesignated assets	designated by KW's institutions*	Used as Permanent Assets	Temporarily Restricted Assets	Total
	NIS (in K)	NIS (in K)	NIS (in K)	NIS (in K)	NIS (in K)
Balance on January 1, 2014	169	2,200	142	-	2,511
Deficit on accounting year	(697)	-	-	-	(697)
Unrestricted transfers					
Used for permanent assets, net	(118)	-	118	-	-
Used to cover amortization expenses	44	-	(44)	-	-
	(74)	-	74	-	-
Net amounts designated by KW					
Special summer activities	200	(200)	-	-	-
Opening new branches	500	(500)	-	-	-
	700	(700)	-	-	-
Additions during the year:					
Donations received	-	-	-	1,649	1,649
Reductions during the year:					
Freeing restricted donations for activities	-	-	-	(1,010)	(1,010)
Balance on December 31, 2014	98	1,500	216	639	2,453
Surplus on accounting year	983	-	-	-	983
Unrestricted transfers					
Used for permanent assets, net	(71)	-	71	-	-
Used to cover amortization expenses	70	-	(70)	-	-
	(1)	-	1	-	-
Designated Amounts used by KW's institutions					
Moving to new offices	(500)	500	-	-	-
Opening a national guidance center	(651)	650	-	-	(1)
Integrating children with disabilities	100	(100)	-	-	-
Opening new branches	250	(250)	-	-	-
	(801)	800	-	-	(1)
Additions during the year					
Donations received	-	-	-	2,632	2,632
Reductions during the year					
Freeing restricted donations for activities	-	-	-	(2,241)	(2,241)
Balance on December 31, 2015	279	2,300	217	1,030	3,826

*See note 2 (D) (5) below

**Krembo Wings (RA)
Cash Flow Reports**

	<u>For the year ending on</u>	
	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
	NIS (in K)	NIS (in K)
<u>Current activity cash flow</u>		
Surplus (deficit) on accounting year	982	(697)
Adjustments required to present current activity cash flow (Annex A)	<u>(2,405)</u>	<u>(1,037)</u>
Net cash (used) resulted from current activity	<u>(1,423)</u>	<u>(1,734)</u>
<u>Cash flow from investment activity</u>		
Purchasing of permanent assets	<u>(71)</u>	<u>(118)</u>
Net cash used for investment activity	<u>(71)</u>	<u>(118)</u>
<u>Cash flow from funding activities</u>		
Donations received this year for net restricted assets	<u>2,632</u>	<u>1,649</u>
Net cash flow from funding	<u>2,632</u>	<u>1,649</u>
Increase (decrease) in cash and cash equivalents	1,138	(203)
Cash and cash equivalents balance at year's start	<u>2,421</u>	<u>2,624</u>
Cash and cash equivalents balance at year's end	<u><u>3,559</u></u>	<u><u>2,421</u></u>

Annex A: Adjustments Required to Present Current Activity Cash Flows

	<u>For the year ending on</u>	
	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
	NIS (in K)	NIS (in K)
<u>Revenues and expenses not involving cash flows</u>		
Depreciation and amortization	70	44
Increased reserve for severance pay	73	34
Amounts freed this year from net temporarily restricted assets	<u>(2,241)</u>	<u>(1,010)</u>
	<u>(2,098)</u>	<u>(932)</u>
<u>Changes in asset & liability items</u>		
Decrease (increase) in debtors and debt balances	(97)	(327)
Increase in collectible checks & credit cards	(275)	(122)
Increase (decrease) in suppliers and service providers	(160)	293
Increase in other creditors and credit balances	<u>225</u>	<u>51</u>
	<u>(307)</u>	<u>(105)</u>
Total adjustments required to present the cash flow from current activity - Annex A	<u><u>(2,405)</u></u>	<u><u>(1,037)</u></u>

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

Krembo Wings
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).

