

Be-Atzmi (RA)

**Financial Statements
As At December 31, 2023**

Financial Statements as at December 31, 2023

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**Auditors' Report to the Members of
Be-Atzmi (RA)**

We have audited the accompanying Statements of Financial Position of Be-Atzmi (RA) (hereinafter – “the Organization”) as of December 31, 2023 and 2022, and the related statements of activities, statement of changes in net assets and statements of cash flows for the years then ended. 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 of December 31, 2023 and 2022 and the results of its activities, changes in net assets and cash flows for the years then ended, in accordance with generally accepted accounting principles in Israel (Israeli GAAP).

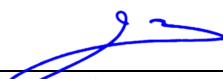
A handwritten signature in blue ink that reads 'Somekh Chaikin'.


Somekh Chaikin
Certified Public Accountants (Isr.)

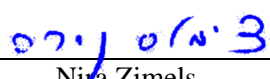
June 26, 2024

Statements of Financial Position as at December 31

	Note	2023 NIS	2022 NIS
Current assets			
Cash and cash equivalents	4	4,489,363	6,835,925
Marketable securities	5	7,364,677	6,382,575
Other receivables	6	9,825,346	12,086,608
Total current assets		21,679,386	25,305,108
Fixed and other assets, net	7	262,887	521,684
Total assets		21,942,273	25,826,792
Current liabilities			
Trade payables		2,740,732	4,226,238
Other payables	8	4,079,926	4,745,966
Total current liabilities		6,820,658	8,972,204
Long-term liabilities			
Liability for employee severance benefits, net	9	37,959	87,949
Total liabilities		6,858,617	9,060,153
Net assets not subject to restriction			
Unrestricted net assets used for activities		14,109,455	15,051,662
Net assets invested in fixed assets		262,887	521,684
		14,372,342	15,573,346
Net assets subject to restriction		711,314	1,193,293
Total net assets		15,083,656	16,766,639
Total liabilities and net assets		21,942,273	25,826,792


 Dorit Novrk
 Chairman of the Board


 Shlomi Kot
 Chairman of Finance Committee


 Nira Zimels
 CEO

Date of approval of the financial statements: 26/6/2024

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

Statements of Activities for the Year Ended December 31

	<u>Note</u>	<u>2023</u> <u>NIS</u>	<u>2022</u> <u>NIS</u>
Revenue from activities	10	60,625,683	62,725,317
Cost of activities	11	58,958,992	60,724,530
Net revenue from activities		1,666,691	2,000,787
General and administrative expenses	12	3,415,445	3,691,024
Deficit before financing		(1,748,754)	(1,690,237)
Financing income (expenses), net		547,750	(1,187,401)
Deficit for the year		(1,201,004)	(2,877,638)

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

Statements of Changes in Net Assets

	<u>net assets used</u> <u>for activities</u> <u>NIS</u>	<u>invested in</u> <u>fixed assets</u> <u>NIS</u>	<u>temporary</u> <u>restriction</u> <u>NIS</u>	<u>Total</u> <u>NIS</u>
Balance as at January 1, 2022	17,988,207	462,777	1,774,349	20,225,333
Excess income over expenses for the year	(2,877,638)	-	-	(2,877,638)
Donations	-	-	4,472,778	4,472,778
Amounts transferred for the purchase of fixed assets	(304,333)	304,333	-	-
Amounts transferred to cover depreciation expenses	245,426	(245,426)	-	-
Amounts released from restriction	-	-	(5,053,834)	(5,053,834)
Balance as at December 31, 2022	<u>15,051,662</u>	<u>521,684</u>	<u>1,193,293</u>	<u>16,766,639</u>
Excess income over expenses (deficit) for the year	(1,201,004)	-	-	(1,201,004)
Donations	-	-	4,178,980	4,178,980
Amounts transferred for the purchase of fixed assets	(3,159)	3,159	-	-
Amounts transferred to cover depreciation expenses	261,956	(261,956)	-	-
Amounts released from restriction	-	-	(4,660,959)	(4,660,959)
Balance as at December 31, 2023	<u>14,109,455</u>	<u>262,887</u>	<u>711,314</u>	<u>15,083,656</u>

