

Be-Atzmi (RA)

**Financial Statements
as of Dec 31 2013**

Financial Statements as of 31 of Dec 2013

Table of Contents

	<u>Page</u>
Auditors Report to Members of the Amuta of Be-Atzmi (RA)	2
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Cash Flow Statements	6
Notes to the Financial Statements	7

Auditor's Report to the Members of the Amuta of Be-Atzmi (RA)

We have audited the attached financial statements of Be-Atzmi (hereinafter – the Organization) as of December 31, 2013 and 2012 and the statements of operation, statements of changes in net assets and cash flows for the years end on those dates. These financial statements are the responsibility of the Executive Committee of the Organization and its management. Our responsibility is to state an opinion on the financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing principles, including those determined by the Auditors (Mode of CPA), 1973. These principles require that we plan and perform the audit with the aim of obtaining a reasonable assurance that the financial statements do not include any significant material misrepresentation. The audit includes the sampling of evidence supporting the amounts and disclosures in the financial statements. The audit also includes an assessment of the accounting principles used and significant estimates made by the board and management of the organization, as well as, an evaluation of the overall appropriateness of the presentation of the financial statements. We believe that our audit provides a reasonable basis for our review.

In our opinion, the above mentioned financial statements fairly present, in accordance with generally accepted accounting principles in all material respects, the financial position of the Organization as of 31 December 2013 and 2012 and the results of operations, changes in net assets and cash flows, at nominal values, for the years that ended on those dates based on the standard accounting principles in Israel (Israeli GAAP).

Somech Chaikin
Accountants
Honorary Auditors


סומך חייקין
רואי חשבון
מבקרי כבוד

24 June, 2014

24 ביוני 2014

Balance Sheet as of December 31

	Note	2013 (ILS)	2012 (ILS)
Current Assets			
Cash and cash equivalent		6,232,543	3,449,238
Tradable securities		1,510,939	-
Sundry debtors	3	1,165,019	2,136,852
		<u>8,908,501</u>	<u>5,586,090</u>
Fixed Assets, net			
	4	<u>122,295</u>	<u>149,103</u>
		<u>9,030,796</u>	<u>5,735,193</u>
Current Liabilities			
Unpresented checks		196,718	133,673
Creditors		1,262,605	859,726
Accounts payable & credit balances	5	1,783,397	1,047,932
		<u>3,242,720</u>	<u>2,041,331</u>
Long term liabilities			
Employer liabilities for employee termination (net)	6	<u>38,780</u>	<u>21,693</u>
Unrestricted net assets			
Used for activity not designated by the Organization		4,183,607	3,233,042
Used for fixed assets		122,295	149,103
		<u>4,305,902</u>	<u>3,382,145</u>
Net restricted assets			
Net assets that are temporarily restricted		<u>1,443,394</u>	<u>290,024</u>
		<u>5,749,296</u>	<u>3,672,169</u>
		<u>9,030,796</u>	<u>5,735,193</u>


 צביקה גולדברג
 מנכ"ל


 שלומי קוט
 חבר ועד


 גיורא עופר
 יו"ר ועד מנהל

תאריך אישור הדוחות הכספיים: 24 ביוני 2014

Zvika Goldberg
 Chief Executive Officer

Shlomi Kot
 Board Member

Giora Ofer
 Chairman of the Board

Date of approval of the Financial Statements: 24 June 2014
 The notes to the financial statements are an integral part of the statements

Statement of Operation as of December 31

	Note	<u>2013</u> <u>(ILS)</u>	<u>2012</u> <u>(ILS)</u>
Turnover from Operations	7	18,629,336	14,492,119
Cost of Operations	8	(16,386,317)	(11,796,455)
Net revenue from Operation		2,243,019	2,695,664
General and administration expenses	9	(1,346,299)	(1,276,956)
Net income (expense) before financial expenses		896,720	1,418,708
Financial income (expense)		27,037	22,853
Net surplus (deficit) of revenue over expenses for the year		923,757	1,441,561

The notes to the financial statements are an integral part of the statements.

Statement of Changes in Net Assets

	Unrestricted used for activities not designated by Org (ILS)	Unrestricted used for fixed assets (ILS)	Temporarily restricted (ILS)	Total (ILS)
Balance as of Jan 1, 2012	1,867,327	73,257	449,475	2,390,059
Surplus of expenses over income for the year	1,441,561	-	-	1,441,561
Amounts transferred for the purchase of fixed assets	(128,890)	128,890	-	-
Amounts transferred to cover depreciation	53,044	(53,044)	-	-
Donations released from net assets that were temporarily restricted	-	-	(200,251)	(200,251)
Donations received with temporary restriction	-	-	40,800	40,800
Balance as of 31 Dec 2012	3,233,042	149,103	290,024	3,672,169
Surplus of income over assets for the year	923,757	-	-	923,757
Amounts transferred for the purchase of fixed assets	(28,591)	28,591	-	-
Amounts transferred to cover depreciation	55,399	(55,399)	-	-
Donations released from net assets that were temporarily restricted	-	-	(290,024)	(290,024)
Donations received with temporary restriction	-	-	1,443,394	1,443,394
Balance as of 31 Dec 2013	4,183,607	122,295	1,443,394	5,749,296

The notes to the financial statements are an integral part of the statements.

