

**Be-Atzmi (Registered  
Association)**

**Financial Reports  
31 December 2015**

**Financial Reports 31December 2015**

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**Table of Contents**

	Page
Auditors' Report to the association members	3
Balance Sheets	4
Reports on Activities	5
Reports on changes in net Assets	6
Reports on Cash Flow	7
Notes on Financial Reports	8



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## **Auditors' Report to the association members**

We have audited the attached balance sheets of Be-Atzmi (RA) (hereafter, "the Association") for December 31, 2015 and 2014, 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. Our responsibility is 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).

Somekh Chaikin  
Accountants  
Honorary Auditors  
2 August 2016

**Balance Sheets for 31 December**

	<u>Note</u>	<u>2015</u> <u>NIS</u>	<u>2014</u> <u>NIS</u>
Current assets			
Cash and cash equivalents		<b>4,338,251</b>	6,000,392
Marketable securities		<b>9,085,762</b>	3,587,737
Various debtors	3	<b>4,823,614</b>	3,249,911
		<b>18,247,627</b>	12,838,040
<b>Net fixed and other assets</b>	4	<b>253,889</b>	219,751
		<b>18,501,516</b>	13,057,791
<b>Current liabilities</b>			
Checks to be cashed		<b>452,219</b>	344,920
Suppliers		<b>2,269,239</b>	2,192,572
Creditors & Credit Balance	5	<b>2,763,287</b>	3,190,826
		<b>5,484,745</b>	5,728,318
<b>Long Term Liabilities</b>			
<b>Net liability following termination of employer-employee relations</b>	6	<b>38,780</b>	38,780
<b>Net unrestricted assets</b>			
Used for Activities		<b>6,000,000</b>	-
Not Used for Activities		<b>5,992,536</b>	7,015,312
Used for fixed assets		<b>253,889</b>	219,751
		<b>12,246,425</b>	7,235,063
<b>Net restricted assets</b>			
Net assets with temporary restriction		<b>731,566</b>	55,630
		<b>12,977,991</b>	7,290,693
		<b>18,501,516</b>	13,057,791

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Giora Ofer  
Chairman of the Board

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Shlomi Kot  
Chairman of the Financial  
Committee

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Zvika Goldberg  
CEO

Date of approval of financial reports: 28 July 2016

The notes below are an integral part of the financial reports

**Reports on Activity for the Year Ending on 31 December**

	<u>Note</u>	<u>2015 NIS</u>	<u>2014 NIS</u>
Turnover	7	<b>37,201,479</b>	28,937,164
Activity Costs	8	<b>30,635,899</b>	<u>24,250,991</u>
Net Income from Activities		<b>6,565,590</b>	4,686,173
Management and General Expenses	9	<b>1,508,835</b>	<u>1,826,029</u>
Net revenues before Funding		<b>5,056,755</b>	2,860,144
Net Funding Revenues		<u>(45,393)</u>	<u>90,037</u>
Net Revenues After Funding		<b>5,011,362</b>	2,950,181
Tax Expenses		<u>-</u>	<u>21,020</u>
Net yearly surplus of income over expenses		<u><b>5,011,362</b></u>	<u>2,929,161</u>

The notes below are an integral part of the financial reports

**Reports on Changes in Net Assets**

	Net Unrestricted Assets For Activities				
	Not Designated	Designated	Unrestricted, used for	Net assets with	Total
	NIS	NIS	fixed Assets	temporary restriction	NIS
<b>Balance on 1 January 2014</b>	4,183,607	-	22,295	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 on 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
<b>Yearly surplus of income over expenses</b>	<b>5,011,362</b>	-	-	-	<b>5,011,362</b>
<b>Sums transferred for fixed assets acquisitions</b>	<b>(125,273)</b>	-	<b>125,273</b>	-	-
<b>Sums transferred for covering depreciation costs</b>	<b>91,135</b>	-	<b>(91,135)</b>	-	-
<b>Sums released from restriction for activities</b>	-	-	-	<b>(3,808,606)</b>	<b>(3,808,616)</b>
<b>Sums Designated by Management</b>	<b>(6,000,000)</b>	<b>6,000,000</b>	-	-	-
<b>Donations</b>	-	-	-	<b>4,484,552</b>	<b>4,484,552</b>
<b>Balance on 31 December 2014</b>	<b>5,992,536</b>	<b>6,000,000</b>	<b>253,889</b>	<b>731,566</b>	<b>12,977,991</b>

\* The sums presented in 2014 are net figures.

