

"YAD EZRA V'SHULAMIT, JERUSALEM" (R.A.)

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014

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**AUDITORS' REPORT TO THE MEMBERS OF
" YAD EZRA V'SHULAMIT, JERUSALEM" (R.A)**

I have audited the accompanying balance Sheets of the "YAD EZRA V'SHULAMIT , JERUSALEM" (R.A) (hereinafter - the Organization) as of December 31, 2014 and 2013, and the statements of operations, Statement of changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization members. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my 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 I 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 amount 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014 and 2013 and the results of operations, changes in net assets and cash flows for the years then ended, in accordance with generally accepted accounting principles in Israel (Israeli GAAP).

Yosef Zohar


C.P.A.

Bnei Brak, Israel October 8, 2015

YAD EZRA V'SHULAMIT, JERUSALEM (R.A)

Balance Sheet

Reported Amounts

| | | <u>As of December 31</u> | |
|---|-------------|--------------------------|-------------------|
| | Note | <u>2014</u> | <u>2013</u> |
| | | <u>in ILS</u> | |
| Current Assets | | | |
| Cash and Cash Value | | 161,882 | 109,611 |
| Debtors and Debt Balances | 3 | <u>4,250,594</u> | <u>4,900,951</u> |
| | | <u>4,412,476</u> | <u>5,010,562</u> |
| Net Fixed Assets | 4 | <u>20,824,968</u> | <u>19,662,625</u> |
| | | <u>25,237,444</u> | <u>24,672,187</u> |
| Current Liabilities | | | |
| Credit from Financial Institutions | | 292,964 | 242,527 |
| Supplies and Post-Dated Checks | 5 | 426,340 | 1,101,970 |
| Creditors and Credit Balances | 6 | <u>1,572,377</u> | <u>2,203,730</u> |
| | | <u>2,291,681</u> | <u>3,548,227</u> |
| Long-term Liabilities | | | |
| Net Liability for Employee Severance Benefits | 7 | <u>929,371</u> | <u>923,602</u> |
| | | <u>3,221,052</u> | <u>4,471,829</u> |
| Net Assets without Limitations | | | |
| For Operations | | 1,191,424 | 200,799 |
| Used for Fixed Assets | | <u>20,824,968</u> | <u>19,662,625</u> |
| | | <u>22,016,392</u> | <u>19,863,424</u> |
| Net Assets with Temporary Limitations | | - | 337,934 |
| Total Net Assets | | <u>22,016,392</u> | <u>20,201,358</u> |
| | | <u>25,237,444</u> | <u>24,673,187</u> |

 NGO Member
 Ilan Giat

 NGO Member
 Haim Bismut

Financial Statements were approved on October 8, 2015
 The notes of the financial reports are an integral part thereof.

YAD EZRA V'SHULAMIT, JERUSALEM (R.A)

Statement on Activities

Reported Amounts

| | | <u>For the Year Ending</u> <u>December 31</u> | |
|---|------|--|--------------------------|
| | Note | <u>2014</u> | <u>2013 (*)</u> |
| | | <u>in ILS</u> | |
| Total Income from Operations | | | |
| Income from Government Ministries and Local Authorities | 8 | 1,098,087 | 1,054,135 |
| Income from Donations | 9 | 26,550,517 | 26,280,716 |
| Cash Value Income | 10 | 25,535,501 | 22,400,326 |
| Other Income | | 192,187 | - |
| Income from Rise in Value of Assets | | <u>-</u> | <u>3,441,916</u> |
| Total Income from Operations | | <u>53,376,292</u> | <u>53,177,093</u> |
| Costs of Operations | | | |
| Net Operations Costs | 11 | <u>45,494,280</u> | <u>44,766,854</u> |
| Management and General Expenses | 12 | 5,661,314 | 4,492,800 |
| Net Financing Expenses | | <u>405,664</u> | <u>395,098</u> |
| Net Profit per Year | | <u>1,815,034</u> | <u>3,522,341</u> |

(*) Reclassified

The notes of the financial reports are an integral part thereof.

