

D. HELDENBERG & CO.

CERTIFIED PUBLIC ACCOUNTANTS (ISR.)

המסגר 9 תל - ארזי 67776 AVIV TEL. 03 - 6886111

טל 03 - 6886222 פקס FAX. 03 - 6886111

E.MAIL - dph@heldenberg.co.il

נחשונים 52 אריאל 40700 ARIEL NACHSHONIM ST. 03 - 9366305 TEL.

טל 03 - 9364766 פקס FAX.

E.MAIL - zvimi@zvimi.co.il

ד. הלדנברג ושות'

רואי חשבון

PAAMONIM CHARITY ORGANIZATION

FINANCIAL REPORTS

DECEMBER 31, 2009

Paamonim Charity Organization

Financial Reports as of December 31, 2009

(Unofficial Translation)

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PAAMONIM

The Responsible Way

Paamonim Charity Organization (registered NPO), (hereinafter "Paamonim") is a volunteer organization dedicated to the promotion of economic responsibility among families and individuals.

The organization assists families in economic crisis to achieve a balanced economic situation and gives them something that money cannot buy – the tools to show them how to get the maximum out of their income, how to balance their budgets, how to rearrange their debts and how to solve other complicated economic problems.

In addition, Paamonim teaches families how to avoid getting into economic crisis in the first place.

Paamonim's activities are based on three values: taking personal responsibility, sharing responsibility with others and acting with integrity.

With over 1,550 professionally trained volunteers from all over Israel, Paamonim assists thousands of families per year.

The global economic crisis has led to an increase in the numbers of applicants to the Paamonim organization. The social effects of the crisis have been felt particularly in families where one breadwinner, or worse, two breadwinners have lost their jobs. Many studies have shown that the global economic crisis and unemployment can lead to serious social problems, including criminal behavior, violence within the family, anxiety, depression, suicide, heart attacks, increased reports of children at risk and divorce. The Paamonim organization has taken responsibility for this difficult task and has worked through the year to provide solutions for these growing needs. The organization has recruited and trained many volunteers throughout the country in order to respond to the needs of the thousands of families who have applied to the organization.

The financial activities of the organization are divided into three parts:

1. Personal tutoring and assistance for the families and educational programs for the families - approximately NIS14,000,000
2. Interest-free loans for families tutored by the organization - NIS2,000,000.
3. Handling of donations for specific cases whom the organization assists - NIS4,000,000

Total scope of annual activities of the organization in 2009 – NIS 20,000,000.

In recognition and appreciation of Paamonim's activities, Paamonim received the President's Award for Volunteering for 2010.

Yours sincerely,

Uriel Lederberg

Director, Paamonim Charity Organization (NPO)

D. HELDENBERG & CO.

CERTIFIED PUBLIC ACCOUNTANTS (ISR.)

המסגר 9, תל-אביב 67776
AMASGER ST., TEL AVIV 67776
טל' 03-6886111 פקס' 03-6886222
E.MAIL - cpa@heldenberg.co.il

חשונים 52, תל-אביב 40700
NACHSHONIM ST., ARIEL 40700
טל' 03-9366305 פקס' 03-9364766
E.MAIL - zvimi@zvimi.co.il

ד. הלדנברג ושות'

רואי חשבון

28.7.2010

Auditor's Report to the members of the Paamonim Charity Organization
(RNPO)

We have audited the accompanying balance sheets of the Paamonim Charity Organization RNPO ("the NPO") as of December 31, 2009 and 2008 and the related statements of Activities and report on the Net Changes in Assets for each of the years ended on those dates. These financial statements are the responsibility of the management of the NPO. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed by the Auditors' Regulations (Auditor's Mode of Performance)-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 sample 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 board of 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 NPO as of December 31, 2009 and 2008, and the results of its operations, the net changes in its assets for each of the years ended on those dates, in accordance with the accounting practices accepted in Israel (ISRAELI GAAP).

