

FRIENDS OF THE ARAVA INSTITUTE, LTD.

Financial Statements

Years Ended June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

FRIENDS OF THE ARAVA INSTITUTE, LTD.

FINANCIAL STATEMENTS

Years Ended June 30, 2023 and 2022

	<u>Page Number</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friends of the Arava Institute, Ltd.:

Opinion

We have audited the accompanying financial statements of Friends of the Arava Institute, Ltd. (FAI) (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Arava Institute, Ltd. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FAI's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FAI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FAI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

January 3, 2024

FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

Assets	2023	2022
Cash and cash equivalents	\$ 1,198,559	\$ 2,752,696
Contributions receivable, net	321,624	310,953
Prepaid expenses and other assets	117,550	119,551
Investments	4,004,356	2,828,123
Right-of-use asset - operating lease	214,843	-
Total Assets	\$ 5,856,932	\$ 6,011,323
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 115,797	\$ 145,556
Deferred revenue	124,987	273,654
Operating lease payable	212,351	-
Total liabilities	453,135	419,210
Net Assets:		
Without donor restrictions	2,439,123	2,672,371
With donor restrictions	2,964,674	2,919,742
Total net assets	5,403,797	5,592,113
Total Liabilities and Net Assets	\$ 5,856,932	\$ 6,011,323

FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions and grants	\$ 2,122,734	\$ 1,852,263	\$ 3,974,997	\$ 1,986,133	\$ 5,200,976	\$ 7,187,109
Other income	7,662	-	7,662	3,060	-	3,060
Investment return, net	97,938	-	97,938	(4,679)	-	(4,679)
PPP loan forgiveness	-	-	-	117,957	-	117,957
Special event, net of direct expenses of \$82,537 and \$119,821 in 2023 and 2022, respectively.	27,143	-	27,143	13,029	-	13,029
Net assets released from restrictions	1,807,331	(1,807,331)	-	3,418,923	(3,418,923)	-
Total support and revenue	4,062,808	44,932	4,107,740	5,534,423	1,782,053	7,316,476
Expenses:						
Program services	4,001,186	-	4,001,186	4,241,693	-	4,241,693
Management and general	255,902	-	255,902	241,842	-	241,842
Fundraising	38,968	-	38,968	46,178	-	46,178
Total expenses	4,296,056	-	4,296,056	4,529,713	-	4,529,713
Change in net assets	(233,248)	44,932	(188,316)	1,004,710	1,782,053	2,786,763
Net Assets, beginning of year	2,672,371	2,919,742	5,592,113	1,667,661	1,137,689	2,805,350
Net Assets, end of year	\$ 2,439,123	\$ 2,964,674	\$ 5,403,797	\$ 2,672,371	\$ 2,919,742	\$ 5,592,113

See accompanying notes to the financial statements and independent auditors' report.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2023 and 2022

	2023					2022				
	Program Services		Management and General	Fundraising	Total	Program Services		Management and General	Fundraising	Total
	Israel Ride	Other				Israel Ride	Other			
Grants and other assistance	\$ 221,260	\$ 1,939,806	\$ -	\$ -	\$ 2,161,066	\$ 43,484	\$ 3,344,215	\$ -	\$ -	\$3,387,699
Compensation and benefits	84,949	552,169	178,393	33,980	849,491	57,243	531,672	179,906	40,888	809,709
Meetings and events	499,985	4,042	6,253	13	510,293	-	-	-	-	-
Consulting and professional fees	196,446	110,539	31,616	800	339,401	5,294	37,671	29,015	-	71,980
Travel and conferences	115,867	61,036	-	-	176,903	5,728	61,446	-	-	67,174
Supplies and office expense	76,506	9,980	20,943	614	108,043	30,354	28,252	13,462	3,737	75,805
Occupancy	5,504	35,771	11,557	2,201	55,033	3,156	36,825	12,626	-	52,607
Information technology	18,922	22,099	7,140	1,360	49,521	16,662	20,498	6,833	1,553	45,546
Advertising	27,881	18,424	-	-	46,305	1,174	18,019	-	-	19,193
Total expenses	\$ 1,247,320	\$ 2,753,866	\$ 255,902	\$ 38,968	\$ 4,296,056	\$ 163,095	\$ 4,078,598	\$ 241,842	\$ 46,178	\$4,529,713

See accompanying notes to the financial statements and independent auditors' report.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ (188,316)	\$ 2,786,763
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized and unrealized (gain) loss on investments	(44,100)	19,241
Amortization of right-of-use operating lease asset	40,294	
PPP loan forgiveness	-	(117,957)
Changes in operating assets and liabilities:		
Contributions receivable	(10,671)	(215,953)
Prepaid expenses and other assets	2,001	(94,081)
Accounts payable and accrued expenses	(29,759)	1,462
Deferred revenue	(148,667)	131,308
Operating lease payable	(42,786)	-
Net cash provided (used) by operating activities	(422,004)	2,510,783
Cash Flows from Investing Activities:		
Purchases of investments	(1,132,133)	(1,514,743)
Net cash used by investing activities	(1,132,133)	(1,514,743)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,554,137)	996,040
Cash and Cash Equivalents, beginning of year	2,752,696	1,756,656
Cash and Cash Equivalents, end of year	\$ 1,198,559	\$ 2,752,696
Supplemental Cash Flow Information:		
Non-cash Financing Activity:		
Forgiveness of PPP loan payable	\$ -	\$ 117,957

