

Table to Table – Leket Israel (Reg. NPO)

Financial Statements

as at December 31, 2020

Table to Table – Leket Israel (Reg. NPO)

Financial Statements

as at December 31, 2020

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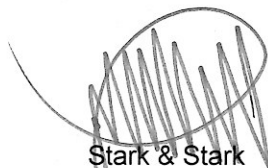
Auditor's report to association members of

Table to Table – Leket Israel (Reg. N.P.O.)

We have audited the accompanying statement of financial position of Table to Table – Leket Israel (Reg. N.P.O.) ("the Association") as of December 31, 2020 and 2019, and the statements of activities, changes in net assets, and statement of cash flows for the years then ended. These financial statements are the responsibility of the Association's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those standards prescribed by the Auditors Regulations (Manner of Auditor's Performance), 1973. Those 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 applied and significant estimates made by the Association's board of directors and management, 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 Association as of December 31, 2020 and 2019, and the results of its activities, changes in net assets, and statements of cash flows for each of the years then ended, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).



Stark & Stark

Certified Public Accountants (Israel)

July 21, 2021


Table to Table - Leket Israel (Reg. NPO)

Statement of Financial Position

December 31, 2020

| | Note | December 31 | |
|---|------|---------------|---------------|
| | | 2020 | 2019 |
| | | NIS thousands | NIS thousands |
| <u>Current assets</u> | | | |
| Cash and cash equivalents | | 5,605 | 13,100 |
| Short-term deposits | | 10,147 | 1,139 |
| Checks receivable | | 14 | 11 |
| Other receivables | 3 | 7,964 | 1,456 |
| | | <u>23,730</u> | <u>15,706</u> |
| <u>Non-current assets</u> | | | |
| Long-term deposits | | 1,351 | 691 |
| Fixed assets, net | 4 | 10,033 | 9,520 |
| | | <u>11,384</u> | <u>10,211</u> |
| | | <u>35,114</u> | <u>25,917</u> |
| <u>Current liabilities</u> | | | |
| Trade payables and checks payable | | 2,357 | 1,952 |
| Other payables | 5 | 2,697 | 2,847 |
| Current maturities of a long-term loan | 6 | 98 | - |
| | | <u>5,152</u> | <u>4,799</u> |
| <u>Non-current liabilities</u> | | | |
| Long-term loan | 6 | 2,402 | - |
| Liabilities for severance benefits, net | 7 | 380 | 381 |
| | | <u>2,782</u> | <u>381</u> |
| <u>Net assets</u> | | | |
| <u>Unrestricted net assets</u> | | | |
| For activities | | 2,147 | 11,210 |
| Designated by the Association | | 15,000 | - |
| Invested in fixed assets | | 10,033 | 9,520 |
| | | <u>27,180</u> | <u>20,730</u> |
| <u>Temporarily restricted net assets</u> | 8 | - | 7 |
| | | <u>27,180</u> | <u>20,737</u> |
| | | <u>35,114</u> | <u>25,917</u> |


Gideon Krocn
CEO


Ezra Haim
CFO

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

Table to Table - Leket Israel (Reg. NPO)

Statement of activities

For the year ended December 31, 2020

| | Note | Year ended | |
|---|------|------------------|------------------|
| | | December 31 | |
| | | 2020 | 2019 |
| | | NIS thousands | NIS thousands |
| <u>Income from activities</u> | | | |
| Donations and contributions | | 77,689 | 40,420 |
| Food, products, and services as cash equivalent | 9 | 90,292 | 89,837 |
| Revenues released from restriction | | 7 | 6,905 |
| | | <u>167,988</u> | <u>137,162</u> |
| <u>Cost of activity</u> | | | |
| Salary and related expenses | | (12,679) | (12,844) |
| Cost of food, products, and services as cash equivalent | 9 | (90,292) | (89,837) |
| Direct operating expenses | 11 | (49,924) | (25,245) |
| | | <u>(152,895)</u> | <u>(127,926)</u> |
| Net Income from activity | | <u>15,093</u> | <u>9,236</u> |
| General and administrative expenses | 12 | (7,961) | (7,691) |
| Fundraising and PR | | (396) | (365) |
| Net income before financing | | <u>6,736</u> | <u>1,180</u> |
| Financing expenses, net | | (302) | (67) |
| Net income after financing expenses | | <u>6,434</u> | <u>1,113</u> |
| Capital gain (loss) | | 16 | (97) |
| Net income for the year | | <u>6,450</u> | <u>1,016</u> |

