

PITCHON LEV (REGISTERED SOCIETY)

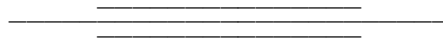
2015 ANNUAL REPORT

PITCHON LEV (REGISTERED SOCIETY)

2015 ANNUAL REPORT

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AUDITORS' REPORT

To the members of the managing committee

PITCHON LEV (REGISTERED SOCIETY)

We have audited the attached balance sheets of Pitchon Lev (Registered Society) (hereinafter- the Society) as of December 31, 2015 and 2014, the statements of activities and changes in net assets and the statements of cash flows of the Society for each of the years ended on those dates. These financial statements are the responsibility of the management of the Society. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Israel, including those prescribed by the Israeli Auditors (Mode of Performance) Regulations, 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 used and significant estimates made by the Society's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Society as of December 31, 2015 and 2014 and the results of its operations, changes in net assets and cash flows, for each of the years ended on those dates, in conformity with accounting principles generally accepted in Israel for non-profit organizations (Israeli GAAP).

Tel Aviv, Israel
27 June 2016

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

PITCHON LEV (REGISTERED SOCIETY)

BALANCE SHEETS

	<u>Note</u>	<u>December 31</u>	
		<u>2015</u>	<u>2014</u>
		<u>NIS in thousands</u>	
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents		574	850
Marketable securities		1,737	737
Accounts receivable	2	<u>2,249</u>	<u>1,768</u>
T O T A L C U R R E N T A S S E T S		<u>4,560</u>	<u>3,355</u>
PROPERTY AND EQUIPMENT:	3		
Cost		1,910	1,805
L e s s - accumulated depreciation		<u>1,510</u>	<u>1,412</u>
		<u>400</u>	<u>393</u>
		<u>4,960</u>	<u>3,748</u>
Liabilities and net assets			
CURRENT LIABILITIES:			
Accounts payable and accruals - Trade		237	262
Other accounts payable and accruals	4	<u>2,000</u>	<u>1,137</u>
		<u>2,237</u>	<u>1,399</u>
LONG-TERM LIABILITIES -			
liabilities for employee rights upon retirement, net	5	<u>205</u>	<u>159</u>
NET ASSETS:			
Temporarily restricted net assets		<u>-</u>	<u>40</u>
Unrestricted net assets:			
Utilized for activities		2,118	1,757
Utilized for fixed assets		<u>400</u>	<u>393</u>
		<u>2,518</u>	<u>2,150</u>
		<u>4,960</u>	<u>3,748</u>

Member of Committee

Member of Committee

Date of approval of financial statements: 27 June 2016

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

PITCHON LEV (REGISTERED SOCIETY)
STATEMENTS OF ACTIVITIES

	Note	2015	2014
		NIS in thousands	
REVENUES -			
Donations	ii;6	33,183	30,907
COST OF ACTIVITIES:			
Food and clothing aid – North center	7	10,768	9,774
Food and clothing aid – Central and South center	8	16,135	15,996
"Touching the Horizon" educational project		2,550	2,097
TOTAL COST OF ACTIVITIES		29,453	27,867
REVENUE FROM OPERATIONS – net		3,730	3,040
RESOURCES DEVELOPMENT COSTS	9	2,141	2,044
GENERAL AND ADMINISTRATIVE EXPENSES	10	1,031	969
NET INCOME (EXPENSES) BEFORE FINANCING EXPENSES		558	27
FINANCING EXPENSES – net		(160)	(16)
OTHER EXPENSES		(30)	(2)
NET INCOME FOR THE YEAR		368	9

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

PITCHON LEV (REGISTERED SOCIETY)
STATEMENTS OF CHANGES IN NET ASSETS

	<u>Unrestricted</u>			<u>Total</u>
	<u>For use in activities</u>	<u>For purchasing property and equipment</u>	<u>Temporarily restricted</u>	
<u>NIS in thousands</u>				
BALANCE AT JANUARY 1, 2014	1,857	284	-	2,141
ADDITIONS DURING THE YEAR:				
Net income for the year	9	-	-	9
Donations received	-	-	100	100
Amounts released from restricted net assets	-	-	(60)	(60)
Transfer of unrestricted amounts, net:				
Utilized for property and equipment	(203)	203	-	-
Amounts transferred to cover depreciation expenses	94	(94)	-	-
BALANCE AT DECEMBER 31, 2014	<u>1,757</u>	<u>393</u>	<u>40</u>	<u>2,190</u>
ADDITIONS DURING THE YEAR:				
Net income for the year	368	-	-	368
Donations received	-	-	-	-
Amounts released from restricted net assets	-	-	(40)	(40)
Transfer of unrestricted amounts, net:				
Utilized for property and equipment	(105)	105	-	-
Amounts transferred to cover depreciation expenses	98	(98)	-	-
BALANCE AT DECEMBER 31, 2015	<u>2,118</u>	<u>400</u>	<u>-</u>	<u>2,518</u>

