

**The Arava Institute for Environmental Studies  
(Registered Association)**

**Financial Statements**

**As of December 31, 2013**

# **The Arava Institute for Environmental Studies (Registered Association)**

**As of December 31, 2013**

## **Table of Contents**

	<b>Page</b>
<b>Auditors' Report</b>	2
<b>Financial Statements</b>	
Balance Sheets	3
Activity Reports	4
Statements of Changes in Net Assets	5
Statements of Cash Flow	6 - 7
Notes to the Financial Statements	8 - 15
<b>Appendix :</b>	
Notification relating to highest paid employees in the Association	16
List of donors to the Association in excess of NIS 20,000	17

**Auditor's Report to Members of the Association of  
The Arava Institute for Environmental Studies  
(Registered Association)**

We have audited the accompanying balance sheets of the **Arava Institute for Environmental Studies (Registered Association)** (hereinafter: "the Association") as of December 31, 2013 and 2012, and the statements of operations and of changes in net assets, and the cash flow reports for each of the years ending on these dates. These financial statements are the responsibility of the Board of Directors and the management of the Association. 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 Accountants' Regulations (Means of Operation of Accountants) 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes sample examination of evidence supporting the amounts and disclosures in the financial statements. An audit further incorporates an assessment of accounting principles implemented and of the substantial estimates made by the Association's Board of Directors and management, as well as an evaluation of the propriety of the entirety of the financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements reflect appropriately, by all material aspects, the financial situation of the Association as of December 31, 2013 and 2012, the outcomes of its operations and the changes in net assets for each of the years then ended – in nominal values.

Without qualifying our above opinion, we draw the attention of the reader to Note 3.3 of the Financial Statements regarding adjustment via restatement of the Financial Statements for 2012 so as to retroactively reflect the influence of correction of the error in calculation of equity losses that were recorded.

**Marcovich Cohen  
Certified Public Accountants**

The Arava Institute for Environmental Studies (Registered Association)

Balance Sheets

	<u>Note</u>	<u>December 31</u>	
		<u>2013</u>	<u>2012</u>
		<u>NIS</u>	<u>NIS</u>
<b><u>Assets</u></b>			
<b><u>Current Assets</u></b>			
Cash and cash equivalents		985,604	54,532
Grants and contributions receivable		430,927	1,259,875
Clients		515,521	9,115
Related Parties	3.4	135,146	131,241
Other debtors and debit balances	<u>5</u>	409,718	532,627
Total current assets		2,476,916	1,987,390
<b><u>Fixed Assets</u></b>			
Fixed asset costs	<u>6</u>	5,392,913	5,138,917
Accumulated depreciation		2,426,855	1,971,103
Net fixed assets		2,966,058	3,167,814
Total assets		5,442,974	5,155,203
<b><u>Liabilities and Net Assets</u></b>			
<b><u>Current Liabilities</u></b>			
Banks		-	130,777
Checks payable		269,140	186,739
Suppliers and service providers	3.2	508,533	722,433
Advanced grants and donations - scholarships		19,826	269,798
Advanced grants and donations – for projects	<u>8</u>	1,049,721	1,553,129
Related Parties	3.2	10,432	44,042
Other payables and credit balances	<u>7</u>	294,954	265,363
Total current liabilities		2,152,605	3,172,281
<b><u>Long-term Liabilities</u></b>			
Reserve for subsidiary losses*	3.3	105,501	108,398
Reserve for employee rights upon departure		655,890	-
Loan from interested parties and related entities	<u>4</u>	1,184,249	1,178,492
Total long term liabilities		1,945,640	1,286,890
Total liabilities		4,098,245	4,459,171
<b><u>Net Assets</u></b>			
Net assets for which there are no restrictions:			
Used for activities		(1,721,338)	(2,535,802)
Used for fixed assets		3,030,078	3,231,834
Net assets for which there are temporary restrictions			
Total net assets		1,308,739	696,032
Total liabilities and net assets		5,442,974	5,155,203

