

MASAR - Educational Center (R.S.)

Financial statements
for the year ended December 31, 2010

مركز للتربية
R.A. 88-034-187-3

AMAL KHAMIS DAKWAR
C.P.A. (ISR.)

MASAR - Educational Center (R.S.)

Financial Statements for 2010

مركز للتربية
R.A. 88-094-187-3

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**Auditor's Report to the Shareholders of
MASAR - Educational Center (R.S.)**

We have audited the accompanying balance sheets of the Society Masar- Educational Center (hereinafter "the Society") as at December 31, 2010 and 2009, and the statements of activities and statements of changes in net assets, for each of the years then ended. These financial statements are the responsibility of the Society's Committee and 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, 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 board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, 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, 2010 and 2009, and the results of its activities and changes in its net assets for each of the years then ended.

As explained in Note 2, the above mentioned financial statements are presented in reported amounts, in conformity with the accounting standards of the Israel Accounting Standards Board.

Nazareth, September 20, 2011.

Amal Khamis Dakwar
Amal Khamis Dakwar

Certified Public Accountant

MASAR - Educational Center (R.S.)

Balance sheets

	<u>Note</u>	<u>As at December 31</u>	
		<u>2010</u>	<u>2009</u>
		<u>NIS</u>	<u>NIS</u>
<u>ASSETS</u>			
<u>Current assets</u>			
Petty cash		181	268
Cash on hand		3,981	22,768
Current shekels bank account - Mercantile Bank		33,100	19,820
Checks on custody - Mercantile Bank		280,158	337,503
Current euro account - Mercantile Bank		46,111	(52)*
Credit card - balances for collection		34,264	55,700
Revenues receivable for study plans, services and groups		290,952	276,113
Other receivables	3	117,804	62,166
Total current assets		806,551	774,286
<u>Fixed assets</u>			
Total assets	4	847,658	828,059
<u>LIABILITIES AND NET ASSETS</u>			
<u>Current liabilities</u>			
Employees payable		92,726	88,057
Other payables	5	45,718	88,477*
Post-dated checks - Mercantile Bank		47,382	6,474
Revenues in advance for study plans and services		311,426	303,481
Total current liabilities		497,252	486,489
<u>Long-term liabilities</u>			
Reserve for severance pay – net	6	105,655	63,145
Reserve for doubtful debts	7	174,407	114,730
Total long-term liabilities		280,062	177,875
Total liabilities		777,314	664,364
<u>Net assets</u>			
Net assets on which there are no restrictions:			
Used for activities		(32,976)	107,118
Used for fixed assets		41,107	53,773
Total		8,131	160,891
Net assets on which there is a restriction:			
Of a temporary nature (Appendix 4)		62,213	2,804
Total net assets		70,344	163,695
Total net assets and liabilities		847,658	828,059

*Restated.

The notes to the financial statements are an integral part thereof.

Nazareth, September 20, 2011

Feras Zuabi - Member of Committee

Yosef Hanna - Member of Committee

MASAR - Educational Center (R.S.)

Statements of activities

	<u>Note</u>	<u>For the year ended</u>	
		<u>December 31</u>	
		<u>2010</u>	<u>2009</u>
		<u>NIS</u>	<u>NIS</u>
<u>Turnover from activities</u>			
<u>Revenues from study plans and services:</u>			
Revenues from study plans and services		1,125,600	1,067,200
Less: Discounts "brother pupils"		(74,330)	(60,120)
Less: Socio-economic discounts		(64,682)	(63,430)
Less: Revenues from Nazareth Municipality		561,135	424,964
Less: Revenues from groups		11,510	53,263
Study plans and services - net		<u>1,559,233</u>	<u>1,421,877</u>
<u>Other revenues:</u>			
Revenues from donations and support	8	18,084	78,130
Revenues from earmarked donations	8	49,980	38,700
Revenues from community and other activities		64,429	12,065
Revenues from increase in value of severance pay fund		689	2,129
Revenues from collecting beverage containers for recycling		599	448
Total turnover from activities		<u>1,693,014</u>	<u>1,553,349</u>
<u>Cost of activities</u>			
Labor expenses:			
Salaries		1,102,767	852,577
National insurance expenses - employer		43,164	31,823
Current provision for provident and severance pay funds		62,113	32,025
Revaluation of reserve for severance pay, net		42,510	9,120
Salary tax		82,190	63,720
Total labor expenses		<u>1,332,744</u>	<u>989,265</u>
Direct expenses (Appendix 1)		275,446	323,407
General and administrative expenses (Appendix 2)		172,514	162,397
Financing expenses, net (Appendix 2)	9	5,661	9,498
Total cost of activities		<u>1,786,365</u>	<u>1,484,567</u>
Surplus (deficit) for the year of activities		<u>(93,351)</u>	<u>68,782</u>

