

Be-Atzmi (RA)

**Financial Reports
for 31 December 2014**

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Auditing Accountant's Report to Members of Be-Atzmi (RA)

We have audited the attached balance sheets of Be-Atzmi (RA) (hereafter, "the Association") for December 31, 2014 and 2013, as well as the reports on activities, reports on changes in net assets, and reports on cash flows for each of the years ending on these dates. These financial reports are under the responsibility of the Association's board of directors and management. It is our responsibility to provide our opinion on these financial reports based on our audit.

We have conducted our audit based on accepted Israeli auditing standards, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 1973. These standards require us to design our audit and conduct it so as to attain a reasonable degree of confidence that the financial reports involve no material misrepresentation. Our audit thus included sample testing of evidence that supports the amounts and other data that appear in the financial reports. The audit also included an examination of the accounting rules applied and the significant estimates made by the Association's board of directors and management, as well as an evaluation of the appropriateness of presentation in the entire financial reports. We think that our auditing provides an appropriate basis for our opinion.

In our opinion these financial reports are an accurate reflection, in all significant aspects, of the Association's financial situation for 31 December 2014 and 2013, as well as the outcomes of its activities, changes in net assets, and its cash flow reports for each of the years ending on these dates, in accordance with generally accepted Israeli accounting regulations (Israeli GAAP).

Somech Chaikin

Accountants
Honorary Auditors

30 June 2015

Be-Atzmi (RA)**Balance Sheets for 31 December**

	<u>Note</u>	<u>2014</u> <u>NIS</u>	<u>2013</u> <u>NIS</u>
Current assets			
Cash and cash equivalents		6,000,392	6,232,543
Marketable securities		3,587,737	1,510,939
Various debtors	3	3,249,911	1,165,019
		12,838,040	8,908,501
Net fixed and other assets			
	4	219,751	122,295
		13,057,791	9,030,796
Current liabilities			
Checks to be cashed		344,920	196,718
Suppliers		2,192,572	1,262,605
Creditors and credit balance	5	3,190,826	1,783,397
		5,728,318	3,242,720
Long term liabilities:			
Net liability following termination of employer-employee relations	6	38,780	38,780
Net unrestricted assets			
Used for activities		7,015,312	4,183,607
Used for fixed assets		219,751	122,295
		7,235,063	4,305,902
Net restricted assets			
Net assets with temporary restriction		55,630	1,443,394
		7,290,693	5,749,296
		13,057,791	9,030,796

Giora Ofer
Chairman of the Board

Shlomi Kot
Board Member

Zvika Goldberg
CEO

Date of approval of financial reports: 30 June 2015

The notes below are an integral part of the financial reports

Be-Atzmi (RA)**Reports on Activity for the Year Ending on 31 December**

	<u>Notes</u>	<u>2014 NIS</u>	<u>2013 NIS</u>
Turnover	7	28,937,164	18,629,336
Activity costs	8	(24,250,991)	<u>(16,386,317)</u>
Net income from activities		4,686,173	2,243,019
Management and general expenses	9	(1,826,029)	<u>(1,346,299)</u>
Net revenues before funding		2,860,144	896,720
Net funding revenues		90,037	<u>27,037</u>
Net revenues after funding		2,950,181	923,757
Tax expenses		(21,020)	-
Net yearly surplus of income over expenses		2,929,161	<u>923,757</u>

The notes attached below are an integral part of the financial reports

Be-Atzmi (RA)**Reports on Changes in Net Assets**

	Unrestricted To be used for activities not designated by the Association	Unrestricted, used for fixed assets	Temporarily restricted	Total
	NIS	NIS	NIS	NIS
Balance on 1 January 2013	3,233,042	149,103	290,024	3,672,169
Yearly surplus of income over expenses	923,757	-	-	923,757
Sums transferred for fixed assets acquisitions	(28,591)	28,591	-	-
Sums transferred for covering depreciation costs	55,399	(55,399)	-	-
Sums released from restriction on activities	-	-	(290,024)	(290,024)
Donations	-	-	1,443,394	1,443,394
Balance on 31 December 2013	4,183,607	122,295	1,443,394	5,749,296
Yearly surplus of income over expenses	2,929,161	-	-	2,929,161
Sums transferred for fixed assets acquisitions	(162,961)	162,961	-	-
Sums transferred for covering depreciation costs	65,505	(65,505)	-	-
Sums released from restriction for activities	-	-	(1,443,394)	(1,443,394)
Donations	-	-	55,630	55,630
Balance on 31 December 2014	7,015,312	219,751	55,630	7,290,693

The notes below are an integral part of the financial reports.