\*Restated

- Board Member

Board Member

Date of approval of the financial statements June 2014

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

The Arava Institute for Environmental Studies (Registered Association)

Activity Reports

		<b>For year ending December 31</b>	
	<u>Note</u>	<u>2013</u> <u>NIS</u>	<u>2012</u> <u>NIS</u>
<b><u>Turnover of Activities:</u></b>			
Donations		2,406,491	1,282,502
Tuition fees		1,855,283	1,316,209
Allocations, grants		3,798,790	4,162,171
Income from provision of services		162,769	101,703
Income from cash equivalents		118,680	
<b>Total turnover of activities</b>		<b>8,342,013</b>	<b>6,862,585</b>
<b><u>Costs of Activities:**</u></b>			
Salaries and work expenses		2,559,799	2,051,290
Project expenses	9	3,666,409	3,724,343
<b>Total cost of activities</b>		<b>6,226,208</b>	<b>5,775,633</b>
<b>Net income from activities</b>		<b>2,115,805</b>	<b>1,086,952</b>
<b>Management and General Expenses</b>			
10		<u>(1,376,103)</u>	<u>(882,944)</u>
<b>Net income (expenses) before financing</b>		<b>739,702</b>	<b>204,008</b>
Financing expenses	11	(93,377)	(87,636)
Other expenses		-	<u>(145,527)</u>
<b>Net expenses from regular activities</b>		<b>646,325</b>	<b>(29,155)</b>
Share of the Association in subsidiary earnings (losses)	3b	2,373	(55,028)
<b>Net annual surplus (deficit)</b>		<b>648,698</b>	<b>(84,183)</b>

\*Restated

\*\* Re-sorted

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

The Arava Institute for Environmental Studies (Registered Association)

Statements of Changes in Net Assets

	<u>Used for</u> <u>activities</u>	<u>Used for</u> <u>Activities</u> <u>Designated</u> <u>by NPO's</u> <u>Institutions</u>	<u>Used for</u> <u>Fixed</u> <u>Assets</u>	<u>Total</u>
<b>Balance at January 1, 2011</b>	(1,231,896)	_____	2,185,234	953,340
<b>Additions during 2011:</b>				
Net annual revenues	(173,335)		-	(173,335)
Used for Fixed Assets	(960,071)		(960,071)	-
<b>Subtractions during 2011:</b>				
Depreciation costs	224,884		(224,884)	-
<b>Balance as of December 31, 2011</b>	<u>(2,140,418)</u>	=====	<u>2,920,421</u>	<u>780,005</u>
<b>Additions during 2012:</b>				
Net annual revenues	(84,183)		-	(84,183)
Used for Fixed Assets	(725,953)		(725,953)	-
<b>Subtractions during 2012:</b>				
Depreciation costs	414,540		(414,540)	-
<b>Balance as of December 31, 2012</b>	<u>(2,536,014)</u>	_____	<u>3,231,834</u>	<u>695,822</u>
<b>Additions during 2013:</b>				
Net annual revenues	648,698		-	648,698
Used for Fixed Assets	(253,996)		253,996	-
<b>Subtractions during 2013:</b>				
Depreciation costs	455,752		(455,752)	-
<b>Balance as of December 31, 2013</b>	<u>(1,721,338)</u>	_____	<u>3,030,078</u>	<u>1,308,740</u>
	_____	_____	_____	_____
	_____	_____	_____	_____

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

The Arava Institute for Environmental Studies (Registered Association)