YAD EZRA V'SHULAMIT, JERUSALEM (R.A)

Statement of Changes in Net Assets

| | <u>Net Assets with no Restrictions</u> | | <u>Net Assets with Restrictions</u> | |
|--|--|---------------------|-------------------------------------|-------------------|
| | <u>Used for Operations</u> | <u>Fixed Assets</u> | <u>Current Assets</u> | <u>Total</u> |
| | <u>NIS</u> | <u>NIS</u> | <u>NIS</u> | <u>NIS</u> |
| Balance on January 1, 2013 | 682,299 | 14,685,932 | 650,786 | 16,019,017 |
| Surplus (Deficit) for the Year: | | | | |
| Year | | | | |
| Donations | - | - | 660,000 | 660,000 |
| Net Surplus (Deficit) for the Year | 3,522,341 | - | - | 3,522,341 |
| Year | | | | |
| Amounts Transferred to be Used for the Acquisition of Fixed Assets | (4,586,795) | 5,559,647 | (972,852) | - |
| Accumulated Depreciation in Respect to Fixed Assets | 582,954 | (582,954) | - | - |
| Balance on December 31, 2013 | 200,799 | 19,662,625 | 337,934 | 20,201,358 |
| 2013 | | | | |
| Surplus (Deficit) for the Year: | | | | |
| Year | | | | |
| Net Surplus (Deficit) for the Year | 1,815,034 | - | - | 1,815,034 |
| Year | | | | |
| Amounts Transferred to be Used for the Acquisition of Fixed Assets | (1,554,149) | 1,892,083 | (337,934) | - |
| Amounts Transferred to be Used for the Depreciation Expenses | 729,740 | (729,740) | - | - |
| Balance at December 31, 2014 | 1,191,424 | 20,824,968 | - | 22,016,392 |

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

YAD EZRA V'SHULAMIT, JERUSALEM (R.A)

Statements of Cash Flow

| | <u>For the Year Ending</u> <u>December 31</u> | |
|--|--|--------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>in ILS</u> | |
| <u>Cash Flow from Current Activity:</u> | | |
| Surplus (Deficient) per Year | <u>1,815,034</u> | <u>3,522,341</u> |
| Adjustments Required to Display Cash from Current Activity (Appendix A) : | | |
| Income and Expenses not Involving Cash Flows | <u>735,509</u> | 658,960 |
| Changes in Operating Assets and Liabilities | <u>(656,626)</u> | 381,743 |
| Total Adjustments Required to Present Cash Flows from Operating Activities | <u>78,883</u> | <u>1,040,703</u> |
| Net Cash Deriving from Current Activity | <u>1,893,917</u> | <u>4,563,044</u> |
| <u>Cash Flow from Investment Activity:</u> | | |
| Purchases of Fixed Assets | <u>(1,892,083)</u> | (5,559,647) |
| Net Cash Used for Investments | <u>(1,892,083)</u> | <u>(5,559,647)</u> |
| <u>Cash Flows for Financing Activity:</u> | | |
| Credit from Financial Institutions | <u>50,437</u> | 242,476 |
| Current Maturities | - | (144,107) |
| Temporarily Limited Net Assets Received | - | 660,000 |
| Net Cash Deriving from Financing Activity | <u>50,437</u> | <u>758,369</u> |
| (Drop) Rise in Cash and Cash Value | <u>52,271</u> | <u>(238,234)</u> |
| Cash Balance and Cash Value at Start of Year | <u>109,611</u> | <u>347,845</u> |
| Cash Balance and Cash Value at End of Year | <u>161,882</u> | <u>109,611</u> |

The Notes of the Financial Reports are an Integral Part thereof.

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Statements of Cash Flow

Appendix A – Adjustments Required to Present Cash Flows from Operating Activities:

| | <u>For the Year Ending</u> <u>December 31</u> | |
|--|--|------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>in ILS</u> | |
| Income and expenses not involved in cash flow: | | |
| Depreciation | 729,740 | 582,954 |
| Increase in surplus liability for employee severance benefits, net | 5,769 | 76,006 |
| | 735,509 | 658,960 |
| | | |
| Changes to Asset and Liability Items: | | |
| Drop (Rise) in Accounts Receivable | 650,357 | (987,065) |
| (Drop) Rise in Suppliers and Outstanding Checks | (675,630) | 307,543 |
| (Drop) Rise in Accounts Payable | (631,353) | 1,061,265 |
| | (656,626) | 381,743 |
| | | |
| Total Adjustments Required to Present Cash Flows from Operating Activities – Appendix A | 78,883 | 1,040,703 |

The notes of the financial reports are an integral part thereof.

