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PAAMONIM CHARITY ORGANIZATION (RNPO)

FINANCIAL REPORTS TO 31 DECEMBER, 2013

Paamonim Charity Organization

Financial Reports as of December 31, 2013

(Unofficial Translation)

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September 2014

Paamonim Charity Organization (registered NPO), (hereinafter "Paamonim")

Paamonim has set as its goal to strive to enable families in Israel to manage their economic affairs with balance, responsibility and integrity.

To achieve its goal, Paamonim operates financial education programs including lectures and learning programs, group workshops and instruction manuals. Furthermore, Paamonim manages a large volunteer force who give long-term, personal tutoring to families and individuals who are interested in financial guidance and advice and who need to acquire knowledge and correct habits in this area.

The Paamonim organization includes about 2,500 volunteers in various roles: family financial tutors, lecturers and workshop moderators, professionals with expertise in various areas, coordinators and managers. Paamonim's head office is the center for operations management, training activities, volunteer management, program development, accounting functions and fundraising.

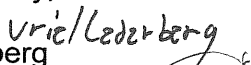
During the year 2013, Paamonim's volunteers and workers gave solutions to the wider community through one-on-one family and individual tutoring for 5,176 families throughout the country, and through 241 lectures and 140 workshops in which 16,000 people participated.

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

1. Personal tutoring and assistance for families and training and financial education and guidance programs for families - approximately NIS 22,000,000
2. Interest-free loans for families tutored by the organization – approximately NIS 2,900,000
3. Handling of donations for specific cases whom the organization assists - approximately NIS 9,500,000

Total annual activities of the organization in 2013 – NIS 34,400,000.

Yours sincerely,

Uriel Lederberg 

Director, Paamonim Charity Organization (NPO)

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29.10.2014

**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, 2013 and 2012 and the related statements of activities and reports on the net changes in assets for each of the years ending 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 Accountants' Regulations (Accountants' Mode of Performance)-1973. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examination, on a sample basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessment of the accounting principles used and of significant estimates made by the board of management, as well as evaluation of the overall financial statements as presented. 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, 2013 and 2012, and the results of its operations, the net changes in its assets for each of the years ending on those dates, in accordance with the accounting practices accepted in Israel (ISRAELI GAAP).

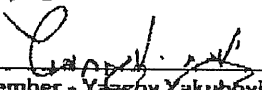
Heldenberg Brand & Partners
Certified Public Accountants

Balance Sheet

As of December 31, 2013

	<u>Note</u>	<u>2013</u> <u>NIS</u>	<u>2012</u> <u>NIS</u>
Current Assets			
Cash and Cash Equivalents (Incl. Foreign Exchange of NIS 1,771,219)		6,549,563	5,691,829
Accounts Receivable	3	1,737,082	1,287,244
Stock	4	38,622	9,519
Securities	5	3,508,861	3,142,418
		<u>11,834,128</u>	<u>10,131,010</u>
Longterm - loans and compulsory balances - owed	6	2,474,877	3,010,986
Fixed Assets minus depreciation	7	564,543	562,146
		<u>14,873,548</u>	<u>13,704,142</u>
 Current Liabilities			
Interest Free Financial Assistance Fund	8	7,585,509	7,716,550
Accounts Payable	9	1,008,119	1,026,428
Specified accounts for the needy	10	2,681,887	2,604,456
		<u>11,275,515</u>	<u>11,347,434</u>
Reserve for severance pay	11	37,181	36,352
Total Liabilities		<u>11,312,696</u>	<u>11,383,786</u>
Net Assets			
Net Assets For restricted use			
Temporary		-	-
Permanent	8	3,445,327	3,557,672
		<u>3,445,327</u>	<u>3,557,672</u>
Net Assets For unrestricted use			
For use in activities that are not specified by the non-profit organization		(449,019)	(1,799,462)
For use for fixed assets		564,543	562,146
		<u>115,524</u>	<u>(1,237,316)</u>
Total Net Assets		<u>3,560,851</u>	<u>2,320,356</u>
		<u>14,873,548</u>	<u>13,704,142</u>

The accompanying addenda and notes constitute an integral and inseparable part of the financial statements.


