

**THE FRIENDS OF THE
ARAVA INSTITUTE, LTD**

Financial Statements

December 31, 2016

*David L. Gittes, P.C.
Certified Public Accountant*

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.

DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Friends of the Arava Institute, Ltd.
Newton Centre, MA 02459

Report on the Financial Statement

We have audited the accompanying financial statements of The Friends of the Arava Institute, Ltd., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Friends of the Arava Institute, Ltd. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of The Friends of the Arava Institute, Ltd. as of December 31, 2015 were audited by other auditors whose report dated September 21, 2016, expressed an unmodified opinion on those statements.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2016 and 2015 proforma other organization activities, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

David L. Gittes, P.C.
Feasterville, PA

October 26, 2017

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	\$ 719,124	\$ 143,029
Contributions Receivable	184,932	124,997
Cash Savings for Operations	250,665	750,394
Prepaid Expenses	<u>11,533</u>	<u>-0-</u>
Total Current Assets	<u>1,166,254</u>	<u>1,018,420</u>
Equipment, net of accumulated depreciation of \$9,158 in 2016 and \$7,400 in 2015	<u>3,417</u>	<u>5,175</u>
Other Assets		
Security Deposit	4,775	4,275
Beneficial Interest in Assets held by Trustee	<u>676,000</u>	<u>600,000</u>
	<u>680,775</u>	<u>604,275</u>
Total Assets	<u>\$ 1,850,446</u>	<u>\$1,627,870</u>
LIABILITIES		
Accounts Payable	\$ 209,275	\$ 122,602
Due to AIES for Tuition	61,569	189,797
Deferred Income	<u>33,060</u>	<u>34,182</u>
Total Liabilities	<u>303,904</u>	<u>346,581</u>
NET ASSETS		
Unrestricted	652,542	459,289
Temporarily Restricted	218,000	222,000
Permanently Restricted	<u>676,000</u>	<u>600,000</u>
Total Net Assets	<u>1,546,542</u>	<u>1,281,289</u>
Total Liabilities and Net Assets	<u>\$ 1,850,446</u>	<u>\$ 1,627,870</u>

See Accompanying Notes to Financial Statements

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

UNRESTRICTED NET ASSETS	<u>2016</u>	<u>2015</u>
Support and Revenue		
Contributions	\$ 633,366	\$ 245,906
Foundations	105,895	1,114,409
Other Income	6,568	-0-
Distribution From Trust	31,342	30,000
Interest Income	<u>302</u>	<u>393</u>
	<u>777,473</u>	<u>1,390,708</u>
Special Event Revenue	977,912	819,232
Less: Cost of Program	<u>572,111</u>	<u>499,665</u>
	<u>405,801</u>	<u>319,567</u>
Total Unrestricted Support and Revenue	1,183,274	1,710,275
NET ASSETS RELEASED FROM RESTRICTIONS	<u>186,000</u>	<u>160,000</u>
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	<u>1,369,274</u>	<u>1,870,275</u>
EXPENSES		
Program Services	739,084	1,113,250
Management and General	205,470	122,006
Fundraising	<u>231,467</u>	<u>193,281</u>
Total Unrestricted Expenses	<u>1,176,021</u>	<u>1,428,537</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>193,253</u>	<u>441,738</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	182,000	207,000
Released from Restrictions	<u>(186,000)</u>	<u>(160,000)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(4,000)</u>	<u>47,000</u>
PERMANENTLY RESTRICTED NET ASSETS		
Unrealized Gains	<u>76,000</u>	<u>-0-</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>76,000</u>	<u>-0-</u>
CHANGE IN NET ASSETS	265,253	488,738
NET ASSETS, BEGINNING OF YEAR	<u>1,281,289</u>	<u>792,551</u>
NET ASSETS, END OF YEAR	<u>\$ 1,546,542</u>	<u>\$ 1,281,289</u>

See Accompanying Notes to Financial Statements

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Program Services	Management & General	Fundraising	Total 2016
Salaries and Wages	\$274,767	\$84,887	\$87,121	\$446,775
Payroll Taxes and Benefits	36,236	11,195	11,490	58,921
Telephone & Utilities	5,868	1,813	1,861	9,542
Consulting	63,693	35,385	42,461	141,539
Office, Printing and Postage	9,531	2,944	3,022	15,497
Travel and Meetings	57,845	33,419	50,860	142,124
Insurance	512	1,669	162	2,343
Rent	22,140	6,840	7,020	36,000
Bank Service Charges		280		280
Internet and Computer Costs	11,598	3,583	3,678	18,859
Marketing & Advertising	29,994	9,266	9,510	48,770
Professional Fees		11,255		11,255
Support to AIES	55,796			55,796
Support to Hazon	170,023			170,023
Fundraising			13,940	13,940
Other Taxes and Fees	1,081	2,599		2,599
Depreciation		335	342	1,758
	<u>\$739,084</u>	<u>\$205,470</u>	<u>\$231,467</u>	<u>\$1,176,021</u>