Be-Atzmi (RA)**Reports on Cash Flows for the Year Ending on 31 December**

	<u>2014</u> <u>NIS</u>	<u>2013</u> <u>NIS</u>
Cash flow from current activities		
Yearly surplus of income over expenses	2,929,161	923,757
Adjustments required to present current activity cash flow and cash equivalents – Annex A	466,211	2,245,708
Net cash gained from current activity	3,395,372	3,169,465
Cash flow used for investment activity		
Net changes to marketable securities	(2,076,798)	(1,510,939)
Fixed assets acquisitions	(162,961)	(28,591)
Net cash used for investment activity	(2,239,759)	(1,539,530)
Cash flow from funding activity		
Increase (decrease) from temporarily restricted donations	(1,387,764)	1,153,370
Net cash used for funding activity	(1,387,764)	1,153,370
Increase in cash and cash equivalents	(232,151)	2,783,305
Cash and cash equivalents balance at year's start	6,232,543	3,449,238
Cash and cash equivalents balance at year's end	6,000,392	6,232,543
Annex A		
Adjustments Required to Present Current Activity Cash Flows and Cash Equivalents		
Incomes and expenses that do not involve cash flow:		
Depreciation	65,505	55,399
Changes to assets and liabilities clauses:		
(Increase) decrease in various debtors	(2,084,892)	971,833
Increase in suppliers	929,967	402,879
Increase in checks to be cashed	148,202	63,045
Increase in creditors and credit balance	1,407,429	735,465
Net increase (decrease) in liabilities due to termination of employer-employee relations	-	17,087
	466,211	2,245,708

The notes below are an integral part of the financial report.

Be-Atzmi (RA)

Notes on the Financial Reports for 31 December 2014

Note 1 – General

- A. Be-Atzmi (hereafter, “the association”) was registered under the “Association Law – 1980” by the Registrar of Associations on 4 July 1995.
- B. The Association was approved by the income tax authorities as a “public institution” for donations under Section 46 of the Income Tax Ordinance as of 23 July 2003. This approval is valid until 31 December 2015.
- C. The Association’s goals are to provide low-income populations with the tools, knowledge, support, and assistance to help them make the transition from welfare recipients to productive, active, and involved members of society in general, and the employment market in particular, by using unique training and development programs and models.

Note 2 – Accounting Policy principles

- A. These financial reports were prepared according to the regulations set in Opinion 69 of the Institute of Certified Public Accountants in Israel and according to Standard 5 of the Israeli Accounting Standard Bureau

In accordance with this opinion’s instructions, we have used the following classification for the net assets:

Temporarily restricted net assets:

Donors have applied certain restrictions regarding usage of donations. When these funds are used for the defined purposes, they are released from restrictions and presented in the activity reports.

In accordance, special grants received during the report’s period were reported in the activity report parallel to their use as expenses for the defined purposes. Sums accepted as income during the report’s period were classified in the activity report as “Sums released from restricted net assets.

Unrestricted net assets

These are the net assets that their usage is not subjected to any restrictions by donors. Out of these, sums were taken for covering acquisitions of fixed assets.

- B. These financial reports are prepared in accordance with accepted accounting rules based on historical cost conventions.

C. In-kind services

Various in-kind services were received without charge, such as: accounting services, advocacy services, the General Assembly, and Chairperson’s services, and various volunteer services, including students and lecturers.

The financial reports do not reflect these services.

D. Cash-equivalent donations

The financial reports do not reflect donations given or received in forms other than cash, except for car rental and rent donations

E. Income recognition

Incomes from services are relatively attributed across the contract’s period or when the service is provided if the financial benefits attributed to receiving these services are proven reasonable. Incomes to be received from donations and appropriations are recognized as income if they were pledged during the report’s period and received until the financial reports prepared, or in case the donor has made an irrevocable liability that relates to the report’s period, realization of the donor’s liability is not subjected to the occurrence of any future event and can be legally enforced.

Note 2 – Accounting Policy principles(cont.)

F. Cash and cash equivalents

Cash and cash equivalents include short-term deposits in banks with surrender period, when they were deposited, that did not exceed three months.

G. Use of estimates:

When preparing financial reports according to acceptable accounting rules, the management had to rely on estimates and evaluations that affect the reported data on assets and liabilities, as well as on contingent assets and liabilities reported in the financial reports, and on revenue and expense data during the reported period. It must be noted that actual results may differ from these estimates.

H. Fixed assets:

- (1) Fixed assets are presented according to their cost.
- (2) Improvements and upgrades are attributed to assets' costs, while maintenance and repairs are attributed to the profit and loss report when they happen.
- (3) Depreciation is calculated by the straight-line method according to their estimated period of use.

The annual rates of depreciation are:

	%
Equipment and furniture	6–10
Computers and software	33

Improvements to rented items are depreciated across the rent period, which must not exceed the assets' financial lifetime

- I. Some data presented in the compared numbers, were reclassified in order to adjust them to this years reports' presentation. The abovementioned classifications did not affect the net assets or the income surpluses reported in the past.