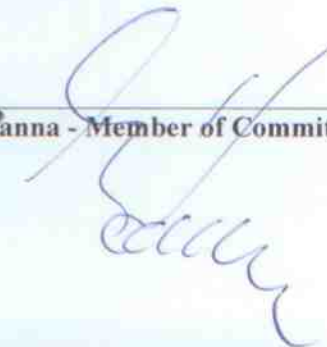
The notes to the financial statements are an integral part thereof.

Nazareth, September 20, 2011

Feras Zuabi - Member of Committee




Rose Hanna - Member of Committee



MASAR - Education Center (R.S.)

Statements of changes in net assets

	<u>Net assets on which there is no restriction</u>		<u>Net assets on which there are restrictions of a temporary nature</u>	<u>Total</u>
	<u>Used for activities</u>	<u>Used for fixed assets</u>		
	<u>NIS</u>	<u>NIS</u>		
Balance as at January 1, 2009	<u>(15,031)</u>	<u>69,025</u>	<u>40,919</u>	<u>94,913</u>
<u>Additions during the period</u>				
Revenues for the year	30,082	0	38,700	68,782
<u>Withdrawals during the period</u>				
Transfer of amounts on which there is no restriction - used for fixed assets	(1,250)	1,250	0	0
Amounts transferred to cover depreciation expenses	16,502	(16,502)	0	0
Release of amounts from restriction - used for fixed assets	---	0	0	0
Release of amounts from restriction - used for activities	76,815	0	(76,815)	0
Balance as at January 1, 2009	<u>107,118</u>	<u>53,773</u>	<u>2,804</u>	<u>163,695</u>
<u>Additions during the year</u>				
Revenues for the year	(152,760)	0	59,409	(93,351)
<u>Withdrawals during the year</u>				
Transfer of amounts on which there is no restrictions – used for fixed assets	(905)	905	0	0
Amounts transferred to cover depreciation expenses	13,571	(13,571)	0	0
Balance as at December 31, 2010	<u>(32,976)</u>	<u>41,107</u>	<u>62,213</u>	<u>70,344</u>

The notes to the financial statements are an integral part thereof.

Nazareth, September 20, 2011

Feras Zuabi - Member of Committee




Josef Hanna - Member of Committee



MASAR - Educational Center (R.S.)

Appendix 1

Direct expenses, according to activities

For the year ended December 31

	2010			2009		
	<u>Total</u>	<u>School</u>	<u>Dedicated activities</u>	<u>Total</u>	<u>School</u>	<u>Dedicated activities</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Groups and external pupil school activities	74,470	74,470	0	117,762	117,762	0
Food for the pupils	24,973	24,973	0	39,603	39,603	0
Transport and trips for pupils	24,089	24,089	0	18,685	18,685	0
Schoolbooks and pedagogic accessories	3,325	3,325	0	51,022	12,322	38,700
Revaluation of reserve for doubtful debts - Note 7	59,677	59,677	0	75,910	75,910	0
Community activity expenses	9,827	9,827	0	11,731	11,731	0
School club expenses	25,430	25,430	0	8,694	8,694	0
German EFP project expenses	7,705	0	7,705	0	0	0
Bad debts	45,950	45,950	0	0	0	0
Total direct expenses	275,446	267,741	7,705	323,407	284,707	38,700

The notes to the financial statements are an integral part thereof.