See Accompanying Notes to Financial Statements

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program Services	Management & General	Fundraising	Total 2015
Salaries and Wages	\$269,637	\$60,002	\$82,733	\$412,372
Payroll Taxes and Benefits	44,082	9,819	13,525	67,426
Telephone & Utilities	4,818	2,409	2,409	9,636
Consulting	46,998	26,660	23,482	97,140
Office, Printing and Postage	8,627	4,042	3,047	15,716
Travel and Meetings	78,935	510	41,490	120,935
Insurance	997	997		1,994
Rent	17,250	8,625	8,625	34,500
Bank Service Charges		447		447
Internet and Computer Costs	8,942		5,693	14,635
Marketing & Advertising	30,986	2,290	12,277	45,553
Professional Fees		5,680		5,680
Support to AIES	447,464			447,464
Support to Hazon	152,941			152,941
Depreciation	1,573	525		2,098
	<u>\$1,113,250</u>	<u>\$122,006</u>	<u>\$193,281</u>	<u>\$1,428,537</u>

See Accompanying Notes to Financial Statements

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 265,253	\$ 488,738
Adjustments to Reconcile Increase in Net Assets to Net Cash From Operating Activities:		
Unrealized Gains	(76,000)	-0-
Depreciation	1,758	2,098
Change in Working Capital Pertaining to:		
Contribution Receivable	(59,935)	41,395
Prepaid Expenses	(11,533)	-0-
Security Deposit	(500)	-0-
Accounts Payable and Accrued Expenses	(41,555)	101,131
Deferred Income	<u>(1,122)</u>	<u>34,182</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>76,366</u>	<u>667,544</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment Purchases	-0-	(5,000)
Savings for Operations	<u>499,729</u>	<u>(750,394)</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>499,729</u>	<u>(755,394)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-0-</u>	<u>-0-</u>
CHANGE IN CASH	576,095	(87,850)
CASH, BEGINNING OF YEAR	<u>143,029</u>	<u>230,879</u>
CASH, END OF YEAR	<u>\$ 719,124</u>	<u>\$ 143,029</u>
INTEREST PAID	<u>\$ -0-</u>	<u>\$ -0-</u>
INCOME TAXES PAID	<u>\$ -0-</u>	<u>\$ -0-</u>

See Accompanying Notes to Financial Statements

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Objectives of the Organization

The Friends of the Arava Institute, Ltd. is a not-for-profit corporation established in the state of New York. Formerly known as Machon Ha Arava North America, Ltd., the name was legally changed in 2007. The Organization's goal is to provide scholarship and general support to the Arava Institute for Environmental Studies located on Kibbutz Ketura, Israel. The major source of revenue is contributions and special events.

Promises to Give

Contributions are recognized when the donor makes a promise to give to The Friends of the Arava Institute, Ltd. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contribution Receivable

Contribution receivable due within one year is recorded at the undiscounted amount of contributions. A provision for doubtful accounts has not been established as management considers all accounts to be collectible based upon a favorable history over a substantial period of time.

Contributed Services

During the years ended December 31, 2016 and 2015, no amounts have been included in the financial statements for donated services. The Friends of the Arava Institute, Ltd. pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist The Friends of the Arava Institute, Ltd.

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization's policy is to review and evaluate subsequent events for disclosure or recognition during the period after its year-end until the date the financial statements are available to be issued, the report date of October 26, 2017.

Classification of Net Assets

The Organization prepares financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, Presentation of Financial Statements. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, according to the existence of absence or donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization.

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

The Friends of the Arava Institute, Ltd. is a not-for-profit organization that is exempt from income taxes under Code Section 501 (c) (3) of the Internal Revenue Code.

The Organization has adopted current accounting principles for uncertain income tax positions which require evaluation of tax positions taken on its income tax returns and recognizing a tax asset or liability if the position would not be sustained under audit. The Organization's policy is to record interest and penalties from tax examinations as income taxes. For federal income tax purposes, the returns remain open for possible examination three years after they are filed.

