

*ENGLISH TRANSLATION FROM THE HEBREW ORIGINAL*

**The Institute for the Advancement of Education in Tel Aviv- Jaffa**

**Financial Statements**

**December 31, 2009**

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**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

**Auditor's Report**

To the members of

The Institute for the Advancement of Education in Tel Aviv- Jaffa

I audited the accompanying balance sheet of The Institute for the Advancement of Education in Tel Aviv - Jaffa, a registered non-profit organization (hereinafter the "Institute") as of December 31, 2009 and 2008 and the Statements of Operations, Changes in Assets, net and the Statement of Cash Flows for each of the years that ended on those dates. The committee and the management of the Institute are responsible for these financial statements. My responsibility is to express an opinion regarding these statements based on the audit I performed.

I carried out my audit in accordance with accepted accounting procedures including those set forth in the Accountants Regulations (Procedures for Accountants)-1973. These procedures require me to plan and carry out the audit in order to reach a reasonable measure of confidence that there are no significant misleading representations in the financial statements. The audit includes taking random samples of information that support the amounts and the representations included in the financial statements. The audit also includes an evaluation of the accounting principles adopted and the significant provisions made by the committee and the management of the Institute in the financial statements and their overall presentation. I believe my audit provides a sufficient basis for expressing my opinion.

As noted in Note 2b. the financial statements were prepared using nominal amounts and not reported amounts as required by accounting Standard 12 of The Israel Institute of Accounting Standards.

In my opinion, except for the effect of not adopting Standard 12 of The Israel Institute of Accounting Standards, the above financial statements represent fairly, in accordance with accepted accounting principles in Israel (Israeli GAAP), in all significant respects, the financial condition of the Institute as of December 31, 2009 and 2008, and the results of its operations, changes in assets, net and its cash flows for each of the years ended on those dates, based on the nominal historical cost convention.

David Itzichescu  
Certified Public Accountant (Israel)

Jerusalem; March 25, 2010

*ENGLISH TRANSLATION FROM THE HEBREW ORIGINAL*

**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

**Balance Sheets**

	<u>Note</u>	<u>31.12.2009</u>	<u>31.12.2008</u>
		<u>New Israeli Shekels</u>	
<u>Current Assets</u>			
Cash and cash equivalents	3	2,160,599	2,957,951
Deposits	4	5,510,940	5,746,313
Receivables and collectibles	5	1,056,855	623,720
		<u>8,728,394</u>	<u>9,327,984</u>
<u>Investments</u>			
Securities	6	913,808	319,900
<u>Fixed Assets</u>			
	7	1,082,708	1,159,649
		<u>10,724,910</u>	<u>10,807,533</u>
<u>Current Liabilities</u>			
Credit from banks		12,977	13,234
Current portion of long-term loans		121,084	196,286
Accounts payable and credit balances	8	3,003,756	2,120,616
		<u>3,137,817</u>	<u>2,330,136</u>
<u>Long-term Liabilities</u>			
Loans	9	157,406	310,942
Liability for termination of employer/employee relations, net	10	2,235,734	2,484,621
		<u>2,393,140</u>	<u>2,795,563</u>
<u>Unrestricted Assets, net</u>			
Used for activities	2(c)	2,611,245	3,022,185
For acquisition of fixed assets		1,082,708	1,159,649
Designated by management of the Institute		1,500,000	1,500,000
		<u>5,193,953</u>	<u>5,681,834</u>
		<u>10,724,910</u>	<u>10,807,533</u>