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

Statements of Cash Flows for the Year Ended December 31

	<u>2023</u>	<u>2022</u>
	<u>NIS</u>	<u>NIS</u>
Cash flows from operating activities		
Excess income over expenses (deficit) for the year	(1,201,004)	(2,877,638)
Adjustments to present cash and cash equivalents from operating activities – Appendix A	<u>(160,297)</u>	<u>(5,144,841)</u>
Net cash from operating activities	<u>(1,361,301)</u>	<u>(8,022,479)</u>
Cash flows from investing activities		
Change in marketable securities, net	(982,102)	5,532,240
Purchase of fixed assets	<u>(3,159)</u>	<u>(304,333)</u>
Net cash from (used in) investing activities	<u>(985,261)</u>	<u>5,227,907</u>
Decrease in cash and cash equivalents	(2,346,562)	(2,794,572)
Cash and cash equivalents at the beginning of the year	<u>6,835,925</u>	<u>9,630,497</u>
Cash and cash equivalents at the end of the year	<u><u>4,489,363</u></u>	<u><u>6,835,925</u></u>

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

Statements of Cash Flows for the Year Ended December 31

	<u>2023</u>	<u>2022</u>
	<u>NIS</u>	<u>NIS</u>
Appendix A - Adjustments to present cash and cash equivalents from operating activities		
<u>Income and expenses not involving cash flows:</u>		
Depreciation	261,956	245,426
Restricted donation net of amounts released from restriction	(481,979)	(581,056)
<u>Changes in asset and liability items:</u>		
Decrease (increase) in other receivables	2,261,261	(3,204,550)
Decrease in trade payables	(1,485,505)	(462,863)
Decrease in other payables	(666,040)	(1,141,747)
Decrease in severance pay	(49,990)	(51)
	<u>(160,297)</u>	<u>(5,144,841)</u>

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

Notes to the Financial Statements as at December 31, 2023

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, 2024.
- 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.
- D.** The Organization financial results for the years ended December 31, 2023 and 2022 amounted to a deficit of NIS 1,201 thousand and NIS 2,877 thousand respectively. Based on the decision of the Board from December 27, 2022 and February 2, 2022 the deficit was funded from the accrued surplus carried over from prior years amounting to NIS 1,167 thousands and NIS 2,470 thousand.
- E.** Following the brutal attacks on Israel, the mobilization of army reserves and the Government declaring a state of war (“Iron Swords” war) in October 2023, there was a decrease in Israel’s economic and business activity. As at the approval of these financial statements, there has been no material effect on the Organizations operations and the Organization is unable to predict the effect of the Iron Swords of future operations. The Organization is continuing to follow the outcomes of the Iron Swords and the effect on its operations and assets.

Note 2 - Basis of Preparation**A. Functional and presentation currency**

These financial statements are presented in NIS, which is the Organization's functional currency, and have been rounded to the nearest thousands, except when otherwise indicated. The NIS is the currency that represents the principal economic environment in which the Organization operates.

B. Use of estimates and judgments

The preparation of financial statements in conformity with Israeli GAAP requires management of the Organization to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the Organization’s financial statements requires management of the Organization to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the Organization prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Notes to the Financial Statements as at December 31, 2022

Note 2 - Basis of Preparation (cont'd)**C. Use of estimates and judgments (cont'd)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Note 3 - Significant Accounting Policies**A. Accounting of non-profit organization**

As from January 1, 2021 the financial statements are prepared in the format prescribed in Accounting Standard No. 40, *Accounting Principles and Financial Reporting of Non-Profit Organizations*.

Pursuant to the provisions of that standard:

Conditional donation

A donation that includes a donor-imposed condition. The condition represents a barrier that must be overcome so that the recipient non-profit organization will be eligible for the transferred or promised assets. Failure to overcome the barrier gives the donor a right of return of the assets transferred or releases the promisor from its obligation.

Promise

A documented agreement that is legally enforceable to donate cash or other assets to a non-profit organization.

