

Machshava Tova (R.A.)

Financial Statements as at December 31 2014

Machshava Tova (R.A.)

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Auditors' Report
To the members of
Machshava Tova (R.A.)

We have audited the accompanying balance sheets of Machshava Tova (R.A.) (hereafter “the Association”) as of December 31 2014 and 2013, the statements of activities and the statements of changes in net assets for the two years then ended. These financial statements are the responsibility of the Association's executive. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditors (Auditor's 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 misstatements. 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 Executive and management of the association, 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 aspects, the financial position of the Association as of December 31 2014 and 2013, the results of its activities and the changes in its net assets for the years then ended. in conformity with accounting principles generally accepted in Israel (Israeli GAAP).

Ben David Shalvi Kop
Certified Public Accountants, (Isr.)

Jerusalem, _____ 2015

Machshava Tova (R.A.)
Balance Sheets
(New Israeli Shekels)

		<u>As of December 31</u>	
	<u>Note</u>	<u>2014</u>	<u>2013</u>
<u>Curret Assets</u>			
Cash in bank		593,462	337,224
Debtors and debit balances	3	97,907	14,305
		691,369	351,529
<u>Long Term Deposits</u>			
	4	5,269,043	887,484
<u>Fixed Assets, Net</u>			
	5	1,212,167	739,210
		7,172,579	1,978,223
<u>Current Liabilities</u>			
Suppliers and service providers	6	342,324	275,835
Creditors and credit balances	7	304,709	207,743
		647,033	483,578
<u>Long term Liabilities</u>			
Provision for severance pay	8	211,124	170,777
<u>Net Assets</u>			
<u>Unrestricted Net Assets</u>			
Used for current activities		102,255	(82,008)
Used for fixed assets		1,212,167	739,210
		1,314,422	657,202
<u>Temporarily Restricted Net Assets</u>			
	9	5,000,000	666,666
		6,314,422	1,323,868
		7,172,579	1,978,223

Date

Board Member

Board Member

The attached notes are an integral part of these statements

Machshava Tova (R.A.)
Statements of Activities
(New Israeli Shekels)

	<u>Note</u>	Year ended December 31	
		<u>2014</u>	<u>2013</u>
Activities turnover	10	5,444,237	4,328,908
Cost of Activities	11	<u>4,403,303</u>	<u>3,803,921</u>
Net income from activities		1,040,934	524,987
General and Administrative Expenses	12	<u>775,324</u>	<u>938,029</u>
Income (Deficit) for the year before financing income		265,610	(413,042)
Net financing income	13	<u>36,155</u>	<u>4,942</u>
Income (Deficit) before other Expenses		301,765	(408,100)
Other Expenses		<u>-</u>	<u>25,448</u>
Net Income (Deficit) for the year		<u>301,765</u>	<u>(433,548)</u>

The attached notes are an integral part of these statements

Machshava Tova (R.A.)
Statements of Changes in Net Assets
(New Israeli Shekels)

	<u>Unrestricted</u>		<u>Restricted</u>	<u>Total</u>
	<u>Used for Current Activities</u>	<u>Used for Fixed Assets</u>	<u>Temporarily (*)</u>	
Balance as of January 1, 2013	144,600	724,300	999,999	1,868,899
<u>Changes during the year</u>				
Deficit for the year	(433,548)	-	-	(433,548)
Temporary restricted sums transfer for activity	-	-	(333,333)	(333,333)
Transfer of unrestricted amounts used for fixed and other assets	(78,167)	300,017	-	221,850
Decrease of Fixed Assets	27,648	(27,648)	-	-
Amounts transferred to cover depreciation expenses	<u>257,459</u>	<u>(257,459)</u>	<u>-</u>	<u>-</u>
Balance as of December 31 2013	(82,008)	739,210	666,666	1,323,868
<u>Changes during the year</u>				
Net income for the year	301,765	-	-	301,765
Designated donation	-	-	5,000,000	5,000,000
Temporary restricted sums transfer for activity	-	-	(666,666)	(666,666)
Transfer of unrestricted amounts used for fixed and other assets	(484,562)	840,017	-	355,455
Amounts transferred to cover depreciation expenses	<u>367,060</u>	<u>(367,060)</u>	<u>-</u>	<u>-</u>
Balance as of December 31 2014	<u>102,255</u>	<u>1,212,167</u>	<u>5,000,000</u>	<u>6,314,422</u>

(*) See note 9.