KW brings significant change to the life of members, their parents, and family members, and helps members with disabilities reintegrate into the community, and become involved members of society

KW offers activities for children and youths, aged 7 to 21 with all types of disabilities and at all severity levels, including autism, cognitive disabilities, CP, and various other complex syndromes, as well as for youths aged 12 to 18 from the general education system (with and without disabilities), who serve as counselors to assist in facilitating activities for members

KW brings significant change to the life of members, their parents, and family members, and helps members with disabilities reintegrate into the community, and become involved members of society

In 2015, KW operated 46 branches across Israel. In 2015 and 2014 respectively, 4,168 and 3,308 participants took part in KW's 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

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) The basis for acknowledgment of revenues and expenses

KW manages its accounting on an aggregate basis, according to

(4) Presentation of the Financial Reports

1. 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

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's management
- c. Used for permanent property

2. The report on activities includes the incomes and expenses during the reporting period.

The incomes 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.

3. 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.

4. 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.

5. Composition and movement of unrestricted net assets designated by KW's management:

(5) Permanent assets:

The assets are presented according to cost after deduction for aggregate amortization. The amortization is calculated under the straight line amortization method based on the estimated usage period of assets. Yearly amortization rates are:

(6) 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 in the financial reports and related notes. Due to the nature of estimates and evaluations, actual results may differ from these estimates.

(7) Value of incomes and expenses

The Financial Reports include values of incomes and expenses given to KW by various sources. (See also: notes 9, 10 and 12 below)

(8) 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.

Following are the exchange rates for the main currencies used by KW (figures are in NIS):

Note 3 – Cash and Cash Equivalents

Composition:

	As of December 31	
	2015	2014
	NIS (In K)	NIS (In K)
Cash in the cashbox – NIS	20	9
Cash in the bank – NIS	2,306	1,114
Cash in the bank – Forex	540	521
Short-term deposits – NIS & Forex	693	777
	<u>3,559</u>	<u>2,421</u>

Note 4 – Other Debtors and Debt Balances

Composition:

	As of December 31	
	2015	2014
	NIS (in K)	NIS (in K)
Advance expenses and deposits on vehicles	286	322
Revenues receivable	824	691
	<u>1,110</u>	<u>1,013</u>

Note 5 – Net Permanent Assets

Composition:

	Equipment	Computers	Improvements to Rented Equipment
	NIS (In K)	NIS (in K)	NIS (In K)
Cost			
Balance as of 1 January 2015	134	140	16
Acquisitions this year	15	28	28
Balance as of 31 December 2015	149	168	44
Accumulated amortization			
Balance as of 1 January 2015	36	37	1
Acquisitions this year	20	46	4
Balance as of 31 December 2015	56	83	5
Deducted cost as of 31 December 2015	93	85	39
Deducted cost as of 31 December 2014	99	102	15

(2) Annual amortization rates (See Note 2 (5) above)

Note 6 – Suppliers and Service Providers

Composition:

	As of December 31	
	2015	2014
	NIS (In K)	NIS (In K)
Open accounts	674	605
Cashable checks	55	284
	729	889

Note 7 – Various Creditors and Credit Balances

Composition:

	As of December 31	
	2015	2014
	NIS (In K)	NIS (In K)
Employees and institutes for pay	202	245
Expenses to pay	233	-
Vacation allowance	130	95
	565	340

Note 8 – Own Incomes

Composition:

	For the year ending on December 31	
	2015	2014
	NIS (In K)	NIS (In K)
Donations	5,599	3,741
Donations for activity freed of temporary restriction	2,241	1,010
Donations in monetary equivalent	166	54
Total donations	8,006	4,805
Participant and counselor participation fees	2,428	1,722
Volunteer work equivalent (1)	5,700	5,050
	16,134	11,577

(1) See also Notes 10 & 12 (1) below.