D. Heldenberg & Partners
Certified Public Accountants

Balance Sheet

As of December 31, 2009

| | <u>Note</u> | <u>2009</u> <u>NIS</u> | <u>2008</u> <u>NIS</u> |
|--|-------------|---------------------------|---------------------------|
| Current Assets | | | |
| Cash and Cash Equivalents (incl. ForEx of NIS 2,012.673) | | 3,061,931 | 6,480,406 |
| Accounts Receivables | 3 | <u>6,496,265</u> | <u>6,591,397</u> |
| | | 9,558,196 | 13,071,803 |
| Securities | 4 | 1,911,109 | 359,386 |
| Physical Assets | 5 | <u>1,263,156</u> | <u>897,412</u> |
| | | <u>12,732,461</u> | <u>14,328,601</u> |
| Current Liabilities | | | |
| Bank Overdraft | | 43 | - |
| Short-Term Loans | 6 | 7,043,951 | 5,529,777 |
| Accounts Payable | 7 | 655,326 | 560,143 |
| Account for the needy | 8 | <u>394,884</u> | <u>1,914,389</u> |
| | | <u>8,294,204</u> | <u>8,004,309</u> |
| Longterm Liabilities | | | |
| Retirement compensation reserves | 9 | <u>99,537</u> | <u>73,139</u> |
| Net Assets For restricted use | | | |
| Temporary | | | 870,968* |
| Permanent | 6 | <u>3,365,282</u> | <u>3,172,119</u> |
| | | <u>3,365,282</u> | <u>4,043,087</u> |
| Net Assets For unrestricted use | | | |
| For use in activities that are not restricted by the institution | | <u>(292,718)</u> | 1,310,654 |
| Used for fixed assets | | <u>1,263,156</u> | <u>897,412</u> |
| | | <u>970,438</u> | <u>2,208,066</u> |
| | | <u>4,338,720</u> | <u>6,251,153</u> |
| | | <u>12,732,461</u> | <u>14,328,601</u> |

*reassigned

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

Y. Jakobowitz
Board Member

[Signature]
Board Member

Statement of operating activities

For the year ending December 31, 2009

| | <u>Note</u> | <u>2009</u> NIS | <u>2008</u> NIS |
|---|-------------|--------------------|--------------------|
| Extent of Activities | | | |
| Contributions (including NIS 1,505,957 from abroad) | 10 | 12,889,179 | 16,460,144 |
| Less contributions for specific causes - see note no 8 | | (2,582,252) | (4,807,156) |
| Less donations received for loans to needy- see report on net changes in assets and note no 6 | | <u>(196,163)</u> | <u>(213,022)</u> |
| | | 10,110,764 | 11,439,966 |
| Equivalent hours volunteer activities - see note 12 | | 3,080,160 | 2,543,616 |
| Grants | 11 | 170,292 | 103,875 |
| Income from providing services | | 193,891 | 182,995 |
| | | <u>13,555,107</u> | <u>14,270,452</u> |
| Cost of Activities | | | |
| Donations to needy being mentored | | 2,762,461 | 2,587,280 |
| Food packages | | 258,710 | 737,358 |
| Mentoring families and seminars | 12 | 10,317,502 | 8,707,817 |
| Handling of loan fund | 13 | 337,620 | 767,779 |
| | | <u>13,676,293</u> | <u>12,800,234</u> |
| Net income (deficit) from operations | | (121,186) | 1,470,218 |
| General and Administrative Expenses | 14 | 1,928,180 | 2,002,842 |
| Net income (deficit) before financial expenses | | (2,049,366) | (532,624) |
| Net financing(expenses)income | 15 | (59,230) | 13,319 |
| Net Income (deficit) after finance expenses | | (2,108,596) | (519,305) |
| Capital losses | | | (17,645) |
| Annual Net surplus (deficit) | | <u>(2,108,596)</u> | <u>(536,950)</u> |

*reassigned

Report on Net Changes in Assets

As of December 31, 2009

| | | <u>Non Restricted</u> | | <u>Net Assets</u> | <u>Restricted</u> | <u>Total</u> |
|--|------|------------------------------|-------------------------|-------------------------------|-------------------------------|------------------|
| | | <u>For use in activities</u> | <u>For fixed assets</u> | <u>Restricted temporarily</u> | <u>Restricted permanently</u> | |
| | | <u>NIS</u> | <u>NIS</u> | <u>NIS</u> | <u>Loan Fund NIS</u> | <u>NIS</u> |
| Balance at beginning of year | 2008 | 2,102,866 | 642,150 | 870,968 | 2,959,097 | 6,575,081 |
| <u>Additions during year</u> | | | | | | |
| Donations | | - | | | 213,022 | 213,022 |
| Net excess (deficit) during year | | (536,950) | | | | (536,950) |
| Release from temporary restriction to activities | | | | | | |
| Transfer of unrestricted amounts to fixed assets | | (584,537) | 584,537 | | | |
| Realization of fixed assets | | 29,245 | (29,245) | | | |
| Depreciation | | 300,030 | 300,030) | | | |
| Balance at 31 December 2008 | | <u>1,310,654</u> | <u>897,412</u> | <u>870,968</u> | <u>3,172,119</u> | <u>6,251,153</u> |
| | 2009 | | | | | |
| <u>Additions during year</u> | | | | | | |
| Donations | | | | | 196,163 | 196,163 |
| Net excess (deficit) during year | | (2,108,596) | | | | (2,108,596) |
| Release from temporary restriction to activities | | 870,968 | | (870,968) | | |
| Transfer of unrestricted amounts to activities | | (768,991) | 768,991 | | | |
| Depreciation | | 403,247 | (403,247) | | | |
| Balance at 31 December 2009 | | <u>(292,718)</u> | <u>1,263,156</u> | <u>0</u> | <u>3,368,282</u> | <u>4,338,720</u> |

