**The Society for the Protection of Nature in Israel (RA)**

**Financial Statements**  
**For the year ending on**  
**December 31, 2019**

|  |  |
| --- | --- |
| **Financial Statements as of December 31, 2019** | The Society for the Protection of Nature |
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The Auditors’ report to members of the Society for the Protection of Nature in Israel

We have audited the balance of the Society for the Protection of Nature in Israel attached herein (hereinafter – "the **Society**"), for December 31, 2019 and 2018, and the consolidated balances for the same dates; reports on the Society’s activities and the consolidated report; reports of changes in net assets, and reports on the Society and its consolidated cash flows, for the years ending on those dates. These financial statements are the responsibility of the association's executive committee and management. Our responsibility is to express an expert opinion on these financial statements based on our audits.

We have not audited the financial statements of the limited partnership that was consolidated proportionately and whose assets included in the consolidation comprise about 1% of the consolidated assets as of December 31, 2019 and 2018. The income included in the proportionate consolidation constitutes approximately 8% of the consolidation’s total revenues for those years. The financial statements of the limited partnership were audited by other accountants whose statements were made available to us for our opinion, so far as it relates to the amounts that are included for the same limited partnership, as based on the reports of other accountants.

We carried out our audit in accordance with accepted auditing standards in Israel, including those determined by the Accountants’ Regulations (Accountants’ Work Procedures) 5733-1973.According to these standards, we are required to plan and perform the audit, with the goal of achieving a reasonable degree of assurance that the presentation of the financial statements is not significantly misleading. The audit includes a sample audit of evidence supporting the sums and information contained in the financial statements. The audit also includes a general examination of the bookkeeping rules applied and the material estimates made by the Society’s Board of Directors and Management, as well as an evaluation of the presentation of the financial statements in general. We believe that our audit provides a suitable basis for expressing our expert opinion.

In our opinion, based on our audit and reports by other auditors, the aforementioned financial statements well-reflect, in all key aspects, the financial status of the Society and its consolidation as if December 31, 2019 and 2018, and the outcome of the Society's activities, changes in net assets and cash flows, and the consolidation for each of the years ending on those dates in accordance with accepted accounting rules in Israel (**Israeli GAAP**).

Somekh Chaiken, Auditor

July 19, 2020

Somekh Chaikin, Israeli partnership and member of the KPMG network of independent firms associated with KPMG – International Cooperative ("KPMG” International) – Swiss entity.

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| **Balance as of December 31** | | | The Society for the Protection of Nature in Israel | | | |
|  |  | |  |  |  |  |
|  |  | | **Consolidated** |  | **Society** |  |
|  |  | | **2019** | **2018** | **2019** | **2018** |
|  | **Note** | | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Current assets** |  | |  |  |  |  |
| Cash and Cash Value | 2 | | 5,359 | 17,445 | 5,359 | 17,445 |
| Accounts Receivable | 3 | | 46,048 | 29,733 | 44,896 | 28,572 |
| Accounts Receivable and Debit Balance | 4 | | 3,081 | 3,038 | 3,032 | 3,033 |
| Inventory |  | | 312 | 276 | 312 | 276 |
|  |  | | **54,800** | **50,492** | **53,599** | **49,326** |
| **Long-term investments** |  | |  |  |  |  |
| Negotiable Securities – Designated by Management as Fixed Assets | 12 | | 30,829 | 33,983 | 30,829 | 33,983 |
| Long-term Prepaid Expenses | 16b | | 1,525 | 1,623 | 1,525 | 1,623 |
| Long-term investment | 5 | | 261 | 261 | 261 | 261 |
|  |  | | 32,615 | 35,867 | 32,615 | 35,867 |
| Fixed Assets | 6 | | 64,205 | 61,779 | 64,120 | 61,669 |
|  |  | |  |  |  |  |
| **Total Assets:** |  | | **151,620** | **148,138** | **150,334** | **146,862** |
|  |  | |  |  |  |  |
|  | | | | | | |
|
| Iris Hahn – General Manager | | Finance Committee Chairman | | | Joseph Ben-Artzi –  Management Committee Chairman | |
| Financial Statements approval date: July 19, 2020 | | | | | | |