Notes to the Financial Statements

	<b>For year ending</b>	
	<b><u>December 31</u></b>	
	<b>2013</b>	<b>2012</b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
<b><u>Cash Flow from Ongoing Activity:</u></b>		
Net surplus (deficit) according to report of business results	648,698	(84,183)
<u>Adjustments needed for the presentation of cash flow from ongoing activity – Appendix A.</u>		
Income and expenses unrelated to cash flows	455,752	414,540
Changes to assets and liabilities	242,146	(288,819)
Total adjustments needed for the presentation of cash flow from ongoing activity – Appendix A.	697,898	125,691
<b>Total net cash resulting from ongoing activity</b>	<b>1,346,596</b>	<b>41,538</b>
<b><u>Cash Flow from Investment Activity:</u></b>		
Acquisition of fixed assets	(253,996)	(725,953)
Proceeds from realization of fixed assets		
Investment in subsidiaries and related companies	(2,897)	55,028
<b>Total net cash resulting from investment activity</b>	<b>(256,893)</b>	<b>(670,925)</b>
<b><u>Cash Flow from Financing Activity:</u></b>		
Short term bank credit, net	(130,777)	110,629
Loan received from interested parties and related entities	5,757	1,178,492
Short term loans received	(33,611)	(644,222)
<b>Total net cash resulting from financing activity</b>	<b>(158,631)</b>	<b>644,899</b>
<b>Increase (decrease) in cash and cash equivalent</b>	<b>931,072</b>	<b>15,514</b>
Cash balance and cash equivalent for the beginning of the year	54,532	39,018
Cash balance and cash equivalent for the end of the year	985,604	54,532

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

Notes to the Financial Statements

**Adjustments needed for the presentation of cash flow from ongoing activity – Appendix A.**

	<b>For year ending</b>	
	<b><u>December 31</u></b>	
	<b>2013</b>	<b>2012</b>
	<b><u>NIS</u></b>	<b><u>NIS</u></b>
<b><u>Income and expenses unrelated to cash flows:</u></b>		
Depreciation and amortization	455,752	414,540
<b><u>Changes to assets and liabilities:</u></b>		
Decrease (increase) in grants and contributions receivable	828,946	(894,576)
Decrease (increase) in accounts receivable and debit balances	122,909	94,966
Increase (decrease) in suppliers	(213,900)	218,580
Increase (decrease) in other payables and credit balances	29,591	94,291
Increase (decrease) in checks payable	82,400	(212,199)
Increase (decrease) in advanced grants and contributions	(753,380)	418,574
Increase (decrease) in customers	(506,405)	(7,860)
Decrease (increase) in related entities	(3,905)	(595)
Decrease (increase) in severance allowances	655,890	-
<b>Total changes to assets and liabilities</b>	<b>242,146</b>	<b>(288,819)</b>
<b>Total adjustments needed for the presentation of cash flow from ongoing activity – Appendix A.</b>	<b>697,898</b>	<b>125,691</b>

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



## **Note 1 - General**

### **The Objectives of the Association are as Follows:**

A. Cultivation and activities in the fields of education, science and culture:

Our mission is to create a world-class environmental teaching and research institute at Kibbutz Ketura, which will:

- Prepare future Arab and Jewish leaders to cooperatively solve the region's environmental challenges
- Maintain high academic standards
- Deliver teaching and trans-boundary research opportunities at the highest quality and level to students from the Middle East and from all over the world.
- Play a leading role in research, conservation, environmental protection and sustainable development in the region.
- Generate capacity for conciliation and cooperation in the Middle East, in order to transcend political boundaries and achieve environmental change.

B. Raising awareness and promotion of environmental quality.

## **Note 2 – Principal Accounting Policies**

### **A. Basis of Reporting**

The financial statements have been compiled on an accumulative basis. The Association adopts the principles set in Opinion 69 of the Institute of Certified Public Accountants in Israel and Standard no. 5 regarding accounting policy and the reporting practices of not-for-profit organizations.

### **Cash and cash equivalents**

Cash and cash equivalents include cash and deposits for a period of up to three months at the time of deposit and which are not restricted in their withdrawals.

### **C. Net Assets**

In the financial statements net assets are presented separately:

- a. Net assets for which there are no restrictions:
  - for ongoing activity
  - designated by the Association's institutions

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

**Notes to the Financial Statements**

- b. Net assets for which there are temporary restrictions:  
Assets that the use of which had been restricted by external factors.