Board Member - Yacov Yakubovitch


Board Member - Chaim Falk

Statement of operating activities

For the year ending December 31, 2013

	<u>Note</u>	<u>2013</u> NIS	<u>2012</u> NIS
Turnover			
Donations (including NIS 7,209,291 from abroad)	12	25,521,780	21,798,556
Minus donations for specific causes - see note no 10		(11,011,887)	(8,682,242)
Minus donations received for loans to families in rehabilitation programs - see report on changes and note 8		(172,424)	(129,537)
Released from temporarily restricted net assets by donors		<u>1,091,109</u>	<u>548,355</u>
		15,428,578	13,535,132
Equivalent hours volunteer activities - see note 15		9,639,422	8,176,664
Grants	13	730,923	134,076
Income from providing services		<u>1,072,974</u>	<u>751,936</u>
		<u>26,871,897</u>	<u>22,597,808</u>
 Costs of activities			
Support grants to needy in tutoring process	14	1,877,490	1,510,920
Tutoring families and workshops	15	10,489,312	10,405,128
Tutoring families through volunteers (salaries in kind)	16	9,639,422	8,176,664
Handling of Interest Free Financial Assistance Fund	17	296,525	256,871
		<u>22,302,749</u>	<u>20,349,583</u>
Net income (deficit) from operations		<u>4,569,148</u>	<u>2,248,225</u>
General and Administrative Expenses	19	<u>3,145,099</u>	<u>2,831,812</u>
Net income (deficit) before financing		1,424,049	(583,587)
Net financing expenses	20	<u>71,208</u>	<u>(37,256)</u>
Surplus (deficit) this year		<u>1,352,841</u>	<u>(546,331)</u>

The accompanying addenda and notes constitute an integral and inseparable part of the financial statements.

Report on Net Changes in Assets

As of December 31, 2013

	<u>Net Assets</u>				
	<u>Non Restricted</u>		<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
	<u>For use in</u>	<u>For fixed</u>	<u>Temporarily</u>	<u>Permanently</u>	
<u>activities</u>	<u>assets</u>	<u>Projects</u>	<u>Interest-Free</u>		
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>Loan Fund</u>	<u>NIS</u>
				<u>NIS</u>	
2012					
Balance at beginning of year	(1,415,327)	724,342	-	3,735,887	3,044,902
<u>Additions during year</u>					
Donations	-	-	548,355	129,537	677,892
Net surplus (deficit) during year	(546,331)	-	-	-	(546,331)
Transfer of unrestricted amounts to fixed assets	(169,721)	169,721	-	-	-
Release of funds to cover depreciation	331,917	(331,917)	-	-	-
Bad debts	-	-	-	(307,752)	(307,752)
Release of temporarily restricted funds to activity	-	-	(548,355)	-	(548,355)
Balance at end of year	<u>(1,799,462)</u>	<u>562,146</u>	<u>-</u>	<u>3,557,672</u>	<u>2,320,356</u>
2013					
<u>Additions during year</u>					
Donations	-	-	1,091,109	172,424	1,263,533
Net surplus (deficit) during year	1,352,841	-	-	-	1,352,841
Transfer of unrestricted amounts to fixed assets	(259,008)	259,008	-	-	-
Release of funds to cover depreciation	256,611	(256,611)	-	-	-
Bad debts	-	-	-	(284,769)	(284,769)
Release of temporarily restricted funds to activity	-	-	(1,091,109)	-	(1,091,109)
Balance at end of year	<u>(449,018)</u>	<u>564,543</u>	<u>-</u>	<u>3,445,327</u>	<u>3,560,852</u>

Notes to Financial Statements as of December 31, 2013

Note 1 - General

The organization was registered on 9th of May 2002 by the Non-Profit Organizations registry. Its number is 589392702. The organization's aim is to help the needy, through guidance and training, financial and psychological support, and loans. Donations to the Interest Free Financial Assistance Fund as well as for other particular purposes are specified as such by the donors.

The organization holds a certificate of proper management for 2014 from the Non-Profit Organizations registry.

