

**Avraham Chavaselet
C.P.A. (ISR)
7 Ariel Street
Jerusalem 94386 ISRAEL
Tel: 02-537-8208
Fax: 02-537-8624**

HAZON YESHAYA INSTITUTIONS

Registered Society No 58-033018-1

Audited Financial Statements

Year Ending December 31, 2007

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Auditors Report
To the Members of Hazon Yeshaya Institutions (RS)

We have audited the accompanying balance sheets of the Hazon Yeshaya Institutions (RS) as at December 31, 2007 and 2006 and the statements of activities and statements of changes in net assets for the years then ended. These financial statements are the responsibility of the Society's 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 by the Auditors' Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we 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, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Society's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The aforementioned financial statements are prepared on the basis of the historical cost convention in nominal values. Information concerning the effect of changes in general purchasing power of the Israeli currency on the financial statements as mentioned in the position paper of the Institute of Certified Public Accountants in Israel, has not been included in these financial statements.

In our opinion, except for the aforementioned information not included, the financial statements referred to above present fairly in conformity with generally accepted accounting principles, in all material respects, the financial position of the Society as at December 31, 2007 and 2006, and the results of its activities, and statements of changes in its net assets for the years then ended.


Avraham Chavaselet
Certified Public Accountant

25 Adar I, 5768
2 March, 2008

HAZON YESHAYA INSTITUTIONS (R.S)

Balance Sheet

as at December 31, 2007

	Note	<u>As at December 31,</u>	
		<u>2007</u>	<u>2006</u>
		<u>NIS</u>	<u>NIS</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash on hand and in banks	3	222,563	324,868
Deposits		130,200	133,019
Prepaid expenses		-	45,384
		<u>352,763</u>	<u>503,271</u>
<u>Fixed assets</u>	4	<u>44,452,708</u>	<u>43,742,873</u>
		<u>44,805,471</u>	<u>44,246,144</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Credit from banks		187,254	115,926
Suppliers payable		65,129	29,929
Checks payable	5	764,485	525,014
Institutions and employees		<u>208,923</u>	<u>155,510</u>
		<u>1,225,791</u>	<u>826,379</u>
<u>Long-Term Liabilities</u>			
Provision for severance		931,566	341,783
Loans	6	<u>5,934,262</u>	<u>8,138,431</u>
		<u>6,865,828</u>	<u>8,480,214</u>
<u>Net assets</u>			
On which there are no restrictions	7	<u>36,713,852</u>	<u>34,939,551</u>
		<u>44,805,471</u>	<u>44,246,144</u>

The notes to the financial statements are an integral part thereof

25 Adar I, 5768

2 March, 2008


Abraham Israel
Board Member


Sheldon Ritz
Board Member

HAZON YESHAYA INSTITUTIONS (R.S)

Statement of Activities
as at December 31, 2007

		<u>As at December 31,</u>	
	Note	<u>2007</u>	<u>2006</u>
		<u>NIS</u>	<u>NIS</u>
<u>Turnover from activities</u>			
Contributions from abroad	8	43,089,526	41,473,660
Contributions from Israel	9	3,829,874	3,722,556
Allocations		<u>3,227,860</u>	<u>2,020,024</u>
		<u>50,147,260</u>	<u>47,216,240</u>
<u>Cost of activities</u>			
Soup Kitchens, Support Holiday Packages	10	41,881,245	31,106,240
Day Care Centers	11	2,919,040	1,694,216
Vocational Training	12	1,843,401	580,886
Dental Clinics	13	<u>694,531</u>	<u>458,165</u>
		<u>47,338,217</u>	<u>33,839,507</u>
Net revenues from activities		<u>2,809,043</u>	<u>13,376,733</u>
General and administrative expenses	14	<u>936,726</u>	<u>922,890</u>
Net revenues (expenses) before financing		<u>1,872,317</u>	<u>12,453,843</u>
Financing revenues (expenses)		<u>(98,016)</u>	<u>(749,217)</u>
Surplus of assets over expenses for the year		<u>1,774,301</u>	<u>11,704,626</u>