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| **Balance as of December 31** | | | The Society for the Protection of Nature in Israel | | | |
|  |  | **Consolidated** | |  | **Society** |  |
|  |  | **2019** | | **2018** | **2019** | **2018** |
|  | **Note** | NIS Thousands | | NIS Thousands | NIS Thousands | NIS Thousands |
| **Current liabilities** | | | | | | |
| Short-term credit |  | 7,566 | | 1,130 | 6,554 | – |
| Accounts Payable and Service Providers | 7 | 15,301 | | 16,895 | 13,367 | 15,049 |
| Accounts Payable and other Credit Balances | 8 | 13,742 | | 13,595 | 10,593 | 10,450 |
| **Long-term Liabilities** |  | **36,609** | | **31,620** | **30,514** | **25,499** |
| Long-term loans;  Obligations for termination of Employee-Employer relationships, Net | 9 | 1,573 | | 1,526 | – | – |
| 10 | 3,547 | | 3,669 | 3,513 | 3,617 |
|  | 5,120 | | 5,195 | 3,513 | 3,617 |
| **Investment in the corporation and held partnership** | 11 | – | |  | 6,416 | 6,423 |
| **Total liabilities:** |  | **41,729** | | **36,815** | **40,443** | **35,539** |
| **Net Assets** |  |  | |  |  |  |
| Net assets that are not restricted by outside factors |  |  | |  |  |  |
| Designated & not designated by the Society for use as Fixed Assets | 12 | 6,983 | | 6,936 | 6,983 | 6,936 |
| 33,332 | | 36,321 | 33,332 | 36,321 |
| 64,120 | | 61,669 | 64,120 | 61,669 |
| Total net assets that are not restricted |  | 104,435 | | 104,926 | 104,435 | 104,926 |
| Net assets that are temporarily restricted by outside factors |  | 5,456 | | 6,397 | 5,456 | 6,397 |
| **Total Net Assets** |  | 109,891 | | 111,323 | 109,891 | 111,323 |
| **Total Liabilities and Net Assets** |  | **151,620** | | **148,138** | **150,334** | **146,862** |
|  | | | |  |  |  |
| The attached Notes constitute an inseparable part of the Financial Statements. | | | | | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Reports on activities for the year through December 31** | | | The Society for the Protection of Nature in Israel | | |
|  | | **Consolidated** | | **Society** | |
|  | | **2019** | **2018** | **2019** | **2018** |
|  | **Note** | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| **Activities cycle** |  |  |  |  |  |
| Subsidies |  | 26,953 | 25,754 | 26,953 | 25,754 |
| Donations and contributions |  | 13,698 | 16,494 | 13,698 | 16,494 |
| Amounts released from restriction |  | 3,329 | 4,336 | 3,329 | 4,336 |
|  |  | **43,980** | **46,584** | **43,980** | **46,584** |
| **Other sources** |  |  |  |  |  |
| Membership Dues |  | 6,987 | 7,701 | 6,987 | 7,701 |
| Community and public activities |  | 16,149 | 17,947 | 16,149 | 17,947 |
| Field-schools activity |  | 54,573 | 51,487 | 44,521 | 42,717 |
| Selling of hiking products |  | 1,050 | 1,228 | 1,050 | 1,228 |
| Training, consulting and supervisory activities |  | 14,919 | 11,728 | 14,919 | 11,728 |
|  |  | 93,678 | 90,091 | 83,626 | 81,321 |
|  |  | **137,658** | **136,675** | **127,606** | **127,905** |
| **Activities Cost** |  |  |  |  |  |
| Salaries and related expenses | **13** | 56,058 | 55,551 | 54,776 | 54,305 |
| Educational and environmental activity | 31,270 | 31,120 | 23,571 | 24,556 |
| Purchase of products and printing | 1,483 | 2,326 | 1,483 | 2,326 |
| Other Miscellaneous Expenses | 42,735 | 40,419 | 42,429 | 40,108 |
|  |  | 131,546 | 129,416 | 122,259 | 121,295 |
| Net Activity Income |  | 6,112 | 7,259 | 5,347 | 6,610 |
| **Administrative and general expenses** | **14** | 9,823 | 9,952 | 9,256 | 9,379 |
| Net before financing income (expenses) |  |  |  |  |  |
|  |  |  |  |  |  |
| Net |  | (3,711) | (2,693) | (3,909) | (2,769) |
| **Net Financing Expenses (Income)** | **15** | 1,113 | (1,907) | 1,304 | (1,679) |
| **NET deficit after financing** |  | (2,598) | (4,600) | (2,605) | (4,448) |
| Part of the profits (losses) in the held partnership |  |  |  |  |  |
|  |  | – | – | 7 | (152) |
| Net surplus (deficit) from regular activities |  |  |  |  |  |
| Regular |  | **(2,598)** | **(4,600)** | **(2,598)** | **(4,600)** |
| The attached Notes constitute an inseparable part of the Financial Statements. | | | | | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Reports on the changes in net assets | The Society for the Protection of Nature in Israel | | | | |
|  | **That have no limitation by outside factors** | | | **That are temporarily limited by outside factors** |  |
|  | **Not designated by the Society** | **Used as Fixed Assets** | **Designated by the Society** | **Total** |
|  | NIS Thousands | NIS Thousands | NIS Thousands |  |  |
| **Balance as of January 1, 2018** | **6,998** | **57,870** | **41,860** | **6,652** | **113,380** |
| **Changes during the year** |  |  |  |  |  |
| Surplus expenses for income per year – Transferred from activities report | **(4,600)** | **–** | **–** | **–** | **(4,600)** |
| Subsidies | **–** | **–** | **–** | **2,464** | **2,464** |
| Donations and contributions | **–** | **–** | **–** | **3,131** | **3,131** |
| Update estimation of limited amounts of donations | **–** | **–** | **–** | **1,284** | **1,284** |
| Amounts released from restricted activities | **–** | **–** | **–** | **(4,336)** | **(4,336)** |
| To purchase fixed assets | **(2,011)** | **4,809** | **–** | **(2,798)** | **–** |
| Sums transferred to cover depreciation expenses | **5,460** | **(5,460)** | **–** | **–** | **–** |
| Designated according to management decisions (Note 12) | **(2,239)** | **–** | **2,239** | **–** | **–** |
| Amounts designated by the management and were realized (Note 12) | 3,328 | 4,450 | (7,778) | **–** | **–** |
| **Balance as of December 31, 2018** | **6,936** | **61,669** | **36,321** | **6,397** | **111,323** |
| **Changes during the year** |  |  |  |  |  |
| Surplus expenses for income per year – Transferred from activities report | **(2,598)** | **–** | **–** |  | (2,598) |
| Subsidies | **–** | **–** | **–** | 1,725 | 1,725 |
| Donations and contributions |  | **–** | **–** | 2,770 | 2,770 |
| Amounts released from restricted activities |  |  |  | (3,329) | (3,329) |
| To purchase fixed assets | (2,990) | 5,097 | – | (2,107) |  |
| Sums transferred to cover depreciation expenses | 5,574 | (5,574) | – | **–** | **–** |
| Designated according to management decisions (Note 12) | (2,000) | – | 2,000 | **–** | **–** |
| Amounts designated by the management and were realized (Note 12) | 2,061 |  | (4,989) | **–** | **–** |
| Balance as of December 31, 2019 | **6,983** | **64,120** | **33,332** | **5,456** | **109,891** |
|  | | | | | |
| The attached Notes constitute an inseparable part of the Financial Statements. | | | | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Reports on cash flows for the year through December 31** | | | The Society for the Protection of Nature in Israel | |
|  | **Consolidated** |  | **Society** |  |
|  | **2019** | **2018** | **2019** | **2018** |
|  | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Cash flows from current activities** |  |  |  |  |
| Net deficit by activity report | **(2,598)** | **(4,600)** | **(2,598)** | **(4,600)** |
| Cash from ongoing activity – Appendix (A) | (17,529) | (580) | (17,650) | (590) |
| Net cash used for operating activities | (20,127) | (5,180) | (20,248) | (5,190) |
| **Cash flows from investment activity** |  |  |  |  |
| Fixed asset acquisition | (8,028) | (9,269) | (8,025) | (9,259) |
| Net Negotiable Securities | 5,138 | 4,228 | 5,138 | 4,228 |
| Net cash used for investment activity | (2,890) | (5,041) | (2,887) | (5,031) |
| Cash flows from financing activity |  |  |  |  |
| Income from restricted assets, Net short-term credit | 4,495 | 5,445 | 4,495 | 5,445 |
| 6,436 | – | 6,554 | – |
| Net cash provided by financing activities | **10,931** | **5,445** | **11,049** | **5,445** |
| **Decrease in Cash and Cash Value** | (12,086) | (4,776) | (12,086) | (4,776) |
| Cash and cash value balance for the beginning of the year |  |  |  |  |
| 17,445 | 22,221 | 17,445 | 22,221 |
| **Cash and cash value balance for the end of the year** | **5,359** | **17,445** | **5,359** | **17,445** |
|  | | | | |
| The attached Notes constitute an inseparable part of the Financial Statements. | | | | |