Note 2 - Main principles of accounting policy applied to financial reports:

2.1 Basis for presentation of financial reports:

Since the establishment of the organization, financial reports have been prepared nominally, according to historical cost values. The reports are prepared according to Rule 5 of the accounting regulations, and according to Opinion 69 of the Israeli Association of Accountants.

2.2 Cash and cash values

Cash and cash values include high liquidity investments including bank deposits redeemable within less than one year of deposit.

2.3 Fixed assets

The organization operates in accordance with accounting standard no 27, which mandates the accounting of fixed assets. The standard gives rules regarding the recognition of a fixed asset item as property, measurement of its original cost, measurement of cost following initial recognition and rules regarding depreciation and subtraction of the fixed asset. In the light of the above, fixed assets are presented according to cost, minus accrued depreciation. Depreciation is reckoned on a straight line basis, with annual values sufficient for depreciation of assets during the expected period of use, and in accordance with the rates allowed for deduction by the Income Tax Regulations.

2.4 The organization does not include reports on services received without charge except for those referred to in notes 12 and 16.

2.5 Exchange Rates and Linkage

- 1) Assets and liabilities in foreign currency, or linked to foreign currency, are included in the financial reports according to the exchange rates published by the Bank of Israel on the date of the balance.
- 2) Assets and liabilities linked to the consumer price index are included based on the index appropriate for all property or linked commitments.
- 3) Details of consumer price index (*) and the exchange rate of the US Dollar are as follows:

	Index 2013	Index 2012
Consumer Price Index	107.62	105.70
US Dollar Exchange Rate	3.471	3.733
Percentage Change %		
	2013	2012
Consumer Price Index	1.82%	1.61%
US Dollar Exchange Rate	-7.02%	-2.30%

(*) The Consumer Price Index is for the last month of the time period.

2.6 Stocks

Stocks are presented according to the lower cost - either cost price or market price - where cost is reckoned on the basis of first in first out.

Notes to Financial Statements as of December 31, 2013

Note 2 Main principles of accounting policy to be applied to financial reports - continued

2.7 Estimation

When presenting financial reports according to accepted accounting principles, management must use estimation and evaluation affecting the data regarding assets and liabilities, conditional assets and dependant liabilities, and income and expenditures during the reporting period. The results are expected to differ from these estimations.

	<u>2013</u>	<u>2012</u>
3 - <u>Liabilities</u>	NIS	NIS
Checks to be collected	418,446	152,441
Credit companies	808,331	681,590
Loans to families in Rehabilitation Program (1)	80,293	111,404
Advances to suppliers & various	22,002	1,733
Accounts receivable	366,157	316,836
Expenses in advance	35,383	21,945
Institutions and workers	<u>6,470</u>	<u>1,295</u>
	<u>1,737,082</u>	<u>1,287,244</u>

Note 4 Stocks
Stocks of games "Education for Saving"

Note 5 - <u>Securities</u>	<u>2013</u>	<u>2012</u>
	NIS	NIS
Bonds traded on Israeli Market		
Cost	3,342,367	3,036,342
Reappraisal differences	<u>166,494</u>	<u>106,076</u>
	<u>3,508,861</u>	<u>3,142,418</u>

Note 6 <u>Long-term Liabilities</u>	<u>2013</u>	<u>2012</u>
	NIS	NIS
Checks to be collected	52,600	142,549
Loans to families in Rehabilitation Program (1)	<u>2,422,277</u>	<u>2,868,437</u>
	<u>2,474,877</u>	<u>3,010,986</u>

Loans to families in Rehabilitation Program (1) - see note 8

short-term	80,293
long-term	2,792,277
allowance for uncertain debts	<u>(370,000)</u>
	<u>2,502,570</u>

Notes to Financial Statements as of December 31, 2013

Note 7

Physical Assets - Cost after depreciation

	<u>Improvements on rented property</u>	<u>Furniture, office equipment, computers</u>	<u>2013</u>	<u>2012</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
A) Composition:				
Cost				
Balance at beginning of year	432,231	2,376,167	2,808,398	2,638,677
Additions during year	57,734	201,274	259,008	169,721
Balance at end of year	<u>489,965</u>	<u>2,577,441</u>	<u>3,067,406</u>	<u>2,808,398</u>
Depreciation				
Balance at beginning of year	304,784	1,941,468	2,246,252	1,914,335
Additions during year	67,540	189,071	256,611	331,917
Balance at end of year	<u>372,324</u>	<u>2,130,539</u>	<u>2,502,863</u>	<u>2,246,252</u>
 Cost after depreciation	 <u>117,641</u>	 <u>446,902</u>	 <u>564,543</u>	 <u>562,146</u>
B) Depreciation Rate:	10-20%	7-33%		