Cash Flow Statement for Year Ending on December 31

	2013 (ILS)	2012 (ILS)
Cash flow from operating activities		
Surplus income over expenses for the year	923,757	1,441,561
Adjustments to reconcile cash and cash equivalents from operating activities – Appendix A	2,245,708	425,893
Net cash resulting from operating activities	3,169,465	1,867,454
Cash flow for investment activity		
Purchase of Tradable securities	(1,510,939)	-
Purchase of fixed assets	(28,591)	(128,890)
Net cash (used) from investment activity	(1,539,530)	(128,890)
Cash flow from financing activity		
Increase (decrease) from donations that are temporarily restricted	1,153,370	(159,451)
Net cash used for financing activities	1,153,370	(159,451)
Increase of cash & cash equivalent	2,783,305	1,579,113
Cash & cash equivalent at the beginning of the year	3,449,238	1,870,125
Cash & cash equivalent at the end of the year	6,232,543	3,449,238
Appendix A		
Adjustments needed to reconcile cash & cash equivalent from operating activities		
Income & expenses not included in the cash flow statement:		
Depreciation	55,399	53,044
Changes in assets & liabilities		
Increase in sundry debtors	971,833	(160,989)
Increase in creditors	402,879	356,049
Increase in unpresented checks	63,045	38,856
Increase (decrease) in accounts payable	735,465	161,936
Decrease in employer – employee severance, net	17,087	(23,003)
	2,245,708	425,893

The notes to the financial statements are an integral part of the statements

Note 1 - General

- A. Be-Atzmi (hereinafter – the Association) was incorporated and registered under the associations law (1980) with the registrar of associations on 4 July 1995.
- B. The Association was recognized by the Israel Tax Authority as an approved institution for donations under section 46 of the Income Tax law as of July 23, 2003. The certificate is valid until 31 December, 2015.
- C. The aims of the Association are:
To provide tools, knowledge, support and guidance for underprivileged communities to help them change from assisted and supported individuals to productive active and involved members of society and in particular in the work force. The Association works toward these aims through the use of unique models of training and development.

Note 2 – Principal Accounting Policies

- A. The financial statements are presented in accordance with the Integrated Standard of Disclosure 69 of the Institute of Certified Public Accountants in Israel and Standard 5 of the Israel Accounting Standards Board.
According to the provisions of these standards, net assets have been classified thus:

“Net assets that are temporarily restricted”
The portion of net assets that are not restricted by the donors. From these net assets, sums allocated for the purchase of fixed assets were separated.
- B. The financial statements are prepared in accordance with generally accepted accounting principles on historical cost basis.
- C. **Services provided pro bono**
Various services were received without payment such as: accounting services, legal services, services of the members of the Annual General Meeting and the chairperson and the services of various volunteers including students and instructors. These services are not expressed in the financial statements.
- D. **Non cash donations**
Non cash donations given or received were not expressed in the financial statements, excluding the donations of rental cars and rent.
- E. **Income recognition**
Income from services has been recognized proportionally over the length of the agreement or where the services rendered generate a guaranteed reasonable flow of economic benefits.
Accrued income from donations and income allocations have been recognized as income on the condition that they were promised during the reporting period and were actually received up until the date of the preparation of the financial statements or if there was an irrevocable commitment by the donor relating to the reporting period of the statements. Such implementation of the donors commitment is not conditional to the accuracy of a future event and the commitment can be legally implemented.
- F. **Cash and cash equivalent**
Cash and cash equivalents include short-term deposits with banks where the period until their maturity from the date of investment does not exceed three months.

Note 2 – Main Accounting Policies (continued)**G. Use of estimates**

In the preparation of financial statements in accordance with generally accepted principles, management has needed to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities in the financial statements and the amounts of revenues and expenses during the reporting period. It should be emphasized that actual results may differ from these estimates.

H. Fixed assets

- (1) Fixed assets are presented at cost.
- (2) Improvements and refinements are added to the cost of the assets, where as maintenance and repairs are added to the income statement as they are incurred.
- (3) Depreciation is calculated using the straight line depreciation method based on the estimated useful life of the assets.

Annual depreciation rates are:

Furniture and office equipment	%
Computers	10-6 33

Leasehold improvements are amortized over the lease term where the term does not exceed the economic life of the asset.

I Some of the figures presented in the number comparisons were reclassified in order to fit the yearly reports. These reclassifications had no impact on net assets or surplus revenues reported on in the past.