Note 9 – Public Budgeting & Support

Composition:

	For the year ending on	
	December 31	
	2015	2014
	NIS (in K)	NIS (in K)
Ministry of Welfare & Social Services Partnership Initiative	2,987	2,763
Social Security - Initiative	75	223
Support by the Ministry of Education	77	59
Value of Ministry of Education's support (1)	53	136
Support by local authorities	1,074	370
Value of local authorities' support - transportation and various (2)	885	416
Value of local authority facility allocation support (3)	741	556
	<u>5,892</u>	<u>4,523</u>

(1) 2015: Value of support of the Poland Delegation = 53K NIS (2014: Value of support of the Poland Delegation = 77K NIS, as well as value of support of KW's summer camp = 59K NIS). See also Note 10 below.

(1) 2015: Value of support of transportation = 679K NIS; value of adult coordinators' wages = 77K NIS; value of pre-army service housing (communes) 117K NIS; and value of regular operation = 12K NIS (2014: Value of transportation = 363K NIS; value of adult coordinators' wages = 45K NIS; value of regular operation = 8K NIS). See also Note 10 below.

(3) See also Notes 10 and 12 (2) below.

Note 10 – Activity Costs

Composition:

	For the year ending on	
	December 31	
	2015	2014
	NIS (in K)	NIS (in K)
Salaries and related costs	(4,253)	(2,732)
Equivalent of volunteer pay (1)	(5,698)	(5,050)
Summer camp and delegation to Poland (2)	(1,451)	(1,812)
Participant transportation to branch activities (3)	(2,064)	(1,519)
Branch operations & volunteer training (4)	(1,525)	(1,329)
Operation and maintenance of activity office	329	230
Event production	(662)	(120)
Equivalent of facility allocation – branches (5)	(741)	(556)
Vehicle maintenance	(851)	(659)
Public relations & fundraising	(453)	(114)
Scholarships	-	(57)
Amortization	(70)	(44)
Insurance	(121)	(84)
Uniform	(132)	(85)
Theory and training development	111	290
Service year program and housing (6)	279	129
	<u>18,740</u>	<u>14,810</u>

(1) See Note 12(1) below.

(2) 2015: Including Ministry of Education's support in Poland Delegation = 53K NIS (2014: 77K NIS). See

(3) 2015: Including value of local authority participant transportation support = 679K NIS. (2014: 363K NIS). See also Note 9 above.

(4) 2015: Including value of local authorities' support of adult coordinators' wages = 77K NIS; value of support of regular operation of branches = 12K NIS. See also Note 9 above.

(5) See also Note 9 above and Note 12(2) below.

(6) 2015: Including value of local authorities' support of pre-army service housing (communes) = 117K NIS

Note 11 – Management and General Expenses

Composition:

	For the year ending on	
	December 31	
	2015	2014
	NIS (in K)	NIS (in K)
Salaries and benefits	1,706	1,318
Communication	60	57
Offices and computers	26	16
Catering and per diem	48	75
Professional services	50	29
Vehicle maintenance	188	190
Office rental & maintenance	144	278
Taxes, levies and insurances	6	11
Work-related travel and courier services, Delegations	4	5
	<u>2,232</u>	<u>1,979</u>

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

A. Value of volunteer activity

KW's services are provided mainly by teenage volunteers who instruct the participants (children with disabilities) 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 and on the number of volunteers who volunteered at the branch throughout the year (according to number of activity months at the branch). The value of activities by youth counselors (volunteers) in 2015 and 2014 is 5,699K NIS and 5,050K NIS respectively

B. Value of use of facilities

KW's activities take place in properties provided without financial consideration. According to its estimate, the value of its use of facilities in 2015 and 2014 is 741K NIS and 556K NIS, respectively.

Note 13 - Conditional Liabilities and Collaborations

As of the day of the balance, KW is liable to about 150K NIS, as part of a joint initiative with the Ministry of Welfare

Note 14 – Donations Exceeding 20,000 NIS

According to NPO 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.