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

PITCHON LEV (REGISTERED SOCIETY)

STATEMENTS OF CASH FLOWS

	<u>2015</u>	<u>2014</u>
	<u>NIS in thousands</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	368	9
Adjustments required to reflect the cash flows from operating activities (a)		
Net cash provided by (used in) operating activities	<u>461</u>	<u>(594)</u>
	<u>829</u>	<u>(585)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase (decrease) in marketable securities	(1,000)	463
Acquisition of property and equipment	<u>(105)</u>	<u>(203)</u>
Net cash provided by (used in) investing activities	<u>(1,105)</u>	<u>240</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(276)	(345)
BALANCE OF CASH AND CASH EQUIVALENTS AT		
BEGINNING OF YEAR	<u>850</u>	<u>1,195</u>
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>574</u>	<u>850</u>
(a) Adjustments required to reflect the cash flows from		
operating activities:		
Income and expenses not involving cash flows:		
Increase (decrease) in liability for employee rights upon retirement, net	46	(48)
Amounts released from restricted net assets	(40)	60
Depreciation	98	94
Changes in operating asset and liability items:		
Decrease (increase) in accounts receivable	(481)	(922)
Increase (decrease) in accounts payable and accruals – trade	(25)	100
Increase (decrease) in accounts payable and accruals - other	<u>863</u>	<u>122</u>
	<u>461</u>	<u>585</u>

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

PITCHON LEV (REGISTERED SOCIETY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:

a. General

Pitchon Lev (hereafter – "the Society") was registered as a society on September 2, 1998 and its number with the Registrar of Societies is 58-032883-9. The Society provides humanitarian aid and is engaged in the educational project "Touching the Horizon". The Society has been certified by the Income Tax Authority as a Public Institution for donation purposes in accordance with the provisions of Section 46 to the Income Tax Ordinance.

b. Financial statements presentation basis:

1) Financial statements of non-profit organizations

The financial statements were drawn up in accordance with Accounting Standard No. 5 of the Israeli Accounting Standards Board, which prescribes accounting and reporting principles for non-profit organizations. Accounting Standard No. 5 adopts the comprehensive approach, whereby assets, liabilities and net assets should be included in one balance sheet, as is the practice for business entities. Restrictions imposed on the use of funds obtained from the various sources, or the absence of such restrictions is only reflected in the distinction made between different groups of net assets.

In accordance with the said standard, income (except for income from donations) and expenses, assets and liabilities and changes in net asset are recorded on an accrual basis.

Cash and non-cash donations are included on the basis of proceeds that have been actually received and also include donations which were promised in the reported year and which were received through the date of approval of the financial statements.

PITCHON LEV (REGISTERED SOCIETY)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

2) Financial statements in nominal values

Israel Accounting Standard No. 12 - "Discontinuance of Adjusting Financial Statements for Inflation" - of the IASB stipulated that the adjusted-for-inflation data as of December 31, 2003 shall constitute the starting point for nominal reporting. This standard is applicable to all legal entities, including the Society, which was not previously required to apply the provisions of the relevant Israeli opinions. As a result of the application of the said standard, the amounts of all non-monetary assets and net assets which originate in the period prior to December 31, 2003 shall be based on their adjusted-for-inflation values as of that date and all amounts representing depreciation and amortization relating to those non-monetary assets shall be calculated on the basis of those adjusted amounts. This standard does not have material influence on the financial reports of the society, that were prepared consistently on historical cost method.

c. Net unrestricted assets

These assets comprise the Society's net assets on which are no restrictions were imposed, whether those restrictions are permanent or temporary in nature.

The unrestricted assets are classified by the Society into the following groups:

- a. Net assets utilized for activities,
- b. Net assets utilized for property and equipment.

d. Net assets with temporary restrictions

Certain donators impose restrictions on the use of their donations. When these donations are used for the purpose intended by the donators they are released and presented in the statement of activities.

e. Cash equivalents

The Society considers all highly liquid investments, which include short-term bank deposits (up to three months from date of deposit) that are not restricted as to withdrawal or use to be cash equivalents

f. Marketable securities

The securities are presented at market value at balance sheet date. Changes in the value of the marketable securities are carried to income on an accrual basis. The balance of marketable securities includes the investment in government bonds.

PITCHON LEV (REGISTERED SOCIETY)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Property and equipment:

- 1) The Society applies the provisions of Accounting Standard No. 27 of the IASB.
- 2) Property and equipment are stated at cost.
- 3) Depreciation is computed by the straight-line method, on the basis of the estimated useful life of the asset.