Note 3 – Sundry debtors

	31 December	
	2013	2012
	(ILS)	(ILS)
Accrued income	113,197	314,524
Customers	1,027,267	1,822,328
Prepaid expenses	24,555	-
	<u>1,165,019</u>	<u>2,136,852</u>

Note 4 – Fixed assets and other, net

	Computer Software	Computers	Office equipment & furniture	Renovations to rental property	Total
	(ILS)	(ILS)	(ILS)	(ILS)	(ILS)
Cost					
As of Jan 1 2012	-	446,640	32,473	33,955	513,068
Additions	120,459	6,441	1,990	-	128,890
As of Dec 31 2012	120,459	453,081	34,463	33,955	641,958
Additions	-	28,591	-	-	28,591
As of Dec 31 2013	120,459	481,672	34,463	33,955	670,549
Accumulated depreciation					
As of Jan 1 2012	-	412,702	14,049	13,060	439,811
Additions	16,663	30,150	2,778	3,453	53,044
As of Dec 31 2012	16,663	442,852	16,827	16,513	492,855
Additions	39,751	9,387	2,808	3,453	55,399
As of Dec 31 2013	56,414	452,239	19,635	19,966	548,254
Amortized cost Dec 31 2013	64,045	29,433	14,828	13,989	122,295
Amortized cost Dec 31 2012	103,796	10,229	17,636	17,442	149,103

Note 5 – Accounts Payable & Credit Balances

	December 31	
	2013	2012
	(ILS)	(ILS)
Liabilities to employees and others for payroll	1,426,888	912,675
Accrued expenses	11,907	29,580
Institutions	153,342	105,677
Customer Advances	191,260	-
	1,783,397	1,047,932

Note 6 – Employer – employee liabilities for employment termination, net

The employment termination liability of the Association is calculated according to Israeli law regarding severance pay. Since March 2010, payments to pension funds and insurance companies exempt the Association from liability to employees in accordance with Article 14 of the severance pay law; employees at that time signed confirmation of notification of this. Amounts accumulated in the pension funds and with insurance companies from that time are not under the control or management of the Association, and accordingly these amounts and any liability for severance pay are not shown in the balance sheet.

Net provision for severance pay in the balance sheet represents the balance of the organization's commitment to its employees for the period prior to March 2010 that was not covered by deposits to insurance policies.

Note 7 – Turnover from Activities

	Year Ending December 31	
	2013	2012
	(ILS)	(ILS)
Income:		
Projects	14,664,060	10,503,017
Grants & donations (A)	3,675,252	3,788,851
Release of donations from net assets that were temporarily restricted	290,024	200,251
	18,629,336	14,492,119
Including these donations:		
The Jewish Agency for Israel	104,464	175,977
The Edmond J. Safra Foundation	122,500	140,840
Bank Hapoalim	250,000	300,000
New Kopel	27,712	27,086
U. J. A. Canada	-	214,818
The Strauss Group	-	125,000
Amutat "Matan – Investing in the Community"	33,650	40,000
Keren Hayesod	187,120	242,345
Shibolet & Co. Advocates and Notaries	30,000	30,000
Income from Annual Fundraiser Event	-	368,000
C.A. & I.O.	-	6,907
Ted Arison Family Foundation	2,200,877	1,638,543
Bezek	125,000	125,000
Investment Feasibility Ltd.	40,424	94,167
Estate Committee - Ministry of Absorption	-	45,000
U-Bank	6,000	10,000
Brack Capital	20,000	18,000
Conference: 5 Years of the 'Mafteach' Program	-	40,000
ACCENTURE	142,300	156,360
Buxenbaum Neta Foundation	-	100,000
Adama	20,000	-
Altshuler Shaham – Trust Fund Management	18,000	-
Peretz Naftali Fund	20,000	-
Arie and Tzipi Klakstein	10,000	-
Kassierer Fund	100,000	-
Bazan – Oil Refineries	10,000	-
Miscellaneous	207,205	91,059
	3,675,252	3,989,102

(B) Among the donations included in the cash flow from activities, there are donations which were promised, but not yet received by the date on the balance sheet.

The total of the above donations and the date they are expected to be received are as follows:

	2013	2012
	(ILS)	(ILS)
Income to be received	113,197	314,524

Note 8 – Cost of Activities

	Year Ending December 31	
	2013	2012
	(ILS)	(ILS)
Employee wages and external consultants	10,465,270	8,043,102
Training and Workshops	3,127,386	*1,774,264
Professional Training	1,782,078	*788,682
Rent and Office Maintenance	617,170	*670,004
Marketing and Advertising	162,461	*103,456
Insurance and Fees	62,440	*29,802
Other costs	169,512	*387,145
	16,386,317	11,796,455

* Reclassification

Note 9 – Management and General Costs

	Year Ending December 31	
	2013	2012
	(ILS)	(ILS)
Wages and external consultants	633,754	*536,252
Associated benefits	411,990	*303,203
Fundraising fees	9,769	150,202
Professional Services	17,658	16,442
Printing & office supplies	10,767	3,609
Mail, phone & communication	31,605	29,302
Rent & office maintenance	76,019	67,320
Per diem, refreshments & travel	9,240	20,602
Car rental & maintenance	76,993	80,336
Government fees	1,608	3,022
Depreciation	55,398	53,044
Others	11,498	13,622
	1,346,299	1,276,956

* Reclassification

Note 10 – Guarantees

As part of the Association's participation in a tender to operate the Masar Program, the Association made a bank guarantee for a total of ILS 24,093.