

Krembo Wings (RA)

Financial Reports for December 31, 2014

Krembo Wings (RA)

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Report of Independent Public Accountants
To The Amuta Members
of
Krembo Wings

We have audited the accompanying balance sheet of Krembo Wings (hereinafter: the "Amuta") as of December 31, 2014 and December 31, 2013, the related statement of operations, changes in net assets and cash flows, for the years then ended. The financial statements are the responsibility of the Amuta's 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, including those prescribed by the Auditors' Regulations (Auditors' Mode of Performance) - 1973. These standards require us to plan and perform the audit in order to obtain a reasonable measure of assurance that the financial statements contain no material misstatement, whether originating from an error in the financial statements or from a misrepresentation contained therein. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessment of the accounting principles used and significant estimates made by the Board of Directors and management, as well as evaluation the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements present fairly, in all material respects, the financial position of the Amuta as of December 31, 2014 and December 31, 2013, and the Amuta's results of operations, changes in net assets and cash flows - for the years then ended, in conformity with Accounting Standards of the Israel Accounting Standards Board (Israeli GAAP).


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

Ramat Gan,
September 9, 2015

Krembo Wings (RA)
Balance Sheets

		Dec-31 2014	Dec-31 2013
	Notes	NIS (in K)	NIS (in K)
Property and Assets			
Current Assets			
Cash and cash equivalents	3	2,421	2,624
Collectible checks and credit cards		179	57
Other debtors and debit balances	4	1,013	686
		<u>3,613</u>	<u>3,367</u>
Permanent Assets, Net	5	<u>216</u>	<u>142</u>
Total Assets		<u>3,829</u>	<u>3,509</u>
		Dec-31 2014	Dec-31 2013
Liabilities	Notes	NIS (in K)	NIS (in K)
Current Liabilities			
Suppliers and service providers	6	889	596
Various creditors and credit balances	7	340	289
		<u>1,229</u>	<u>885</u>
Long-Term Liabilities			
Liability due to termination of employer-employee relationship		147	113
Total Liabilities		<u>1,376</u>	<u>998</u>
Net Assets			
Net Unrestricted Assets to be used in activities designated by KW:			
Not designated by KW:	2(4)	1,500	2,200
		<u>98</u>	<u>169</u>
		<u>1,598</u>	<u>2,369</u>
Used for permanent assets		<u>216</u>	<u>142</u>
Total unrestricted net assets		<u>1,814</u>	<u>2,511</u>
Temporarily restricted net assets	2(4)	<u>639</u>	<u>-</u>
		<u>2,453</u>	<u>2,511</u>
Total net liabilities and assets		<u>3,829</u>	<u>3,509</u>

Approved on September 9, 2015 by:
Att. Dotan Barda, Committee Member
CPA Avi Nisan, Committee Member
Ofira Rotem, CEO

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

Krembo Wings (RA)
Activity Report

		Dec-31 2014	Dec-31 2013
	<u>Notes</u>	<u>NIS (in K)</u>	<u>NIS (in K)</u>
Turnover			
Own revenues	8	11,577	11,491
Public funding & support	9	4,523	1,581
		<u>16,100</u>	<u>13,072</u>
<u>Expenses</u>	10	<u>14,810</u>	<u>10,177</u>
Activity costs		<u>1,290</u>	<u>2,895</u>
Management & general expenses	11	<u>1,979</u>	<u>1,605</u>
Net revenues before funding		(689)	1,290
Net funding revenues (expenses)		<u>(8)</u>	<u>(66)</u>
Surplus in accounting year		<u><u>(697)</u></u>	<u><u>1,224</u></u>