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

Table Table - Leket Israel (Reg. NPO)

Statement of changes in net assets

For the year ended December 31, 2020

| | <u>Unrestricted</u> | | | <u>Restricted</u> | <u>Total</u> |
|--|---------------------------------------|--------------------------------------|--|--------------------|---------------|
| | <u>Net assets used for activities</u> | <u>Designated by the Association</u> | <u>Net assets invested in fixed assets</u> | <u>Temporarily</u> | |
| | <u>NIS thousands</u> | | | | |
| Balance as at January 1, 2019 | 11,571 | - | 7,676 | 559 | 19,806 |
| <u>Additions (reductions) in the year:</u> | | | | | |
| Net income for the year | 1,016 | - | - | - | 1,016 |
| Donations | - | - | - | 6,820 | 6,820 |
| Amounts released from restriction | - | - | - | (6,905) | (6,905) |
| Amounts released from restricted net assets for investment in fixed assets | - | - | 467 | (467) | - |
| Amounts invested in fixed assets | (2,629) | - | 2,629 | - | - |
| Amounts arising from the sale of fixed assets | 265 | - | (265) | - | - |
| Amounts transferred to cover depreciation expenses | 987 | - | (987) | - | - |
| Balance as at December 31, 2019 | <u>11,210</u> | <u>-</u> | <u>9,520</u> | <u>7</u> | <u>20,737</u> |
| <u>Additions (reductions) in the year:</u> | | | | | |
| Net income for the year | 6,450 | - | - | - | 6,450 |
| Earmarked by the Association (*) | (15,000) | 15,000 | - | - | - |
| Amounts released from restriction | - | - | - | (7) | (7) |
| Amounts invested in fixed assets | (2,719) | - | 2,719 | - | - |
| Amounts transferred to cover depreciation expenses | 2,206 | - | (2,206) | - | - |
| Balance as at December 31, 2020 | <u>2,147</u> | <u>15,000</u> | <u>10,033</u> | <u>-</u> | <u>27,180</u> |

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

(*) For the agricultural activities of "Leket" in 2021

Table to Table - Leket Israel (Reg. NPO)

Statement of cash flows

For the year ended December 31, 2020

| | Year ended December 31 | |
|--|---------------------------|-----------------------|
| | 2020 NIS thousands | 2019 NIS thousands |
| <u>Cash flows from (for) operating activities</u> | | |
| Net income for the year | 6,450 | 1,016 |
| Adjustments required to present cash flows from operating activities | (4,074) | (6,195) |
| Net cash from (used for) operating activities | <u>2,376</u> | <u>(5,179)</u> |
| <u>Cash flow used for investment activities</u> | | |
| Purchase of fixed assets | (2,719) | (2,629) |
| Proceeds from the sale of fixed assets | 16 | 168 |
| Increase in short-term deposit | (9,008) | (193) |
| Increase in long-term deposit | (660) | (54) |
| Net cash used for investment activities | <u>(12,371)</u> | <u>(2,708)</u> |
| <u>Cash flows from financing activities</u> | | |
| Receipt of long-term loan | 2,500 | - |
| Proceeds to net assets from outside entities | - | 6,820 |
| Net cash from financing activities | <u>2,500</u> | <u>6,820</u> |
| Decrease in cash and from activities in the year | <u>(7,495)</u> | <u>(1,067)</u> |
| Cash balance as at the beginning of the year | 13,100 | 14,167 |
| Total cash balance at the end of the year | <u><u>5,605</u></u> | <u><u>13,100</u></u> |

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

Table to Table - Leket Israel (Reg. NPO)

Statement of cash flows

For the year ended December 31, 2020

Adjustments required to present cash flows from operating activities

| | Year ended | |
|---|----------------|----------------|
| | December 31 | |
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| <u>Expenses (income) not related to cash flows</u> | | |
| Depreciation | 2,206 | 987 |
| Decrease in severance reserve | (1) | (119) |
| Capital gain (loss) from the sale of fixed assets | (16) | 97 |
| Amounts released from temporarily restricted net assets | (7) | (7,372) |
| | <u>2,182</u> | <u>(6,407)</u> |
| <u>Changes in asset and liabilities</u> | | |
| Decrease in investments in futures | - | (31) |
| Decrease (increase) in checks for collection | (3) | 1 |
| Decrease (increase) in other receivables | (6,508) | 666 |
| Increase (decrease) in payables and checks payable | 405 | (1,001) |
| Increase (decrease) in other payables | (150) | 577 |
| | <u>(6,256)</u> | <u>212</u> |
| | <u>(4,074)</u> | <u>(6,195)</u> |

