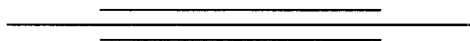


PITCHON LEV (REGISTERED SOCIETY)
2014 ANNUAL REPORT

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2014 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, 2014 and 2013, 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, 2014 and 2013 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).

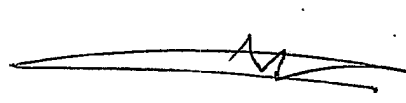
Tel Aviv, Israel
27 April 2015


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


PITCHON LEV (REGISTERED SOCIETY)

BALANCE SHEETS

	Note	December 31	
		2014	2013
		NIS in thousands	
A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents		850	1,195
Marketable securities		737	1,200
Accounts receivable	2	1,768	846
T O T A L C U R R E N T A S S E T S		3,355	3,241
PROPERTY AND EQUIPMENT:			
Cost	3	1,805	1,602
Le s s - accumulated depreciation		1,412	1,318
		393	284
		3,748	3,525
Liabilities and net assets			
CURRENT LIABILITIES:			
Accounts payable and accruals - Trade		262	162
Other accounts payable and accruals	4	1,137	1,015
		1,399	1,177
LONG-TERM LIABILITIES -			
liabilities for employee rights upon retirement, net	5	159	207
NET ASSETS:			
Temporarily restricted net assets		40	-
Unrestricted net assets:			
Utilized for activities		1,757	1,857
Utilized for fixed assets		393	284
		2,150	2,141
		3,748	3,525



 Member of Committee



 Member of Committee

Date of approval of financial statements: 27 April 2015

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

PITCHON LEV (REGISTERED SOCIETY)
STATEMENTS OF ACTIVITIES

	Note	2014	2013
		NIS in thousands	
REVENUES -			
donations	ii;6	30,907	27,037
COST OF ACTIVITIES:			
Food and clothing aid – North center	7	9,774	8,184
Food and clothing aid – Central and South center	8	15,996	14,624
"Touching the Horizon" educational project		2,097	1,592
TOTAL COST OF ACTIVITIES		27,867	24,400
REVENUE FROM OPERATIONS – net		3,040	2,637
RESOURCES DEVELOPMENT COSTS	9	2,044	1,713
GENERAL AND ADMINISTRATIVE EXPENSES	10	969	1,060
NET INCOME (EXPENSES) BEFORE FINANCING EXPENSES		27	(136)
FINANCING EXPENSES – net		(16)	(157)
OTHER INCOME (EXPENSES)		(2)	35
NET INCOME (EXPENSES) FOR THE YEAR		9	(258)

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>	
	NIS in thousands			
BALANCE AT JANUARY 1, 2013	2,200	199	-	2,399
ADDITIONS DURING THE YEAR:				
Net expenses for the year	(258)	-	-	-
Transfer of unrestricted amounts, net:				
Utilized for property and equipment	(180)	180	-	-
Amounts transferred to cover depreciation expenses	95	(95)	-	-
BALANCE AT DECEMBER 31, 2013	<u>1,857</u>	<u>284</u>	<u>-</u>	<u>2,141</u>
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>

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

PITCHON LEV (REGISTERED SOCIETY)
STATEMENTS OF CASH FLOWS

	2014	2013
	NIS in thousands	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (expenses) for the year	9	(258)
Adjustments required to reflect the cash flows from operating activities (a)		
Net cash provided by (used in) operating activities	(614)	654
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase (decrease) in marketable securities	463	(157)
Proceeds from sale of property and equipment	-	10
Acquisition of property and equipment	(203)	(180)
Net cash provided by investing activities	260	(327)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(345)	69
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,195	1,126
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR	850	1,195
(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	(48)	19
Amounts released from restricted net assets	40	-
Capital gain on sale of property and equipment	-	(10)
Depreciation	94	95
Changes in operating asset and liability items:		
Decrease (increase) in accounts receivable	(922)	201
Increase (decrease) in accounts payable and accruals – trade	100	(3)
Increase (decrease) in accounts payable and accruals - other	122	352
	(614)	654

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

PITCHON LEV (REGISTERED SOCIETY)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies, applied on a consistent basis, are as follows:

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	
	2014	2013
	NIS in thousands	
Accrued income	1,174	297
Prepaid expenses	392	180
Credit cards	186	287
Others	16	82
	1,768	846

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

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

Composed as follows:

	December 31 2014		December 31,
	Cost	Accumulated depreciation	2013
		Depreciated cost	Depreciated cost
	NIS in thousands		
Furniture and office equipment	756	449	307
Computers	527	456	71
Vehicles	522	507	15
	<u>1,805</u>	<u>1,412</u>	<u>393</u>
			<u>284</u>

NOTE 4 –ACCOUNTS PAYABLE AND ACCRUALS:

	December 31	
	2014	2013
	NIS in thousands	
Institutions and employees	444	410
Provision for vacation and recreation pay	204	208
Expenses and checks payable	489	397
	<u>1,137</u>	<u>1,015</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 7 thousands.

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

NOTE 6 – DONATIONS:

a. Composed as follows:

	2014	2013
	NIS in thousands	
Donations	9,890	8,282
Consumable assets and services received without consideration (b)	18,679	16,771
Amounts released from restricted net assets	60	-
Support from government agencies	363	68
Support from local authorities	13	11
Value of services provided by volunteers(c)	1,902	1,905
	30,907	27,037

- 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

	2014	2013
	NIS in thousands	
Cost of food	4,738	4,829
Cost of clothing	1,082	713
Value of volunteers' services	727	799
Operating expenses	3,227	1,843
	9,774	8,184

- * Including donations in kind –see note 6.
 ** The comparative figures were reclassified.

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

	2014	2013
	NIS in thousands	
Cost of food	9,145	8,155
Cost of clothing	2,334	2,394
Value of volunteers' services	1,175	1,105
Operating expenses	3,342	2,970
	15,996	14,624

- * Including donations in kind –see note 6.
 ** The comparative figures were reclassified.

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

NOTE 9 – RESOURCES DEVELOPMENT EXPENSES:

	2014	2013
	NIS in thousands	
Payroll and related expenses	563	467
Advertising	1,299	970
Other	182	276
	2,044	1,713

NOTE 10 – GENREAL AND ADMINISTRATIVE EXPENSES:

	2014	2013*
	NIS in thousands	
Payroll and related expenses	595	749
Rent	83	61
Office maintenance and office supplies	130	160
Postage, telephone and communications	41	14
Vehicles maintenance and travel	77	25
Professional fees	43	51
	969	1,060

* Reclassified.

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.