Cash and Cash Equivalents

For purposes of the statements of cash flows, The Friends of the Arava Institute, Ltd. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Property, Equipment and Depreciation

The Organization's policy is to capitalize property and equipment over \$1,000; lesser amounts are expensed. Property and equipment are stated at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation is provided on a straight-line method over the estimated useful lives of the respective assets.

Beneficial Interest in Assets Held by Trustees

The beneficial interest in assets held by trustees are stated at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for discussion of fair value measurements. The original asset transfer was recognized as a permanently restricted contribution.

Advertising

Advertising is expensed when incurred.

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2. BENEFICIAL INTEREST IN ASSETS HELD BY TRUSTEES

The Organization is the beneficiary of trust accounts held in perpetuity by a trustee with no financial relationship, and is entitled to a portion of the annual distributions. The Organization received \$31,342 and \$30,000 of distributions from the trust during the years ended December 31, 2016 and 2015, respectively. Distributions from this trust are available for general use by the Organization, however all funds received must be used within the United States or its possessions.

NOTE 3. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of December 31, 2016 for the following purposes:

Solar powered Desalination Technology	\$ 15,000
Support Designated for Future Period	<u>203,000</u>
	<u>\$ 218,000</u>

Temporarily restricted net assets of \$186,000 were released from restrictions for general operations during the year ended December 31, 2016.

Permanently restricted net assets are available as of December 31, 2016 for the following purposes:

General Operations – Beneficial Interest in Assets	
Held by Trustees	<u>\$ 676,000</u>
	<u>\$ 676,000</u>

Permanently restricted net assets were increased by unrealized gains of \$76,000 during the year ended December 31, 2016.

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets are available as of December 31, 2015 for the following purposes:

Solar-Powered Desalinization Technology	\$ 15,000
Support Designated for Future Period	<u>207,000</u>
	<u>\$ 222,000</u>

Temporarily restricted net assets of \$160,000 were released from restrictions for general operations during the year ended December 31, 2015.

Permanently restricted net assets are available as of December 31, 2015 For the following purposes:

General Operations – Beneficial Interest in Assets Held by Trustees	\$ 600,000
	<u>\$ 600,000</u>

NOTE 4. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 5. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization believes it is not exposed to any significant credit risk.

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 6. OTHER ORGANIZATION ACTIVITIES

The Friends of the Arava Institute (FAI) has an agreement with a National Fundraising Organization to provide direct support for the Arava Institute for Environmental Studies (AIES). This agreement provides that FAI provide direct and indirect support to this organization to solicit donors who direct the contribution to the AIES through this Organization. That organization makes distributions to the AIES. Certain Charitable Foundations and other Organizations elect to make direct donations to AIES in a similar manner. FAI provides direct and indirect support to facilitate these donations.

NOTE 7. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e. the “exit price”) in an orderly transaction between market participants.

In determining the fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – significant inputs to the valuation model are unobservable.

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 7. FAIR VALUE MEASUREMENTS
(continued)

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used as of December 31, 2016 and 2015.

Beneficial Interest – Valued at the closing price reported for similar assets in the markets that are not active.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following tables set forth, by level, the Organization’s investments at fair value, within the fair value hierarchy, as of December 31, 2016 and 2015:

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>Total</u>
<u>December 31, 2016</u>					
Beneficial Interest	<u>\$676,000</u>	<u>-0-</u>	<u>\$676,000</u>	<u>-0-</u>	<u>\$676,000</u>
<u>December 31, 2015</u>					
Beneficial Interest	<u>\$600,000</u>	<u>-0-</u>	<u>\$600,000</u>	<u>-0-</u>	<u>\$600,000</u>

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 7. FAIR VALUE MEASUREMENTS
(continued)

All assets have been valued using a market approach, except for Level 3 assets. Level 3 assets are valued using the income approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. Fair values for assets in Level 3 are calculated using assumptions about discounted cash flow and other present value techniques. There were no changes in the valuation techniques during the years ended December 31, 2016 and 2015.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2016 and 2015 there were no transfers into or out of Levels 1, 2 or 3.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Pension Plan

Effective April 1, 2017, the Organization adapted a defined-contribution retirement plan under Section 403(b) of the Internal Revenue Code covering all eligible employees. Employees may contribute a percentage of their eligible gross wages to the plan. The Organization does not contribute to the plan.

Operating Leases

Effective May 1, 2017, the Organization has entered into a lease for its facility expiring in March 2023 which has been accounted for as operating lease.