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

Table to Table - Leket Israel (Reg. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 1 – GENERAL

- A. Table to Table - Leket Israel (Reg. NPO) ("the Association") is a non-profit organization. The Association was registered with the Registrar of Associations on March 18, 2003. The Association's registration number is 580407633.
- B. The Association's objectives are:
1. To collect surplus food products, agricultural produce, and cooked food from events, army bases, hotels, catering companies, cafeterias, farmers, and packing houses, which, if not collected, would be thrown away, and to distribute the food to the needy, directly or through aid organizations.
 2. To collect or acquire all kinds of food and to distribute it to the needy, directly or through aid organizations.
 3. To grow agricultural produce for distribution to the needy, directly or through aid organization.
 4. To assist civilians and Israel Defense Forces soldiers in times of emergency, according to their needs in this period. Times of emergency for this purpose refers to: war, military operations, and any other period in which civilians are under any kind of threat due to their being civilians.
 5. To engage in public activity, including lobbying to advance solutions for the problem of food insecurity in Israeli society.
 6. To engage in any act of kindness, charity, and aid for the needy.
- C. The Association has been recognized as a public institution by the Israel Tax Authority, under section 9(2) of the Income Tax Ordinance.
- D. The Association has approval under section 46 of the Income Tax Ordinance until the end of 2023.
- E. The Association has proper management approval for two years from the Registrar of Associations until the end of 2021.
- F. Amendment to the Associations Law (Amendment No. 11), 2008

In the accounting year, the Association did not receive any donations for its activities from a foreign political entity.

- G. Material events in the reporting period

Effect of COVID-19 on the Association's activities

As from March 2020, the Israeli government took significant steps to prevent the spread of COVID-19 in Israel. Due to the crisis, there was a significant decrease of 34% in the amount of available cooked meals, due to the closure of hotels and corporate cafeterias, and restrictions in IDF bases.

Moreover, following the closure of the catering companies, in addition to a shortage of working hands, farmers were left with large surpluses of agricultural produce.

In view of the above facts, the Association launched a fundraising campaign, which raised more than NIS 29 million.

Through these donations, and to fill the shortage of cooked meals, the Association purchased over 989 thousand cooked meals from catering companies and restaurants and distributed them to homes of the needy with the help of local associations and councils.

The Association also invested funds from these donations to increase the salvage capacity of agricultural produce and in 2020, the Association succeeded in salvaging 18,584 tons, an increase of 3,133 tons compared to 2019.

To address the COVID-19 crisis, the Association's management decided to reduce expenses that are non-essential during the crisis, but at the same time and due to the large extent of activity, and

Table to Table - Leket Israel (Reg. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 1 – GENERAL (CONTD)

G. Material events in the reporting period (CONTD)

The option of working from home, the Association continued to operate in full, employing all Association employees, without putting them on unpaid leave.

As a result, the Association's activity increased by 22% and fundraising increased by 64% compared to 2019.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting principles

The financial statements have been prepared in accordance with generally accepted accounting principles and in accordance with Accounting Standard No. 40 published by the Israel Accounting Standards Board in August 2020. See Note 2J.

B. Financial statements in reported amounts

1. The Association applies the provisions of Accounting Standard No. 12 of the Israel Accounting Standards Board, Discontinuance of Adjustment of Financial Statements.
2. The amounts of non-monetary assets do not necessarily represent disposal or current economic value, but rather the reported amounts of those assets.
3. In the financial statements, "cost" refers to cost in reported amounts.

C. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities disclosed in the financial statements, as well as the amounts of income and expenses in the reporting period. It should be clarified that actual results may differ from such estimates.

D. Cash and cash equivalents

The Association considers highly liquid investments, including short-term bank deposits (up to three months), as cash equivalents with a maturity date of up to three months from the date of investment.