Donor-imposed restrictions on the use of net assets

A restriction of a donor or external party on the use of the assets received from them as a donation, which are more specific than the nature of the non-profit organization, the environment in which it operates and the objectives specified in the non-profit organization's articles of incorporation.

Unrestricted net assets

That portion of net assets whose use has not been restricted by the donors.

The unrestricted net assets can be divided into the following categories:

1. Net assets for use in activities – designated by the bodies of the non-profit organization.
2. Net assets for use in activities – not designated by the bodies of the non-profit organization.
3. Net assets invested in fixed assets.

Transfers between the aforesaid categories will be presented in the statement of changes in net assets and not in the statement of activities.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)**A. Accounting of non-profit organization (cont'd)****Restricted net assets**

Donations whose use has been restricted by the donors will be presented as additions to restricted net assets.

When the restrictions are removed as a result of fulfilling their designated objectives, the amounts will be transferred from the restricted net assets and be presented as income in the statement of activities as amounts released from restrictions for activities.

Classification of restricted donations in the statement of cash flows

Cash flows from financing activities will include amounts received in respect of donations that are subject to a long-term restriction of the donor whereas cash flows from operating activities will include amounts received in respect of donations whose use is restricted, other than donations that are subject to a long-term restriction of the donor.

B. Cash and cash equivalents

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

C. Investments in securities**(1) Marketable securities**

Marketable securities held as a current investment are stated at their stock market value as at the date of the financial statements less expenses for their disposal. Changes in the value of securities are fully recognized in the statement of income.

Marketable securities held as a permanent investment are stated at cost (debentures - including accrued interest), less a provision for impairment in value not of a temporary nature.

(2) Non-marketable securities

Non-marketable securities are stated at cost (debentures - including accrued interest), which in the opinion of management of the Organization is not in excess of their realizable value.

(3) Impairment in value of investments

From time to time the Organization examines whether there has been an impairment not of a temporary nature in the value of its permanent investments in other companies. This examination is performed when there are signs that may indicate that there has been an impairment in value of permanent investments, including a drop in the prices on the stock exchange, the business of the investee and additional parameters. Write-downs to adjust the value of these investments, which, in accordance with the opinion of management, is based on an examination of the overall relevant aspects and the significance of each, and which are not of a temporary nature, are charged to the statement of activities.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)

D. Fixed assets

Recognition and measurement

The Company applies Accounting Standard 27 *Fixed Assets*, which prescribes rules for the recognition and measurement of fixed asset items and for the disclosure required in respect thereto. Fixed asset items are measured at cost less accumulated depreciation and accumulated impairment losses. Gains and losses on disposal of a fixed asset item are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are recognized net within "other income" or "other expenses", as relevant, in the statement of activities.

Cash designated for fixed assets

Cash that the donor restricted for investing in fixed assets, is not included in the cash and cash equivalents item, rather in a separate item of fixed assets or intangible assets called "cash and other investments restricted for investing in fixed assets/intangible assets".

Depreciation

Depreciation is recognized in the statement of activities on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance lease agreements including lands are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Organization will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	%
Furniture and equipment	6-10
Computer equipment	33
Leasehold improvements	The shorter of the lease term and the useful life

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)**E. Impairment**

The Organization applies Accounting Standard No. 15, *Impairment in Value of Assets* (hereinafter – “the Standard”). The Standard provides procedures which the Organization must apply in order to ensure that its assets in the balance sheet, to which the Standard applies, are not presented at an amount which is in excess of their recoverable amount, which is the higher of the net selling price and the value in use (the present value of the estimated future cash flows expected to be derived from use and disposal of the asset). In addition, the Standard provides rules for presentation and disclosure with respect to assets whose value has been impaired. When the value of an asset in the statement of financial position is higher than its recoverable amount, the Organization recognizes a loss from the impairment in value in the amount of the difference between the carrying amount of the asset and its recoverable amount. The loss thus recognized will be cancelled only in the event of changes occurring in the estimates that were used to determine the recoverable amount of the asset since the date on which the most recent loss from the impairment in value was recognized.