The annual future minimum payments under this lease with remaining term in excess of one year are as follows:

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8. COMMITMENTS AND CONTINGENCIES
(continued)

Operating Leases (continued)

Years Ending December 31

2017	\$ 27,642
2018	43,631
2019	45,799
2020	47,425
2021	49,051
2022	50,677
2023	<u>17,073</u>
	<u>\$ 281,298</u>

In 2017, the Organization entered into a one year sublease of part of its facility for \$1,000 per month.

NOTE 9. NEW ACCOUNTING PRONOUNCEMENTS

Revenue Recognition – Foundation Awards and Contributions

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU introduced a comprehensive, principles-based framework for recognizing revenue, and, when effective, will supersede the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and virtually all industry-specific revenue recognition guidance in the FASB ASC. The ASU is intended to improve GAAP by providing a framework to address revenue recognition issues, creating more consistency and comparability of revenue recognition practices across entities and industries, and improving the usefulness of information provided to financial statement users through more robust disclosure requirements. Subsequent to the issuance of ASU 2014-09, the FASB issued a number of ASU's clarifying certain matters in ASU 2014-09. Those subsequent ASUs have the same effective dates as ASU 2014-09 (see discussion in the following paragraph).

THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 9. NEW ACCOUNTING PRONOUNCEMENTS
(continued)

Revenue Recognition – Foundation Awards and Contributions
(continued)

In August 2015, the original effective dates of SU 2014-09 were deferred by one year through the issuance of ASU 2015-14, Revenue from Contracts with Customers with (Topic 606): Deferral of the Effective Date.

For nonpublic entities, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Early application is allowed for nonpublic entities, but no earlier than annual reporting periods beginning after December 15, 2016, including interim reporting periods within that period.

Alternatively, the ASU can be applied to annual reporting periods beginning after December 15, 2016, and interim reporting periods within annual reporting periods beginning one year after the year of initial adoption.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which, among other things, requires the recognition of lease assets and lease liabilities on the balance sheet of lessees, along with the disclosure of key information about leasing arrangements. When effective, the ASU will supersede FASB ASC 840, Leases, and add Topic 842, Leases, to the FASB ASC. The ASU is effective for nonpublic entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. In addition to replacing FASB ASC 840 with FASB ASC 842, the ASU amends and supersedes a number of other Topics throughout the FASB ASC.

**THE FRIENDS OF THE ARAVA INSTITUTE, LTD.
PROFORMA – OTHER ORGANIZATION ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015
(UNAUDITED)**

UNRESTRICTED NET ASSETS	<u>2016</u>	<u>2015</u>
Support and Revenue		
Contributions	\$ 488,366	\$ 245,906
Foundations	250,895	1,114,409
Distributions from Trust	31,342	30,000
Other Income	6,568	-0-
Interest Income	<u>302</u>	<u>393</u>
	<u>777,473</u>	<u>1,390,708</u>
 Direct Support through third parties		
Foundations	-0-	72,000
Contributions	748,971	795,909
Student Tuition	<u>-0-</u>	<u>34,950</u>
	<u>748,971</u>	<u>902,859</u>
 Special Event Revenue	977,912	856,905
Less: Cost of Program	<u>572,111</u>	<u>499,665</u>
	<u>405,801</u>	<u>357,240</u>
Total Unrestricted Support and Revenue	<u>1,932,245</u>	<u>2,650,807</u>
 NET ASSETS RELEASED FROM RESTRICTIONS	<u>186,000</u>	<u>160,000</u>
 TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	<u>2,118,245</u>	<u>2,810,807</u>
 EXPENSES		
Program Services	1,488,055	2,053,782
Management and General	205,470	122,006
Fundraising	<u>231,467</u>	<u>193,281</u>
Total Unrestricted Expenses	<u>1,924,992</u>	<u>2,369,069</u>
 CHANGE IN UNRESTRICTED NET ASSETS	<u>193,253</u>	<u>441,738</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	182,000	207,000
Released from Restrictions	<u>(186,000)</u>	<u>(160,000)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(4,000)</u>	<u>47,000</u>
 PERMANENTLY RESTRICTED NET ASSETS		
Unrealized Gains	<u>76,000</u>	<u>-0-</u>
 CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	<u>76,000</u>	<u>-0-</u>
 CHANGE IN NET ASSETS	265,253	488,738
 NET ASSETS, BEGINNING OF YEAR	<u>1,281,289</u>	<u>792,551</u>
 NET ASSETS, END OF YEAR	<u>\$ 1,546,542</u>	<u>\$1,281,289</u>

The schedule above is a proforma of the operations of FAI including the support provided directly to AIES through various direct donors. This schedule does not reflect permanently restricted endowments received in 2016 in the amount of \$900,000 since they are beneficial interest in trusts held by outside third parties.