

**LOTAN'S WAY (R.A)**  
**FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2015**

These Financial Statements are a translation from the original Hebrew version, prepared for your convenience only. The original financial statements were signed on June 22, 2016.

Please note that this translation excludes the auditor's opinion.

# **LOTAN'S WAY (R.A.)**

## **FINANCIAL STATEMENTS AS OF DECEMBER 31, 2015**

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**LOTAN'S WAY (R.A)**  
**BALANCE SHEETS**

		<u>December 31</u>	
		<u>2 0 1 5</u>	<u>2 0 1 4</u>
<u>Note</u>	<u>NIS</u>		
<b><u>Current assets</u></b>			
	Cash and cash equivalents	286,443	362,285
	Accounts receivables	499,510	594,005
	<b><u>Total current assets</u></b>	<u>785,953</u>	<u>956,290</u>
	<b><u>Fixed assets</u></b>	<u>36,263</u>	<u>14,291</u>
	<b><u>Total assets</u></b>	<u>822,216</u>	<u>970,581</u>
<b><u>Current liabilities</u></b>			
	Payables and other current liabilities	103,304	117,703
<b><u>Non-current liabilities</u></b>			
	Loans from related parties and others	100,000	45,000
	Liability for employee termination benefits	36,106	12,065
	<b><u>Total non-current liabilities</u></b>	<u>136,106</u>	<u>57,065</u>
	<b><u>Net assets</u></b>	<u>582,806</u>	<u>795,813</u>
	<b><u>Total liabilities and net assets</u></b>	<u>822,216</u>	<u>970,581</u>

June 22, 2016

\_\_\_\_\_  
Date of approval of  
financial statements

\_\_\_\_\_  
Yosi Zinger  
Chairman

\_\_\_\_\_  
Adi Dori  
CEO

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

**LOTAN'S WAY (R.A)**  
**STATEMENT OF ACTIVITIES**

	Note	For the year ended December 31,	
		2 0 1 5	2 0 1 4
		NIS	
<b><u>Operational Volume</u></b>			
Income from activity	9	950,908	823,672
Donations	10	659,604	725,281
Grants from Ministry of Education		345,000	275,000
		1,955,512	1,823,953
<b><u>Cost of activities</u></b>			
Operations and training	9	1,010,815	764,265
Employee costs		710,838	487,787
General and administrative expenses	8	400,437	400,267
Insurance		34,237	34,186
Depreciation		3,969	3,204
		2,160,296	1,689,709
<b>Net income (deficit) before financing</b>		(204,784)	134,244
Financing income (expenses), net		(8,223)	941
<b>Net surplus (deficit) for the year</b>		(213,007)	135,185

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

**LOTAN'S WAY (R.A)**  
**STATEMENT OF CHANGES IN NET ASSETS**

	Not restricted		
	Used for activity	Used for fixed assets	Total
	NIS		
<b>Balance as of January 1, 2014</b>	645,533	15,095	660,628
<b><u>Additions during the year:</u></b>			
Net surplus for the year	135,185	-	135,185
<b><u>Deductions during the year:</u></b>			
Purchase of fixed assets	(2,400)	2,400	-
Transfer to cover depreciation	3,204	(3,204)	-
	804	(804)	-
<b>Balance as of December 31, 2014</b>	781,522	14,291	795,813
<b><u>Additions during the year:</u></b>			
Net deficit for the year	(213,007)	-	(213,007)
<b><u>Deductions during the year:</u></b>			
Purchase of fixed assets	(25,941)	25,941	-
Transfer to cover depreciation	3,969	(3,969)	-
	(21,972)	21,972	-
<b>Balance as of December 31, 2015</b>	546,543	36,263	582,806