Annual rates of depreciation are as follows:

	%
Furniture and office equipment	6-15
Computers	33
Vehicles	15

h. Use of estimates in the preparation of financial statements

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 assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Advertising and publicity costs were allocated to resources development costs and to the cost of activities based on management's estimate.

i. Assets and services received without consideration

Products and services received without consideration, including items which are provided at token value (such as food products and clothing items – including inventory which has not yet been supplied) are included in the Society's accounts both as income from donations and as expenses, in accordance with management's estimates (see note 6).

NOTE 2- Accounts receivables

	December 31	
	2015	2014
	NIS in thousands	
Accrued income	1,031	1,174
Prepaid expenses	158	392
Credit cards	1,060	186
Others	-	16
	2,249	1,768

PITCHON LEV (REGISTERED SOCIETY)
 NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

Composed as follows:

	December 31 2015			December 31, 2014
	Cost	Accumulated depreciation	Depreciated cost	Depreciated cost
NIS in thousands				
Furniture and office equipment	830	498	332	307
Computers	556	498	58	71
Vehicles	524	514	10	15
	<u>1,910</u>	<u>1,510</u>	<u>400</u>	<u>393</u>

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUALS:

	December 31	
	2015	2014
NIS in thousands		
Institutions and employees	513	444
Provision for vacation and recreation pay	224	204
Expenses and checks payable	<u>1,263</u>	<u>489</u>
	<u>2,000</u>	<u>1,137</u>

NOTE 5 – LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT – NET:

The Society's liability for severance pay is determined based on the employees' last salary and period of employment by the Society.

The balance of employee rights upon retirement is presented net of amounts funded with insurance companies in the employees names in respect of severance pay as well as deposits with a general severance pay fund whose balance as of balance sheet date is NIS 2 thousands.

PITCHON LEV (REGISTERED SOCIETY)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 6 – DONATIONS:

a. Composed as follows:

	2015	2014
	NIS in thousands	
Donations	12,062	9,890
Consumable assets and services received without consideration (b)	19,081	18,679
Amounts released from restricted net assets	40	60
Support from government agencies	126	363
Support from local authorities	17	13
Value of services provided by volunteers(c)	1,857	1,902
	33,183	30,907

- b.** This data represents the value of services, food, baby food and clothing items which were received by the Society in order for it to distribute them to disadvantaged families. The value of the services and assets included in this item is determined based on estimates made by the Society and external advisors.
- c.** The balance represents the value of the services provided by volunteers (calculated on the basis of minimum wages per hour).
- d.** The Society did not receive any donations from a foreign government.

NOTE 7 – FOOD AND CLOTHING AID – NORTH CENTER

	2015	2014
	NIS in thousands	
Cost of food	5,107	4,738
Cost of clothing	1,255	1,082
Value of volunteers' services	733	727
Operating expenses	3,637	3,227
	10,768	9,774

- * Including donations in kind –see note 6.
- ** The 2015 data, includes "Passover provision" expenses in an amount of NIS 393 thousands, "Other holiday" in an amount of NIS 65 thousands and "Food baskets" in an amount of NIS 2,885 thousands.

NOTE 8 – FOOD AND CLOTHING AID – CENTRAL AND SOUTH CENTER

	2015	2014
	NIS in thousands	
Cost of food	8,959	9,145
Cost of clothing	2,550	2,334
Value of volunteers' services	1,124	1,175
Operating expenses	3,502	3,342
	16,135	15,996

- * Including donations in kind –see note 6.
- ** The 2015 data, includes "Passover provision" expenses in an amount of NIS 783 thousands, "Other holiday" in an amount of NIS 184 thousands and "Food baskets" in an amount of NIS 6,483 thousands.

PITCHON LEV (REGISTERED SOCIETY)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 9 – RESOURCES DEVELOPMENT EXPENSES:

	2015	2014
	NIS in thousands	
Payroll and related expenses	781	563
Advertising	1,184	1,299
Other	176	182
	2,141	2,044

NOTE 10 – GENREAL AND ADMINISTRATIVE EXPENSES:

	2015	2014
	NIS in thousands	
Payroll and related expenses	607	595
Rent	71	83
Office maintenance and office supplies	159	130
Postage, telephone and communications	47	41
Vehicles maintenance and travel	96	77
Professional fees	51	43
	1,031	969

NOTE 11 – TAXES ON INCOME

The Society is a non-profit organization and as such it is tax exempted under Section 9(2) to the Income Tax Ordinance. Payroll tax which is applicable under the Value Added Tax law is included in payroll expenses.

NOTE 12 – CONTIGENT LIABILITIES

The Society has given Guarantees in respect of rent, in an amount of NIS 110 thousands.