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| --- | --- | --- | --- | --- |
| **Appendix to Reports on cash flows for the year through December 31** | | | The Society for the Protection of Nature in Israel | |
|  | **Consolidated** |  | **Society** |  |
|  | **2019** | **2018** | **2019** | **2018** |
|  | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| **Appendix (a) – Adjustments required to present cash flows from current activity** |  |  |  |  |
| **Expenses (income) not involving cash flows** |  |  |  |  |
| Amounts released from restriction for activity | (3,329) | (4,336) | (3,329) | (4,336) |
| Depreciation | 5,602 | 5,492 | 5,574 | 5,460 |
| Increase (decrease) in liability for termination of Employee-Employer relationships, Net |  |  |  |  |
| (122) | 336 | (104) | 366 |
| Part of the losses (profits) in held partnership | – | – | (7) | 155 |
| Financing expenses | 47 | 694 | – | 1,284 |
| A loss (profit) from securities | (1,984) | 495 | (1,984) | 495 |
|  | **214** | **2,681** | **150** | **3,424** |
| **Changes in property and liability sections** |  |  |  |  |
| Increase in Accounts Receivable | (16,315) | (1,690) | (16,324) | (1,909) |
| Decrease (increase) in Accounts Receivable and other Debit Balances | (43) | 298 | 1 | 23 |
| Increase in inventory | (36) | (10) | (36) | (10) |
| Decrease in Accounts Payable and Service Providers | (1,594) | (1,612) | (1,682) | (1,470) |
| Increase (decrease) in Accounts Payable and other Credit Balances | 147 | (345) | 143 | (746) |
| Decrease in long-term Prepaid Expenses | 98 | 98 | 98 | 98 |
|  | **(17,743)** | **(3,261)** | **(17,800)** | **(4,014)** |
|  | **(17,529)** | **(580)** | **(17,650)** | **(590)** |

Note 1 – Reporting Rules and Accounting Policy

1. **General**
2. The Society for the Protection of Nature in Israel (hereinafter – “the Society”) was founded as an Ottoman association in October 1953 and registered as a non-profit in September 1983. The Society is recognized as a public institution as defined in sections 9(2) and 46 by the Income Tax Regulation.

The main aims and activities of the Society are conservation and education to protect valuable nature and treasures of the landscape, nurturing affinity for the Land of Israel, loving and learning about it, promoting and disseminating ideas about nature and the environment, from the State’s beginnings, and conducting research and gathering information to promote these goals.

1. The Financial Statements are arranged according to the format set by a combined version of Statement Number 69 and Accounting Standard Number 5, concerning accounting and financial reporting rules by non-profit organizations and Accounting Standard Number 36.
2. **Financial Statements in reported values**
3. In October 2001, the Israeli Accounting Standards Board issued Accounting Standard No. 12 for the “Discontinuance of adjustment of financial statements.” In accordance with this standard and Accounting Standard No. 17, published in December 2002, the adjustment of the financial statements for inflation was discontinued as of January 1, 2004. Until December 31, 2003, the Society continued to prepare adjusted reports according to Opinion 36 of the Institute of Certified Public Accountants in Israel. The Society implemented the provisions of the standard and therefore the adjustments were discontinued, as said, as of January 1, 2004.
4. The Association has arranged its Financial Statements in the past based on the historical cost adjusted to the Consumer Price Index. As said, the adjusted amounts, included in the Financial Statements for December 31, 2003, were used as a starting point for the nominal Financial Statement starting on January 1, 2004. Accruals made during the period were included in the nominal values. Therefore, the basic reports for dates and reporting periods after December 31, 2003, are presented in reported amounts according to accounting standards of the Israeli Accounting Standards Board.
5. The amounts of non-monetary assets do not necessarily represent a realized or economic value, but only the reported amounts of those assets.
6. In the financial statements, "cost" means cost in reported amounts.
7. **Reporting Principles**
8. Balances:
9. Non-monetary items (mainly – fixed assets, inventory, investments shown by cost) are shown in reported amounts.
10. Financial items are displayed in the balance sheet in the historical nominal values as of the balance date.
11. Reports on activities:
12. Income and expenses deriving from non-monetary items (such as depreciation and amortization, inventory changes, and so on) or any of the contributions included in the balance derived from the shift between the amount reported in the Opening Balance and the amount reported in the Closing Balance.
13. Other report elements on the activities (such as: sales, purchases, current costs, etc.) are displayed in nominal values.