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

March 25, 2010

Date of Approval of Statements

Shalom Vilenski  
Board Member

Yechiel Igoz  
Board Member

*ENGLISH TRANSLATION FROM THE HEBREW ORIGINAL*

**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

**Statements of Operations**

		<u>For the year ended</u>	
	<u>Note</u>	<u>31.12.2009</u>	<u>31.12.2008</u>
		<u>New Israeli Shekels</u>	
<u>Activities Turnover</u>			
Donations and participations	11(a)	18,361,974	20,993,365
Allocations	11(b)	<u>1,577,405</u>	<u>1,652,074</u>
		19,939,379	22,645,439
<u>Cost of Activities</u>			
Operational expenses	11(c)	<u>17,239,998</u>	<u>18,539,746</u>
<u>Net income from activities</u>		<u>2,699,381</u>	<u>4,105,693</u>
Advertising and fundraising expenses	11(d)	1,462,327	1,796,264
Administrative and general expenses	11(e)	<u>1,765,857</u>	<u>1,885,627</u>
		<u>3,228,184</u>	<u>3,681,891</u>
<u>Net Loss (Income) before financing expenses</u>			
Financing income (Expenses), net	11(f)	<u>56,788</u>	<u>(387,671)</u>
<u>Excess (expenses over income) income over expenses for the year</u>		(472,015)	36,131
Capital loss from vehicle		<u>(15,866)</u>	<u>(13,058)</u>
<u>Excess (expenses over income) income over expenses for the year</u>		<u>(487,881)</u>	<u>23,073</u>

The attached notes are an integral part of the financial statements

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**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

**Statement on Changes in Net Assets**

		<u>Unrestricted</u>		
	<u>Used for activities</u>	<u>Used for fixed assets</u>	<u>Designated by management of the Institute</u>	<u>Total</u>
		<u>New Israeli Shekels</u>		
<u>Balance as of 1.1.2008</u>	2,818,353	1,340,408	1,500,000	5,658,761
Excess income over expenses	23,073	---	---	23,073
Transfer of unrestricted amounts:				
Disposition of vehicles	13,058	(13,058)		---
Used for acquisition of fixed assets	(142,010)	142,010		---
Used for depreciation expenses	309,711	(309,711)		---
<u>Balance as of 31.12.2008</u>	<u>3,022,185</u>	<u>1,159,649</u>	<u>1,500,000</u>	<u>5,681,834</u>
<u>Activity in 2009</u>				
Excess of expenses over income	(487,881)	---	---	(487,881)
Transfer of unrestricted amounts				
Disposition of vehicles	70,366	(70,366)		---
Used for acquisition of fixed assets	(316,146)	316,146		---
Used for depreciation expenses	322,721	(322,721)		---
Total changes during the year	<u>(410,940)</u>	<u>(76,941)</u>		<u>(487,881)</u>
Balance as of 31.12.2009	<u>2,611,245</u>	<u>1,082,708</u>	<u>1,500,000</u>	<u>5,193,953</u>

The attached notes are an integral part of the financial statements

The Institute for the Advancement of Education in Tel Aviv-Jaffa

**Cash Flow Statement**

	<u>For the year ended</u>	
	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>New Israeli Shekels</u>	
Cash flow from on-going activities:		
Excess (expenses over income) income over expenses for the year	(487,881)	23,073
Adjustments necessary to present cash flows from on-going activities (a)	619,311	966,067
Net cash from on-going activities	<u>131,430</u>	<u>989,140</u>
Cash flow from investment activities:		
Withdrawal (deposit) of bank deposits	235,373	(3,678,680)
Acquisition of fixed assets	(316,146)	(142,010)
Proceeds from sale of fixed assets (b)	54,500	---
Purchase of securities	(932,254)	(461,930)
Sale of securities	321,740	469,370
Net cash used for investment activities:	<u>(636,787)</u>	<u>(3,813,250)</u>
Cash flow from financing activities:		
Short-term credit from banks	(257)	13,234
Repayment of long-term loans, net	(228,738)	(679,029)
Net cash used for financing activities	<u>(228,995)</u>	<u>(665,795)</u>
Decrease in cash and cash equivalents	(734,352)	(3,489,905)
Balance of cash and cash equivalents, beginning	<u>2,957,951</u>	<u>6,447,856</u>
Balance of cash and cash equivalents, ending	<u>2,223,599</u>	<u>2,957,951</u>

The attached notes are an integral part of the financial statements

The Institute for the Advancement of Education in Tel Aviv-Jaffa

**Cash Flow Statement**

	<u>For the year ended</u>	
	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>NIS</u>	<u>NIS</u>
(a) <u>Adjustments necessary to present cash flow from on-going activities:</u>		
<b>Non-cash income and expenses</b>		
Depreciation and amortization	322,721	309,711
(Decrease) Increase in liability for termination of employer/employee relations, net	(248,887)	258,885
Revaluation of securities	16,606	(14,836)
Capital loss from loss of vehicle	15,866	13,058
	106,306	566,818
	106,306	566,818
<b>Changes in assets and liabilities items</b>		
(Increase) Decrease in receivables and collectibles	(370,135)	640,962
Increase (Decrease) in accounts payable and credit balances	883,140	(241,713)
	513,005	399,249
	513,005	399,249
	619,311	966,067
	619,311	966,067
(b) <u>Non-Cash activity for the year</u>		
Disposition of vehicle	---	(13,058)
	---	(13,058)
	---	(13,058)