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

Krembo Wings (RA)
Report on Changes in Net Assets

Unrestricted

	Not designated by KW	Designated by KW*	Used as Permanent Assets	Temporari y Restricted	Total
	NIS (in K)	NIS (in K)	NIS (in K)	NIS (in K)	NIS (in K)
Balance on January 1, 2013	6	1,150	14	211	1,381
Surplus on accounting year	1,224	-	-	-	1,224
<u>Unrestricted transfers</u>					
Used for permanent assets, net	(25)	-	142	(46)	71
Used to cover amortization expenses	14	-	(14)	-	-
	(11)	-	128	(46)	71
<u>Net amounts (designated) used by KW</u>					
Project for Integrating Children with Special Needs	(450)	450	-	-	-
Special summer activities	(200)	200	-	-	-
Opening new branches	(400)	400	-	-	-
	(1,050)	1,050	-	-	-
<u>Additions during the year:</u>					
Donations received	-	-	-	420	420
Donations received to purchase fixed assets	-	-	-	46	46
	-	-	-	466	466
<u>Reductions during the year:</u>					
Freeing restricted donations for activities	-	-	-	(631)	(631)
Balance on December 31, 2013	169	2,200	142	-	2,511
Surplus on accounting year	(697)	-	-	-	(697)
<u>Unrestricted transfers</u>					
Used for permanent assets, net	(118)	-	118	-	-
Used to cover amortization expenses	44	-	(44)	-	-
	(74)	-	74	-	-
<u>Net Amounts (designated) used by KW</u>					
Project for Integrating Children with Special Needs	200	(200)	-	-	-
Opening new branches	500	(500)	-	-	-
	700	(700)	-	-	-
<u>Additions during the year</u>					
Donations received	-	-	-	1,649	1,649
<u>Reductions during the year</u>					
Freeing restricted donations for activities	-	-	-	(1,010)	(1,010)
Balance on December 31, 2014	98	1,500	216	639	2,453

*See note 2(5)

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

Krembo Wings (RA)
Cash Flow Reports

	<u>For the year ending on</u>	
	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	NIS (in K)	NIS (in K)
<u>Current activity cash flow</u>		
Current activity cash flow	(697)	1,224
Surplus on accounting year	<u>(1,037)</u>	<u>(740)</u>
Adjustments required to present current activity cash flow (Annex A)	<u>(1,734)</u>	<u>484</u>
 <u>Cash flow from investments</u>		
Purchasing of permanent assets	(118)	(71)
Cash gained from releasing reserves for permanent assets	-	46
Net cash used for investment activity	<u>(118)</u>	<u>(25)</u>
 <u>Cash flow from funding</u>		
Donations for net restricted assets	<u>1,649</u>	<u>420</u>
Net cash gained from funding activity	<u>1,649</u>	<u>420</u>
 Increase (decrease) in cash and cash equivalents	(203)	879
Cash and cash equivalents balance at year's start	<u>2,624</u>	<u>1,745</u>
Cash and cash equivalents balance at year's end	<u><u>2,421</u></u>	<u><u>2,624</u></u>

Annex A: Adjustments Required to Present Current Activity Cash Flows

	<u>For the year ending on</u>	
	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	NIS (in K)	NIS (in K)
Expenses not involving cash flows		
Depreciation and amortization	44	14
Increased reserve for severance pay	34	45
Amounts freed from net restricted assets	<u>(1,010)</u>	<u>(631)</u>
	<u>(932)</u>	<u>(572)</u>

Changes in asset & liability items

Decrease (increase) in debtors and debt balances	(327)	(605)
Increase in collectible checks & credit cards	(122)	(57)
Decrease in suppliers and service providers	293	313
Decrease in other creditors and credit balances	<u>51</u>	<u>181</u>
	<u>(105)</u>	<u>(168)</u>
Total adjustments required to present the cash flow from curren	<u>(1,037)</u>	<u>(740)</u>

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). KW is a national youth movement for children with special needs, working to bring about awareness of people with special needs among the general public, while promoting direct interaction with and acceptance of such individuals and working to forge social ties among kids with special needs and between them and their able-bodied counselors. In 2014, KW operated 35 branches across Israel (in 2013 - 24 branches). In 2014 and 2013 respectively, 3,308 and 2,350 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 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

(3) The basis for acknowledgment of revenues and expenses

KW manages its accounting on an aggregate basis, according to regulations set in Accounting Standard 5.