E. Fixed assets

1. Depreciation is recognized on a straight-line basis at annual rates considered sufficient to depreciate the assets over their estimated useful lives.
2. Improvements are recognized in cost of assets, while expenses for maintenance and repairs are recognized in the statement of activities as incurred.
3. Annual depreciation rates:

| | <u>%</u> |
|-------------------------------------|----------|
| Vehicles | 15-25 |
| Furniture, equipment, and computers | 6-33 |
| Leasehold improvements | 7-33 |
| Land | 0 |

F. Liabilities for severance pay

The reserve reflects the liability due to employees as at the date of the financial statements, net of liabilities covered by compensation funds.

Table to Table - Leket Israel (Reg. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD)

G. Recognition of income and expenses

Income is included on an accrual basis. Donations are recognized as income or as an addition to restricted net assets only if actually received. Donations of non-monetary assets are recognized at fair value when received. Expenses are included in the financial statements on an accrual basis.

H. Donations as cash equivalent

As from 2011, the Association has managed the food inventory and its distribution in a computerized system for the accurate recording of quantities of cooked food, and agricultural produce arriving at the Association's warehouses as donations. The value of donations is recorded in the Association's financial statements on a cost basis. See Note 9.

I. Balances in or linked to foreign currency

Balances in or linked to foreign currency are included in the financial statements at the representative exchange rates as at the balance sheet date.

Below is information about USD exchange rates and the CPI:

| <u>As at:</u> | <u>USD representative exchange rate NIS</u> | <u>CPI for December - In points (*)</u> |
|---------------------------------|---|---|
| December 31, 2020 | 3.215 | 101.1 |
| December 31, 2019 | 3.456 | 101.8 |
| <u>Change in the year ended</u> | <u>%</u> | <u>%</u> |
| December 31, 2020 | (6.97) | (0.69) |
| December 31, 2019 | (7.79) | 0.60 |

(*) Based on 2016 CPI

J. Effect of new accounting standards:

Accounting Standard No. 40, Accounting Rules and Financial Reporting by Nonprofit Organizations

On August 13, 2020, the Professional Committee of the Israel Accounting Standards Board approved Accounting Standard No. 40, Accounting Rules and Financial Reporting by Non-Profit Organizations.

The Standard combines the accounting and financial reporting rules for non-profit organizations, and when it comes into effect, the Standard will replace Opinion No. 69 which is combined with Accounting Standard No. 5. The Standard includes changes compared to the existing standard, which are described in the introduction to the Standard, such as rules for recognizing the revenue of NPOs (for contributions of fixed assets and cash for investment in fixed assets, and for services received free of charge), rules for recognizing and measuring works of art, historical assets, and similar assets, and classification of cash flows in the statement of cash flows.

The Standard will apply to financial statements for annual periods beginning on or after January 1, 2021. The Association elected to early apply the Standard in the reporting year.

Table to Table - Leket Israel (Reg. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD)

J. Effect of new accounting standards: (contd.)

Accounting Standard No. 41, Related Party Disclosures

On June 29, 2020, the professional committee of the Israel Accounting Standards Board approved Accounting Standard No. 41, Related Party Disclosures. This Standard supersedes Opinion No. 29, Related Parties and expands the disclosure requirements.

The objective of the Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties, including agreements with them.

Under the Standard, when assessing all possible related party relationships, the nature of the relationship and not only their legal form should be taken into account.

The Standard is effective for annual reporting periods beginning on or after January 1, 2020.

The management of the Association believes that application of the Standard does not have a material effect on the disclosures in the financial statements.

NOTE 3 – OTHER RECEIVABLES

| | <u>December 31</u> | |
|-----------------------|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> |
| | <u>NIS thousands</u> | <u>NIS thousands</u> |
| Israel Gives | 1,130 | 860 |
| Advances to suppliers | 7 | 55 |
| Income receivable | 5,732 | 425 |
| Prepaid expenses | 1,095 | 116 |
| | <u>7,964</u> | <u>1,456</u> |

Table to Table - Leket Israel (Req. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 4 – FIXED ASSETS, NET

