

Mifal Haim Ltd. (PBC)

Financial Statements for the Year, 2016

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Jerusalem
December 10, 2017

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Auditors' Review Report
to the Shareholders of:
Mifal Haim Ltd. (PBC)

I have duly audited the attached Consolidated Financial Statements of **Mifal Haim Ltd., a Public Benefit Company**, (hereinafter referred to as the "Company") for December 31st 2015 and 2016, including the Activity Statements and Statements of Net Changes in Equity for each of the years ended on the same date. These Financial Statements are the responsibility of the Company's Board of Directors and Management. It is my responsibility to express my professional opinion regarding these Financial Statements, based upon my audit.

I have conducted my audit in accordance with the generally accepted auditing standards in Israel, including those defined in the Israeli Auditors Regulations (Modes of Auditor Practice), 5733-1973. These standards require me to plan and perform the audit in order to obtain reasonable assurance that the Financial Statements are free of significant misstatement. The audit includes a significant evaluation sample of the supporting data upon which the amounts and information disclosed in the Financial Statements are based. The audit also includes an assessment of the accounting principles applied and the substantive assumptions made by the Company's Board of Directors and Management, together with my assessment of the overall presentation of the Financial Statements. I believe that my audit constitutes a reasonable basis for my opinion.

In my opinion the aforementioned Consolidated Financial Statements fairly represent, in all material aspects, the Company's financial position as at December 31, 2015 and December 31, 2016, as well as the results of its activities and net equity changes for each of the years ending on those dates, in accordance with the generally accepted accounting principles in Israel (Israeli GAAP).

מאיר גרינהויז
רואה חשבון

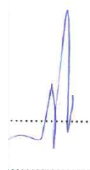
Meir Greenhouse, C.P.A.

Jerusalem,
December 10, 2017

Mifal Haim Ltd. (PBC)
Reports on the Financial Status

	<u>Note</u>	<u>31.12.2016</u> <u>NIS</u>	<u>31.12.2015</u> <u>NIS</u>
<u>Assets</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	3	173,918	44,439
Short-term deposits	4	519,442	702,389
Receivables and debit balances		<u>5,039,390</u>	<u>6,206,095</u>
		<u>5,732,750</u>	<u>6,952,923</u>
<u>Fixed Assets</u>			
	5	<u>1,589,646</u>	<u>1,412,551</u>
		7,322,396	8,365,474
		=====	=====
<u>Net Liabilities and Equity</u>			
<u>Current Liabilities:</u>			
Credit from Banks	6	180,129	464,126
Suppliers & Service Providers		511,315	640,309
Salaries and Additional Sums Payable		163,010	198,234
Accounts payable		<u>66,783</u>	<u>41,949</u>
		<u>921,237</u>	<u>1,344,618</u>
<u>Long-term Liabilities:</u>			
For Employee Severance Pay	7	299,111	269,449
Loans from Friends of the PBC (<i>Amuta</i>)	8	-	229,597
Bank Loans		-	<u>75,724</u>
		<u>299,111</u>	<u>574,770</u>
<u>Net Assets:</u>			
For Activities		4,512,402	5,033,535
For Fixed Assets		<u>1,589,646</u>	<u>1,412,551</u>
		<u>6,102,048</u>	<u>6,446,086</u>

Management:



7,322,396

=====

8,365,474

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The notes to the consolidated financial statements constitute an inseparable part thereof.