(4) Presentation of the Financial Reports

1. The balances included in the net asset group are presented with a distinction
 - 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:

	2014		
	Balance as of 31 Dec 2013	Realization of designated assets	Balance as of 31 Dec 2014
Designation	NIS (in K)	NIS (in K)	NIS (in K)
Opening new branches	1,000	(500)	500
Integrating children with special needs	450	-	450
Summer camp	200	(200)	-
Founding a national counselor training center	550	-	550
Total	2200	(700)	1,500

	2013			Balance as of 31 Dec 2013
	Balance as of 31 Dec 2012	Realization of designated assets	Assets' designation	
	NIS (in K)	NIS (in K)	NIS (in K)	
Designation				
Opening new branches	600	(600)	1,000	1,000
Integrating children with special needs	-	-	450	450
Summer camp	-	-	200	200
Founding a national counselor training center	550	-	-	550
Total	1,150	(600)	1,650	2,200

(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:

Equipment 7-15%; computers 33%; improvements to rented equipment 10%

(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

(7) Value of incomes and expenses

The Financial Reports include values of incomes and expenses given to KW by various sources. (See also: notes

(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):

	As of December 31	
	2014	2013
	Exchange rates	
USD	3.889	3.471
GBP	6.064	5.741
Euro	4.725	4.782
CHF	3.929	3.897

Note 3 – Cash and Cash Equivalents

Composition:

	As of December 31	
	2014	2013
	NIS (in K)	NIS (in K)
Cash in the cashbox – NIS	9	13
Cash in the bank – NIS	1,114	807
Cash in the bank – Forex	521	838
Short-term deposits	777	966
	2,421	2,624

Note 4 – Other Debtors and Debt**Balances**

Composition:

	As of December 31	
	2014	2013
	NIS (in K)	NIS (in K)
Advance expenses and deposits on vehicles	322	165
Revenues receivable	691	521
	<u>1,013</u>	<u>686</u>

Revenues Receivable

Composition:

	Equipment	Computers	Improvements to rented equipment	Total
	NIS (in K)	NIS (in K)	NIS (in K)	NIS (in K)
	<u>Cost</u>			
Balance as of 1 January 2014	122	51	-	173
Acquisitions this year	13	88	16	117
Balance as of 31 December 2014	<u>135</u>	<u>139</u>	<u>16</u>	<u>290</u>
<u>Accumulated amortization</u>				
Balance as of 1 January 2014	17	13	-	30
Amortization this year	19	24	1	44
Balance as of 31 December 2014	<u>36</u>	<u>37</u>	<u>1</u>	<u>74</u>
Amortized as of 31 December 2014	<u>99</u>	<u>102</u>	<u>15</u>	<u>216</u>
Amortized as of 31 December 2013	<u>104</u>	<u>38</u>	<u>-</u>	<u>142</u>

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

Note 6 – Suppliers and Service Providers

Composition:

	As of December 31	
	2014	2013
	NIS (in K)	NIS (in K)
Open accounts	605	308
Cashable checks	284	288
	<u>889</u>	<u>596</u>

Note 7 – Various Creditors and Credit Balances

Composition:

	As of December 31	
	2014	2013
	NIS (in K)	NIS (in K)
Employees and institutes for pay	245	137
Income tax	-	23
Expenses payable	-	82
Vacation allowance	95	47
	<u>340</u>	<u>289</u>

Note 8 – Own Incomes

Composition:

	<u>For the year ending on</u>	
	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	<u>NIS (in K)</u>	<u>NIS (in K)</u>
Donations	3,741	5,604
Donations freed of temporary restriction	1,010	631
Donations in monetary equivalent	54	181
Deduction for transfer to others	-	(70)
Total donations	<u>4,805</u>	<u>6,346</u>
Participant and counselor participation	1,722	685
Volunteer work equivalent (1)	<u>5,050</u>	<u>4,460</u>
	<u>11,577</u>	<u>11,491</u>

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

Note 9 – Public Budgeting & Support

Composition:

	<u>For the year ending on</u>	
	<u>December 31</u>	
	<u>2014</u>	<u>2013</u>
	<u>NIS (in K)</u>	<u>NIS (in K)</u>
Ministry of Welfare & Social Services Partnership Initiative	2,763	-
Support by the Ministry of Welfare & Social Services	-	64
Social Security - Initiative	223	265
Support by the Ministry of Education	59	-
Value of Ministry of Education's transportation support (1)	136	276
Support by local authorities	370	182
Value of local authority transportation support (2)	416	355
Value of local authority facility allocation support (3)	<u>556</u>	<u>439</u>
	<u>4,523</u>	<u>1,581</u>

(1) Value of support of the Poland Delegation = 77 NIS (in K), as well as value of support of KW's summer camp = 59 NIS (in K). (2013: value of support of transportation = 276 NIS (in K)). See also Note 10 below.