The notes to the financial statements are an integral part thereof

HAZON YESHAYA INSTITUTIONS (R.S)

Statement of changes in net assets

	<u>On which there are no restrictions</u>		<u>Total NIS</u>
	<u>Used for operations</u>	<u>Used for fixed assets</u>	
	<u>NIS</u>	<u>NIS</u>	
Balance as at January 1, 2006	(9,781,588)	33,016,513	23,234,925
Additions during the year			
Net revenues for the year	11,704,626	-	11,704,626
Used during the year			
Acquisition of fixed assets	(11,255,825)	11,255,825	-
Depreciation expenses	<u>529,465</u>	<u>(529,465)</u>	-
Balance as at January 1, 2007	(8,803,322)	43,742,873	34,939,551
Additions during the year			
Net revenues for the year	1,774,301	-	1,774,301
Used during the year			
Acquisition of fixed assets	(1,397,239)	1,397,239	-
Depreciation expenses	<u>687,404</u>	<u>(687,404)</u>	-
	-	-	-
Balance as at December 31, 2007	<u>(7,738,856)</u>	<u>44,452,708</u>	<u>36,713,852</u>

The notes to the financial statements are an integral part thereof

HAZON YESHAYA INSTITUTIONS (R.S)

NOTES TO THE FINANCIAL STATEMENTS

For the year ending December 31, 2007

Note 1 General

Hazon Yeshaya Institutions (RS) was incorporated on the third of Kislev 5759 (November 23, 1998) with the object to manage soup kitchens, support needy families and establish day care centers, vocational training for the needy and dental clinics for the needy.

Note 2 Significant accounting principles

The statements are prepared in accordance with accounting principles set forth in Pronouncement 69 of the Institute of Certified Public Accountants in Israel, and as is acceptable for nonprofit organizations.

Note 3 Cash on hand and in banks

	<u>2007</u>	<u>2006</u>
	<u>NIS</u>	<u>NIS</u>
On hand	746	983
Credit companies -receivables	8,429	26,922
Balance with banks	<u>213,388</u>	<u>296,963</u>
	<u>222,563</u>	<u>324,868</u>

Note 4 Fixed assets

	<u>As at December 31, 2007</u>			<u>As at</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Depreciated</u>	<u>Dec 31, 2006</u>
	<u>NIS</u>	<u>depreciation</u>	<u>cost</u>	<u>Depreciated</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>cost</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Furniture and equipment	2,403,381	896,726	1,506,655	1,682,273
Vehicles	956,892	418,880	538,012	381,016
Buildings	<u>43,030,665</u>	<u>622,624</u>	<u>42,408,041</u>	<u>41,679,584</u>
	<u>46,390,938</u>	<u>1,938,230</u>	<u>44,452,708</u>	<u>43,742,873</u>

Note 5 -Checks payable

	<u>2007</u>	<u>2006</u>
	<u>NIS</u>	<u>NIS</u>
Checks payable	958,035	646,410
Suppliers	<u>(193,550)</u>	<u>(121,396)</u>
	<u>764,485</u>	<u>525,014</u>

Note 6 Loans

Loans totaling \$1.3 million linked to the rate of the US dollar and bearing interest of Libor + 1.8% up to 2.5% p.a., or variable interest linked to Prime rate.

HAZON YESHAYA INSTITUTIONS (R.S)
NOTES TO THE FINANCIAL STATEMENTS
For the year ending December 31, 2007

Note 7 Net assets

	<u>2007</u> <u>NIS</u>
Used for activities	
Used for fixed assets	(7,738,856)
	<u>44,452,708</u>
	<u>36.713.852</u>

The society has an operational surplus each year. In light of figures from the past and expectations for the foreseeable future, the cumulative deficit will be covered in the coming years.