Note 1. General

- a. Yad Ezra V'Shulamit, Jerusalem (NGO) (hereinafter: "the NGO") is a non-profit organization that registered with the State Registrar on January 13, 1998, Organization No.: 58-031-364-1.
- b. The main goals of the NGO are: establishing a center for distributing food and clothes to the needy; financial help to the needy and sick; operating a soup kitchen and afternoon center for children; treating youth at risk; helping immigrant families and adolescents; activities for prisoner rehabilitation; teaching Torah through lessons for all ages; distributing weekly Torah pages; organizing prayer trips to graves of the righteous; and organizing weekend seminars and outreach programs.
- c. The organization was approved by the Income Tax Commissioner as a public institution according to section 9(2) and section 46 of the Income Tax Ordinance.
- d. Definitions
In these financial statements –
The NGO – Yad Ezra V'Shulamit, Jerusalem (Registered NGO)

Note 2. Accounting Policy and Reporting Regulations

- a. The accounting policy and reporting regulations include the following principles:
Net assets – the difference between assets and liabilities.
Net assets, without limitation – those net assets that there is no limitation on their use.
Net assets, without limitation and which were targeted by the management – those net assets which were targeted by the management for establishing a distribution center for the needy.
Net assets, used for fixed property – those net assets that were used for purchasing fixed property, after deduction of the accumulated depreciation and deduction of the capital loss from the sale of the fixed property.
Net assets, with temporary limitation – those net assets that are limited by the donors for the purpose for which they were intended.
- b. The NGO registers its assets, liabilities, income and expenses on an accumulative basis.
- c. Figures in the financial statement are displayed in nominal value in Israel New Shekels.

Financial Statement Reporting

1. The amounts of non-monetary assets do not necessarily represent realizable value or economic value, rather only the reported amounts of assets.
2. In the Financial Statements "cost" refers to cost in reported amounts.

d. Financial Statements Presentation

1. Classification in the framework of the net assets group is made by distinction between:
 - Unrestricted net assets used in activities:
 - Unrestricted net assets designated by the organization's management:
 - Unrestricted net assets to be used as fixed assets
 - Temporarily restricted net assets

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Notes on Financial Statements

Note 2 Accounting Policy and Reporting Regulations (continued)

2. The statement of activities includes all the revenue and expenses incurred during the reporting period. "Revenues" include all income received and originated during the period which have no restrictions on their use, additionally it includes the proportional part of the net assets which were restricted and conditionally released during the period. "Expenses" also include the expenses from funds which were conditionally donated or allocated.

In addition, revenue/expenses include cash equivalent revenues and expenses respectively.

3. The statements of changes in net assets includes, in addition to net outcome transferred from Statements of activities the total funding received noting there restrictions and amount that have been released from restriction. Restricted amounts that have been released as a result of usage in activity are recorded as revenue statement of activities. Restricted amounts that have been released as a result of usage in acquiring fixed assets are transferred to the "Unrestricted net assets to be used as fixed assets" balance in the statements of changes in net assets.

e. Data Regarding the Exchange Rate of the U.S. Dollar during the Reporting Period:

| | <u>As of December 31</u> | | <u>Percentage of change in the ended December 31</u> | |
|------|--------------------------|-------------|--|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| USD | 3.889 | 3.471 | 12 | (8) |
| Euro | 4.724 | 4.782 | (1.21) | (2.82) |
| CAD | 3.359 | 3.264 | 2.91 | (12.94) |
| GBP | 6.063 | 5.742 | 5.59 | (4.93) |

f. Cash and Cash Equivalents

Cash and cash equivalents include short-term bank deposits purchased with original maturities of three months or less.

g. Fixed Assets

1. Fixed assets are stated at cost less accumulated depreciation.
2. Depreciation is calculated by the straight-line method at annual rates that are deemed adequate to depreciate the assets over their estimated useful life, as follows:

| | % |
|-------------------------|-------|
| Buildings | 2,10 |
| Equipment and Furniture | 7-15 |
| Office Equipment | 7-33 |
| Vehicles and Trucks | 15-20 |

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Notes on Financial Statements

Note 2 Accounting Policy and Reporting Regulations part g. Fixed Assets (continued)

3. Notes to the financial statements presented details about the organization's real estate assets.
4. As of September 9th, 2013, the value of the building of the organization located at 29 Chaim Ozer Street, Jerusalem was estimated. The property valuation was performed by a qualified real estate appraiser. The increase in property value was calculated in accordance with the Auditing Standard 97 of the Institute of Certified Public Accountants in Israel - Measurement Review and Disclosure of Full Value. Presentation is in the Statement of Operations as part of activities. Note the section presented separately after the Revenue section.

| | |
|---|------------------|
| The Assessor's Evaluation | 7,090,000 |
| Reduced Cost of Net Book Value of the Asset to Appraisal Date | <u>3,648,084</u> |
| Total Increase in Property Value | 3, 441,916 |

h. Statement of Operations

The statement of activities reflects all activities of the organization. The report does not include restricted contributions received and that have not yet been released or any amounts released from restrictions to be used to acquire fixed assets.