The attached notes are an integral part of these statements

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 1 - General

Machshava Tova (R.A.) (hereafter: "the Association") was registered as an "Amuta", a non-profit association, in May 2003 and its Number is: 580409191. The association promotes the needy class using the computer for education, leisure and professional skills development.

The association is recognized as a Not for Profit Organization by the V.A.T. Authorities and is registered as a "Public Institution" in accordance with Article 9(2) of the Income Tax Ordinance.

The Association is a "Recognized Institution" for donation purposes as defined in section 46 of the Income Tax Ordinance until December 2017.

The Organization has a proper management confirmation form in 2015.

Note 2 - Significant Accounting Policies

A. The financial statements were prepared according to generally accepted accounting principles for non-profit institution and in accordance with standard no. 5 of the Israel Accounting Standard Board, regarding "accounting principles and financial reporting by non-profit organization".

B. Historical Cost Convention

The financial statements were prepared on the basis of the historical cost convention and do not include the impact of changes in the general purchasing power of the Israeli currency on the results of the activities.

C. Cash and Cash Equivalents

Cash and Cash Equivalents include bank deposits for immediate withdrawal and short-term deposits whose date of maturity is no more than three months from the date of deposit.

D. Marketable securities

Investment in marketable securities shown at market value as of the balance sheet.

E. Fixed Assets

The fixed assets are stated at cost less accumulated depreciation. the depreciation was calculated according to the estimated length of use of the assets and the following rates:

Furniture electronic equipment	15%
Vehicles	15%
Furniture and Equipment	7%-15%
Leasehold improvements	10%
Computer software and Internet website	33%

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 2 - Significant Accounting Policies (Cont.)

F. Indexation to Foreign Currency

Balances in or indexed to foreign currency are recorded at the exchange rate on the balance sheet. The dollar exchange rates for the dates of the financial statement are as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
US Dollar	3.889	3.471

G. Statements of Cash Flows

The association did not prepare a statement on cash flows because it does not add meaningful financial information to the information in the financial statements.

Note 3 - Debtors and debit balances

	<u>As of December 31</u>	
	<u>2014</u>	<u>2013</u>
Prepaid expenses	91,810	4,627
Checks receivable and Credit companies	3,180	9,678
Employees	2,917	-
	<u>97,907</u>	<u>14,305</u>

Note 4 - Long Term Deposits

	<u>As of December 31</u>	
	<u>2014</u>	<u>2013</u>
Marketable securities	5,241,311	-
Deposits for Long term in Bank	27,732	887,484
	<u>5,269,043</u>	<u>887,484</u>

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 5 - Fixed Assets, Net

	<u>Electronic equipment</u>	<u>Vehicles</u>	<u>Furniture and Equipment</u>	<u>Leaslhold improvement</u>	<u>Computer software and Internet website</u>	<u>Total</u>
<u>Cost</u>						
Balance as at January 1 2014	86,705	54,252	197,804	235,915	1,362,354	1,937,030
Acquisitions	26,869	-	98,778	197,254	517,116	840,017
As of December 31 2014	<u>113,574</u>	<u>54,252</u>	<u>296,582</u>	<u>433,169</u>	<u>1,879,470</u>	<u>2,777,047</u>
<u>Accumulated Depreciation</u>						
Balance as at January 1 2014	32,923	15,413	76,779	81,539	991,166	1,197,820
Depreciation	14,825	8,138	21,685	39,474	282,938	367,060
As of December 31 2014	<u>47,748</u>	<u>23,551</u>	<u>98,464</u>	<u>121,013</u>	<u>1,274,104</u>	<u>1,564,880</u>
Fixed Assets, Net as at December 31 2014	<u><u>65,826</u></u>	<u><u>30,701</u></u>	<u><u>198,118</u></u>	<u><u>312,156</u></u>	<u><u>605,366</u></u>	<u><u>1,212,167</u></u>
Fixed Assets, Net as at December 31 2013	<u><u>352,080</u></u>	<u><u>38,839</u></u>	<u><u>121,025</u></u>	<u><u>154,376</u></u>	<u><u>72,890</u></u>	<u><u>739,210</u></u>