Nazareth, September 20, 2011

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Appendix 2

General, administrative and financing expenses, according to activities

For the year ended December 31

	2010				2009			
	Total	School	Dedicated	Admini-	Total	School	Dedicated	Admini-
	NIS	NIS	Activities	stration NIS	NIS	NIS	Activities	stration NIS
Telephone and post	5,838	1,460	0	4,379	5,496	1,374	0	4,122
Cellular phone expenses	8,941	2,235	0	6,706	5,285	1,321	0	3,964
Electricity expenses	3,289	822	0	2,467	4,550	1,138	0	3,413
Mineral water expenses	841	0	0	841	1,143	0	0	1,143
Stationery and printing	11,267	9,143	0	2,124	5,755	4,604	0	1,151
Vacating paper waste expenses	824	824	0	0	1,688	1,688	0	0
Computer network service and programming	8,343	6,257	0	2,086	13,715	7,745	0	5,970
Administrative expenses	2,400	708	0	1,692	8,029	6,423	0	1,606
Translating expenses	0	0	0	0	1,000	800	0	200
Internet subscription	3,395	849	0	2,546	3,144	786	0	2,358
Rent	12,200	3,050	0	9,150	16,200	4,050	0	12,150
Nazareth Municipality taxes	2,499	625	0	1,874	3,280	820	0	2,460
Current maintenance and cleaning of office	2,490	0	0	2,490	3,125	0	0	3,125
Bookkeeping and auditing	56,380	45,104	0	11,276	40,545	32,436	0	8,109
Levies and licenses	1,213	0	0	1,213	1,180	0	0	1,180
Institutions, linkage and interest	6,528	4,896	0	1,632	0	0	0	0
Legal expenses	12,200	0	0	12,200	0	0	0	0
Insurance	4,500	0	0	4,500	4,174	1,044	0	3,131
Maintenance of school	2,992	2,992	0	0	11,852	11,852	0	0
Further study and training	3,979	3,979	0	0	7,320	0	0	7,320
Bank commissions and expenses	8,824	7,942	0	882	8,415	7,574	0	842
Credit card commissions	2,683	2,683	0	0	6,440	6,440	0	0
Bank interest	441	441	0	0	2,136	2,136	0	0
Loan interest	0	0	0	0	952	857	0	95
Less: revenues from short-term deposit interest	0	0	0	0	(28)	(25)	0	(3)
Rate of exchange differences and foreign currency balances	2,537	0	2,537	0	(2)	(2)	0	0
Depreciation for the year	13,571	6,739	0	6,832	16,502	6,583	0	9,918
Total general and administrative expenses	178,175	100,748	2,537	74,890	171,895	99,643	0	72,252

The notes to the financial statements are an integral part thereof.

Nazareth, September 20, 2011


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MASAR - Educational Center (R.S.)
Appendix 3
Statements of activities, according to activities