F. Revenue recognition1. Revenue from services

Revenues from services are recognized proportionately over the period of the agreement or upon performance of the services if it is certain that the economic benefits attributed to performance of the services will be received.

2. Revenue from interest and dividends

Revenue from interest on debentures and loans is recognized in the statement of activities on an accrual basis using the effective interest method. Revenue from dividends is recognized in the statement of activities on the date of becoming eligible to the dividend.

3. Services received for no consideration

Various services were received for no consideration such as: accounting services, legal services, board membership and chairman services and various volunteer services including students and guides.

These services are not reflected in the financial statements.

4. Assets received for no consideration

Fixed assets, investment property, intangible assets, inventory and assets designated for current use that were received for no consideration are included in the financial statements according to their fair value on the date they are received, if they have a material financial value compared to the Organization's volume of activity and their fair value can be reliably estimated. From that date on their fair value will be deemed the cost of the asset.

Notes to the Financial Statements as at December 31, 2022

Note 3 - Significant Accounting Policies (cont'd)

F. Revenue recognition (cont'd)

5. Recognition of donations and promises

Donations that were received are recognized as income or as additions to restricted net assets in the period they were received.

A conditional donation is not recognized until it becomes non-conditional. A transfer of assets that is a conditional donation is accounted for as a refundable advance payment (within the Organization's liabilities) until the conditions are met or the restriction is specifically relinquished, meaning until the restriction is removed. When the restriction is removed the donation will be recognized in the financial statements according to its designation as either income or within restricted net assets.

G. Reclassification

Certain comparative numbers have been reclassified to conform with current year's presentation.

Note 4 – Cash and cash Equivalents

	<u>December 31 2023</u>	<u>December 31 2022</u>
	NIS	NIS
NIS accounts	4,258,318	6,800,732
Foreign currency accounts	<u>231,045</u>	<u>35,193</u>
	<u>4,489,363</u>	<u>6,835,925</u>

Notes to the Financial Statements as at December 31, 2022

Note 5- Marketable Securities

	<u>December 31 2023</u>	<u>December 31 2022</u>
	NIS	NIS
Trust funds	1,170,948	-
Marketable securities	5,842,468	3,258,410
Daily interest deposit	351,261	3,124,165
	<u>7,364,677</u>	<u>6,382,575</u>

Note 6 - Other Receivables**A. Composition**

	<u>December 31 2023</u>	<u>December 31 2022</u>
	NIS	NIS
Customers	9,333,389	11,922,362
Donations receivable	65,893	65,124
Prepaid expenses	329,487	2,545
Deposit	96,577	96,577
	<u>9,825,346</u>	<u>12,086,608</u>

B. Material customers

The Organization's revenues from three and four projects with The Ministry of Welfare and Social Affairs for the years 2023 and 2022 respectively, and with the Ministry of Labor for 2023 amounted to NIS 54,446 thousand and NIS 55,097 thousand in 2023 and 2022, respectively, which constitute 90% and 88%, respectively, of the Organization's total revenue.

Notes to the Financial Statements as at December 31, 2022

Note 7 - Fixed and Other Assets, Net

	Computers and software	Office furniture and equipment	Leasehold improvements	Total
	NIS	NIS	NIS	NIS
Cost				
Balance as at January 1, 2023	1,820,117	87,720	292,031	2,199,868
Additions	-	3,159	-	3,159
Disposals	(1,075,668)	(11,373)	(33,955)	(1,120,996)
Balance as at December 31, 2023	<u>744,449</u>	<u>79,506</u>	<u>258,076</u>	<u>1,082,031</u>
Accumulated depreciation				
Balance as at January 1, 2023	1,389,734	67,430	221,020	1,678,184
Additions	230,614	5,535	25,807	261,956
Disposals	(1,075,668)	(11,373)	(33,955)	(1,120,996)
Balance as at December 31, 2023	<u>544,680</u>	<u>61,592</u>	<u>212,872</u>	<u>819,144</u>
Carrying amount as at December 31, 2023	<u>199,769</u>	<u>17,914</u>	<u>45,204</u>	<u>262,887</u>
Carrying amount as at December 31, 2022	<u>430,383</u>	<u>20,290</u>	<u>71,011</u>	<u>521,684</u>