**Note 1 – Reporting Rules and Accounting Policy (continued)**

1. Use of estimates

Preparing financial statements in accordance with accepted accounting rules requires management to use estimates and evaluations that affect the reporting amounts of assets and liabilities, and disclosure relating to dependent assets and liabilities, as well as income and expense amounts during the reporting period. It is hereby clarified that actual results may differ from these estimates.

1. **Consolidated Financial Statements**
2. The consolidated financial statements include the Society's financial statements and those of a jointly controlled consolidated partnership according to the Proportionate Consolidation Method.
3. The consolidated financial statements include the proportionate share of the assets, liabilities, expenses and income of the Consolidated Partnership in a proportionate consolidation based on its retention rates.
4. The financial statements of the subsidiary “See the World” – the Society for the Protection of Nature, Ltd., over which the Society has no actual effective control, are not included in the consolidated reports.
5. **Net restricted assets in use**
6. Net assets are divided into two groups according to the restriction of their use. The first group refers to net assets that have a temporary restriction imposed by external factors (mainly donors). The second group contains net assets that were not designated for use by external entities. In the second group it is possible to distinguish between net assets that were not intended for use for certain purposes and those that, over the years, were designated by the management for special purposes.

Net assets that are temporarily restricted by external factors:

Include assets, which can be used for the purposes for which they were intended.

These are the funds and donations subject to conditions by external factors regarding the use of sums received.

Net Assets designated by the Society:

Include net assets that were not limited in use by external factors, but were designated by the Society's management for special purposes.

1. The balances of net assets that have not yet been used for their designated purposes are invested in financial assets (cash, securities, and deposits) jointly held and managed.
2. **Cash and Cash Value**

Includes deposits in banks whose deposit period until their due date, when invested, do not exceed three months.

1. **Negotiable Securities**

Bonds, stocks and mutual funds are presented by their market value as of the balance date.

Revenues from the realization of negotiable securities is intended by the management to finance investment in fixed assets, and therefore investments are presented in long-term investments.

1. **Inventory**

The inventory is measured as the lesser amount of the cost and net realization value. The cost of the inventory is determined by the FIFO method and includes the costs to purchase the inventory and to bring it into its existing place and state. Net realization value is the estimated sales price during normal business, with deduction of the estimated cost of completion and estimated costs required to carry out the sale.

**10. Investing in a Subsidiary and Partnership**

The investment includes investment in the share capital and the payments on the capital, with the deduction of contribution for losses.

The Society for the Protection of Nature in Israel

Note 1 – Reporting Rules and Accounting Policy (continued)

11. Fixed Assets

1. The Society's fixed assets include buildings, vehicles, equipment, and furniture.
2. The fixed assets are measured as per cost with deduction of accrued depreciation and losses due to the impairment.
3. The profit or loss from the deduction of a fixed asset item is determined by comparing the value of of the deduction to the book value, and net value in the Other Income section of the activities report.
4. Depreciation is credited to the activity report by the straight-line estimate method across the estimated useful lifespan of any portion of the fixed asset items. Realty is not amortized.

| Depreciation rates are as follows: | % |
| --- | --- |
| Equipment and furniture | 6-33 |
| Buildings and facilities | 4-10 |
| Vehicles | 15 |

**12. Balance Linked to Foreign Currency or Index**

1. Bank deposits in foreign currency or linked to foreign currency are presented in the balance sheet according to the currency rates for the day of the balance. Index-linked bank deposits are presented according to the index for December or according to the index on the date of the balance, according to the terms of the deposit.
2. Details about exchange rates and the Consumer Price Index –

|  | **December 31**  **2019** | **December 31**  **2018** | | **Rate of change**  **2019** | **Rate of change**  **2018** |
| --- | --- | --- | --- | --- | --- |
| Dollar exchange rates – in New Israeli shekels | 3.456 | 3.748 | | (7.8%) | 8.1% |
| Consumer Price Index (December index) in points | 102.7 | 102.09 | | 0.6% | 0.8% |
|  |  |  |  | |  |

The Society implements Accounting Standard Number 15 – Impairment of Assets (hereinafter: “the Standard”). A standard establishes procedures for the Society to implement, so as to ensure that its assets in the consolidated balance (for which the Standard applies), will not be shown in excess of their recoverable amount, which is the higher of the net sale price and its use value (the current value of the estimated future cash flows that are expected to stem from the use of the property and its realization).

The Standard applies to all assets in the consolidated balance except for financial assets (except for financial assets that are investments in investees that are not subsidiaries). Similarly, the standard also establishes the presentation and disclosure rules for assets whose value have decreased. When the value of an asset in the consolidated balance exceeds its recoverable amount, the Society recognizes the loss of value from impairment at the peak disparity between the asset’s book value of and its recoverable amount. A loss that was recognized as said will be canceled only if there have been any changes to the estimates that were used in determining the recoverable amount of the asset, from the date on which the impairment was recognized.

Every year, the Society examines the assets for signs of depreciation and, if necessary, makes provisions for the impairment.

Note 1 – Reporting Rules and Accounting Policy (continued)

14. Income Recognition

1. **Sale of products**

Revenue from the sale of products is registered at the time of sale or by shipment to the customer with the transfer of major risks and rewards attributed to ownership of the products sold.