| | December 31 | | | | | 2019 |
|--|-----------------------------|--------------|----------------|-----------------------------------|---------------|---------------|
| | 2020 | | | | Total | |
| | Leasehold improvements (**) | Land | Vehicles | Furniture, equipment, & computers | | |
| | | | | | Total | |
| | NIS thousands | | | | | |
| Cost | | | | | | |
| Balance as at the beginning of the year | 5,355 (*) | 3,521 | 2,769 | 4,305 (*) | 15,950 | 13,639 |
| Additions in the year | 1,833 | - | 598 | 288 | 2,719 | 3,096 |
| Derecognition in the year | (2,353) | - | (634) | (946) | (3,933) | (785) |
| Balance as at the end of the year | <u>4,835</u> | <u>3,521</u> | <u>2,733</u> | <u>3,647</u> | <u>14,736</u> | <u>15,950</u> |
| Accumulated depreciation | | | | | | |
| Balance as at the beginning of the year | 1,509 (*) | - | 2,310 | 2,611 (*) | 6,430 | 5,963 |
| Depreciation in the year | 1,430 | - | 252 | 524 | 2,206 | 987 |
| Depreciation of derecognitions in the year | (2,353) | - | (634) | (946) | (3,933) | (520) |
| Balance as at the end of the year | <u>586</u> | <u>-</u> | <u>1,928</u> | <u>2,189</u> | <u>4,703</u> | <u>6,430</u> |
| Amortized cost | <u>4,249</u> | <u>3,521</u> | <u>805</u> | <u>1,458</u> | <u>10,033</u> | <u>9,520</u> |
| Annual depreciation rates | <u>7%-33%</u> | <u>0%</u> | <u>15%-25%</u> | <u>6%-33%</u> | | |

(*) Reclassified

(**) Additions in the year include leasehold improvements for the new logistics center, and depreciation and derecognitions arise from vacating the old logistics center in Raanana. See also Note 14.

NOTE 5 – OTHER PAYABLES

| | December 31 | |
|--|---------------|---------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Employees | 893 | 913 |
| Payroll institutions | 588 | 633 |
| Expenses payable | 349 | 662 |
| Provision for vacation and convalescence pay | 857 | 626 |
| Others | 10 | (*) 13 |
| | <u>2,697</u> | <u>2,847</u> |

(*) Reclassified

Table to Table - Leket Israel (Reg. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 6 – LONG-TERM LOAN

| | December 31 | |
|--|----------------------|----------------------|
| | 2020 | 2019 |
| | <u>NIS thousands</u> | <u>NIS thousands</u> |
| A. <u>Composition:</u> | | |
| Long-term bank loan - guaranteed by the state | 2,500 | - |
| Less - current maturities | (98) | - |
| | <u>2,402</u> | <u>-</u> |
| | | |
| B. <u>Repayment dates subsequent to the balance sheet date</u> | | |
| First year - current maturity | 98 | - |
| Second year | 599 | - |
| Third year | 618 | - |
| Fourth year | 638 | - |
| Fifth year | 547 | - |
| Total | <u>2,500</u> | <u>-</u> |

NOTE 7 – LIABILITIES FOR SEVERANCE PAY, NET

The reserve for severance pay covers the balance due to employees net of the liabilities covered by director's insurance plans. The amounts deposited are not included in the balance sheets, since they are not under the control and management of the Association. The liability amount for severance pay included in the balance sheets reflects the balance of the liability not covered by the insurance policies, as aforesaid

Employees who started work at the Association as from October 2012, are signed on section 14 of the Severance Pay Law.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Below are details of donations received and released in 2020 and 2019:

1. In 2019, a donation of NIS 1,291 thousand was received for assistance for the elderly. In 2020 and 2019, project expenses (including payroll expenses) financed from donations amounted to NIS 7 thousand and NIS 1,376 thousand, respectively. These amounts were released each year, respectively.
2. In 2015, a donation of NIS 480 thousand was received to establish a visitor's center. An amount of NIS 13 thousand was released for activities in 2019 and the balance was released in 2019 and transferred to net assets used for fixed assets.
3. In 2019, a donation of NIS 3,056 thousand was received for the operation of hot meals in the south of Israel. This amount was released for activity in 2019.
4. In 2019, a donation of NIS 2,473 thousand was received for indemnification of expenses for salaries of agricultural pickers and subcontractors. This amount was released for activity in 2019.

Table to Table - Leket Israel (Reg. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 9 - FOOD, PRODUCTS, AND SERVICES AS CASH EQUIVALENT

A. Cooked food

In 2020, the Association received donations of cooked food with a monetary value of NIS 27,622 thousand (in 2019, NIS 41,608 thousand). The decrease in salvage is due to a decrease in the activity of kitchens, hotels, and other places during the COVID 19 crisis.

The main donors are IDF bases, companies, hotels and more.

The cost of cooked food in the reporting year was calculated according to the number of meals donated multiplied by the cost of the meal. The cost of a meal was based on information received from the various catering companies and the assessment of the Association's management.