The attached notes are an integral part of the financial statements

**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

Notes to the Financial Statements as of December 31, 2009

Note 1- General

The Institute was established on March 14, 1983 and its number as listed with the Registry of Non-Profit Organizations is 58-003-811-5. The main purposes of the Institute are to establish and manage community centers and educational and cultural centers for youth and adults, and to provide educational enrichment to youth at risk and to needy families. The Institute was recognized as a public organization according to paragraphs (9)2 and 46 of the Income Tax Ordinance. The approval is valid until December 31, 2010.

Note 2 – Policy and Accounting Principles

a. General

The financial statements were prepared in accordance with Accounting Standard Number 5 of the Israel Accounting Standards Board (which replaced instructions of Opinion 69 of the Israel Accountants Association) in reference to accounting and financial reporting by non-profit organizations. .

b. Effect of the decline in the purchasing power of the Israeli currency

The financial statements were prepared in nominal Israeli shekels, and accounting standard number 12 was not applied.

c. Assets, net

Funds in the financial reports are presented as Assets, net.

1. Unrestricted Assets, net

The component of Assets, net, of the organization, upon which there is no permanent or temporary restriction set by the donors and institutions.

2. Assets, net – designated by the organization

The component of Assets, net, of the organization, deriving from donations or allocations or other sources of funds, for which the use was designated by the management of the organization for improvements or equipment in the activity centers for children at risk.

d. Cash equivalents

Cash equivalents are defined by the organization as investments with high liquidity, including short term bank deposits for periods of less than 3 months from the date of investment and that are unrestricted by any liens.

e. Securities

Tradeable securities are presented at market value. The change in value is included in financing expenses.

The Institute for the Advancement of Education in Tel Aviv-Jaffa

Note 2 – Policy and Accounting Principles (continued)

f. Fixed Assets

- a. Fixed Assets – are included in the Balance Sheets according at cost less accumulated depreciation
- b. Depreciation is calculated by the straight-line method at annual rates as follows:

	<u>%</u>
Equipment and furniture	7 – 33
Improvements to leased properties	12.5
Vehicles	15

g. Recognition of Income

Income from donations was recognized on a cash basis.

h. Accumulated profits designated as severance pay

The amount of accumulated profits and losses in severance pay funds reduces the severance pay expenses.

i. Cash- equivalent Donations

The Institute operates a food distribution center that received during 2009 cash-equivalent donations that were determined by the management of the Institute to be in the amount of NIS 682,654. The food distribution center also was helped with the work of volunteers. The value of their work was estimated by the management of the Institute to be NIS 41,793. In addition, the Institute received cash-equivalent donations for the afternoon activity centers in the amount of NIS 42,690.

The Institute received from the City of Tel Aviv an exemption and discount of municipal taxes in the amount of NIS 136,175, and rights to use buildings for the operating its activity centers in an equivalent amount of NIS 89,902.

j. Exchange rates and linkage

Assets in foreign currency, or linked to it, were included at the representative exchange rates published by the Bank of Israel in effect at the date of the balance sheet.

\$1= 3.802

\$1 = 3.775

Assets linked to the cost of living index were included based on the cost of living index set by the Central Bureau of Statistics.

Increase in Cost of Living Index for the year 2008 – 3.8%

For the year 2009 – 3.91%

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Note 3 – Cash and Cash Equivalents

	<u>31.12.09</u>	<u>31.12.08</u>
	<u>NIS</u>	<u>NIS</u>
Cash in shekels	662,056	765,223
Cash in foreign currency	296,348	1,386,937
Deposits in shekels	120,057	----
Deposits in euros	324,012	----
Deposits in British sterling	758,126	805,791
	<u>2,160,599</u>	<u>2,957,951</u>

Note 4 – Deposits

	<u>31.12.09</u>	<u>31.12.08</u>
	<u>NIS</u>	<u>NIS</u>
Deposits	<u>5,510,940</u>	<u>5,746,313</u>

There is a partial lien on the deposits to the bank to secure loans and guarantees in the amount of NIS 2,258,212.