Notes to Financial Statements as of December 31, 2009

Note 1 - General

The organization's aim is to help the needy, through guidance and training, financial and psychological support, and loans. Donations to the loan fund as well as to other particular purposes were specified as such by the donors.

Note 2 - Main accounting principles

Below are the principles of the accounting policies, as consistently applied to the financial statements:

A. Decline in purchasing power of the Israeli currency

The financial reports are prepared according to accepted accounting practice, on a historical basis, which does not take the consistent decline in Israeli purchasing power into account. In accordance with these accounting policies, monetary transactions are performed according to the currency value at the time of the transaction. Assets and debts are included in the balance according to their original amounts except for assets and debts in foreign currency which are in accordance with the exchange rate of the day of the balance.

B The reports are prepared according to Rule 5 of the accounting regulations, and according to Opinion 69 of the Israeli Accounting Authority.

C Balances in foreign currency are presented according to the exchange rate at the report date as stated by the Bank of Israel. The rate for the US Dollar on December 31, 2009 was 3.775 NIS/\$.

D The organization reports services received without charge (by volunteers) as income and expenses, according to the minimum wage. See note 10.

E Permanent assets - Permanent assets are presented in the financial reports according to cost. Depreciation is reckoned on the basis of the annual cost sufficient for asset depreciation during the expected term of use, and in accordance with the rates allowed for deduction by the Income Tax Regulations

Note 3 - Account Receivables

| | <u>2009</u> | <u>2008</u> |
|----------------------------------|------------------|------------------|
| | n"ש | n"ש |
| Checks to be collected | 550,095 | 1,302,771 |
| Credit Card companies | 541,282 | 561,945 |
| Loans to Supportees - see note 6 | 5,300,309 | 4,574,887 |
| Advances to Suppliers | 74,212 | 151,403 |
| Various | 29,947 | - |
| Institutions | 420 | 391 |
| | <u>6,496,265</u> | <u>6,591,397</u> |

Note 4 - Securities

Bonds traded on Israeli Market

| | | |
|-------------------------|------------------|----------------|
| Cost | 1,908,742 | 353,347 |
| Revaluation differences | 2,367 | 6,039 |
| | <u>1,911,109</u> | <u>359,386</u> |

Notes to Financial Statements as of December 31, 2009

Note 5 - Physical Assets

| | <u>Improvements on rented property</u> NIS | <u>Furniture, office equipment, computers</u> NIS | 2009 NIS | 2008 |
|------------------------------|---|--|---------------------------|------------------|
| Cost | | | | |
| Balance at beginning of year | 160,995 | 1,349,633 | 1,510,628 | 956,331 |
| Additions during year | 267,698 | 501,293 | 768,991 | 584,537 |
| Deduction during the year | - | - | - | (30,240) |
| Balance at end of year | <u>428,693</u> | <u>1,850,926</u> | <u>2,279,619</u> | <u>1,510,628</u> |
| Depreciation | | | | |
| Balance at beginning of year | 35,854 | 577,362 | 613,216 | 314,181 |
| Additions during year | 40,093 | 363,154 | 403,247 | 300,030 |
| Deduction during the year | - | - | 0 | (995) |
| Balance at end of year | <u>75,947</u> | <u>940,516</u> | <u>1,016,463</u> | <u>613,216</u> |
| Cost after depreciation | <u>352,746</u> | <u>910,410</u> | <u>1,263,156</u> | <u>897,412</u> |
| Depreciation Rate | 10-20% | 7-33% | | |