1. Income from service

Revenue from the activities of the Society's departments and the provision of services is attributed proportionally over the period of the Agreement or upon the provision of the service if the likelihood of economic benefits attributed to the service is certain.

15. Contribution for doubtful debts

The financial statements include specific contributions of doubtful debts that appropriately reflect, according to management’s assessment, the loss inherent in debts, whose collection are questionable. In determining the adequacy of the contributions, the management relied on, among other things, the risk assessment according to the information that was available to it concerning the financial situation of the Accounts Receivable, the scope of their activity, and the assessment of the collateral received from them. Doubtful debts, which in the opinion of the Society's management are not likely to be collected, are deleted from the Society’s books according to management’s decision.

|  | **Consolidated** |  | **Society** |  |
| --- | --- | --- | --- | --- |
|  | **December 31, 2019**  NIS Thousands | **December 31, 2018**  NIS Thousands | **December 31, 2019**  NIS Thousands | **December 31, 2018**  NIS Thousands |
| Israeli currency | 73 | 13,988 | 73 | 13,988 |
| Foreign currency | 5,286 | 3,457 | 5,286 | 3,457 |
| Cash designation: | **5,359** | **17,445** | **5,359** | **17,445** |
| Cash designated by Management | **2,503** | **2,338** | **2,503** | **2,338** |
| Non-designated cash | **2,856** | **15,107** | **2,856** | **15,107** |
|  | **5,359** | **17,445** | **5,359** | **17,445** |

**Note 2 – Cash and Cash Value**

**Consolidated Society\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

December 31, 2019 December 31, 2018 December 31, 2019 December 31, 2018

NIS Thousands NIS Thousands NIS Thousands NIS Thousands

Israeli currency 73 13.988 73 13.988

Foreign currency 5,286 3,457 5,286 3,457

5,359 17,445 5,359 17,445

Cash designation:

Cash designated by Management 2,503 2,338 2,503 2,338

Cash not designated by Management 2,856 15,107 2,856 15,107

5,359 17,445 5,359 17,445

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Notes on Financial Statements as of December 31, 2019** | | | The Society for the Protection of Nature in Israel | | |
| **Note 3 – Accounts Receivable** | | | | | |
|  | **Consolidated** |  | | **Society** |  |
|  | **Dec. 31, 2019** | **Dec. 31, 2018** | | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  | NIS Thousands | NIS Thousands | | NIS Thousands | NIS Thousands |
| Open debts | 22,415 | 22,050 | | 19,442 | 19,134 |
| Ministry of Education | 19,002 | 3,485 | | 19,002 | 3,485 |
| Credit companies | 4,091 | 3,802 | | 4,091 | 3,802 |
| Post-dated checks receivable | 504 | 329 | | 381 | 283 |
| Related Parties | **1,546** | **1,358** | | **3,092** | **2,716** |
|  | 47,558 | 31,024 | | 46,008 | 29,420 |
| With deduction of contribution for doubtful debts | (1,510) | (1,291) | | (1,112) | (848) |
|  | **46,048** | **29,733** | | **44,896** | **28,572** |
| **Note 4 – Accounts Receivable and Other Debit Balances** | | | | | |
|  | **Consolidated** |  | | **Society** |  |
|  | **Dec. 31, 2019** | **Dec. 31, 2018** | | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  | NIS Thousands | NIS Thousands | | NIS Thousands | NIS Thousands |
| Receivables | 636 | 566 | | 603 | 566 |
| Prepaid expenses | 1,677 | 2,148 | | 1,661 | 2,143 |
| Vehicle Rental Deposits | 522 | 147 | | 522 | 147 |
| Employees | 246 | 177 | | 246 | 177 |
|  | **3,081** | **3,038** | | **3,032** | **3,033** |
| **Note 5 – Long-term investment** | | | | | |
|  |  |  | | Consolidated and the Society | |
|  |  |  | | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  |  |  | | NIS Thousands | NIS Thousands |
| Conditional investment |  |  | | 1,141 | 1,141 |
| With deduction for contribution for impairment of investment |  |  | | (880) | (880) |
|  |  |  | | **261** | **261** |
| In 2000, the Society contracted in a memorandum of intent with Yad La-Shiryon Association (hereinafter: **Yad La-Shiryon**) whose validity was extended from time to time by both parties, by placing a sum of $300 thousand to be used by Yad La-Shiryon to establish an educational center in Latrun. It is agreed that if the parties are not signed on a detailed agreement that regulates the cooperation regarding the educational center, and the establishment of a bird-watching complex, the sum will be returned linked to the dollar rate, without interest within a year. The cooperation to operate the Education Center was discontinued in 2006. | | | | | |
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|
| The Society’s management estimates that this amount will not be refunded and will be used as a payment for the land at the Yad La-Shiryon site that the Society will receive. Due to a significant reduction in the area that the Society was supposed to receive, about 8 dunams (2 acres), instead of about 25 dunams (6.25 acres), a contribution for impairment was entered accordingly. | | | | | |
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| Regarding the document of agreements between the Society and Yad La-Shiryon, see Note 16(c). | | | | | |