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 6 - Suppliers and service providers

	As of December 31	
	2014	2013
Checks payable	247,945	138,550
Open accounts	71,317	123,608
Credit companies	23,062	13,677
	342,324	275,835

Note 7 - Creditors and credit balances

	As of December 31	
	2014	2013
Employees and related institutions	301,759	207,743
Expenses payable	2,950	-
	304,709	207,743

Note 8 - Provision for severance pay

- A. The obligations are calculated according to the last salary of employees and their seniority for employees employed for over one year.
- B. The liability recorded in the books, together with the sums deposited for executive insurance, covers the entire liability for termination of employee-employer relations as of the date of the balance sheet.

Note 9 - Temporarily Net Assets

In 2014, the association received a donation of 5,000,000 NIS in order to expand its operations with an emphasis on children population and youth population at risk.

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 10 - Activities turnover

	Year ended December 31	
	2014	2013
<u>Contributions</u>		
Donations	746,339	1,040,028
Funds	802,109	561,664
Temporary restricted sums transfer for activity	666,666	333,333
Rental income in money equivalent (A)	384,000	260,400
Income in money equivalent of volunteer hours (B)	217,696	309,917
Income in money equivalent (C)	102,592	69,899
	2,919,402	2,575,241
 <u>Income from activities participants</u>	 1,621,350	 1,199,508
 <u>Allocations</u>		
Revenue from National Insurance	712,031	554,159
Allocations from the Ministry of Health	146,596	-
Subsidies from Estates Committee	35,358	-
Revenues from the Jerusalem municipality	9,500	-
	903,485	554,159
	5,444,237	4,328,908

- A. Rental revenues in money equivalent for halls used for the association's activities. The computation is performed by the management of the association according to the difference between the market value and the rent actually paid.
- B. Valuation of volunteer hours made by management, at a price acceptable to the economy per hour multiplied by the number of hours of volunteer work.
- C. Donations in money equivalent of moving services, Workshops and lectures, Advertising courses, printing and Office Hours. The computation is performed by the management of the association according to the market value.

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 11 - Cost of Activities (*)

	Year ended December 31	
	2014	2013
Salaries and related expenses	2,889,171	2,486,467
Portable classroom maintenance and computer rooms	661,113	551,899
Depreciation	367,060	257,459
Training and Seminars	174,628	281,804
Events and activities	105,474	86,388
Printing and Communication	61,993	58,868
Scholarships	59,420	50,824
Travel and transport	38,477	6,674
Courses advertising	35,814	11,781
Insurances	10,153	11,757
	4,403,303	3,803,921

(*) Including expenses in money equivalent - see note 10.

Note 12 - General and Administrative Expenses

	Year ended December 31	
	2014	2013
Salaries and related expenses	410,571	452,461
Fundraising	112,181	214,560
Professional services (*)	108,513	95,704
Vehicle maintenance	63,183	101,648
Office expenses	50,756	47,129
Commissions	8,435	3,324
Refreshment, gifts and donations	8,302	16,089
Advertising	6,400	-
Communication	5,646	5,450
Taxes and Fees	1,337	1,664
	775,324	938,029

(*) Including expenses in money equivalent - see note 10.

Machshava Tova (R.A.)
Notes to the Financial Statements
(New Israeli Shekels)

Note 13 - Net financing income

	Year ended December 31	
	2014	2013
Revaluation of Securities	41,417	-
Bank interests	628	8,498
Bank charges	(5,890)	(3,556)
	36,155	4,942