Note 8 -

Interest Free Financial Assistance Fund

	<u>2013</u>	<u>2012</u>
	<u>NIS</u>	<u>NIS</u>
Donations raised for loans for families in rehabilitation programs		
Balance at beginning of year	3,557,672	3,735,887
Donations raised during report year	172,424	129,537
Pardoned debts	(284,769)	(307,752)
	<u>3,445,327</u>	<u>3,557,672</u>
Interest free financial assistance available for loans to families in rehabilitation programs		
Balance at beginning of year	7,716,550	7,437,110
Donations for interest free financial assistance raised during report year	1,150,595	1,450,161
Financial assistance returned during report year	(1,281,636)	(1,170,721)
	<u>7,585,509</u>	<u>7,716,550</u>
Loans for families in rehabilitation programs		
Balance at beginning of year	(3,379,841)	(4,439,936)
Loans given out during report year	(341,711)	(204,448)
Pardoned debts	284,769	307,752
Loans redeemed during report year	* 564,213	956,791
	<u>(2,872,570)</u>	<u>(3,379,841)</u>
Provision for uncertain debts	370,000	400,000
	<u>(2,502,570)</u>	<u>(2,979,841)</u>
Balance in Interest Free Financial Assistance Fund	<u>8,528,266</u>	<u>8,294,381</u>

* Includes checks to be collected to value of NIS 54,425 that were given to the organization as loan repayments.

Notes to Financial Statements as of December 31, 2013

Note 9	- <u>Accounts Payable</u>	<u>2013</u> <u>NIS</u>	<u>2012</u> <u>NIS</u>
	Suppliers - open account	155,665	162,225
	Checks to be redeemed	111,624	39,613
		<u>267,289</u>	<u>201,838</u>
	Institutions and Employees	738,114	823,396
	Various	2,716	1,194
		<u>1,008,119</u>	<u>1,026,428</u>
Note 10	- <u>Account for the needy</u>		
	Specified donations:		
	Balance at beginning of the year	2,604,456	809,516
	Donations raised during report year	11,011,885	8,682,242
	Transfer of donations during report year	(9,625,328)	(8,450,317)
	Money managed by the Amuta for supported families	(1,433,825)	1,453,489
	Refunds (advances) for supported families	124,700	109,526
		<u>2,681,887</u>	<u>2,604,456</u>
Note 11	- <u>Reserve for severance pay</u>		

The reserve account represents the commitment of the organization to pay compensation to its workers on termination beyond the commitments in the individual workers' manager's insurance funds. Most of the organization's workers have signed clause 14 of the severance pay law which states that the organization is not committed to severance pay beyond their personal insurance policies.