Note 5 – Receivables and Collectibles

	<u>31.12.09</u>	<u>31.12.08</u>
	<u>NIS</u>	<u>NIS</u>
Checks for collection	206,511	5,300
Funding receivable	---	25,000
Prepaid expenses	252,778	593,420
Advance payments to suppliers and others	597,566	---
	<u>1,056,855</u>	<u>623,720</u>

Note 6 – Securities

Bonds	754,721	---
Short term government securities	159,087	319,900
	<u>913,808</u>	<u>319,900</u>

Note 7 – Fixed Assets

	<u>Equipment &amp; Furniture</u>	<u>Leasehold Improvements</u>	<u>Vehicles</u>	<u>Total</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Balance at 1.1.09	838,454	475,443	874,695	2,188,592
Additions this year	157,656	158,490	---	316,146
Decreases this year	---	---	(141,222)	(141,222)
Balance at 31.12.09	<u>996,110</u>	<u>633,933</u>	<u>733,473</u>	<u>2,363,516</u>

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**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

Note 7 – Fixed Assets (continued)

Accumulated depreciation

Balance at 1.1.09	398,869	332,735	297,339	1,028,943
Depreciation this year	150,262	43,373	129,086	322,721
Decreases this year	---	---	(70,856)	(70,856)
Balance at 31.12.09	<u>549,131</u>	<u>376,108</u>	<u>355,569</u>	<u>1,280,808</u>

Depreciated cost

At 31.12.09	<u>446,979</u>	<u>257,825</u>	<u>377,904</u>	<u>1,082,708</u>
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Depreciated cost

At 31.12.08	<u>439,585</u>	<u>142,708</u>	<u>577,356</u>	<u>1,159,649</u>
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Note 8 – Accounts payable and credit balances

	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>NIS</u>	<u>NIS</u>
Checks payable	271,516	407,709
Employees and salary related expenses	1,324,235	1,200,439
Suppliers	389,374	456,239
Deferred income	945,975	---
Expenses payable	18,422	9,684
Miscellaneous payables	54,234	46,545
	<u>3,003,756</u>	<u>2,120,616</u>

Note 9 – Loans

Long-term bank loans	---	99,245
Loans - others	278,490	407,983
Less current portion	<u>(121,084)</u>	<u>(196,286)</u>
	<u>157,406</u>	<u>310,942</u>

Note 10 – Liability for termination of employer/employee relations, net

	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>NIS</u>	<u>NIS</u>
Liabilities	5,176,644	4,811,278
Less amounts deposited in severance pay funds	<u>(2,940,910)</u>	<u>(2,326,657)</u>
	<u>2,235,734</u>	<u>2,484,621</u>

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**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

Note 11 – Details of sections of Statement of Operations

	<u>For the year ended December 31</u>	
	<u>2009</u>	<u>2008</u>
	<u>NIS</u>	<u>NIS</u>
<b>a. <u>Donations and participations</u></b>		
Donations from Israel	6,299,596	6,574,730
Donations from abroad	11,885,335	14,211,909
Participation from parents	177,043	206,726
	<u>18,361,974</u>	<u>20,993,365</u>
<b>b. <u>Allocations</u></b>		
Ministry of Welfare	537,700	420,231
Ministry of Education	14,691	---
Ministry of Health	36,000	---
Ministry of Absorption	---	4,636
City of Tel Aviv	587,768	727,882
City of Bat Yam	401,246	499,325
	<u>1,577,405</u>	<u>1,652,074</u>
<b>c. <u>Operational expenses</u></b>		
Salaries and social benefits	9,812,756	10,270,879
Food distribution	1,616,502	1,794,148
Enrichment of children	1,943,803	2,511,432
Scholarships and assistance	351,556	594,789
Rent *	678,842	567,247
Electricity	147,635	171,325
Guard services	166,585	182,598
Maintenance and cleaning	233,331	241,967
City taxes and water	182,166	56,273
Mail and communications	654,074	468,399
Office expenses and computers	128,686	101,570
Busing and Transportation	724,933	961,564
Advertising and public relations	137,887	120,390
Insurance	57,671	102,111
Professional fees	149,623	167,319
Miscellaneous	16,028	16,919
Depreciation	237,920	210,816
	<u>17,239,998</u>	<u>18,539,746</u>