i. Property Transfer

j. Recognition of Donations

Income from all types of transfers (such as allocations from governmental and municipal institutions, or those connected to them as part of budgets for the same period in the NGO's reporting year), which were promised but have not yet been received, recognized as income or as an addition to net assets with limitation by the donor, with the upholding of all the following requirements:

1. The existing data, at the time of the publication of the financial statements, shows an irrevocable liability of the donor, referring to the period of the statement.
2. The realization of the received liability is not dependent on the occurrence of some future event.
3. Promises for donations that have not yet been received will be recognized as income or as an addition to net limited assets, only if actually received by the NGO or by a trustee on behalf of the NGO, by the date of preparing the financial statements. In irregular cases where promises for donations that have not yet been received can be legally enforced and realized, they will be recognized, as stated above, at the time the promise was made.
4. The NGO recognizes cash valued donations according to the goods received as a donation. Recognition is based on the estimated value of the goods received as a donation.
5. Also the NGO recognizes the value of volunteers' work subject to a working hour and the value of minimum wages per hour.

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Notes on Financial Statements

Note 2 Accounting Policy and Reporting Regulations, section j (continued)

6. Also, the NGO has income in cash value for buildings which it may use at no cost.

k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the organization's management to make estimates and assumptions regarding transactions or matters whose final effect in the financial statements cannot be accurately determined at the time of the financial statements preparation. Although the estimates and assumptions are based on the best judgment of the management, actual results of transactions or related issues could differ from those estimates or assumptions.

l. Cash Flows

Statements of cash flows are prepared in accordance with Opinion No. 51 of the Institute of Certified Public Accountants in Israel.

m. Taxes

The organization, as non-profit organization, pays wages tax calculated at a certain rate of the salary expenses. Wage taxes are included in the payroll expenses.

n. Segment Information

The organization includes segment information in its financial statements which is based on the divisions of the operating segments of the organization. The purpose of the note is to present the income from activity and cost of activity segmented to the various kinds of activity. The segment note is not prepared in accordance with instructions listed in standard no. 11.

Note 3. Debtors and Debt Balances

| | <u>As of December 31</u> | |
|-----------------------------------|--------------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>in ILS</u> | |
| Loan funds | 3,496,782 | 4,610,882 |
| Receivables – Ministry of Welfare | 684,304 | 227,067 |
| Prepaid Expenses | 50,855 | 44,349 |
| Accounts Receivable | 18,653 | 18,653 |
| | <u>4,250,594</u> | <u>4,900,951</u> |

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Notes on Financial Statements

Note 4. Net Fixed Assets

| | Buildings (*) | Vehicles & Trucks | Equipment & Furniture | Office Equipment | Total |
|---|----------------------|------------------------------|----------------------------------|-------------------------|-------------------|
| | ILS | ILS | ILS | ILS | ILS |
| Cost | | | | | |
| Balance at Start of Year 2014 | 18,370,416 | 1,775,536 | 2,464,789 | 660,024 | 23,270,765 |
| Additions | 1,134,614 | 77,660 | 643,878 | 35,931 | 1,892,083 |
| Balance at the End of Year 2014 | 19,505,030 | 1,853,196 | 3,108,667 | 695,955 | 25,162,848 |
| Accumulated Depreciation | | | | | |
| Balance at Start of Year 2014 | 1,239,658 | 1,085,124 | 763,491 | 519,867 | 3,608,140 |
| Additions | 252,645 | 195,489 | 245,538 | 36,068 | 729,740 |
| Balance at the End of Year 2014 | 1,492,303 | 1,280,613 | 1,009,029 | 555,935 | 4,337,880 |
| Reduced balance at December 31, 2014 | 18,012,727 | 572,583 | 2,099,638 | 140,020 | 20,824,968 |
| Reduced balance at December 31, 2013 | 17,130,758 | 690,412 | 1,701,298 | 140,157 | 19,662,625 |

The NGO has the following Real Estate Assets:

| | Jerusalem Chaim Ozer | Jerusalem Rabenu Gershom | Safed (under construction) | Hashmonaim (Ground) | Improvements to Rental | Total |
|--|-----------------------------|---------------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------|
| | ILS | ILS | ILS | ILS | ILS | ILS |
| Cost | | | | | | |
| Balance at Start of the Year | 8,022,140 | 2,467,199 | 5,959,194 | 1,360,000 | 561,883 | 18,370,416 |
| Additions | 13,570 | - | 1,033,156 | - | 87,888 | 1,134,614 |
| Balance at end of the Year | 8,035,710 | 2,467,199 | 6,992,350 | 1,360,000 | 649,771 | 19,505,030 |
| Accumulated Depreciation | | | | | | |
| Balance at Start of the Year | 951,297 | 158,903 | 77,654 | - | 51,804 | 1,239,658 |
| Additions | 143,165 | 49,344 | 60,136 | - | - | 252,645 |
| Balance at end of the Year | 1,094,462 | 208,247 | 137,790 | - | 51,804 | 1,492,303 |
| Reduced Balance as of December 31, 2014 | 6,941,248 | 2,258,952 | 6,854,560 | 1,360,000 | 597,967 | 18,012,727 |
| Reduced Balance as of December 31, 2013 | 7,070,843 | 2,308,296 | 5,881,540 | 1,360,000 | 510,079 | 17,130,758 |

