

**NALAGA'AT (DO TOUCH) - AMUTA**  
**FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008**

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**AUDITORS' REPORT TO THE MEMBERS 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, 2008 and 2007, 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 in Israel, 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, 2008 and 2007, 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 (Israeli GAAP), presented in nominal values.

**Jerusalem, June 24, 2009****Ziv Haft**  
**Certified Public Accountants (Isr.)**

**NALAGA'AT (DO TOUCH) - AMUTA**  
**BALANCE SHEET AS AT DECEMBER 31, 2008**

	Note	December 31,	
		2008	2007
		N.I.S.	N.I.S.
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	3	682,142	885,774
Marketable securities		9	147,468
Customers - deferred checks receivable	4	226,428	167,036
Debtors and debit balances	5	131,173	22,887
Inventory		15,100	-
		<u>1,054,852</u>	<u>1,223,165</u>
<b><u>FIXED ASSETS</u></b>			
Fixed assets, net	6	5,742,969	5,790,956
		<u>6,797,821</u>	<u>7,014,121</u>
<b><u>CURRENT LIABILITIES:</u></b>			
Short-term bank credit		52,084	96,698
Suppliers and service providers:	7	655,082	733,548
Creditors and credit balances	8	234,561	258,153
		<u>941,727</u>	<u>1,088,399</u>
<b><u>LONG - TERM LOANS:</u></b>			
	9	343,916	-
<b><u>NET ASSETS:</u></b>			
Unrestricted net assets:			
For operations		(230,791)	94,766
For fixed assets		5,742,969	5,790,956
		<u>5,512,178</u>	<u>5,885,722</u>
<b><u>RESTRICTED NET ASSTS:</u></b>			
Cultural Center Foundation Fund		-	40,000
		<u>5,512,178</u>	<u>5,925,722</u>
		<u>6,797,821</u>	<u>7,014,121</u>

Date of approval of the financial statements:  
June 24, 2009

G. Avrami  
Gideon Avrami  
Member of the  
Management Committee

Avraham Dviri  
Avraham Dviri  
Member of the  
Management Committee

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

**NALAGA'AT (DO TOUCH) - AMUTA**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Note (Appendix)	For the Year Ended December 31,	
		2008 N.I.S.	2007 N.I.S.
<b>Operating Turnover:</b>	10		
Contributions		2,675,868	2,646,454
Income from performances		2,115,669	394,800
Sales		1,880,439	142,730
Amounts released for activities from restricted net assets		-	116,679
Total income		<u>6,671,976</u>	<u>3,300,663</u>
<b>Operating Cost:</b>	11		
Salaries and related expenses		2,208,534	923,364
Cost of performance translators		322,735	238,355
Travel - Transportation to performances and rehearsals		416,490	200,947
Publicity and public relations		270,402	88,433
Consultants' fees		100,897	170,351
Cost of performance production and hall rentals		535,351	559,536
Purchase of Inventory		716,215	-
Maintenance and equipment for new center		726,482	468,460
Seminars for performers		29,096	16,611
Communication expenses		39,888	26,429
Vehicle maintenance		208,275	128,288
Insurance		11,239	25,129
Depreciation		676,591	274,544
Other		7,161	-
Total cost of operations		<u>6,269,356</u>	<u>3,120,447</u>
Surplus of income over cost of operations		402,620	180,216
General and administrative expenses	A	<u>739,343</u>	<u>327,374</u>
Deficit surplus before finance expenses, net		(336,723)	(147,158)
Finance expenses, net	12	<u>76,821</u>	<u>77,791</u>
Deficit for the current year		<u>(413,544)</u>	<u>(224,949)</u>

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

**NALAGA'AT (DO TOUCH) - AMUTA**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Unrestricted Net Assets			Restricted	
	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, 2007	41,602	1,350,000	1,408,006	2,799,608	879,258
Contributions	-	-	-	-	2,586,029
Finance income	-	-	-	-	2,459
Deficit for the current year	(224,949)	-	-	(224,949)	
Release of funds from temporarily restricted assets	-	-	-	-	(116,679)
Amounts released for the acquisition of fixed assets	-	(1,350,000)	4,661,063	3,311,063	(3,311,063)
Amounts transferred to cover depreciation expense	278,113	-	(278,113)	-	
Balance as at December 31, 2007	94,766	-	5,790,956	5,885,722	40,000
Deficit for the current year	(413,544)	-	-	(413,544)	
Amounts released for the acquisition of fixed assets	(607,250)	-	647,250	40,000	(40,000)
Amounts transferred to cover depreciation expense	695,237	-	(695,237)	-	
Balance as at December 31, 2008	(230,791)	-	5,742,969	5,512,178	

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

NALAGA'AT (DO TOUCH) - AMUTA

GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008

APPENDIX A

	For the Year Ended	
	December 31,	
	<u>2008</u>	<u>2007</u>
	<u>N.I.S.</u>	<u>N.I.S</u>
Salaries and related expenses	525,867	234,276
Vehicle maintenance	12,227	22,462
Mail and Telephone	26,033	18,840
Office supplies	19,015	8,875
Professional fees	90,868	34,067
Rates and taxes	37,942	2,969
Depreciation expense	18,646	3,569
Deliveries	-	345
Gifts	8,745	1,971
	<hr/>	<hr/>
Total general and administrative expenses	<u>739,343</u>	<u>327,374</u>

NALAGA'AT (DO TOUCHI) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

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
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.