Note 3 – Various Debtors

	31 December	
	2014	2013
	NIS	NIS
Income to be received	35,709	113,197
Clients	3,194,490	1,027,267
Prepaid expenses	19,712	24,555
	<u>3,249,911</u>	<u>1,165,019</u>

Be-Atzmi (RA)

Notes on the Financial Reports for 31 December 2014

Note 4 – Net Fixed and Other Assets

	Computer software NIS	Computers NIS	Office furniture and Equipment NIS	Improvements to rented items NIS	Total NIS
Cost					
As of 1 January 2013	120,459	453,081	34,463	33,955	641,958
Additions	-	28,591	-	-	28,591
As of 31 December 2013	120,459	481,672	34,463	33,955	670,549
Additions	-	20,224	7,309	135,428	162,961
As of 31 December 2014	120,459	501,896	41,772	169,383	833,510
Accumulated depreciation					
As of 1 January 2013	16,663	442,852	16,827	16,513	492,855
Additions	39,751	9,387	2,808	3,453	55,399
As of 31 December 2013	56,414	452,239	19,635	19,966	548,254
Additions	39,751	16,033	3,006	6,715	65,505
As of 31 December 2014	96,165	468,272	22,641	26,681	613,759
Decreased cost as of 31 December 2014	24,294	33,624	19,131	142,702	219,751
Decreased cost as of 31 December 2013	64,045	29,433	14,828	13,989	122,295

Note 5 – Creditors and credit balance

	31 December	
	2014	2014
	NIS	NIS
Liabilities to employees and other liabilities for wages	1,813,871	1,426,888
Expenses to be paid	17,263	11,907
Institutes	236,332	153,342
Advances from clients	1,123,360	191,260
	3,190,826	1,783,397

Note 6 – Liabilities Due to Termination of Employer-Employee Relations

The Association's liabilities due to termination of employer-employee relations have been calculated based on Israeli laws and regulations regarding severance pay. Starting on March 2010 payments to pension funds and insurance companies free the Association of its liabilities to its employees in accordance with Article 14 of the Severance Pay Law, which all the company's employees signed at the time. The sums accumulated in the pension funds and insurance companies since that date are not controlled or managed by the Association, and consequently these sums as well as the liabilities for severance pay due thereof are not represented in the balance sheets.

The net pension compensation reserve presented in the balance sheets represents the Association's liability balance to its employees for the time preceding March 2010, not covered by deposits to insurance policies.

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Notes on the Financial Reports for 31 December 2014

Note 7 – Activity Cycle

	For the year ending on 31 December	
	2014	2013
	NIS	NIS
Income:		
From projects	24,809,845	14,664,060
From grants and donations (A)	2,683,925	3,675,252
Sums released from activity restrictions	1,443,394	290,024
	28,937,164	18,629,336
(A) Including the following donations:		
The Jewish Agency for Israel	-	104,464
The Safra Foundation	121,450	122,500
Bank Hapoalim	200,000	250,000
New Kopel	27,992	27,712
The Strauss Group	50,000	-
“Matan – Your Way to Give” (NGO)	33,500	33,650
Keren Hayesod	201,090	187,120
Shibolet & Co. Advocates and Notaries	35,000	30,000
Fundraising event income	431,300	-
Ted Arison Family Foundation	151,989	2,200,877
Bezeq	6,000	125,000
Worthwhile investments ltd.	37,546	40,424
U-Bank	-	6,000
Barak-Capital	100,000	20,000
Accenture	78,880	142,300
Adama	10,000	20,000
Altshuler Shaham Group – Asset Management Firm	-	18,000
Peretz Naftali Foundation	20,000	20,000
Arye and Tzipi Kalkstein	20,000	10,000
Kasirer Foundation	-	100,000
Bazan – Oil Refineries Ltd. (ORL)	-	10,000
Glencore Foundation	145,889	-
DM Foundation	142,100	-
Neeman Foundation	206,492	-
Adelis Foundation	399,960	-
The Vivian and Morris Wohl Foundation	39,735	-
Mandel and Madeleine Berman Foundation	90,588	-
Miscellaneous	134,414	207,205
	2,683,925	3,675,252

(B) Out of the donations recorded in the activity cycle, some donations were pledged as of the date of preparing the balance sheets, but their cash sums were not yet received.

The sum of these donations and the date of their expected transfer are detailed here below:

	2014	2013
	NIS	NIS
Incomes to be received	35,709	113,197

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Notes on the Financial Reports for 31 December 2014

Note 8 – Activity Costs

	For the year ending on 31 December	
	2014	2013
	NIS	NIS
Wages and external consultants	15,819,200	*10,413,830
Training and workshops	3,463,136	*3,114,631
Professional training	1,573,763	*1,776,078
Rent, office maintenance, and communication costs	1,437,003	*752,785
Marketing and advertising	276,220	*170,876
Infrastructures	1,250,770	*19,967
Events and conventions	258,115	*23,732
Others	172,784	*114,418
	24,250,991	16,386,317

* Reclassified

Note 9 – Management and General Expenses

	For the year ending on 31 December	
	2014	2013
	NIS	NIS
Wages and external consultants	671,323	*609,912
Social benefits and plans	511,836	411,990
Fundraising costs	133,656	9,769
Professional services	107,029	*41,500
Rent and office maintenance	190,871	*118,391
Food, refreshments, and travel costs	14,638	9,240
Car rental and maintenance	73,846	76,993
Depreciation	65,505	55,398
Others	57,325	*13,106
	1,826,029	1,346,299

* Reclassified