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Notes on Financial Statements

Note 5. Suppliers and Post-Dated Checks

| | <u>As of December 31</u> | |
|--------------------|--------------------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>in ILS</u> | |
| Suppliers | 406,061 | 881,848 |
| Current maturities | 20,279 | 220,122 |
| | 426,340 | 1,101,970 |

Note 6. Accounts Payable

| | <u>As of December 31</u> | |
|---|--------------------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>in ILS</u> | |
| Employees | 559,898 | 598,714 |
| Salary/Wages | 241,727 | 249,653 |
| Accrued Expenses (*) | 224,000 | 1,195,000 |
| Allocations for Vacations | 119,277 | 160,363 |
| Allocations to Surplus | 8,375 | - |
| Assets received for Transfer to Others (**) | 419,100 | - |
| | 1,572,377 | 2,203,730 |

(*) In accordance with the International Accounting Standard 7 of the International Accounting Standards Board, as well as the Auditing Standard 100 of the Israeli Institute of Certified Public Accountants, an event that does not require adjustment (Class B), created a provision for a refund in financial statements for the year 2013 in the amount of ILS 1,125,000. Said donations were from the Foundation Tzedakat Olam in the previous years. In the year 2014, the organization returned the donation in the total of ILS 960,000. As of the date of the preparation of the financial statements of the organization, the outstanding balance to the donor is ILS 165,000. This balance is filed under accrued expenses.

(**) In the year of the report, the organization received a total of ILS 890,000 for transfer to others. In the year 2014, the transfers amounted to ILS 470,900. In accordance with the Accounting Standard No. 5, Section 8 A: In cases where the organization acted as an agent, trustee or an intermediary, rather than recipient of the donation and these assets have not yet been handed over to a third party, these amounts will be shown as a liability.

Note 7. Net Liability for Employee Severance Benefits

| | <u>As of December 31</u> | |
|-----------------------|--------------------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>ILS</u> | |
| Accrued Severance Pay | 1,948,150 | 1,650,728 |
| Less - Amounts Funded | (1,018,779) | (727,126) |
| Total | 929,371 | 923,602 |

- The organization liability for severance pay to its employees is based on their last salary and period of employment by the organization.

-The liability is covered by current deposits in an insurance company (accumulations resulting from these deposits are not under the control and management of the organization and therefore are not reflected in the balance sheet.

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Notes on Financial Statements

Note 8. Income from Government Ministries and Local Authorities

| | <u>As of December 31</u> | |
|---|--------------------------|------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>In ILS</u> | |
| Government Ministries | | |
| Ministry of Welfare (*) | 1,055,667 | 609,889 |
| Ministry of Economy (**) | - | 184,000 |
| | <u>1,055,667</u> | <u>793,889</u> |
| Local Authorities | | |
| Municipality of Carmiel | 36,701 | - |
| Municipality of Netanya | 5,719 | 5,246 |
| Bat Yam Religious Council | - | 255,000 |
| | <u>42, 420</u> | <u>260,246</u> |
| Total Income from Government Ministries and Local Authorities | <u>1,098,087</u> | <u>1,054,135</u> |

(*) Income from the Ministry of Welfare is for NGO activities in distributing food baskets and food before Passover to the needy.

(**) Income from the Ministry of Economy are of operating the afternoon clubs for children.

Note 9. Income from Donations

| | <u>As of December 31</u> | |
|-----------------------|--------------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>In ILS</u> | |
| Donations from Israel | 18,717,937 | 18,266,286 |
| Donations from Abroad | 7,480,594 | 6,136,129 |
| Keren Or L'Noar | 284,000 | 1,714,921 |
| Jewish Agency | 67,986 | 35,824 |
| Or Gaon | - | 105,000 |
| Keren Hayesod | - | 22,556 |
| | <u>26,550,517</u> | <u>26,280,716</u> |

Assets that were received to be transferred to others

In accordance to law 69 and standard 5 of CPA's in the State of Israel, assets that have been received by the non-profit in its capacity as an agent, trustee or broker and transferred to a designated third party is not considered as income for the associations activities. The assets held by the association which are expected to be distributed in the future, presented within the assets and liability items as explained in note 6.