NALAGA'AT (DO TOUCH) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

E. Foreign Currency and Linkage (continued):

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>December 31,</u>	
	<u>2008</u>	<u>2007</u>
US dollar exchange rate (NIS to US\$ 1)	3.802	3.846
Annual rate of change in US dollar	(1.14)%	(8.97)%
CPI (in points)	106.4	102.5
Annual rate of change in CPI	3.8%	3.4%

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.

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, 2008**

**3. CASH AND CASH EQUIVALENTS:**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
<b>In N.I.S.:</b>		
Cash on hand and in bank accounts	125,721	258,134
Short-term deposits	501,698	-
	<u>627,419</u>	<u>258,134</u>
<b>In Foreign Currency:</b>		
In bank accounts	49,426	570,062
Short-term deposits	5,297	57,578
	<u>54,723</u>	<u>627,640</u>
	<u>682,142</u>	<u>885,774</u>
Total		

**4. CUSTOMERS - DEFERRED CHECKS RECEIVABLE:**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Open accounts	-	3,001
Outstanding checks - receivable	126,000	40,000
Credit cards	100,428	124,035
	<u>226,428</u>	<u>167,036</u>

**5. DEBTORS AND DEBIT BALANCES:**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Prepaid expenses	22,887	22,887
Advances from suppliers	108,286	-
	<u>131,173</u>	<u>22,887</u>

**NALAGA'AT (DO TOUCH) - AMUTA**

**NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008**

**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>December 31, 2008</u>				
Furniture and equipment	7-12	1,265,812	143,685	1,122,127
Computers	33.33	183,979	80,206	103,773
Electronic equipment	15	62,279	12,690	49,589
Leasehold improvements	10	5,218,683	751,203	4,467,480
Total		<u>6,730,753</u>	<u>987,784</u>	<u>5,742,969</u>
<u>December 31, 2007</u>				
Furniture and equipment	12	982,281	21,356	960,925
Computers	33.33	181,681	21,964	159,717
Electronic equipment	15	30,611	6,800	23,811
Leasehold improvements	10	4,888,930	242,427	4,646,503
Total		<u>6,083,503</u>	<u>292,547</u>	<u>5,790,956</u>

**7. SUPPLIERS AND SERVICE PROVIDERS:**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Open accounts	41,319	41,633
Outstanding Checks - payable	613,763	691,915
Total	<u>655,082</u>	<u>733,548</u>

**8. CREDITORS AND CREDIT BALANCES:**

	<u>December 31,</u>	
	<u>2008</u>	<u>2007</u>
	<u>N.I.S.</u>	<u>N.I.S.</u>
Employees	184,147	152,355
Institutions	-	16,697
Credit card companies	40,114	78,801
Expenses payable	10,300	10,300
Total	<u>234,561</u>	<u>258,153</u>

**9. LONG - TERM LOANS:**

The loan bears an interest rate of 5.8% payable until 2013.

**NALAGA'AT (DO TOUCH) - AMUTA**

**NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008**

**10. OPERATING TURNOVER:**

	<b>For the Year Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>N.I.S.</b>	<b>N.I.S.</b>
Contributions in Israel from:		
Individuals	86,042	142,295
Corporations and institutes	1,649,072	1,527,972
Contributions from abroad	940,754	976,187
Total contributions	<u>2,675,868</u>	<u>2,646,454</u>
Performances in Israel	<u>2,115,669</u>	<u>394,800</u>
Sales	<u>1,880,439</u>	<u>142,730</u>
Amounts released for activities from restricted net assets	<u>-</u>	<u>116,679</u>
Total	<u>6,671,976</u>	<u>3,300,663</u>

**11. COST OF OPERATIONS:**

	<b>For the Year Ended December 31, 2008</b>			
	<b>Restaurant and coffee shop</b>	<b>Theatre</b>	<b>Unattributed expenses</b>	<b>Total</b>
	<b>N.I.S.</b>	<b>N.I.S.</b>	<b>N.I.S.</b>	<b>N.I.S.</b>
Salaries and related expenses	1,336,190	958,784	513,613	2,808,587
Communication expenses	9,018	9,018	21,852	39,888
Purchase of inventory	716,215	-	-	716,215
Consultants' fees	-	-	100,897	100,897
Cost of performance production and translation	-	21,488	-	21,488
Rent	53,192	35,461	-	88,653
Transportation	249,894	166,596	-	416,490
Equipment, maintenance and cleaning	446,689	292,507	-	739,196
National service	45,108	67,662	-	112,770
Publicity	136,670	91,113	42,619	270,402
Vehicle maintenance	-	-	208,275	208,275
Insurance	-	-	11,239	11,239
Office supplies	-	-	22,408	22,408
Seminars for performers	-	29,096	-	29,096
Depreciation	-	-	676,591	676,591
Other	-	-	7,161	7,161
Total	<u>2,992,976</u>	<u>1,671,725</u>	<u>1,604,655</u>	<u>6,269,356</u>

NALAGA'AT (DO TOUCH) - AMUTA

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

12. FINANCE EXPENSES, NET:

	For the Year Ended	
	December 31,	
	2008	2007
	<u>N.I.S.</u>	<u>N.I.S</u>
Income:		
Interest from short-term deposit	2,290	3,236
Expense:		
Bank charges	31,949	14,657
Exchange and linkage differences	47,162	66,370
	<u>79,111</u>	<u>81,027</u>
 Total finance expenses, net	 <u>76,821</u>	 <u>77,791</u>