Note 6 - Loan Fund

| | 2009 | 2008 |
|--|--------------------|--------------------|
| Donations received for support loans | | |
| Balance at beginning of year | 4,043,087 | 3,830,065 |
| Donations received during report year | 196,163 | 213,022 |
| Release from temporary restriction to activities | (870,968) | - |
| | <u>3,368,282</u> | <u>4,043,087</u> |
| Deposits received for support loans | | |
| Balance at beginning of year | 5,529,777 | 5,723,715 |
| Deposits collected during report year | 4,505,587 | 2,501,162 |
| Deposits returned during report year | (2,991,413) | (2,695,100) |
| | <u>7,043,951</u> | <u>5,529,777</u> |
| Support Loans | | |
| Balance at beginning of year | (4,974,887) | (4,365,704) |
| Loans given out during report year | (1,964,091) | (2,691,620) |
| Loans returned during report year | 1,238,669 | 2,082,637 |
| Allowance for doubtful debts | 400,000 | 400,000 |
| | <u>(5,300,309)</u> | <u>(4,574,887)</u> |
| Balance in loan fund | <u>5,111,924</u> | <u>4,997,977</u> |

* Includes checks to be collected of NIS 317,335 that were given to the organization as loan repayments.

Notes to Financial Statements as of December 31, 2009

Note 1 - General

The organization's aim is to help the needy, through guidance and training, financial and psychological support, and loans. Donations to the loan fund as well as to other particular purposes were specified as such by the donors.

Note 2 - Main accounting principles

Below are the principles of the accounting policies, as consistently applied to the financial statements:

A. Decline in purchasing power of the Israeli currency

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B. The reports are prepared according to Rule 5 of the accounting regulations, and according to Opinion 69 of the Israeli Accounting Authority.

C. Balances in foreign currency are presented according to the exchange rate at the report date as stated by the Bank of Israel. The rate for the US Dollar on December 31, 2009 was 3.775 NIS/\$.

D. The organization reports services received without charge (by volunteers) as income and expenses, according to the minimum wage. See note 10.

E. Permanent assets - Permanent assets are presented in the financial reports according to cost. Depreciation is reckoned on the basis of the annual cost sufficient for asset depreciation during the expected term of use, and in accordance with the rates allowed for deduction by the Income Tax Regulations.

Note 3 - Account Receivables

| | <u>2009</u> | <u>2008</u> |
|----------------------------------|------------------|------------------|
| | n"ש | n"ש |
| Checks to be collected | 550,095 | 1,302,771 |
| Credit Card companies | 541,282 | 561,945 |
| Loans to Supportees - see note 6 | 5,300,309 | 4,574,887 |
| Advances to Suppliers | 74,212 | 151,403 |
| Various | 29,947 | - |
| Institutions | 420 | 391 |
| | <u>6,496,265</u> | <u>6,591,397</u> |

Note 4 - Securities

Bonds traded on Israeli Market

| | | |
|-------------------------|------------------|----------------|
| Cost | 1,908,742 | 353,347 |
| Revaluation differences | 2,367 | 6,039 |
| | <u>1,911,109</u> | <u>359,386</u> |

| Note 14 - <u>General and Administrative Expenses</u> | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|
| | <u>NIS</u> | <u>NIS</u> |
| Payroll and related expenses | 677,794 | 483,107 |
| Office maintenance, mail, telephone | 206,770 | 182,937 |
| Rent | 85,460 | 77,387 |
| Travel and messenger service | 13,825 | 15,509 |
| Travel abroad | | 30,714 |
| Refreshments and cancellations | 4,698 | 4,208 |
| Taxes, fees and insurance | 45,826 | 52,827 |
| Professional services | 272,988 | 166,816 |
| Car allowances | 24,930 | |
| Depreciation | 57,376 | 74,635 |
| Fundraising | 423,235 | 762,792 |
| Credit card fees | 115,278 | 151,910 |
| | <u>1,928,180</u> | <u>2,002,842</u> |
| Note 15 - <u>(Expenses) Income Finance Net</u> | <u>2009</u> | <u>2008</u> |
| | <u>n"ש</u> | <u>n"ש</u> |
| (Expenses) Net interest | (63,133) | 95,367 |
| Institutions interest | (27) | 821 |
| Net gains (losses) from shares | 3,930 | (82,869) |
| | <u>(59,230)</u> | <u>13,319</u> |
| Note 16 - <u>Income Taxes</u> | | |

The organization is listed as an NPO and its revenues are those of a Public Institution exempt from tax as per Item 9(2) of the Israeli Income Tax Regulations. The organization is considered a Public Institution as per rule 46 of the Israel Tax Authority

*reassigned