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| **Notes on Financial Statements as of December 31, 2019** | The Society for the Protection of Nature in Israel | | | |
| **Note 6 – Fixed Assets** | | | | |
| **Consolidated** | | | | |
|  | **Buildings and facilities** | **Equipment and furniture** | **Vehicles** | **Total** |
|  | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Cost |  |  |  |  |
| Balance as of January 1, 2019 | 236,019 | 49,489 | 1,337 | 286,845 |
| Accruals | 4,280 | 3,748 | – | 8,028 |
| Balance as of December 31, 2019 | **240,299** | **53,237** | **1,337** | **294,873** |
| **Accumulated depreciation** |  |  |  |  |
| Balance as of January 1, 2019 | 192,426 | 31,487 | 1,153 | 225,066 |
| Year’s depreciation | 3,827 | 1,743 | 32 | 5,602 |
| Balance as of December 31, 2019 | **196,253** | **33,230** | **1,185** | **230,668** |
| Depreciated Cost as of December 31, 2019 | 44,046 | **20,007** | **152** | **64,205** |
| **Depreciated Cost as of December 31, 2018** | **43,593** | **18,002** | **184** | **61,779** |
| **Society** | | | | |
|  | **Buildings and facilities** | **Equipment and furniture** | **Vehicles** | **Total** |
|  | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Cost |  |  |  |  |
| Balance as of January 1, 2019 | 235,887 | 49,044 | 1,337 | 286,268 |
| Accruals | 4,280 | 3,745 | – | 8,025 |
| Balance as of December 31, 2019 | **240,167** | **52,789** | **1,337** | **294,293** |
| **Accumulated depreciation** |  |  |  |  |
| Balance as of January 1, 2019 | **192,353** | **31,104** | **1,142** | **224,599** |
| Year’s depreciation | 3,815 | 1,727 | 32 | 5,574 |
| Balance as of December 31, 2019 | **196,168** | **32,831** | **1,174** | **230,173** |
| Depreciated Cost as of December 31, 2019 | **43,999** | **19,958** | **163** | **64,120** |
| **Depreciated Cost as of December 31, 2018** | 43,534 | 17,940 | 195 | 61,669 |

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| **Notes to Financial Statements as of December 31, 2019** | The Society for the Protection of Nature in Israel | | | |
| **Note 7 – Accounts Payable and Service Providers** | | | | |
|  | **Consolidated** |  | **Society** |  |
|  | **Dec. 31, 2019** | **Dec. 31, 2018** | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Open liabilities | **14,431** | **15,226** | **12,541** | **13,524** |
| Checks Payable | **870** | **1,669** | **826** | **1,525** |
|  | **15,301** | **16,895** | **13,367** | **15,049** |
| **Note 8 – Accounts Payable and Other Credit Balances** | | | | |
|  | **Consolidated** |  | **Society** |  |
|  | **Dec. 31, 2019** | **Dec. 31, 2018** | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Employees | 1,247 | 1,341 | 1,190 | 1,287 |
| Institutions for wages and deductions | 1,759 | 1,953 | 1,724 | 1,872 |
| Contributions for vacation and convalescence pay | 1,035 | 882 | 1,003 | 857 |
| Contribution for claims | 3,794 | 3,709 | 3,794 | 3,709 |
| Expenses payable and others | 2,063 | 1,892 | 1,745 | 1,699 |
| Income in Advance | 1,197 | 1,040 | 1,135 | 1,022 |
| Related company | 2,645 | 2,774 | – | – |
| Others | 2 | 4 | 2 | 4 |
|  | **13,742** | **13,595** | **10,593** | **10,450** |
| **Note 9 – Long-term loans** | | | | |
|  | **Consolidated** |  | **Society** |  |
|  | **Dec. 31, 2019** | **Dec. 31, 2018** | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Owners’ loans (1) | **1,573** | **1,526** | **\_\_–** | **\_\_–** |
| 1. Loans received in the partnership with the Society for the Protection of Nature – Discover the Land, a limited partnership. Loans are not linked but are interest-carrying at 4% annually. | | | | |
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| **Notes on Financial Statements as of December 31, 2019** | | | | The Society for the Protection of Nature in Israel | | |
| **Note 10 – Liability for termination of employee-employer relationships, Net** | | | | | | |
| **A.** | **Composition** | | **Consolidated** |  | **Society** |  |
|  | | | **December 31, 2019** | **December 31, 2018** | **December 31, 2019** | **December 31, 2018** |
| NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
|  | Retirement and layoff compensation liabilities | | **5,367** | **5,494** | **5,230** | **5,316** |
|  | Deduction for designation | | **(1,820)** | **(1,825)** | **(1,717)** | **(1,699)** |
|  |  | | **3,547** | **3,669** | **3,513** | **3,617** |
| **B.** | The association's commitment to paying severance pay to its employees is largely covered by ongoing deposits in the workers’ name in known compensation funds, and/or by purchasing policies in an insurance company under Article 14 of the Severance Pay Law, 5723 - 1963.The amounts deposited as aforesaid are not under the Society’s control and management, and therefore are not given to them and the liabilities for which they were deposited are not expressed in the balance. | | | | | |
|  | The commitment due to the termination of employee-employer relationship included in the balance represents the remainder of the liability that is not covered by deposits and/or insurance policies as said above. For this part of the liability, there is a designation that is deposited in the Society’s name in a known compensation fund. The designation in the compensation fund includes linkage differentials and interest accrued and deposited in insurance companies. The withdrawal of the designated funds is dependent on fulfilling the provisions as listed the Severance Pay Law. | | | | | |
|  | In addition, the employees have rights to obtain an adaptation grant at retirement: The liability in the balance covers the Society’s full liability to pay the adjustment grants. | | | | | |
| **Note 11 – Investing in a Subsidiary and Held Partnership** | | | | | | |
|  | | | | | **Society** | |
| **For the year ending on December 31** | |
| **2019** | **2018** |
| NIS Thousands | NIS Thousands |
| **Composition** | | | | | | |
| **“See the World” – The Society for the Protection of Nature in Israel, Ltd.** (1) | | | | | | |
| Investment in stocks (**86%** of the share capital the issued and paid) | | | | | **1** | **1** |
| Part of the Society’s accrued profits from date of purchase | | | | | **–** | – |
|  |  |
|  | | | | | **1** | **1** |
| **Society for the Protection of Nature – Discover the Land, limited partnership (2)** | | | | | | |
| Investment (**50%**) | | | | | **1** | **1** |
| Part of the Society’s accrued profits from date of purchase | | | | | **(6,418)** | **(6,425)** |
|  | |  | |  |  |  |
|  | | | | | **(6,417)** | **(6,424)** |
| **(6,416)** | **(6,423)** |
| **1.** | “See the World” – The Society for the Protection of Nature in Israel, Ltd. was established in 2002 to engage in organizing and providing services for trips abroad. The Society holds 86% of the share capital.  The Society's Financial Statements are not consolidated within these financial reports. See Note 1 E(3). | | | | | |
| **2.** | The Society for the Protection of Nature – Discover the Land, a limited partnership, was established in 2005 and is engaged in marketing, organization and providing services in the area of the educational hiking mainly for the [State] education system. The Society holds 50% of the partnership’s capital, and 50% is held by Kavim Lenofesh, Ltd. | | | | | |
| As indicated by the Financial Statements, the partnership ended its year of operations with a profit of about NIS 14,000. The partnership has an equity deficit of NIS 12.8 million as of December 31, 2019, and a recurring capital deficit of about NIS 9.8 million. The partnership management is of the opinion that in light of the partner's notice on support of the partnership, especially by terminating management fees and a reduction in participation costs, providing owners’ loans for the years 2010 and 2012, as well as the providing owner guarantees to the banks, the partnership can continue to operate as a "live business." | | | | | |
| Another company, Nature Lines, Ltd., was founded in 2005 and serves as the general partner that manages the Society for the Protection of Nature – Discovering the Land, a limited partnership. The Society holds 50% of the share capital and the right to four directors. | | | | | |
| Concerning the partner's announcement of his intention to withdraw from the partnership, see Note 19b. | | | | | |