For the year ended December 31

	2010				2009			
	<u>Total</u>	<u>School</u>	<u>Dedicated</u>	<u>Admini-</u>	<u>Total</u>	<u>School</u>	<u>Dedicated</u>	<u>Admini-</u>
	<u>NIS</u>	<u>NIS</u>	<u>Activities</u>	<u>stration</u>	<u>NIS</u>	<u>NIS</u>	<u>Activities</u>	<u>stration</u>
			<u>NIS</u>	<u>NIS</u>			<u>NIS</u>	<u>NIS</u>
Turnover from activities								
Revenues from study and service programs:								
Study and service programs	1,125,600	1,125,600	0	0	1,067,200	1,067,200	0	0
Less: Discounts to "brother pupils"	(74,330)	(74,330)	0	0	(60,120)	(60,120)	0	0
Less: Socio-economic discounts	(64,682)	(64,682)	0	0	(63,430)	(63,430)	0	0
Revenues from Nazareth Municipality	561,135	561,135	0	0	424,964	424,964	0	0
Revenues from group activities	11,510	11,510	0	0	53,263	53,263	0	0
Study plans and services - net	1,559,233	1,559,233	0	0	1,421,877	1,421,877	0	0
Other revenues:								
Revenues from donations	18,084	18,084	0	0	78,130	4,880		73,250
Revenues from earmarked donations	49,980	0	49,980	0	38,700	0	38,700	0
Revenues from community activities	64,429	40,597	23,832	0	12,065	12,065	0	0
Revenues from increase in value of severance pay fund	689	689	0	0	2,129	2,129	0	0
Revenues from collecting beverage containers for recycling	599	599	0	0	448	448	0	0
Total revenues from activities	1,693,014	1,619,202	73,812	0	1,553,349	1,441,399	38,700	73,250
Cost of activities								
Labor costs:								
Salaries	1,102,767	1,000,654	3,737	98,376	852,577	762,397	31,569	58,611
National insurance expenses - employer	43,164	38,746	144	4,274	31,823	28,060	1,429	2,334
Current provision for provident and severance pay funds	62,113	51,844	0	10,269	32,025	25,083	2,520	4,422
Revaluation of reserve for severance pay, net	42,510	42,510	0	0	9,120	9,120	0	0
Salary tax	82,190	74,791	280	7,119	63,720	56,800	2,597	4,323
Total labor expenses	1,332,744	1,208,545	4,161	120,038	989,265	881,460	38,115	69,690
Direct expenses (Appendix 1)	275,446	267,741	7,705	0	323,407	284,707	38,700	0
General administrative expenses (Appendix 2)	172,514	97,624	0	74,890	162,397	90,237	0	72,160
Net financing expenses (Note 9)	5,661	3,124	2,537	0	9,498	9,406	0	92
Total cost of activities	1,786,365	1,577,034	14,403	194,928	1,484,567	1,265,810	76,815	141,942
Surplus (deficit from activities)	(93,351)	42,168	59,409	(194,928)	68,782	175,589	(38,115)	(68,692)

The notes to the financial statements are an integral part thereof.

Nazareth, September 20, 2011


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MASAR - Educational Center (R.S.)

Appendix 4

Net assets on which there is a restriction, balances and changes

	<u>For the year ended December 31, 2010</u>		
	<u>Total</u>	<u>Catherine Ames</u>	<u>EFP Project</u>
	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Balance as at January 1, 2010	2,804	2,804	0
Revenues during 2010	73,812	0	73,812
Total sources	76,616	2,804	73,812
Direct expenses	14,403	0	14,403
Balance as at December 31, 2010	62,213	2,804	59,409

The notes to the financial statements are an integral part thereof.

Nazareth, September 20, 2011

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MASAR - Educational Center (R.S.)

Notes to the financial statements for 2010

1. General

- a. The MASAR Society is registered as Society No. 58-034-187-3 as from March 9, 2000.
- b. The objects of the MASAR Society:
- 1) To contribute to the development of culture which respects and values differences both in the Arab society and in society in general.
 - 2) To contribute to the development and promotion of a new approach to education.
 - 3) To promote system changes in government policies and that of the Ministry of Education in order to provide the educational and social needs of the Arab society in Israel.
- c. In order achieve these objects, the MASAR Society develops and forms an alternative educational environment by:
1. Documentation, research and development of educational activities in the MASAR school in the elementary and high schools stages.
 2. Documentation, research and development in the process of training the team of teachers for alternative teaching and the development of a different educational environment.
 3. Connections with institutions (such as academic and others) and/or individuals engaged in education in general and alternative education in particular.
 4. Change in the policy and procedures of the central and local authorities for managing educational systems by creating a different culture of management with the MASAR school.
 5. Distribution of know-how formulated by providing consulting and support to new initiatives and/or the distribution of documents for systems engaged in education, including the Ministry of Education and the local authority.

Therefore, the flagship project, the school, is considered an engine which operates the other activities, in the research field, training teachers, changing policy and disseminating know-how.