**D. Linked Balances**

Financial balances in and linked to foreign currencies were presented in accordance with the representative exchange rates published by the Bank of Israel on December 31, 2013 – US \$1 = NIS 3.471, €1 = NIS 4.935 (on December 31, 2011 – US \$1 = NIS 3.631, €1 = NIS 4.9206).

- E. "Linked Parties"** – as defined in Opinion no. 29 of the Institute of Certified Public Accountants in Israel.

**F. Use of Estimates in the Preparation of Financial Statements**

Preparation of financial statements in accordance with accepted accounting policies requires the management to use estimates and evaluations affecting the amounts of the assets and liabilities presented in the financial statements, the discovery regarding conditioned assets and pending liabilities for the dates of the financial statements and the sums of income and expenditure in the reported periods. The actual results might differ from these estimates.

**G. Amendment 11 to the Associations Law of 1980**

On January 24, 2008, amendment no. 11 to the Associations Law came into force. The amendment states that an association whose turnover exceeds NIS 300,000 should mention in its financial report whether or not it received donations from "foreign political entities" of an accumulated value exceeding NIS 20,000 during the year of the report.

The Association received donations from "foreign political entities" in the year covered by this report, as follows:  
From the US Department of State, by means of USAID, NIS 892,889 for research.

[Back](#)

**Note 3 – Related Parties**

**3a) Kibbutz Ketura**

The Arava Institute was established by members of Kibbutz Ketura and resides in the

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

## The Arava Institute for Environmental Studies (Registered Association)

### Notes to the Financial Statements

Kibbutz itself, which provides the Institute an extensive array of services, including among others, student catering, dormitory rental, laundry services, rental of offices and halls and the like. A number of Kibbutz members are employees of the Institute.

This relationship is anchored in various agreements subject to each of the services provided by the Kibbutz, therefore the suppliers' balance includes a balance of NIS 10,432 debt to Kibbutz Ketura due to these services. This amount constitutes a part of the liabilities to suppliers and service providers in the balance sheet.

There is a further balance of advanced rent (NIS 339,002 as of December 31, 2013), see Note 5, which results from the total investment of the institute in the office building, which sums up to NIS 1,129,301. This last amount is depreciated annually for 10 years in accordance with Income Tax Regulations, starting in 2007, during which time it was agreed by the parties that this investment shall constitute the rent for a period of 24 years. Furthermore, the Institute is paying monthly nominal rent fees on the land for the entire period.

[Also](#) see Note 4.

#### 3b) "Arava Institute Research and Development, Ltd."

The Arava Institute holds full ownership of the subsidiary Arava Institute Research and Development Ltd.

The Arava Institute Research and Development Ltd. is a holding company, and it holds 50% of the stock of Arava EC&T Ltd, as well as 0.78% of Capital Nature Ltd., which invests in initiatives, research and development in the field of renewable energy.

This year equity losses of the subsidiary Arava EC&T Ltd. for the year 2013 were included in the sum of NIS 2,373.

The cumulative amount of the equity losses amounts to NIS 134,301.

These Financial Statements include adjustment in the form of representation as of December 31, 2012 of equity losses. As the result of an error, equity losses were recorded last year in the amount of NIS 90,018, while the correct figure was NIS 55,028, which was thus corrected.

#### 3c) Arava EC&T Ltd.

**Arava EC&T is an implementation company, whereby Arava Institute Research and Development Ltd. is a 50% partner, and A3 Ltd. is a 50% partner. The company emerged from the vision of the Arava Institute and with full identification with its values. The company constitutes a connecting link between economics, environment and society, through three major channels of activity:**

Consultation and management of projects in the environmental field.

Support and development of technological research on environmental issues and environmental technologies.

Development of social awareness to environmental issues by means of legislation and media.

There is a debt for running costs of Arava EC&T Ltd. in the sum of NIS 135,146. Due to flow difficulties these were paid by the Arava Institute.