Note 8 - Other Payables

	December 31 2023	December 31 2022
	NIS	NIS
Liabilities to employees and other salary-related liabilities	2,876,686	3,540,543
Institutions	834,972	648,423
Income in advance	106,258	-
Accrued expenses	262,010	557,000
	<u>4,079,926</u>	<u>4,745,966</u>

Notes to the Financial Statements as at December 31, 2022

Note 9 - 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 10 - Revenue from Activities

	For the year ended December 31	
	2023	2022
	NIS	NIS
A. Revenue:		
From projects	55,389,768	57,499,356
From grants and donations	574,956	172,127
Amounts released from restriction	4,660,959	5,053,834
	60,625,683	62,725,317

Note 11 - Cost of Activities

	For the year ended December 31	
	2023	*2022
	NIS	NIS
Salaries	36,144,127	37,402,006
Training and workshops	8,409,013	9,427,141
Professional training	736,106	1,521,687
Grants to participants	2,161,337	2,053,000
Equipment and economic assistance to participants	3,773,262	2,964,879
Rent, office maintenance and communications	3,053,493	2,729,216
Information and computing systems	2,101,547	1,596,583
Marketing and advertising	784,693	959,856
Events and gatherings	82,231	219,720
Consultancy and research	908,877	1,169,878
Measurement and evaluation	260,845	493,818
Other	543,461	186,746
	58,958,992	60,724,530

* Reclassified

Notes to the Financial Statements as at December 31, 2022

Note 12 - General and Administrative Expenses

	For the year ended December 31	
	2023	2022
	NIS	NIS
Salaries	1,421,146	1,545,268
Salary-related and social expenses	421,041	534,812
Professional services	475,718	396,248
Office rent and maintenance and communication	817,920	993,450
Subsistence, refreshments and travel	35,503	58,134
Car rent and maintenance	97,922	38,235
Depreciation	52,391	49,085
Other	93,804	75,792
	3,415,445	3,691,024

Notes to the Financial Statements as at December 31, 2022

Note 13 - Classification of Expenses in the Statement of Activities According to Nature of Expense

	Cost of activities		General and administrative expenses		Total	
	2023	2022	2023	2022	2023	2022
	NIS	NIS	NIS	NIS	NIS	NIS
Salaries, salary-related and social expenses	36,144,127	37,008,312	1,842,187	2,080,080	37,986,314	39,088,392
Training and workshops	8,409,013	9,427,141	-	-	8,409,013	9,427,141
Professional training	736,106	1,521,687	-	-	736,106	1,521,687
Grants to participants	2,161,337	2,053,000	-	-	2,161,337	2,053,000
Equipment and economic assistance to participants	3,773,262	2,964,879	-	-	3,773,262	2,964,879
Setup costs			-	-		-
Rent, office maintenance and communications	3,053,493	2,729,216	817,920	993,450	3,871,413	3,722,666
Marketing and Advertising	784,693	959,856	-	-	784,693	959,856
Events and gatherings	82,231	219,720	-	-	82,231	219,720
Consultancy and Professional services	908,877	1,169,878	475,718	396,248	1,384,595	1,566,126
Measurement and Evaluation	260,845	493,818	-	-	260,845	493,818
refreshments, and Travel	-	-	35,503	58,134	35,503	58,134
Car rent and Maintenance	-	-	97,922	38,235	97,922	38,235
Depreciation	-	-	52,391	49,085	52,391	49,085
Other	543,461	580,440	93,804	75,792	637,265	656,232
	<u>58,958,992</u>	<u>60,724,530</u>	<u>3,415,445</u>	<u>3,691,024</u>	<u>62,374,437</u>	<u>64,415,554</u>

מספר מסמך 10252775

Be-Atzmi – FS December 2023

מספר חברה 11799

להחזיר לשירה ל.