The cost of a meal amounts to NIS 19.

In the reporting year, the market price of the meals is estimated at NIS 42,160 thousand (in 2019, NIS 63,506 thousand) according to the market value based on the price of a meal for the consumer at NIS 29.

B. Leket project

The Leket project collects agricultural produce from farmers and distributors. The Association's volunteers pick and pack the agricultural produce, which is distributed to shelters and to associations that provide food to the needy.

In 2020, the Association received donations of agricultural produce from farmers and distributors with a monetary value of NIS 62,670 thousand (in 2019, NIS 48,229 thousand). The increase in activity was due to surpluses accumulated by farmers after the closure of dining establishments and the shortage of labor during the COVID-19 crisis.

The value of agricultural produce was calculated according to the price of wholesale fruit and vegetables published by the Ministry of Agriculture, multiplied by the number of kilograms received. Due to difficulty in collecting information about retail prices, the Association reassessed the market value of agricultural produce in the reporting year. According to the reassessment, the market value of fruit and vegetables in the Ministry of Agriculture's survey, which is published weekly, based on their high value in the survey, and the market value of fruit and vegetables that do not appear in the survey is determined by the average annual margin between the wholesale price and the retail price of fruit and vegetables in the leading food chains.

Accordingly, the management's assessment is that the market value of the agricultural produce received as a donation in the reporting year amounted to NIS 126,949 thousand. In 2019, the market value of fruit and vegetables amounted to NIS 99,037 thousand (unaudited information).

NOTE 10 - VALUE OF VOLUNTEERS

The association is assisted by volunteers working with no consideration to advance the Association's goals.

In 2020, the Association used 24,577 volunteer hours with a monetary value of NIS 655 thousand based on the minimum wage.

In 2019, the Association used 84,827 volunteer hours with a monetary value of NIS 2,305 thousand based on the minimum wage.

As the volunteers are not employed according to their professional expertise, the amounts for their work were not included in the statement of activity for 2019 and 2020.

Following the COVID-19 crisis and the restrictions imposed by the state authorities, and the need to protect the Association's volunteers and employees, the Association significantly reduced the number of volunteer hours in 2020 compared to 2019.

Table to Table - Leket Israel (Req. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 11 – DIRECT OPERATING EXPENSES

| | Year ended | |
|---|---------------|---------------|
| | December 31 | |
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Leket project | 29,685 | 11,284 |
| Projects for the needy | 5,414 | (*)766 |
| Nutrition workshops and research | 374 | 664 |
| Nahalal, Binyamina, and Rishon LeZion project | 659 | 903 |
| Infrastructure and support for associations | 363 | 400 |
| Rent, communications, and maintenance | (**) 3,596 | 2,478 |
| Advertising, printing, and study courses | 1,991 | 1,800 |
| Vehicle maintenance, including depreciation | 6,412 | 6,670 |
| Depreciation | (**) 1,430 | 280 |
| | <u>49,924</u> | <u>25,245</u> |

(*) Reclassified

(**) The increase in expenses for the year is due to expenses for rental of the new logistics center and the reduction in amortization for improvements made to the old logistics center. See also Note 14.

NOTE 12 – GENERAL AND ADMINISTRATIVE EXPENSES

| | Year ended | |
|------------------------------------|---------------|---------------|
| | December 31 | |
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Salary and related expenses | 5,732 | 5,176 |
| Rent and maintenance | 373 | 587 |
| Communications and office expenses | 229 | 471 |
| Professional services | 556 | 543 |
| Travel abroad | 23 | 256 |
| Motor vehicle maintenance | 122 | 101 |
| Banking | 49 | 56 |
| Advertising and public relations | 353 | 78 |
| Depreciation | 524 | 423 |
| | <u>7,961</u> | <u>7,691</u> |

NOTE 13 - GUARANTEES

The Association provided bank guarantees amounting to NIS 590 thousand for the lease of a building, and a performance guarantee for a joint venture with the Ministry of Agriculture (2019 – NIS 685 thousand for the lease of a building, lease of trucks, and performance guarantee for the joint venture with the Ministry of Agriculture).

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Notes to the Financial Statements as at December 31, 2020

NOTE 14 – AGREEMENTS

Agreements

In January 2018, the Association and Migdalit Ltd. ("the Lessor") signed an agreement for the lease of the logistics center in Pardes Gan Haim ("the Leased Property"). The lease included two basic conditions: one was the precondition that the contract will not be valid unless the Lessor presents confirmation of cancellation of the receivership process or court approval of a creditors settlement. This condition has been fulfilled. The second condition was a "terminating condition", which refers to termination of the lease if a license to manage the Association's business in the Leased Property is not obtained.