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

**The Arava Institute for Environmental Studies (Registered Association)**

**Notes to the Financial Statements**

**3d) Global Sun Israel L.P.**

The Arava Institute holds 1% of the partnership rights of Global Sun Israel Ltd. (Arava Power), a company for the development and production of solar energy. These rights are pledged to Kibbutz Ketura for the loan given to the Institute by the Kibbutz. See Note 4

**Note 4 - Loans from interested parties and related entities**

- a. Kibbutz Ketura loaned a total of \$200,000 to the Arava Institute; as collateral for this loan, the rights to the Arava Institute for Environmental Studies in partnership with Global Sun Israel LTD have been pledged to Kibbutz Ketura. This pledge is the sole collateral for this loan; in addition, a date to begin returning the loan has not yet been determined.
- b. An additional loan totaling \$100,000 has been received from friends at the Friends of Arava Institute Foundation – United States. The Institute will return the principle on December 31, 2014. The Institute is paying annual interest at the rate of US prime + 3%.

**Note 5 - Other debtors and debit balances**

**Composition**

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
	<b>ח"ש</b>	<b>ח"ש</b>
Prepaid expenses – advanced rent	343,401	451,902
Loans to students	30,579	34,458
Others	11,020	22,539
Income tax	24,718	23,728
Total other assets receivable and debit balances	409,718	532,627

[Back](#)

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

Notes to the Financial Statements

**Note 6 – Fixed Assets**

	<b><u>Buildings and improvements</u></b>	<b><u>Computers</u></b>	<b><u>Furniture and Equipment</u></b>	<b><u>Vehicles</u></b>	<b><u>Total</u></b>
<b><u>Cost</u></b>					
Balance at January 1, 2013	3,061,931	726,204	1,227,292	123,490	5,138,917
Additions during the year	185,443	7,925	60,628	-	253,996
Subtractions during the year	-	-	-	-	-
Balance as of December 31, 2013	3,247,374	734,129	1,287,920	123,490	5,392,913
<b><u>Accumulated depreciation</u></b>					
Balance at January 1, 2013	694,308	623,789	574,521	78,485	1,971,103
Additions during the year	269,647	52,418	108,989	24,698	455,753
Subtractions during the year	-	-	-	-	-
Balance as of December 31, 2013	963,955	676,207	683,510	103,183	2,426,855
<b>Depreciated value as of December 31, 2013</b>	<b>2,283,419</b>	<b>57,922</b>	<b>604,410</b>	<b>20,307</b>	<b>2,966,058</b>
<b>Depreciated value as of December 31, 2012</b>	<b>2,367,623</b>	<b>102,415</b>	<b>652,771</b>	<b>45,005</b>	<b>3,167,814</b>

\* Detailing of the fixed assets is available in the depreciation form.

[Back](#)

**Note 7 - Other payables and credit balances**

**Composition**

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
	<b><u>n"ש</u></b>	<b><u>n"ש</u></b>
Institutions (income tax, National Insurance)	23,684	20,965
Employees in respect of salaries	78,103	87,304
Advances from customers	25,195	82,479
Students	41,739	39,462
Pension funds and study funds	47,432	29,693
Credit cards	5,234	(59)
Expenses payable	70,581	-
Miscellaneous	2,986	5,518
Total other payables and credit balances	294,954	265,363

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

Notes to the Financial Statements

[Back](#)

**Note 8 – Income and Advanced Grants**

In 2012, a total of approximately 490 thousand Euro was received from the European Union for a project which will be carried out entirely in the year 2013. Since these are earmarked funds which have even been deposited in a separate bank account (under the name of the Arava Institute), it has been decided that the sum will be presented in our statements as an offset advanced grant.

