

NALAGA'AT (DO TOUCH) - AMUTA
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

NALAGA'AT (DO TOUCHI) - AMUTA
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

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Z I V H A F T

Certified Public Accountants (Isr.)

**AUDITORS' REPORT TO THE MANAGEMENT OF
NALAGA'AT (DO TOUCH) - AMUTA**

We have audited the attached Statement of Financial Position of Nalaga'at (Do Touch) - Amuta (hereinafter the "Amuta"), as of December 31, 2006 and 2005, and the related Statements of Activities, Changes in Net Assets for the years then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, including those prescribed under the Israeli Auditors Regulations (Auditors' Mode of Performance), 1973. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements were prepared in nominal terms, based on the historical cost and not based on reported amounts as required by Accounting Standard Number 12 of the Israel Accounting Standards Board.

In our opinion, aside from not presenting the financial statements in amounts reported as mentioned above, the aforementioned financial statements present fairly, in all material aspects, the financial position of Nalaga'at (Do Touch) - Amuta as of December 31, 2006 and 2005, and the results of its operations and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in Israel, presented in nominal values.

Ziv Haft
Ziv Haft

Jerusalem, March 29, 2007

Certified Public Accountants (Isr.)

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NALAGA'AT (DO TOUCH) - AMUTA
BALANCE SHEET AS AT DECEMBER 31, 2006

	<u>Note</u>	<u>December 31,</u>	
		<u>2006</u>	<u>2005</u>
		<u>N.J.S.</u>	<u>N.I.S.</u>
CURRENT ASSETS:			
Cash and cash equivalents	3	854,430	1,699,556
Marketable securities		1,516,938	-
Customers - deferred checks receivable	4	1,500	-
Debtors and debit balances	5	<u>22,887</u>	<u>13,625</u>
		<u>2,395,755</u>	<u>1,713,181</u>
 <u>FIXED ASSETS</u>			
Fixed assets, net	6	<u>1,408,006</u>	<u>17,772</u>
		<u>3,803,761</u>	<u>1,730,953</u>
 <u>CURRENT LIABILITIES:</u>			
Suppliers and service providers:			
Open account	7	101,334	* 73,070
Creditors and credit balances	8	<u>23,561</u>	<u>* 52,879</u>
		<u>124,895</u>	<u>125,949</u>
 <u>NET ASSETS:</u>			
Unrestricted net assets:			
For operations		41,602	1,074,632
Designated by the institutes of the Amuta		1,350,000	-
For fixed assets		<u>1,408,006</u>	<u>17,772</u>
		<u>2,799,608</u>	<u>1,092,404</u>
 <u>RESTRICTED NET ASSETS:</u>			
Cultural Center Foundation Fund		<u>879,258</u>	<u>512,600</u>
		<u>3,678,866</u>	<u>1,605,004</u>
		<u>3,803,761</u>	<u>1,730,953</u>

* Reclassified.

Date of approval of the financial statements:
March 29, 2007

G. Avrami

Gideon Avrami
Member of the
Management
Committee

Avraham Nota

Avraham Nota
Member of the
Management Committee

The Notes to the Financial Statements are an integral part hereof.

NALAGA'AT (DO TOUCH) - AMUTA

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Note (Appendix)	For the year ended December 31,	
		2006	*2005
		<u>N.I.S.</u>	<u>N.I.S</u>
Operating Turnover:	9		
Contributions		1,907,848	2,175,759
Income from performances		<u>214,931</u>	<u>130,816</u>
Total income		<u>2,122,779</u>	<u>2,306,575</u>
Operating Cost:			
Salaries and related expenses		205,590	203,420
Cost of performance translators		233,122	139,947
Travel - Transportation to performances and rehearsals		119,998	94,738
Publicity and public relations		168,167	80,508
Consultants' fees		80,579	77,124
Performances:			
Cost of performance production and hall rentals		625,790	75,946
Cost of performances abroad		-	531,518
Seminars for performers		30,433	25,108
Communication expenses		13,948	21,442
Vehicle maintenance		23,421	35,428
Insurance		<u>13,622</u>	<u>4,399</u>
Total cost of operations		<u>1,514,670</u>	<u>1,289,578</u>
Surplus of income over cost of operations		608,109	1,016,997
General and administrative expenses	A	<u>259,808</u>	<u>330,242</u>
Surplus before finance expenses, net		348,301	686,755
Finance expenses, net	10	<u>12,494</u>	<u>2,351</u>
Surplus for the current year		<u>335,807</u>	<u>684,404</u>

The Notes to the Financial Statements are an integral part hereof.