YAD EZRA V'SHULAMIT, JERUSALEM (NGO)

Notes on Financial Statements

Note 10. Cash Value Income

| | <u>As of December 31</u> | |
|--|--------------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>In ILS</u> | |
| Cash Value Income – Food Baskets | 21,958,484 | 15,761,938 |
| Cash Value Income – Food for Passover | 2,060,428 | 677,441 |
| Cash Value Income – Foods for Holidays | 1,156,589 | - |
| Cash Value Income – Rentals Value | 360,000 | 1,934,300 |
| Cash Value Income – Volunteers' Work | - | 4,026,647 |
| | <u>25,535,501</u> | <u>22,400,326</u> |

1. Cash value revenue including food products, and basic necessities, goods that are received for the distribution to the needy. As such the value of building leases rent free, to the organization for use and not a donation.
2. Value of volunteer work – on the basis of the accounting guidelines for the purpose of showing the value of the volunteers work with the organization and their ability to manage time cards for all the volunteers. The activities and logistics and the many increases which are not accounted for i.e. 'cost benefit' is not highlighted in the organization's 2014 financial statements in the section describing the value of volunteer work.

Note 11. Cost of Operations

| | <u>As of December 31</u> | |
|---|--------------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| | <u>In ILS</u> | |
| Work Wages and Related Expenses | 6,577,010 | 8,774,991 |
| Cash Value Expenses | 25,535,501 | 22,400,326 |
| Outreach (Kiruv L'evavot) | 3,747,119 | 2,331,769 |
| Food Baskets | 2,797,448 | 3,407,392 |
| Expenses for the Warm Home | 1,280,735 | 1,491,362 |
| Assistance to the Needy | 1,181,288 | 1,627,657 |
| Food for Passover | 1,095,555 | 1,820,438 |
| Food for Holidays | 750,000 | - |
| Treating At-Risk Youth | 538,016 | 352,455 |
| Vehicles for Distributing and Collecting Food | 432,665 | 592,173 |
| Rentals | 314,016 | 505,613 |
| Communications | 186,886 | 167,356 |
| Maintenance, Cleaning and Insurance | 182,402 | 461,124 |
| Municipal Taxes, Water and Electricity | 175,356 | 156,243 |
| Professional Consultants | - | 114,220 |
| Depreciation | 700,283 | 563,735 |
| | <u>45,494,280</u> | <u>44,766,854</u> |

(*) Reclassified

Note 12. General and Administrative Expenses

| | <u>As of December 31</u> | |
|--|--------------------------|-------------------------|
| | <u>2014</u> | <u>2013</u> |
| | | <u>In ILS</u> |
| Work Wages and Related Expenses | 3,008,596 | 1,880,327 |
| Commissions for Fundraising | 1,094,823 | 969,753 |
| Professional Services | 445,378 | 641,448 |
| Office expenses and Printing | 581,769 | 591,586 |
| Mail, Telephone and Communications | 420,616 | 375,048 |
| Rental and Maintenance | 64,139 | 14,146 |
| Accommodation, Refreshments and Travel | 1,217 | - |
| Taxes and Fees | 15,319 | 1,273 |
| Depreciation | 29,457 | 19,219 |
| | <u>5,661,314</u> | <u>4,492,800</u> |

(*) Re-evaluated

12.1- Compliance related to General and Administrative expenditure limits in accordance with the regulation of the comptroller general of the State of Israel.

As a result of the Organization being classified as a “Sustained Organization” in accordance with section 3(a) of the Israeli budget law, the organization is required to comply with the maximum General and Administrative expenses limits in accordance with the guidance set forth by the comptroller general of the ministry of treasury. The following is a table which indicates that the organization meets these requirements.

| | Guidance set forth by the comptroller general | General & Administrative Expenses |
|---|---|---|
| Overall annual income (in millions of NIS) | Maximum marginal percent of G&A expenses as a percentage of overall income from Activities | Percentage of G&A expenses of the organization as a percentage of overall income from Activities |
| Up to 10 | 22% | 22% |
| Above 10, the next 25 | 15.5% | 15.5% |
| Above 25, the next 50 | 10% | 10% |
| Above 50, the next 75 | 8.5% | 0.5% |

12.2- Compliance related to General and Administrative expenditure limits in accordance with the regulation of the Israeli Tax Authority.