**Note 9 – Cost of activities and project expenses**

Overhead expenses	608,393	637,559
Insurance	57,167	73,064
Mail and telephone	35,942	39,220
Computerization	40,484	45,335
Electricity and gas	69,903	84,235
Levies	8,973	8,188
Travel	829,136	1,000,312
Overseas travel	24,532	68,774
Professional literature and training courses	1,304	972
Subcontractors and consultants	556,782	450,825
Miscellaneous	32,826	103,429
Packages	1,624	19,781
Rental fees	256,316	148,755
Office and administration	41,537	26,947
Lecturers and instructors	224,862	127,858
Conferences and workshops	557,866	640,377
Refreshments and per diem	16,083	55,785
Materials	179,685	59,002
Maintenance and repair	43,002	35,778
Advertising and marketing	75,972	69,537
Fundraising expenses	-	387
Fines	-	252
Financing expenses	4,020	27,971
11		
Total administrative and general expenses	3,666,409	3,724,343

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

Notes to the Financial Statements

**Note 10 - Management and General Expenses** **10**

	<u>For the year ended December 31</u>	
	<u>2013</u>	<u>2012</u>
	<u>NIS</u>	<u>NIS</u>
Salaries	818,530	656,723
Travel	49,106	43,831
Rental fees	101,291	112,900
Office and administration	65,070	42,183
Insurance	22,037	8,860
Mail and telephone	14,324	20,998
Advertising and marketing	152,185	97,047
Hospitality	14,601	5,796
Electricity and gas	20,524	27,516
Computerization expenses	57,795	41,913
Taxes and levies	4,601	14,405
Maintenance and repair	10,172	20,936
Professional literature and training courses	19,749	1,972
Subcontractors, legal and accounting fees	117,876	117,181
Overseas travel	17,899	30,088
Participation in expenses by other parties	(620,873)	(637,559)
Miscellaneous	55,464	9,141
Depreciation costs	455,752	269,013
***		
Total administrative and general expenses	1,376,103	882,944

In 2012, depreciation expenses were significantly smaller compared to 2013 since order and adjustments were performed on fixed assets between Form K and the ledgers: Depreciation expenses decreased this year by MOS 145,527.

[Back](#)

**Note 11 - Financing expenses** **11**

**Composition**

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
	<u>NIS</u>	<u>NIS</u>
Interest	(69,929)	(91,185)
Bank charges	(45,072)	(38,586)
Exchange rate differentials	21,624	42,135
Total Financing Expenses	(93,377)	(87,636)

[Back](#)

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

**The Arava Institute for Environmental Studies (Registered Association)**

**Notes to the Financial Statements**

**Note 12 - Taxation on income**

The Association has not yet received its final assessments for 2005 onwards.

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



The Arava Institute for Environmental Studies (registered association)

**Notification Regarding the Highest Salaried Employees of the Association in Accordance with Section 36(b) of the Associations Law, 1980**

<b><u>Employee name</u></b>	<b><u>Position</u></b>	<b>Total cost of salary in 2013 <u>New Israel Sheqel</u></b>
Clive Lipkin	Researcher – Research Center	222,520
David Lerer	CEO	130,560
Elaine Solway	Researcher – Research Center	128,249
Avia Lutman	Research Coordinator	124,925
Uri Nossinov	Comptroller	123,571

---

**Board Member**

---

**Board Member**

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

The Arava Institute for Environmental Studies (registered association)

List of donors to the Association in excess of NIS 20,000

<u>Name of Donor</u>	<u>Purpose of the donation</u>	For year ending
		December 31 2013
		<u>NIS</u>
USAID	Research and Education	892,889
BLAUSTEIN FUND	Scholarships	110,490
F.A.I.LTD.	Environment + scholarships + overhead	702,314
JNF – USA	Research + scholarships + overhead	1,839,695
JNF – AUS	Environment	389,287
KRIEGER FUND	Graduates	69,240
HANS SEIDEL FOUNDATION	Education	180,205
ELIAS FAMILY FUND	Scholarships	131,364
ALLEGHENY COLLEGE	Professional tour	25,074
Jewish Agency	Renewable energy	61,284
US INSTITUTE FOR PEACE	Education	178,300
PM ANGELL FOUNDATION	Scholarships	208,260

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