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| The Society for the Protection of Nature in Israel | | | | |
| **Notes on Financial Statements as of December 31, 2019** | | | | |
| **Note 12 – Net assets designated by the Society** | | | | |
|  |  |  | **Society and consolidated** | |
|  |  |  | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  |  |  | NIS Thousands | NIS Thousands |
| Assets designated for implementing a strategic expansion program | | | | |
| The Society's activities |  |  | 4,047 | 6,508 |
| Assets designated to upgrade the Society’s information system |  |  | 1,222 | 1,722 |
| Assets designated for a crisis balance fund |  |  | 4,000 | – |
| Assets designated for renovation of field schools and fixed assets | |  | 24,063 | 28,091 |
|  | | | **33,332** | **36,321** |
| Designated securities and cash |  |  |  |  |
| Cash |  |  | 2,503 | 2,338 |
| Negotiable Securities |  |  | 30,829 | 33,983 |
|  | | | **33,332** | **36,321** |
| **Note 13 – Other Current Expenses** | | | | |
|  | **Consolidated** | | **Society** | |
|  | For the year ending on | | For the year ending on | |
|  | **Dec. 31, 2019** | **Dec. 31, 2018** | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Vehicle maintenance | 5,041 | 5,058 | 4,914 | 4,950 |
| Office, Communications and computing | 5,033 | 4,378 | 5,033 | 4,378 |
| Taxes, rentals and insurance | 5,923 | 5,243 | 5,883 | 5,215 |
| Maintenance and resupplying | 4,458 | 5,385 | 4,458 | 5,385 |
| Electricity, water and energy | 3,885 | 3,627 | 3,885 | 3,627 |
| Protection, security and cleaning | 2,819 | 2,703 | 2,819 | 2,703 |
| Crew maintenance | 1,941 | 2,070 | 1,941 | 2,070 |
| Professional services | 3,643 | 3,563 | 3,643 | 3,563 |
| Advertising, marketing and information | 3,027 | 2,749 | 2,843 | 2,568 |
| Bad and doubtful debts | 1,423 | 201 | 1,468 | 207 |
| Depreciation and amortization | 5,542 | 5,442 | 5,542 | 5,442 |
|  | **42,735** | **40,419** | **42,429** | **40,108** |
| **Note 14 – General and Administrative Expenses** | | | | |
|  | **Consolidated** | | **Society** | |
|  | For the year ending on | | For the year ending on | |
|  | **Dec. 31, 2019** | **Dec. 31, 2018** | **Dec. 31, 2019** | **Dec. 31, 2018** |
|  | NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Salaries and related expenses | 6,934 | 6,911 | 6,538 | 6,528 |
| Professional services | 1,101 | 1,016 | 1,080 | 972 |
| Office and communications | 724 | 871 | 637 | 794 |
| Taxes and rentals | 536 | 610 | 536 | 610 |
| Vehicle maintenance | 183 | 199 | 148 | 162 |
| Maintenance, electricity and cleaning | 285 | 295 | 285 | 295 |
| Depreciation and amortization | 60 | 50 | 32 | 18 |
|  | **9,823** | **9,952** | **9,256** | **9,379** |