Note 8 Contributions from abroad

	<u>2007</u> <u>NIS</u>
Miscellaneous	39,054,381
Claims Conference Against Germany	2,178,815
Fondation pour la Memoire de la Shoah	403,550
Christenen Voor Israel	<u>1,452,780</u>
	<u>43.089.526</u>

Note 9 Contributions from Israel

	<u>2007</u> <u>NIS</u>
Contributions from Israel	2,432,911
Contributions of assessed value	<u>1,396,963</u>
	<u>3.829.874</u>

Volunteers -

- Each day, groups of volunteers arrive at the soup kitchens.
The volunteers assist in the preparation of the meals and food baskets for the needy.
The amount of donation is calculated according to the rate of minimum wage.
- Specialist dentists volunteer 5 hours per day on-site to treat the needy.
The amount of donation is calculated according to the rate of said services.

Equipment -

- Equipment for vocational training and dental clinics was received as a donation.
The value of the equipment was appraised at market value.

HAZON YESHAYA INSTITUTIONS (R.S)

NOTES TO THE FINANCIAL STATEMENTS

For the year ending December 31, 2007

Note10 -The operation of Soup Kitchens,

Support Holiday Packages

	<u>2007</u>	<u>2006</u>
	<u>NIS</u>	<u>NIS</u>
Food and Holiday Packages	39,220,828	28,835,933
Wages, related expenses and volunteers	1,417,607	952,181
Cultural activities	6,460	67,547
Gas	29,012	24,658
Electricity and water	152,936	140,160
Municipal taxes	11,279	15,662
Vehicles for distributing food	195,143	195,784
Communications	43,701	49,746
Maintenance and Renovations	124,959	158,930
Insurance	78,690	39,589
Utensils	66,379	96,881
Depreciation	534,251	529,169
	<u>41,881,245</u>	<u>31,106,240</u>

Note 11 Day care expenses

	<u>2007</u>	<u>2006</u>
	<u>NIS</u>	<u>NIS</u>
Salaries and related expenses	2,299,312	1,377,752
Rent	79,537	46,632
Educational expenses	89,575	59,005
Insurance	2,510	-
Transport	390,260	158,366
Maintenance	57,846	52,461
	<u>2,919,040</u>	<u>1,694,216</u>

Note 12 -Vocational training

	<u>2007</u>	<u>2006</u>
	<u>NIS</u>	<u>NIS</u>
Salaries and related expenses	913,382	367,453
Equipment and donated materials	637,072	70,734
Stipends	44,400	-
Maintenance	54,616	57,886
Communications	45,886	25,105
Office Supplies and Printing	27,024	59,708
Depreciation of computers	121,021	-
	<u>1,843,401</u>	<u>580,886</u>

HAZON YESHAYA INSTITUTIONS (R.S)

NOTES TO THE FINANCIAL STATEMENTS

For the year ending December 31, 2007

Note 13 -Dental Clinics

	<u>2007</u>
	<u>NIS</u>
Salaries, related expenses and volunteers	551,650
Equipment	69,453
Utilities and Maintenance	70,145
Malpractice Insurance	<u>3,283</u>
	<u>694.531</u>

Note 14 -General and administrative expenses

	<u>2007</u>	<u>2006</u>
	<u>NIS</u>	<u>NIS</u>
Salaries and related expenses	404,811	214,011
Professional and legal expenses	172,026	224,177
Telephone and post	107,938	206,235
Travel abroad and fundraising	117,910	128,700
Advertising	43,805	73,256
Office expenses and bank charges	24,426	35,692
Levies and taxes	3,521	1,717
Insurance	10,020	7,278
Public relations	11,319	19,493
Maintenance	8,818	12,035
Depreciation	<u>32,132</u>	<u>296</u>
	<u>936.726</u>	<u>922.890</u>

Note 15 Taxes

The Society operates as a "public institution" within the meaning of Section 9(2) of the Income Tax Ordinance according to which its income is tax exempt. The Society has a certificate regarding donations pursuant to Section 46 (a) of the Ordinance.