Notes to Financial Statements as of December 31, 2013

Note	-	<u>Donations</u>	2013	2012
			<u>NIS</u>	<u>NIS</u>
		Private donations	25,478,888	21,775,422
		Monetary value of donations in kind	<u>42,892</u>	<u>23,133</u>
			<u>25,521,780</u>	<u>21,798,555</u>
Note	-	<u>Grants</u>	2013	2012
			<u>NIS</u>	<u>NIS</u>
		Support 2012	132,500	-
		Support 2013	<u>400,000</u>	-
		Development Office for the Negev and the Galilee	532,500	-
		Municipality of Ariel	12,174	13,170
		Municipality of Ashdod	3,754	5,385
		Municipality of Ashkelon	10,000	10,000
		Municipality of BeerSheva	4,047	4,267
		Municipality of Bat Yam	7,206	-
		Municipality of Herzlia	32,000	20,170
		Municipality of Hadera	1,228	-
		Municipality of Haifa	6,233	5,651
		Municipality of Yavne	1,800	3,000
		Municipality of Jerusalem	7,500	-
		Municipality of Cfar Saba	5,906	-
		Municipality of Carmiel	1,305	2,080
		Regional Council of the Golan	9,890	10,031
		Municipality of Modiin	5,000	6,333
		Municipality of Ness Ziona	2,000	-
		Municipality of Netanya	15,961	8,070
		Municipality of Upper Nazareth	-	5,000
		Municipality of Pardess Hanna	5,000	-
		Municipality of Petach Tikva	4,285	6,278
		Regional Council of Kadima Zoren	7,500	-
		Regional Council of Kazrin	5,000	-
		Municipality of Rosh Haayin	3,243	5,347
		Municipality of Rishon Lezion	4,353	5,145
		Municipality of Rehovot	17,889	5,165
		Municipality of Ramle	3,752	3,692
		Municipality of Ramat Gan	4,000	-
		Municipality of Raanana	5,000	3,000
		Municipality of Tel Aviv	12,397	12,292
			<u>730,923</u>	<u>134,076</u>

Notes to Financial Statements as of December 31, 2013

Note 14 - Support for the needy in the economic rehabilitation program

After deducting NIS 9,625,329 for support carried out directly from donors to needy cases (previous year it was NIS 8,450,317) see note 10

Note 15 - <u>Mentoring Families and Seminars</u>	2013	2012
	<u>NIS</u>	<u>NIS</u>
Payroll and related expenses for coordinators and project managers	7,644,876	7,169,092
Grants for social activities - students	165,349	116,872
Activity centers and mentoring for assisted families	845,791	773,549
National Volunteers' Conference	-	359,720
Seminars, lectures, and learning materials for assisted families	358,745	233,473
Training of Tutors	143,847	360,767
Rent	244,643	173,873
Depreciation	219,233	265,576
Car allowances	866,828	952,206
	<u>10,489,312</u>	<u>10,405,128</u>

Note 16 - Volunteer tutoring of families (equivalent wages)

* Equivalent wages of volunteers is reckoned according to the minimum wage in the market as required by the accountant general. In 2013 about 2,400 volunteers gave a total of 416,930 annual hours within the following categories:

	<u>Hours</u>
Tutoring Families	193,144
Team leaders and managers	208,750
Counselors	15,036
	<u>416,930</u>

Note 17 - <u>Handling of Interest Free Financial Assistance Fund</u>	2013	2012
	<u>NIS</u>	<u>NIS</u>
Payroll and related expenses	138,209	134,019
Office expenses, communication	36,798	38,540
Advertising and fundraising expenses	151,518	84,312
Provision for bad debts	(30,000)	-
	<u>296,525</u>	<u>256,871</u>

Note 18 - <u>Details of Organization Turnover</u>	2013
	<u>NIS</u>
Donations in money	26,397,573
Donations in kind	42,892
Donations to the Loan fund	172,424
Grants	730,923
Services	1,072,974
Equivalent of volunteer tutoring	9,639,422
	<u>38,056,208</u>

Notes to Financial Statements as of December 31, 2013

Note	-	<u>General and Administrative Expenses</u>	2013 <u>NIS</u>	2012 <u>NIS</u>
		Payroll and related expenses	1,936,165	1,668,921
		Office maintenance, mail, telephone	168,566	186,084
		Rent	44,935	32,904
		Travel and messenger service	13,707	30,374
		Refreshments and cancellations	89	465
		Taxes, fees and insurance	41,584	38,036
		Professional services	131,824	169,627
		Car allowances	127,262	132,033
		Depreciation	37,378	66,342
		Fundraising	643,589	507,026
			<u>3,145,099</u>	<u>2,831,812</u>
Note	-	<u>Net Expense (Income) Financing</u>	2013 <u>NIS</u>	2012 <u>NIS</u>
		Net Expenses (Income) Bank fees and interest	82,639	(50,674)
		Institutions interest	10	
		Net (gains) losses from reappraisal of shares	(60,418)	(132,549)
		Net (gains) losses from realization of shares	(102,704)	19,563
		Credit card fees	151,681	126,404
			<u>71,208</u>	<u>(37,256)</u>
Note	-	<u>Income Taxes</u>		

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