As a result of the Organization being classified as a “Public Institution” in accordance with section 46 of the Israeli tax ordinance, the organization is required to comply with the maximum General and Administrative expenses limits in accordance with the guidance set forth by the Israeli Tax Authority. The guidance states “the General and Administrative expenses must be limited to 11% of the overall income from Activities by any organization with an annual volume of between 51 and 100 million NIS”. In this case our expenses are 10.6% in this regard, the association is in compliance with the guidelines of the Tax Ordinance.

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Note 13 - Segment Reporting

| | Food Baskets for the Needy | Other Assistance for the Needy | Community Activities | Total |
|--|---|---|---------------------------------|-------------------|
| | In ILS | In ILS | In ILS | In ILS |
| <u>Operations Cycle</u> | | | | |
| Ministry of Welfare - Food Baskets | 515,047 | - | - | 515,047 |
| Ministry of Welfare - Food Baskets for Passover | 289,363 | - | - | 289,363 |
| Ministry of Welfare - Other Holidays | 169,257 | - | - | 169,257 |
| Ministry of Welfare – Estates Committee | 82,000 | - | - | 82,000 |
| Municipality of Carmiel | 36,701 | - | - | 36,701 |
| Municipality of Netanya | 5,719 | - | - | 5,719 |
| Income from Donations | 17,074,140 | 2,625,694 | 6,850,683 | 26,550,517 |
| Donations in Cash Equivalents | 25,482,312 | 11,494 | 41,695 | 25,535,501 |
| Other Income | - | - | 192,187 | 192,187 |
| Total Operations | 43,654,539 | 2,637,188 | 7,084,565 | 53,376,292 |
| <u>Cost of Operations</u> | | | | |
| Work and Related Expenses | 5,605,271 | 209,992 | 761,747 | 6,577,010 |
| Cash Value Expenses | 25,482,312 | 11,494 | 41,695 | 25,535,501 |
| Outreach (Kiruv L'evavot) | - | - | 3,747,119 | 3,747,119 |
| Food Baskets | 2,797,448 | - | - | 2,797,448 |
| Expenses for the Warm Home | 1,280,735 | - | - | 1,280,735 |
| Support for the Needy | - | 1,181,288 | - | 1,181,288 |
| Food for Passover | 1,095,555 | - | - | 1,095,555 |
| Other Holidays | 750,000 | - | - | 750,000 |
| Treating At-Risk Youth | - | - | 538,016 | 538,016 |
| Vehicles for Distributing and Collecting Food | 432,665 | - | - | 432,665 |
| Rental | 267,621 | 10,026 | 36,369 | 314,016 |
| Communications | 159,274 | 5,967 | 21,645 | 186,886 |
| Maintenance, Cleaning and Insurance | 155,452 | 5,824 | 21,126 | 182,402 |
| Municipal Taxes, Water and Electricity | 149,447 | 5,599 | 20,310 | 175,356 |
| Depreciation | 596,817 | 22,359 | 81,107 | 700,283 |
| Total Cost of Operations | 38,772,597 | 1,452,549 | 5,269,134 | 45,494,280 |
| General and Administrative Expenses | 4,824,865 | 180,756 | 655,693 | 5,661,314 |
| Net Financial Expenses | 345,728 | 12,952 | 46,984 | 405,664 |
| Net (Deficit) Surplus for the Year before Fixed Asset Investments | (288,651) | 990,931 | 1,112,754 | 1,815,034 |
| Income from Rise in Value of Assets | - | - | - | 1,892,083 |
| Net Deficit for the Year after Income from Asset Value Rise | - | - | - | (77,049) |

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Note 14 - Description of the Geographic Dispersal of the Organization's Activities