Mifal Haim Ltd. (PBC)

Activity Statements: Income & Expenditure

	<u>Note</u>	<u>31.12.2016</u> <u>NIS</u>	<u>31.12.2015</u> <u>NIS</u>
Operational Turnover			
Donations	9	18,718,326	16,973,408
Grants from Institutions/Organizations	10	31,542	116,576
Other Income		<u>328,543</u>	<u>404,534</u>
		19,078,411	17,494,518
	
Operational expenses:			
<i>Meir Panim</i>	11	10,325,760	8,282,436
Meal Vouchers/Food Baskets		5,784,990	4,765,000
<i>Koach Latet</i>	12	198,247	1,225,277
Other Projects	13	<u>663,060</u>	<u>1,236,401</u>
		16,972,057	15,509,114
	
<u>Net Income from Activities</u>		2,106,354	1,985,403
Management & General Expenses	14	<u>2,122,580</u>	<u>1,682,064</u>
<u>Net Income (Expenditure) Before Funding</u>		(16,226)	303,340
Net Funding Expenditure		<u>275,368</u>	<u>261,326</u>
		(291,594)	42,014
Expenditure Adjustment for Previous years		<u>252,444</u>	<u>12,107</u>
<u>Net Annual Income (Expenditure)</u>		(544,038)	29,907
		=====	=====

The notes to the consolidated financial statements constitute an inseparable part thereof.

Mifal Haim Ltd. (PBC)
Statements of Net Changes in Equity
Unrestricted

	For Operational Purposes <u>NIS</u>	For Fixed Assets <u>NIS</u>	Total <u>NIS</u>
<u>Balance as of January 1, 2015</u>	4,417,729	1,998,450	6,416,179
<u>Changes during the Year, 2015:</u>			
Annual net income	29,907	-	29,907
Amounts transferred to cover depreciation costs	<u>585,899</u>	<u>(585,899)</u>	-
<u>Balance as of December 31, 2015:</u>	5,033,535	1,412,551	6,446,086
<u>Changes during the Year, 2016:</u>			
Annual net expenditure	(544,038)	-	(544,038)
Amounts transferred to cover fixed asset purchases	(399,161)	399,161	
Fixed assets received by donation	-	200,000	200,000
Amounts transferred to cover depreciation costs	<u>422,066</u>	<u>(422,066)</u>	-
<u>Balance as of December 31, 2016:</u>	4,512,402 =====	1,589,646 =====	6,102,048 =====

The notes to the consolidated financial statements constitute an inseparable part thereof.

Mifal Haim Ltd. (PBC)

Notes to the Consolidated Financial Statements

1. General

The Company is a "Public Benefit Company" (PBC), and operates a network of restaurants for the needy under the name of "Meir Panim", a national "Koach Latet" center for distribution of electrical appliances, furniture and clothing for the needy, a daycare network, a nutrition project for schoolchildren, and wide-ranging help and support for various sectors of the population, in coordination with the government and municipal welfare authorities

2. Main Principles of the Accounting Policy

- A. The effect of fluctuations in the general purchasing power of the Israeli currency: These financial reports were prepared in accordance with the generally accepted accountancy rules on the basis of the (GAAP) convention on historical cost, irrespective of changes in the general purchasing power of the Israeli currency.
- B. Cash equivalents: The Company considers cash equivalents to be highly liquid investments, including short-term bank deposits of up to 3 months.
- C. Fixed assets:
- (1) The fixed assets are included at cost value.
 - (2) Depreciation on fixed assets is calculated using the straight-line method at the following annual rates:

	<u>%</u>
Rented Property Improvements	10
Furniture and Equipment	6-15
Trucks and Motor Vehicles	15-20

- D. Linkage Basis: The amounts of liabilities linked to foreign currency or to the CPI are included on the basis of the valid representative exchange rate on the date of issue of the balance sheet date or the latest published index prior to the balance sheet issue date.

3. Cash & Cash Equivalents

Comprised of:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Current Accounts:		
In Israeli currency	99,976	5,998
In foreign currency	1,385	4,359
Provident funds	<u>73,557</u>	<u>34,082</u>
	173,918	44,439
	=====	=====

4. Receivables & Debit Balances

Comprised of:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Receivable Income	2,106,029	2,010,708
Credit Companies	2,782,011	1,401,643
'Lev Hanoten'(registered charity)	-	2,522,305
Advance Payments to Suppliers & Others	<u>151,350</u>	<u>271,439</u>
	5,039,390	6,206,095
	=====	=====

5. Fixed Assets

Comprised of:

	<u>31.12.2016</u>			<u>31.12.2015</u>
	<u>NIS</u>			<u>NIS</u>
	Cost	Accumulated Depreciation	Depreciated Value	Depreciated Value
Rented Property Improvement	1,959,886	1,079,296	880,590	446,374
Equipment & Furniture	1,577,345	886,896	690,449	910,059
Trucks & Motor Vehic	<u>305,617</u>	<u>287,010</u>	<u>18,607</u>	<u>56,118</u>
	3,842,848	2,253,202	1,589,646	1,412,551
	=====	=====	=====	=====

6. Credit from Banks

Comprised of:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Overdrawn Accounts		
Short-term Loans		
Current maturity of long-term loans	104,819	331,726
	75,310	32,400
	-	<u>100,000</u>
	180,129	464,126
	=====	=====

7. Liability for Termination of Employer-Employee Relations

The Company's obligation to pay compensation and one-time allowances to its employees upon contractual termination is partially covered by payments into provident and pension funds. The balance sheets do not show such amounts paid, because they are not controlled or managed by the Company. For the balance of the liabilities, an appropriate provision has been included in the Financial Statements.

8. Loans from the Bank

Comprised of:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Amount of Loans	75,310	175,724
Less Current Maturities	<u>(75,310)</u>	<u>(100,000)</u>
	-	75,724
	=====	=====

9. Donations

Comprised of:

	Year Ending	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Donations/Contributions in Israel	5,348,876	4,226,766
Donations from Abroad	6,536,346	5,342,294
Donations in Cash Equivalent	<u>6,833,104</u>	<u>7,404,348</u>
	18,718,326	16,973,408
	=====	=====

10. Grants Awarded by Institutions and Organizations

Comprised of:

	Year Ending	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
From the Israel Ministry of Labor & Social Affairs	-	71,896
From Local Authorities	<u>31,542</u>	<u>44,680</u>
	31,542	116,576
	=====	=====

11. Operational Expenses - Meir Panim

Comprised of:

	Year Ending	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Food Services/Kitchen Operations	5,714,026	4,547,386
Value of Volunteer Work & Reimbursement of Expenses	2,479,760	2,032,140
Facilities Rental & Maintenance	628,130	722,302
Salaries & Incidentals	1,087,284	595,683
Fleet Maintenance: transport & delivery vehicles	85,570	65,221
Depreciation of Fixed Assets	279,215	137,449
Miscellaneous	<u>49,775</u>	<u>182,255</u>
	10,325,760	8,282,436
	=====	=====

12. Operational Expenses - Koach Latet

Comprised of:

	Year Ending	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Distributed Furniture & Equipment	115,000	294,000
Facilities Rental & Maintenance	-	23,117
Salaries & Incidentals	-	116,896
Value of Volunteer Work & Reimbursement of Expenses	8,931	434,304
Depreciation of Fixed Assets	<u>74,316</u>	<u>356,960</u>
	198,247	1,225,227
	=====	=====

13. Operational Expenses – Other Projects

Comprised of:

	Year Ending	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Daycare Centers	402,300	401,310
Clothing & Equipment Distribution	-	195,445
Holiday Camps	140,760	632,160
<i>Noar Nosh</i> , Marginal Youth Project	120,000	-
Other	-	7,486
	<u>663,060</u>	<u>1,236,401</u>
	=====	=====

14. Management & General Expenses

Comprised of:

	Year Ending	
	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>NIS</u>	<u>NIS</u>
Salaries & Incidentals	492,480	612,980
Public Relations & Fundraising	1,241,629	743,525
Offices & Communications	209,431	105,808
Fleet Maintenance	13,345	74,180
Professional Salaries	63,406	26,089
Facilities Rental & Maintenance	31,663	36,071
Fees	2,091	1,920
Furniture & Office Equipment Wear & Tear	<u>68,535</u>	<u>91,491</u>
	<u>2,122,580</u>	<u>1,682,064</u>
	=====	=====