In January 2019, after exhausting all the options and processes for obtaining a business license from the local authority, the Association informed the Lessor that the terminating condition of the contract had been fulfilled, and therefore the agreement between the parties was cancelled.

On April 18, 2019, the Lessor petitioned the district court to invalidate the cancellation notice of the lease signed by the parties.

On May 28, 2019, the Association filed a motion and demand with the court to refund the amounts already paid by the Association under the agreement, including expenses for leasehold improvements.

On July 16, 2019, a joint hearing was held on the two motions and the court ruled that it will appoint a licensed architect to work towards obtaining a business license for the Association's activities in the Leased Property. In addition, a follow-up hearing was scheduled for September 15, 2019, to monitor progress. Until then, the Association will deposit in escrow the amount of the monthly rent set out in the agreement.

On December 22, 2019, the council engineer recommended that a business license for the Association's activities in the Leased Property should be granted, and the main obstacle for obtaining a business license was removed. In the same update, the expert asked to consider raising his fee.

On April 23, 2020, after negotiations between the parties regarding payment of the rent in the period from July 22, 2019, the Association and the Lessor reached agreements ("the Settlement Agreement"). The main points of the Settlement Agreement are as follows:

- A. The Association will not pay rent for a period beginning on July 22, 2019 and ending on March 31, 2020 ("the Interim Period").
- B. As from the end of the Interim Period, the Association will pay the rent in accordance with the lease agreement, under certain conditions set out in the Settlement Agreement.
- C. The Association will pay the Lessor a lump sum of NIS 500 thousand plus VAT for expenses and costs incurred by the Lessor for non-payment of the rent in the Interim Period.
- D. The total amount in escrow will first be used to pay rent for the period from July 1, 2019 to July 22, 2019, and the balance will be used to pay rent for the period after the end of the Interim Period.
- E. Notice of cancellation of the lease agreement will be void and in addition, the motions filed by the parties, against each other, will be dismissed without expenses.

On May 26, 2020, the court approved the settlement and at the beginning of June 2020, the Association moved into the Leased Property.

An amount of NIS 504 thousand for rental expenses paid for January to May 2020 was capitalized to leasehold improvements since the property was not available for use; as from June 2020, rental expenses were recorded in the statement of activity.

Table to Table - Leket Israel (Reg. NPO)

Notes to the Financial Statements as at December 31, 2020

NOTE 15 - STATEMENT OF ACTIVITIES (BY NATURE OF THE EXPENSE)

| | Year ended | |
|---|----------------------|----------------------|
| | December 31 | |
| | 2020 | 2019 |
| | <u>NIS thousands</u> | <u>NIS thousands</u> |
| <u>Income from activities</u> | | |
| Donations and contributions | 77,689 | 40,420 |
| Cash, products, and services as cash equivalent | 90,292 | 89,837 |
| Revenues released from restriction | 7 | 6,905 |
| | <u>167,988</u> | <u>137,162</u> |
| <u>Expenses</u> | | |
| Salary and related expenses | (18,411) | (18,020) |
| Cost of food, products, and services as cash equivalent | (90,292) | (89,837) |
| Projects | (35,759) | (12,953) |
| Nutrition workshops and research | (374) | (664) |
| Infrastructure and support for associations | (363) | (400) |
| Rent and maintenance | (3,752) | (2,932) |
| Communication | (235) | (173) |
| Advertising, printing, and study courses | (2,344) | (1,878) |
| Motor vehicle maintenance | (6,281) | (6,487) |
| Depreciation | (2,206) | (987) |
| Administration | (211) | (431) |
| Professional services | (556) | (543) |
| Travel abroad | (23) | (256) |
| Banking | (49) | (56) |
| | <u>(160,856)</u> | <u>(135,617)</u> |
| Fundraising and PR | <u>(396)</u> | <u>(365)</u> |
| Net income before financing | <u>6,736</u> | <u>1,180</u> |
| Financing expenses | (302) | (67) |
| Net income after financing | <u>6,434</u> | <u>1,113</u> |
| Capital gain (loss) | 16 | (97) |
| Net income for the year | <u><u>6,450</u></u> | <u><u>1,016</u></u> |