Below are the names of the places where the NGO has Operations and Activities

| <u>City</u> | <u>Address</u> | <u>Building Category</u> | <u>Uses</u> |
|-------------------|----------------------------|---------------------------|----------------------------|
| Or Akiva | Balfour 10 | Public Building | Treating At-Risk Youth |
| Hadera | Sheshet ha-Yamim St. 20 | Public Building | Treating At-Risk Youth |
| Hadera | Bihkaneis Brit Shalom | Public Building | Treating At-Risk Youth |
| Haifa | HaGalil 52, Bihkaneis Zyu | | Treating At-Risk Youth |
| | HaTorah | Public Building | |
| Haifa | Ha-Melekh David St. | Public Building | Treating At-Risk Youth |
| Haifa | Ha-Melekh Sha'ul St. 7/1 | Private Building | Treating At-Risk Youth |
| Haifa | Bodnaheyamar 30 | Public Building | Treating At-Risk Youth |
| Hatsor | Rambam 1 St. Hatsor | Public Building | Food for the Needy |
| | | | Distribution Center to the |
| Jerusalem | Khayim Ozer St. 29 | Owned by the Organization | Needy and Offices |
| Jerusalem | Rabinu Gershom St. 23 | Owned by the Organization | Offices |
| Jerusalem | Yoel St. 20 | Rental | Offices |
| Jerusalem | Shouk Sitonti- Tenuva | Rental | Food for the Needy |
| Jerusalem | Senharia | Rental | Offices |
| Karmiel | HaMelacha St. 16 | Rental | Food for the Needy |
| Karmiel | HaPalmach St. 17 | Rental | Food for the Needy |
| Nakhalat Benyamin | Stern St. 3, Kiryat Shmuel | Public Building | Treating At-Risk Youth |
| | | | Food for the Needy and |
| Netanya | David Reznik St. 7 | Public Building | Treating At-Risk Youth |
| Netanya | Yosfital St. 27 | Public Building | Treating At-Risk Youth |
| Akko | Moshe Has St. 2 | Public Building | Treating At-Risk Youth |
| Safed | Azor HaTashiya Safed | Rental | Treating At-Risk Youth |
| | | | Food for the Needy and |
| Qiryat Shemona | Mekorot St. 1 | Municipality Allocation | Treating At-Risk Youth |
| Kiryat Gat | Mishel Hord St. 14 | Public Building | Treating At-Risk Youth |
| Kiryat Gat | Shvati Israel St. 19 | Public Building | Treating At-Risk Youth |

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Note 15 - Financial Sources and Uses

For the Year Ending on December 31, 2014

| | <u>In ILS</u> | <u>In ILS</u> | <u>In ILS</u> | <u>In ILS</u> | <u>In ILS</u> | <u>In ILS</u> |
|--|------------------------------|--------------------------------------|-------------------------|------------------------------|-----------------------------------|-------------------|
| | Food for Passover | Food for Rosh Hashana | Food Baskets | Committee Estates | Unsupported Operations | Total |
| <u>Operations Cycle</u> | | | | | | |
| Ministry of Welfare | 289,363 | 169,257 | 515,047 | 82,000 | - | 1,055,667 |
| Local Authorities | - | - | - | - | 42,420 | 42,420 |
| Income from Donations | 770,313 | 553,493 | 3,011,662 | 88,840 | 22,126,209 | 26,550,517 |
| In-kind Donations | 2,060,428 | 1,156,589 | 21,838,207 | - | 480,277 | 25,535,501 |
| Other Income | - | - | - | - | 192,187 | 192,187 |
| | 3,120,104 | 1,879,339 | 25,364,916 | 170,840 | 22,841,093 | 53,376,292 |
| <u>Cost of Operations</u> | | | | | | |
| Work and Related Expenses | - | - | 1,469,987 | - | 5,107,023 | 6,577,010 |
| Food Baskets for Distribution | 1,095,555 | 750,000 | 2,159,478 | - | 637,970 | 4,643,003 |
| Assistance to the Needy | - | - | - | - | 1,181,288 | 1,181,288 |
| Cash Value Expenses | 2,060,428 | 1,156,589 | 21,838,207 | - | 480,277 | 25,535,501 |
| Expenses for the Warm Home | - | - | - | - | 1,280,735 | 1,280,735 |
| Treating At-Risk Youth | - | - | - | - | 538,016 | 538,016 |
| Outreach (Kiruv L'evavot) | - | - | - | - | 3,747,119 | 3,747,119 |
| Vehicles for Distribution and Collection of Food | - | - | - | - | 432,665 | 432,665 |
| Rentals | - | - | - | - | 314,016 | 314,016 |
| Communications | - | - | - | - | 186,886 | 186,886 |
| Maintenance, Cleaning and Insurance | - | - | - | - | 182,402 | 182,402 |
| Municipal Taxes, Water and Electricity | - | - | - | - | 175,356 | 175,356 |
| Depreciation | - | - | - | - | 700,283 | 700,283 |
| | 3,155,983 | 1,906,589 | 25,467,672 | - | 14,964,036 | 45,494,280 |
| General and Administrative Expenses | - | - | - | - | 5,661,314 | 5,661,314 |
| Net Financial Expenses | - | - | - | - | 405,664 | 405,664 |
| Net (Deficit) Surplus for the Year before Fixed Asset Investments | (35,879) | (27,250) | (102,756) | 170,840 | 1,810,079 | 1,815,034 |
| Fixed Asset Investments | - | - | - | 170,840 | 1,721,243 | 1,892,083 |
| Net Deficit for the Year After Fixed Asset Investments | (35,879) | (27,250) | (102,756) | - | 88,836 | (77,049) |