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

**LOTAN'S WAY (R.A)**  
**STATEMENTS OF CASH FLOW**

	<b>For the year ended December 31,</b>	
	<b>2 0 1 5</b>	<b>2 0 1 4</b>
	<b>NIS</b>	
<b><u>Cash flows - current operations:</u></b>		
Net surplus (deficit) for the year	(213,007)	135,185
Adjustments to reconcile net income to net cash for operations (see appendix A)	108,106	185,984
<b>Net cash used for current operations</b>	<u>(104,901)</u>	<u>321,169</u>
<b><u>Cash flows - investment activities:</u></b>		
Purchase of fixed assets	(25,941)	(2,400)
<b>Net cash used for investment activities</b>	<u>(25,941)</u>	<u>(2,400)</u>
<b><u>Cash flows - financing activities:</u></b>		
Loans from founders and others, net	55,000	-
<b>Net cash generated from financing activities</b>	<u>55,000</u>	<u>-</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(75,842)</u>	<u>318,769</u>
<b>Balance of cash and cash equivalents at beginning of year</b>	<u>362,285</u>	<u>43,516</u>
<b>Balance of cash and cash equivalents at end of year</b>	<u><u>286,443</u></u>	<u><u>362,285</u></u>

**Appendix A- Adjustments to reconcile net income to net cash used for operations:**

	<b>For the year ended December 31,</b>	
	<b>2 0 1 5</b>	<b>2 0 1 4</b>
	<b>NIS</b>	
<b><u>Expenses (income) not involving cash flows:</u></b>		
Depreciation	3,969	3,204
Increase (decrease) in liability for termination of employee-employer relationships	24,041	(508)
	<u>28,010</u>	<u>2,696</u>
<b><u>Changes in assets and liabilities:</u></b>		
Decrease in accounts receivable	94,495	207,577
Decrease in payable and other current liabilities	(14,399)	(24,289)
	<u>80,096</u>	<u>183,288</u>
	<u><u>108,106</u></u>	<u><u>185,984</u></u>

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

**LOTAN'S WAY (R.A)**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - GENERAL**

- A. Lotan's Way (R.A.) (hereinafter - "the NGO") is a nonprofit organization established in June 2009, by the Selvin family in the memory of Lieutenant Lotan Selvin z"l, which fell in the line of duty, during the second Lebanon war. The NGO main purpose is to create field seminars in the desert, establish a national center and to train Counselors and mentors for at-risk youth.
- B. The financial statements are presented according to accounting standards, as accepted for NGO.
- C. The NGO obtained official recognition as a "Public institution" according to section 9(2) of the Income Tax Ordinance. All of its income are used solely for its public goals. The NGO obtained official recognition as "a Public Institution" for the purpose of donations according to article 46 of the Income Tax Ordinance as of June 2012.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies that were implemented in the financial statements are as follows:

- A. These financial statements were prepared according to the integrated version of Accounting Opinion No. 69 of the Institute of Certified Public Accountants in Israel as amended by Standard 5 of the Israeli Accounting Standards Board regarding accounting and financial reporting by nonprofit organizations.

- B. The financial statements are presented in nominal amounts.

**C. Cash and cash equivalents:**

Cash and cash equivalents include deposits in banks for immediate withdrawal as well as fixed term deposits unrestricted as to use and whose redemption date as of the investment date does not exceed three months.

**D. Fixed assets:**

Fixed assets are presented according to the cost model - items of fixed assets are presented in the balance sheet at cost less accumulated depreciation, which is calculated based on the expected usage period of the assets, in compliance with the rates mentioned in the Income Tax regulations.

**The annual depreciation rates are as follows:**

	<u>%</u>
Furniture and equipment	6-15
Computer and computer equipment	33

**LOTAN'S WAY (R.A)**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES** (Cont.)

**E. Exchange rates and linkage bases:**

- (1) Assets and liabilities linked to the Consumer Price Index ("CPI") are presented according to the CPI in respect of the cutoff date.
- (2) Linkage differences are included in the statement of activities.
- (3) Data on the exchange rate is as follows:

	CPI	
	Index*	Change %
December 31, 2015	221.13	(1.0)
December 31, 2014	223.36	(0.2)

\*Based on the month ended on cutoff date and an average base index of 100=1993

**NOTE 3 - ACCOUNTS RECEIVABLES**

	As of December 31,	
	2015	2014
	NIS	
Income receivables	345,000	351,200
Trade receivables	127,806	34,003
Prepaid expenses	22,204	18,224
Related parties (1)	4,500	-
Checks receivable	-	190,578
	499,510	594,005

(1) During 2013, the founders granted the NGO a loan totaling in NIS 45K without any terms. The loan was prepaid in October 2015 in an excess of NIS 4.5K, which was return on May 2016.