The notes below are an integral part of the financial reports

**Reports on Cash Flows for the Year Ending on 31 December**

	<u>2015</u> <u>NIS</u>	<u>2014</u> <u>NIS</u>
<b>Cash flow from current activities</b>		
Yearly surplus of income over expenses	<b>5,011,362</b>	2,929,161
Adjustments required to present current activity cash flow and cash equivalents – Annex A	<b>(1,726,141)</b>	466,211
<b>Net cash gained from current activity</b>	<b>(3,285,221)</b>	3,395,372
<b>Cash flow used for investment activity</b>		
Net changes to marketable securities	<b>(5,498,023)</b>	(2,076,798)
Fixed assets acquisitions	<b>(125,273)</b>	(162,961)
<b>Net cash used for investment activity</b>	<b>(5,623,296)</b>	(2,239,759)
<b>Cash flow from funding activity</b>		
Increase (decrease) from temporarily restricted donations	<b>675,936</b>	(1,387,764)
<b>Net cash used for funding activity</b>	<b>675,936</b>	(1,387,764)
<b>Decrease in cash and cash equivalents</b>	<b>(1,662,139)</b>	(232,151)
<b>Cash and cash equivalents balance at year's start</b>	<b>6,000,392</b>	6,232,543
<b>Cash and cash equivalents balance at year's end</b>	<b>4,338,253</b>	6,000,392
Annex A		
<b>Adjustments Required to Present Current Activity Cash Flows and Cash Equivalents</b>		
Incomes and expenses that do not involve cash flow:		
Depreciation	<b>91,135</b>	65,505
Changes to assets and liabilities clauses:		
(Increase) decrease in various debtors	<b>(1,573,703)</b>	(2,084,892)
Increase in suppliers	<b>76,667</b>	929,967
Increase in creditors and credit balance	<b>107,299</b>	148,202
Net increase in liabilities due to termination of employer-employee relations	<b>(427,539)</b>	1,407,429
	<b>(1,726,141)</b>	466,211

**Annex B' – Non Cash Activities**

In the Board of Directors meeting protocol from the 29<sup>th</sup> December 2015, the committee approved the realization of 6 Million NIS surplus income in a three year deployment. The sum was based on retained earnings after reducing a safety cushion.

The notes below are an integral part of the financial reports



## Notes on the Financial Reports for 31 December 2015

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### 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 as following:  
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:**

**Notes on the Financial Reports for 31 December 2015**

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:**

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

	<u>%</u>
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****a. Composition**

	31 December	
	<u>2015</u>	<u>2014</u>
	<u>NIS</u>	<u>NIS</u>
Income to be received	35,709	288,053
Clients	3,194,490	4,489,359
Prepaid expenses	19,712	21,203
Deposit	-	25,000
	<u>3,249,911</u>	<u>4,823,614</u>

**b. Main Clients**

The association's income from main clients during 2014-15 summed up to be 19,700 thousands of NIS and 17,200 thousands of NIS respectively, constituting 53% and 59% of the association's income.

## Notes on the Financial Reports for 31 December 2015

## Note 4 – Net Fixed and Other Assets

	<u>Computers &amp; Software</u>	<u>Office furniture and Equipment</u>	<u>Improvement to rented items</u>	<u>Total</u>
	NIS	NIS	NIS	NIS
<b>Cost</b>				
As of 1 January 2014	602,131	34,463	33,955	670,549
Additions	<u>20,224</u>	<u>7,309</u>	<u>135,428</u>	<u>162,961</u>
As of 31 December 2014	622,355	41,772	169,383	833,510
<b>Additions</b>	<b><u>113,733</u></b>	<b><u>11,540</u></b>	<b><u>-</u></b>	<b><u>125,273</u></b>
<b>As of 31 December 2014</b>	<b><u>736,088</u></b>	<b><u>53,312</u></b>	<b><u>169,383</u></b>	<b><u>958,783</u></b>
<b>Accumulated Depreciation</b>				
As of 1 January 2014	508,653	19,635	19,966	548,254
Additions	<u>55,784</u>	<u>3,006</u>	<u>6,715</u>	<u>65,505</u>
As of 31 December 2014	564,437	22,641	26,681	613,759
<b>Additions</b>	<b><u>69,700</u></b>	<b><u>4,612</u></b>	<b><u>16,824</u></b>	<b><u>91,135</u></b>
As of 31 December 2014	<b><u>634,138</u></b>	<b><u>27,253</u></b>	<b><u>43,503</u></b>	<b><u>704,894</u></b>
<b>Decreased Costs as of 31 December 2015</b>	<b><u>101,950</u></b>	<b><u>26,059</u></b>	<b><u>125,880</u></b>	<b><u>253,889</u></b>
Decreased Costs as of 31 December 2014	<u>57,918</u>	<u>19,131</u>	<u>142,702</u>	<u>219,751</u>