NALAGA'AT (DO TOUCH) - AMUTA

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Unrestricted Net Assets				Restricted Net Assets
	For operations	Designated by the management Of the Amuta	For fixed assets	Total	Total
	N.I.S.	N.I.S.	N.I.S.	N.I.S.	N.I.S.
Balance as at January 1, 2005	387,379	-	20,621	408,000	-
Contributions	-	-	-	-	512,600
Surplus for the current year	684,404	-	-	684,404	-
Amounts released for the acquisition of fixed assets	(2,132)	-	2,132	-	-
Amounts transferred to cover depreciation expense	4,981	-	(4,981)	-	-
Balance as at December 31, 2005	<u>1,074,632</u>	<u>-</u>	<u>17,772</u>	<u>1,092,404</u>	<u>512,600</u>
Contributions	-	-	-	-	1,731,059
Finance income	-	-	-	-	6,996
Surplus for the current year	335,807	-	-	335,807	-
Release of funds from temporarily restricted assets	-	-	1,371,397	1,371,397	(1,771,397)
Designated by the institutes of the Amuta	(1,350,000)	1,350,000	-	-	-
Amounts released for the acquisition of fixed assets	(24,269)	-	24,269	-	-
Amounts transferred to cover depreciation expense	5,432	-	(5,432)	-	-
Balance as at December 31, 2006	<u>41,602</u>	<u>1,350,000</u>	<u>1,408,006</u>	<u>2,799,608</u>	<u>879,258</u>

The Notes to the Financial Statements are an integral part hereof.

NALAGA'AT (DO TOUCH) - AMUTA

GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

APPENDIX A

	For the year ended December	
	31,	
	2006	2005
	N.I.S.	N.I.S.
Salaries and related expenses	160,838	237,472
Vehicle maintenance	38,712	35,428
Mail and Telephone	10,391	9,542
Office supplies	16,585	14,914
Professional fees	24,755	26,488
Rates and taxes	1,249	1,322
Depreciation expense	5,432	4,981
Deliveries	482	95
Gifts	1,364	-
	<u>259,808</u>	<u>330,242</u>
Total general and administrative expenses		

The Notes to the Financial Statements are an integral part hereof.

NALAGA'AT (DO TOUCH) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

1. GENERAL:

The Amuta was registered in December 2002 as an Amuta in accordance with the Law of Amutot 1980 and began its activity in January 2003. The Amuta has been classified as a "Public Institution" by the Income Tax Commission and as a Not for Profit Institution for Value Added Tax (VAT) purposes. Similarly, the Amuta has received recognition as an institution for which contributions made to it entitle the donor to a tax credit per paragraph 46 of the Income Tax Ordinance.

The main objectives of the Amuta are:

The training of deaf and blind individuals in the various fields of the arts so that they will be employed in a modern cultural center which will serve as a place of entertainment and performances for seeing and hearing audiences from all over Israel. The theatre company will be at the hub of the center.

During the years 2003 to 2006, as stage one, a theatre company of deaf-blind performers began activity and put on a theatrical play at various theatres throughout Israel and abroad.

In 2006 the Amuta began renovating the new center which it has rented for the purpose of establishing the aforementioned cultural center.

2. SIGNIFICANT ACCOUNTING POLICIES:

A. Definitions:

"The Amuta" - Nalaga'at (Do Touch) - Amuta

"Net Assets" - The difference between the assets and the liabilities:

"Restrictions" - Restrictions imposed by donors or by other outside sources.

"Temporarily Restricted" - A restriction that expires or is removed with the occurrence of a specific event with the passage of time, or that can be fulfilled or removed with the performance of specific activities, all of which are contingent upon the conditions imposed by donors or other outside sources which provided the funds.

B. Statement of Cash Flows

A Statement of Cash Flows was not prepared since it would not have added any significant information.

C. The Amuta records its assets, liabilities, income and expenses on the cash basis.

D. Presentation of Financial Statements:

1. The balances included in the grouping of Net Assets were categorized as follows:

- Unrestricted Net Assets
- Temporarily Restricted Net Assets
- Permanently Restricted Net Assets

The Unrestricted Net Assets are classified as follows:

- Net Assets used for operations
- Net Assets used for fixed assets
- Net Assets designated by the Amuta

NALAGA'AT (DO TOUCH) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Presentation of Financial Statements (continued):

2. The Statement of Activities includes all income and expense items for the reporting period. "Income" includes all revenues received and earned during the period which are unrestricted in nature and amounts that were released from donor restriction. "Expenses" also include those expenses which were financed from sources that were restricted by their donors.
3. The Statement of Changes in Net Assets includes, in addition to the net result transferred from the Statement of Activities, all the restricted sources received and the amounts released from restrictions. Amounts released from restrictions for activities are transferred as income to the Statement of Activities, and amounts released from restrictions for fixed assets are transferred directly to the Unrestricted Net Asset balance in the Statement of Changes in Net Assets.
4. The Statement of Changes in Net Assets includes, transfers between the Unrestricted Net Assets for Operations and the Unrestricted Net Assets for Fixed Assets, due to amounts used during the year for the purchase of fixed assets, amounts resulting from the sale of fixed assets in the current year and amounts transferred in the current year to cover depreciation expenses.