2. Accounting policies

a. Discontinuation of the adjustment of the financial statements:

In 2001 the Israel Accounting Standards Board published Accounting Standard No. 12, the discontinuation of the adjustment of the financial statements. According to this standard - after the implementation starting date was amended according to Standard 17 published in October 2002, the adjustment of the financial statements to inflation was discontinued as from January 1, 2004.

b. Starting point for the preparation of financial statements:

1. The Society prepared its balance sheet as at December 31, 2003 on the basis of historical cost adjusted to the consumer price index. This adjusted

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amount, included in the balance sheet as at December 31, 2003 (the transition date) served as a starting point for nominal financial reporting as from January 1, 2004. Additions made during the year were included at their nominal values.

2. In the balance sheet as at December 31, 2004, "cost" means cost in reported amounts.
3. Comparative figures in the balance sheet - as at December 31, 2003 - are presented after being adjusted to the index of the previous reporting period (i.e., the index of the transition date, the index for December 2003).

c. The financial statements in reported amounts:

1. Definitions

Transition date - December 31, 2003.

Adjusted amount - the nominal historical amount adjusted according to the provisions of Pronouncements 23 and 36.

Reported amount - the adjusted amount on the transition date plus amounts in nominal values added after the transition date, and less amounts after the transition date (withdrawal of amounts after the transition date were made in nominal historical value, in adjusted values on the transition date, or a combination of nominal historic amounts adjusted to the transition date, whichever relevant).

2. Balance sheet

- a. Non-monetary items are presented at their reported amounts.
- b. Monetary items are presented in the balance sheet at their nominal historical amounts on the balance sheet date.

3. Statement of activities

All the items of the statement of activities are presented in nominal historical amounts.

4. Statement of changes in net assets

- a. On the dates and periods of report up to December 31, 2003, this statement was presented in nominal historic amounts plus adjusted amounts as required by the pronouncements of the Institute of Certified Public Accountants in Israel, which are presented jointly and separately, whichever relevant.
- b. On the dates and periods of report after December 31, 2003, this statement is presented in reported amounts.

3. Other receivables

<u>Description</u>	<u>As at December 31</u>	
	<u>2010</u> <u>NIS</u>	<u>2009</u> <u>NIS</u>
Balance of returned checks	18,519	11,321
Supplies and debit	28,254	3,897
Revenues receivable - Nazareth Municipality	59,416	34,181
Balance of Hadas severance pay	10,582	9,782
Transition account/clarifications	1,033	2,874
Total	117,804	62,166


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4. Fixed assets

<u>Description:</u>	<u>Electrical</u>	<u>Office</u>	<u>Musical</u>	<u>Total</u>
	<u>Equipment</u>	<u>Furniture</u>	<u>Instruments</u>	
Adjusted cost:	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>	<u>NIS</u>
Adjusted balance as at January 1, 2010	117,965	10,425	46,127	174,517
Acquisitions during the year	0	905	0	905
Sales during the year	0	0	0	0
Total adjusted cost as at December 31, 2010	117,965	11,330	46,127	175,422
Accumulated adjusted depreciation:				
Adjusted balance as at January 1, 2010	93,356	4,491	22,898	120,745
Depreciation for the current year	6,108	724	6,739	13,571
Depreciation on sales in the year	0	0	0	0
Total accumulated adjusted depreciation as at December 31, 2010	99,464	5,215	29,637	134,316
Adjusted depreciated balance as at December 31, 2010	18,501	6,115	16,490	41,106

*List of items of fixed assets and depreciation on them are detailed in the depreciation form attached on pages 11-12.

5. Other payables

<u>Description</u>	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
	<u>NIS</u>	<u>NIS</u>
Suppliers	7,627	26,095
Government agencies	21,624	55,873
Further Study Fund - First	2,166	0
International Bank		
Menorah Mivtahim	11,630	5,222
Severance pay fund	1,267	0
Accrued expenses	1,397	0
Amal Jezreel Project	0	1,286
Mercantile - dollar current account	7	1
Total	45,718	88,477

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