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| **Notes on Financial Statements as of December 31, 2019** | | | | The Society for the Protection of Nature in Israel | | |
| **Note 15 – Financing income (Expenses)** | | | | | | |
|  | | | **Consolidated** | | **Society** | |
| For a year that ended on December 31 | | For a year that ended on December 31 | |
| **Dec. 31, 2019** | **Dec. 31, 2018** | **Dec. 31, 2019** | **Dec. 31, 2018** |
| NIS Thousands | NIS Thousands | NIS Thousands | NIS Thousands |
| Exchange and revaluation differences | | | **(341)** | **(861)** | **(341)** | **(861)** |
| Profit (loss) from securities | | | **1,984** | **(495)** | **1,984** | **(495)** |
| Bank credit card commissions | | | **(697)** | **(728)** | **(506)** | **(500)** |
| Interest income | | | **167** | **177** | **167** | **177** |
|  | | | **1,113** | **(1,907)** | **1,304** | **(1,679)** |
|  | | | | | | |
| **Note 16 – Lawsuits, pending liabilities and commitments** | | | | | | |
| A. | Various claims were submitted by hikers against the Society for bodily injury and other damages. The Society’s maximum amount of exposure for these claims is the deductible, and amounts to NIS 3.8 million (previous year – NIS 3.7 million). | | | | | |
| B. | The Har Gilo Field School is partly located on land owned by the Russian Church and partly on land owned by the Greek Church. Many years ago an agreement between the State and the Russian Church was achieved. The State paid a total of NIS 2.7 million for the Russian Church’s legal claim. | | | | | |
|  | In January 2014, an agreement was signed between the Society and the Greek Church that regulated the debit for the years 2010 to 2027 in exchange for NIS 6.78 million. Of this amount, the sum of about NIS 1.5 million is included in these Financial Statements in the section on long-term liabilities. | | | | | |
| C. | On December 1, 2010, a document was signed between the association and Yad La-Shiryon in Latrun regarding the establishment of the International Center for the Study of Bird Migration. According to the document, the Center will be built on an area allocated for this purpose within the Yad La-Shiryon site. The construction of the Center and its operation and maintenance will be under the responsibility of Yad La-Shiryon. The Society will be responsible for the Center’s training and content. | | | | | |
|  | Donations received for this purpose and which are included in these financial statements under the net assets, which are temporarily restricted by external factors, are used to operate the Society in accordance with the donors’ approval. | | | | | |
| D. | The Society is linked to a number of lease agreements for sites and field schools in which the Society operates, as well as a number of operational leasing agreements for about 63 vehicles in its use. These agreements are periodically renewed. | | | | | |
| **Note 17 – Liens and Guarantees** | | | | | | |
| A. | The following is a list of liens on the Society's assets: | | | | | |
|  | **1.** | Lien and assignment of rights to Israel Discount Bank, Ltd. on Israeli and foreign currency deposits, and funds and the rights to funds that come to the Society by credit cards to Israel Ltd. (C.A.L.) under an agreement signed in 1985 between the Society and C.A.L. | | | | |
|  | **2.** | A fixed lien and assignment of rights in favor of Bank Hapoalim, Ltd. on all funds, rights and payments coming to the Society from Isracard, Ltd. | | | | |
|  | **3.** | A first priority fixed lien for an unlimited amount of money in favor of Bank Hapoalim on foreign currency deposits in the Society’s account at the bank's central branch. | | | | |
|  | **4,** | A first priority fixed lien and assignment of right in favor of the Israel Discount Bank, Ltd. on the funds and the deposits in the Society’s account at the bank's HaGra branch and/or any related account. | | | | |
|  | **5.** | Liens in favor of Bezeq Communications, Ltd. for telephone exchanges. | | | | |

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| **Notes on Financial Statements as of December 31, 2019** | | | | The Society for the Protection of Nature in Israel | | | |
|  | | | | | | | |
| **Note 17 – Liens and Guarantees (continued)** | | | | |  | |  |
| B. | The following are the guarantees that the Society has been given: | | | |  |
|  | **1.** | Bank guarantees for the benefit of various bodies in the amount of NIS 1,093 thousand. | | | | | |
|  | **2.** | The organization signed a limited bond in the amount of NIS 1,250 thousand in favor of the Israel Discount Bank, Ltd., whereby the Society is a guarantor for the bank account of the Society for the Protection of Nature – Discover the Land, a limited partnership. The balance of the partnership's commitment to the bank on the date of the Financial Statement totals a sum of NIS 2,025 thousand. | | | | | |
| **Note 18 – Income from Government Ministries** | | | | | | | |
| Income from government ministries is accepted as contributions and subsidies, included in the activities report and the report on changes in net assets according to their designation. | | | | | | | |
|  | | | **For the year that ended on December 31** | | | |  |
|  | | | **2019** | | | **2018** |  |
| NIS Thousands | | | NIS Thousands |  |
| Ministry of Education | | | 38,462 | | | 36,754 |  |
| Ministry of Defense and Internal Security | | | 8,348 | | | 8,610 |  |
| Office of the Prime Minister | | |  | | | 2,376 |  |
| Ministry of Environmental Protection | | | 404 | | | 222 |  |
| Other ministries | | | 997 | | | 825 |  |
| Total | | | **48,211** | | | **48,787** |  |
| **Note 19 – Events occurring after the balance sheet date** | | | | | | | |
| A. | COVID-19 crisis | | | | | | |
|  | As of the date of publication of the report, the world is facing a crisis with macroeconomic consequences stemming from the global spread of the COVID-19 virus , which has resulted in many countries, including Israel, taking significant measures to prevent the spread of the virus, such as restrictions on the movement of civilians, gatherings, transportation restrictions on passengers and goods, closing borders between countries, and so on (hereinafter, the "Crisis"). | | | | | | |
|  | In the field of educational hikes, the crisis led to a significant decline in the volume of activity beginning in March 2020, which was reflected in a complete halt in educational hiking activity. In order to cope with this decline, the organization has made adjustments to its activities, which include reducing operational expenses, reducing manpower, reducing wages, and employees leaving on unpaid vacation. | | | | | | |
|  | Nevertheless, the organization's management is unable to assess and quantify the impact of the continuing COVID-19 virus crisis on the organization's activities at this stage. | | | | | | |
| B. | Society for the Protection of Nature – Discover the Land, limited partnership | | | | | | |
|  | In 2020, Kavim Lenofesh, Ltd. informed the Society of its desire to withdraw from the partnership. It was agreed that the determining date for withdrawal is June 30, 2020.The Financial Statements for the withdrawal date and the necessary legal documents are in preparation. | | | | | | |