E. Foreign Currency and Linkage:

1. Balances in foreign currencies, or those linked to them, are stated at the representative rates of exchange published by the Bank of Israel at financial statement date.
2. Transactions in foreign currencies are recorded at the representative rates of exchange prevailing at the time of each transaction.
3. Exchange rate and linkage differences are recorded in the financial statements when they occur.
4. Following are the details of the US dollar exchange rates as at December 31, and the Consumer Price Index (CPI) for the month of December:

	<u>31.12.2006</u>	<u>31.12.2005</u>
US dollar exchange rate (NIS to US\$ 1)	4.225	4.603
Annual rate of change in US dollar	(8.2)%	6.85%
CPI (in points)	102.9	103.0
Annual rate of change in CPI	(0.1)%	2.39%

F. Cash and cash equivalents:

Cash and cash equivalents include current bank account balances available for immediate withdrawal and deposits in banks available for immediate withdrawal and the period till realization when invested was not longer than three months.

G. Marketable Securities:

Investments in securities are stated according to the Institute of Certified Public Accountants in Israel at market value or rate of redemption at the date of the balance sheet less the cost of realizing the marketable securities.

NALAGA'AT (DO TOUCH) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

H. Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation.

I. Recognition of Income and Changes in Net Assets:

1. Income and changes in restricted net assets are recorded on the accrual basis.
2. The Amuta chose not to include in its financial statements services received free of charge.

J. Estimates and Assumptions:

The Preparation of the financial statements and the presentation thereof in accordance with generally accepted accounting principles, require that management make estimates and assumptions which affect the data in the financial statements and the related notes. Due to the nature of the estimates and assumptions, actual results may differ from those estimates.

NALAGA'AT (DO TOUCH) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

3. CASH AND CASH EQUIVALENTS:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
In N.I.S.:		
Cash on hand and in bank accounts	129,386	377,958
Short-term deposits	<u>315,311</u>	<u>515,032</u>
	-----	-----
	444,697	892,990
In Foreign Currency:		
In bank accounts	127,983	260,586
Short-term deposits	<u>281,750</u>	<u>545,980</u>
	-----	-----
	409,733	806,566
	-----	-----
Total	<u>854,430</u>	<u>1,699,556</u>

4. CUSTOMERS - DEFERRED CHECKS RECEIVABLE:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Outstanding checks - receivable	<u>1,500</u>	<u>-</u>

5. DEBTORS AND DEBIT BALANCES:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Prepaid expenses	<u>22,887</u>	<u>13,625</u>

NALAGA'AT (DO TOUCH) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

6. FIXED ASSETS:

	<u>Rate of Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Undepreciated balance</u>
	<u>%</u>	<u>N.I.S.</u>	<u>N.I.S.</u>	<u>N.I.S.</u>
<u>31.12.2006</u>				
Furniture and equipment	7-12	12,338	3,519	8,819
Computers	33	8,296	7,404	892
Electronic equipment	15	30,412	3,514	26,898
		<u>1,371,397</u>	<u>-</u>	<u>1,371,397</u>
Total		<u>1,422,443</u>	<u>14,437</u>	<u>1,408,006</u>
 <u>31.12.2005</u>				
Furniture and equipment	7-12	9,234	2,278	6,956
Computers	33	7,747	4,747	3,000
Electronic equipment	15	9,796	1,980	7,816
Total		<u>26,777</u>	<u>9,005</u>	<u>17,772</u>

7. SUPPLIERS AND SERVICE PROVIDERS:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Open accounts	1,056	1,988
Outstanding Checks - payable	100,278	71,082
Total	<u>101,334</u>	<u>73,070</u>

8. CREDITORS AND CREDIT BALANCES:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Institutes	3,211	237
Credit card companies	10,080	42,342
Expenses payable	10,270	10,300
Total	<u>23,561</u>	<u>52,879</u>

NALAGA'AT (DO TOUCHI) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

7. CONTRIBUTION AND INCOME FROM PERFORMANCES:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Contributions in Israel from:		
Individuals	146,476	56,260
Corporations and institutes	561,227	541,434
Contributions from abroad	<u>1,200,145</u>	<u>1,578,065</u>
Total contributions	<u>1,907,848</u>	<u>2,175,759</u>
Performances in Israel	185,385	130,816
Workshops	<u>29,546</u>	<u>-</u>
Total performances and workshops	<u>214,931</u>	<u>130,816</u>
Total	<u>2,122,779</u>	<u>2,306,575</u>

8. FINANCE EXPENSES, NET:

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Income:		
Interest from short-term deposit	32,806	6,236
Exchange rate differences	<u>3,284</u>	<u>-</u>
	<u>36,090</u>	<u>6,236</u>
Expense:		
Bank charges	4,002	6,944
Exchange and linkage differences	-	1,643
Revaluation of marketable securities	<u>44,582</u>	<u>-</u>
	<u>48,584</u>	<u>8,587</u>
Total finance expenses	<u>12,494</u>	<u>2,351</u>