Breakdown by Activity Areas - See Note 12

\* Rental contracts have extension options, some of which are exercised or renewed each year

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**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

Note 11 – Details of sections of Statement of Operations (Continued)

d. Advertising and Fund Raising Expenses

	<u>For the year ending</u>	
	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>NIS</u>	<u>NIS</u>
Salaries and social benefits	526,719	1,041,996
Insurance	5,934	8,338
Maintenance and Cleaning	5,807	6,169
Transportation and travels	8,206	11,091
Mail/Communications	91,512	154,520
Rent *	477,578	332,407
Taxes and fees	26,822	1,634
Electricity and water	47,030	46,949
Advertising/Public relations	114,222	48,930
Refreshments	6,416	2,055
Office expenses	57,282	64,438
Professional training	30,754	----
Guard Services and others	31	1,913
Depreciation	64,014	75,824
	<hr/>	<hr/>
	1,462,327	1,796,264
	<hr/>	<hr/>

e. Administrative and General Expenses

	<u>For the year ending</u>	
	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>NIS</u>	<u>NIS</u>
Salaries and social benefits	1,503,355	1,628,377
Professional training	67,052	22,855
Insurance, Maintenance and Cleaning	7,147	9,196
Transportation and travels	13,596	13,799
Rent *	31,165	50,668
Mail/Communications	14,782	31,484
Taxes and fees	9,377	9,737
Electricity and water	5,441	6,103
Office expenses and computers	19,710	46,013
Vehicle maintenance	56,078	22,142
Trips abroad	7,769	11,848
Refreshments and Miscellaneous	9,599	10,335
Depreciation	20,786	23,070
	<hr/>	<hr/>
	1,765,857	1,885,627
	<hr/>	<hr/>

\* Rental contracts have extension options, some of which are exercised or renewed each year.

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**The Institute for the Advancement of Education in Tel Aviv-Jaffa**

Note 11 – Details of sections of Statement of Operations (continued)

f. Financing Income (Expenses), Net

	<u>For the year ending</u>	
	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>NIS</u>	<u>NIS</u>
Income from deposits	96,689	231,427
Re-evaluation of securities	1,616	14,836
Rate differentials, net	51,655	---
	<u>149,960</u>	<u>246,263</u>
<hr style="border-top: 1px dashed black;"/>		
<u>Less:</u>		
Finance expenses for long-term loans	(15,100)	(54,200)
Bank and credit card charges	(59,850)	(72,687)
Interest and rate differential expenses	---	(507,047)
Re-evaluation of securities	(18,222)	---
	<u>(93,172)</u>	<u>(633,934)</u>
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	<u>56,788</u>	<u>(387,671)</u>

Note 12 – Breakdown by Activity Areas

	<u>For the year ending</u>	
	<u>31.12.2009</u>	<u>31.12.2008</u>
	<u>NIS</u>	<u>NIS</u>
Afternoon activity centers	6,267,602	7,793,186
Bat Yam family center- “Bet Moshe V’Yisrael”	657,702	915,353
Food Distribution Center	2,938,334	2,607,890
“Welfare to Well-being” Project	1,600,537	1,768,742
The House at Neve Ofer	1,258,631	774,609
Hostel for Teenage Girls at Hi-Risk	1,859,676	1,877,866
Scholarships	291,989	463,323
Enrichment Center	432,249	374,067
“Musical Minds”	821,205	926,743
Dental Clinic	506,382	217,245
Kangaroo	237,661	251,313
Parents Training Program	14,861	17,417
Assistance to Families in Need	163,799	227,833
Youth for Youth	93,900	91,354
Development of Projects	67,470	232,806
	<u>17,239,998</u>	<u>18,539,746</u>

Classification and categorization of the activities into various line items is according to the assessment of the management of the Institute.