## Note 5 – Creditors and credit balance

	31 December	
	2014	2015
	NIS	NIS
Liabilities to employees and other liabilities for wages	<b>2,205,363</b>	<b>1,813,871</b>
Expenses to be paid	<b>30,000</b>	17,263
Institutes	<b>310,234</b>	236,332
Attendee payments	<b>181,338</b>	-
Advances from Clients	<b>36,352</b>	1,123,360
	<b><u>2,763,287</u></b>	<b><u>3,190,826</u></b>

## 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.

## Notes on the Financial Reports for 31 December 2015

## Note 7 – Activity Cycle

	For the year ending on 31 December	
	2014	2015
	NIS	NIS
(A) Including the following donations:		
The Edmond J. Safra Foundation	-	121,450
Bank Hapoalim	200,000	200,000
New Kopel	-	27,992
The Strauss Group	-	50,000
“Matan – Your Way to Give” (NGO)	-	33,500
Keren Hayesod	-	201,090
Shibolet & Co. Advocates and Notaries	-	35,000
Fundraising event income	-	431,300
Ted Arison Family Foundation	-	151,989
Bezeq	-	6,000
Worthwhile investments ltd.	-	37,546
Brack-Capital	-	100,000
ACCENTURE	78,860	78,880
Adama	-	10,000
Peretz Naftali Foundation	-	20,000
Arye and Tzipi Klakstein	-	20,000
Glencore Foundation	-	145,889
DM Foundation	-	142,100
Neeman Foundation	-	206,492
Adelis Foundation	-	399,960
The Maurice and Vivienne Wohl Philanthropic	-	39,735
Mandel and Madeleine Berman Foundation	-	90,588
Hot – telecommunication systems ltd.	35,417	-
In-kind donations	181,710	-
Miscellaneous	156,461	134,414
	<b>652,448</b>	<b>2,683,925</b>

## (B) Donation released from restrictions during the year:

Ted Arison Family Foundation	2,150,163	1,443,394
Crown Family Philanthropies (The Jewish Agency)	279,312	-
Shibolet & Co. Advocates and Notaries	35,000	-
Debbie Dadon (Bessen Family Foundation)	91,884	-
DM Foundation	157,015	-
Yedidut Toronto Utilities	263,430	-
Joseph and christina Kasierer Foundation	80,000	-
The Strauss Group	75,000	-
The Maurice and Vivienne Wohl Philanthropic	98,447	-
The Edmond J. Safra Foundation Foundation	171,810	-
Peretz Naftali Foundation	20,000	-
Bezeq	50,000	-
Bank Leumi	25,000	-
Arye and Tzipi Kalkstein	100,000	-
Mandel and Madeleine Berman Foundation	92,086	-
Anonymous	90,000	-
Miscellaneous	29,469	-
	<b>3,808,616</b>	<b>1,443,394</b>

**Notes on the Financial Reports for 31 December 2015****Note 7 – Activity Cycle (cont.)**

(C) 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:

	<u>2014</u>	<u>2015</u>
	NIS	NIS
Incomes to be received	<u>35,709</u>	<u>288,053</u>

**Note 8 – Activity Costs**

	For the year ending on 31 December	
	<u>2014</u>	<u>2015</u>
	NIS	NIS
Wages and external consultants	15,819,200	19,883,887
Training and workshops	3,463,136	4,408,448
Professional training	1,573,763	1,621,696
Rent, office maintenance, and communication costs	1,437,003	2,171,828
Marketing and advertising	276,220	1,043,619
Infrastructures	1,250,770	567,635
Events and conventions	258,115	180,212
Others	172,784	758,564
	<u>24,250,991</u>	<u>30,635,889</u>

**Note 9 – Management and General Expenses**

	For the year ending on 31 December	
	<u>2014</u>	<u>2015</u>
	NIS	NIS
Wages and external consultants	671,323	876,369
Social benefits and plans	511,836	332,403
Fundraising costs	133,656	-
Professional services	107,029	27,912
Rent and office maintenance	190,871	139,382
Food, refreshments, and travel costs	14,638	37,179
Car rental and maintenance	73,846	23,231
Depreciation	65,505	18,227
Others	57,325	54,132
	<u>1,826,029</u>	<u>1,508,835</u>