**NOTE 4 - FIXED ASSETS, NET**

**Composition:**

	As of December 31			
	December 2015		December 2014	
	Cost	Accumulated depreciation	Net balance	Net Balance
	NIS			
Furniture and equipment	42,918	10,128	32,790	14,291
Computer and computer equipment	11,066	7,593	3,473	-
	53,984	17,721	36,263	14,291



**LOTAN'S WAY (R.A)**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5 - PAYABLES AND OTHER CURRENT LIABILITIES**

The composition:

	<u>As of December 31,</u>	
	<u>2 0 1 5</u>	<u>2 0 1 4</u>
	<u>NIS</u>	
Employees and institutions	88,939	84,937
Checks payable	11,049	26,555
Accounts payables	3,316	6,211
	<u>103,304</u>	<u>117,703</u>

**NOTE 6 - LOANS FROM RELATED PARTIES AND OTHERS**

During 2013, the founders granted the NGO a loan totaling in NIS 45K without any terms. The loan was repaid in October 2015 in an excess of NIS 4.5K, which was paid back to the NGO on May 2016. See Note 3.

During 2015, the NGO was granted a NIS 100k loans from others without any terms.

**NOTE 7 - LIABILITY FOR EMPLOYEE TERMINATION BENEFITS**

The NGO liability in respect of termination of employee – employer relationship is calculated based on the employees' latest salary in accordance of the Severance Law Pay, 1963. The liability is partially covered by regular payments to insurance companies in respect of insurance policies and provident funds. The balance is recorded as a liability in the Balance sheet

**NOTE 8 - GENERAL AND ADMINISTRATIVE EXPENSES**

The composition:

	<u>For the year ended</u>	
	<u>December 31,</u>	
	<u>2 0 1 5</u>	<u>2 0 1 4</u>
	<u>NIS</u>	
Salaries and related expenses	204,596	211,916
Fund raising	123,598	157,487
Vehicle expenses	44,735	15,687
Professional services	19,692	10,170
Office expenses	7,816	5,007
	<u>400,437</u>	<u>400,267</u>

**NOTE 9 - SERVICES RECEIVED WITHOUT COMPENSATION**

The financial statements includes services received without compensation, which could have been quantified in c. NIS 547K (during 2014 – NIS 535K). An amount of NIS 318K is attributed to a non-cash donation, granted by related parties (during 2014 – NIS 349K).

These services are recorded as an income and an expense, according to their fair value.

**LOTAN'S WAY (R.A)**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 10 - DONATIONS IN AN EXCESS OF NIS 20K**

The composition:

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>NIS</b>	
Logic industries Ltd.	386,601	-
Bracha fund	76,200	76,200
Gil Selvin – related party	70,000	-
M.A. Arave Tichona	50,000	-
Gav-Yam Bayside land corp. Ltd.	40,000	30,000
Adama Machteshim Ltd.	33,000	-
Poalim I.B.I. Ltd.	25,000	-
Mutag Nesichot Ltd.	25,000	-
Israel Andor	-	223,260
Boksenbaum fund	-	100,000
The Ministry of Welfare	-	73,690
Joseph and Cristina fund	-	70,000
Arava community center	-	50,000
Hanies fund	-	20,000

**NOTE 11 - COMMITMENTS AND GUARANTIES**

During 2015, the NGO engaged with the Ministry of Welfare in a service agreement as of January 1, 2016, for the operation of field programs designated for juveniles and adults offenders. The expected income to the NGO resulting from such activity is c. NIS 1,500K.

The NGO has granted a bank guarantee totaling in c. NIS 77K as part of the above-mentioned engagement.

**LOTAN'S WAY (R.A)**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 12 - RELATED PARTIES**

Balances due to related parties

**For the year ended  
December 31,**

2015	2014
NIS	

Accounts receivables – Gil Selvin  
Loans from related parties – Gil Selvin

4,500	-
-	45,000

Transactions with related parties

Income from activity (non-cash donation)  
Donations  
Cost of activity – activity and training (non-cash donation)

318,000	349,000
70,000	-
318,000	349,000