(2) See also Note 10 below.

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

(*) Reclassified

Note 10 – Activity Costs

Composition:

	For the year ending on	
	December 31	
	2014	2013
	NIS (in K)	NIS (in K)
Salaries and related costs	2,732	846
Equivalent of volunteer pay (1)	5,050	4,460
Summer camp and delegation to Poland (2)	1,812	984
Participant trips to branch activities (3)	1,519	893
Branch operations & volunteer training	1,329	799
Operation and maintenance of activity office	230	-
Event production	120	588
Equivalent of facility allocation – branches (4)	556	439
Vehicle maintenance	659	312
Public relations & fundraising	114	239
Scholarships	57	111
Amortization	44	14
Insurances	84	76
Uniforms	85	65
Theory and training development	290	351
Service year program and house	129	-
	<u>14,810</u>	<u>10,177</u>

(1) For more details, see Note 12(1) below.

(2) 2014: Including Ministry of Education's support in Poland Delegation = 77 NIS (in K), as well as Ministry of Education's support in KW's Summer Camp = 59 NIS (in K). See also Note 9 above.

(3) 2014: Including value of local authority participant transportation support = 416 NIS (in K). (2013: Including value of Ministry of Education's and local authorities' support = 631 NIS (in K)). See also Note 9 above.

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

(*) Reclassified

Note 11 – Management and General**Expenses**

Composition:

	For the year ending on	
	December 31	
	2014	2013
	NIS (in K)	NIS (in K)
Salaries and benefits	1,318	1,153
Communication	57	79
Offices and computers	16	48
Catering and per diem	75	62
Professional services	29	71
Vehicle maintenance	190	106
Office rental & maintenance (2)	278	62
Taxes, levies and insurances	11	13
Travel	5	11
	<u>1,979</u>	<u>1,605</u>

(*) Reclassified

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 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) – 1,930 in 2014 and 1,677 in 2013 – within the financial reports according to accepted accounting rules.

Our financial estimate of the value of volunteer activity in 2014 and 2013 is 5,050 NIS (in K) and 4,460 NIS (in K), 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 17.39 NIS.

B. Use of facilities

KW is active in properties provided without financial consideration. According to its estimate, the value of its use of facilities in 2014 and 2013 is 556 NIS (in K) and 439 NIS (in K), respectively.

Note 12 – Events after the Balance Date

In February 2015, the Ministry of Welfare approved a project for expanding KW's activities in existing branches and new ones to be opened during 2015 (hereafter: "The Partnership Initiative"). As part of this Project, the ministry undertook to finance KW's yearly costs at an amount of up to 2.35 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 KW's 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.

Name of Donor	Donation Amount in NIS 2014
The Jewish Agency	684,967
Tmura - The Israeli Public Service Venture Fund	524,000
United Israel Appeal	248,712
David Klein	200,000
The Azrieli Group	200,000
The Azrieli Foundation	196,000
Klal Insurance Group	148,081
New Israel Fund	115,980
HSBC Holding	104,280
Joseph and Kristina Kassirer Foundation	100,000
Fresh Leaf Charitable Foundation	99,280
Neo Games	90,000
Maurice and Vivienne Wohl Philanthropic Foundation	87,724
A.A. Rahminov Diamonds Ltd.	86,200
Bank Mizrahi Tefahot Ltd.	60,000
Poalim in the Community	55,000
Gazit Globe Ltd.	40,000
Adama Michtashim	40,000
Symphasis Charitable Foundation, Zurich	38,170
Kadoorie Charitable Foundation	34,610
ICEJ Projects	28,560
Jewish Child's Day	28,138
Safe Charge	27,000
Amot Investments Ltd.	25,000
Dor HaPalmach	25,000
Bezalel Graphics (in kind contribution)	24,452
Clara Mendes Stichting	23,323
UIA Canada	20,254
A.R.Z.Y.M. Malls Management Ltd.	20,000
Discount Bank	20,000
Techplay S.A. Software Ltd.	20,000
Fritz Naphtali Foundation	20,000
Isracard Ltd.	20,000