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

1. Nature of Operations

Friends of the Arava Institute, Ltd. (FAI) (a not-for-profit organization), located in Newton, MA, provides financial support to the Arava Institute for Environmental Studies (AIES) located on Kibbutz Ketura, Israel, primarily through public awareness, student recruitment and fundraising campaigns.

FAI has a strategic partnership agreement with a national fundraising organization to increase funds raised for AIES through collaborative donor identification, stewardship, and solicitations. Donations resulting from this collaboration are paid directly to the partner organization and distributed directly to AIES. These funds are not included in FAI's revenue and support, but they are counted toward FAI's annual fundraising commitment to AIES. FAI's fundraising expenses include costs incurred in connection with the aforementioned activities. Key provisions of the strategic partnership agreement will undergo modifications starting January 1, 2024. Despite these changes, donors will retain the ability to designate contributions specifically for AIES through that national fundraising organization, which will continue to facilitate the direct distribution of these funds to AIES.

FAI is also responsible for recruiting North American students and interns to attend AIES. Tuition paid by students and interns, collected by FAI and remitted to AIES, is not included in FAI's revenue and support, but it is counted toward FAI's annual commitment to AIES. FAI's program expenses include costs incurred in connection with recruitment activities. As of June 30, 2023 and 2022, accounts payable and accrued expenses include \$2,000 and \$14,000, respectively, due to AIES.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding FAI's financial statements. The financial statements and notes are representations of FAI's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. The most significant change in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under ASU 2016-02, disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

FAI adopted the standard effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance.

FAI elected the available practical expedients to account for existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, FAI recognized on July 1, 2022 an operating lease liability of \$255,137, which represents the present value of the remaining operating lease payments of \$278,187, discounted using the risk-free rate of 2.88%, and a right-of-use operating lease asset of \$255,137. The adoption of ASU 2016-02 did not have a material impact on FAI's results of operations or cash flows.

Financial Statement Presentation

FAI prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions whenever a restriction is satisfied, or when the funds have been distributed to AIES, if earlier.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of three months or less, except for money market funds included in investments.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are discounted at an appropriate rate commensurate with the risk involved. If material, receivables with amounts due beyond one year are discounted to their net present value using the interest rate for treasury bills, with a remaining term equal to future receipts. Conditional promises to give are not included as support until the conditions are met. FAI evaluates its contributions receivable and establishes an allowance for doubtful accounts, based on a history of past collection experience and current credit conditions. At June 30, 2023 and 2022, management determined an allowance was not necessary.

Investments and Fair Value Measurements

FAI measures its investments at fair value. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by authoritative guidance, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities FAI has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include FAI's own data.

FAI reports investments at fair value on a recurring basis. The investments are classified as level 1 within the fair value hierarchy.

Money market funds - The carrying amount of money market funds is deemed to be a reasonable estimate of fair value.

Government bonds – the fair value of government bonds is determined using pricing models maximizing the use of observable inputs for similar securities.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

Realized and unrealized gains and losses on investments are reported as changes in net assets without donor restrictions, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Dividends and interest are recorded as received, which does not differ materially from the accrual basis. Purchases and sales of securities are recorded on the trade date.

Leases

FAI leases its office space under an operating lease agreement with an unrelated third party. This operating lease is included in right-of-use (ROU) asset – operating lease and operating lease payable on the accompanying 2023 statement of financial position.

ROU assets represent FAI's right to use an underlying asset for the lease term and lease liabilities represent FAI's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If a lease does not provide an implicit rate, FAI uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

The operating lease ROU asset also includes any lease payments made and excludes lease incentives. FAI's lease terms include options to extend or terminate the lease when it is reasonably certain FAI will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. FAI's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Grants Payable and Grant Expense

Unconditional grants, if any, expected to be paid during subsequent years are presented as grants payable in the statement of financial position. Grants that provide for certain conditions that must be satisfied by a specific time or for a specific purpose are recorded as expense when the conditions have been met.

PPP Loan Payable

FAI received a Paycheck Protection Program loan (PPP Loan) and recorded it as a loan payable until the conditions for loan forgiveness were satisfied. Loan forgiveness was recognized and included in change in net assets without donor restrictions when FAI satisfied the conditions for loan forgiveness and the forgiveness amount was formally approved by the U.S. Small Business Administration (SBA).

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

Revenue and Support Recognition

Contributions and Grants - FAI recognizes contributions and grants in the year in which the contribution or grant is made. Contributions and grants are recorded either as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Restricted contributions and grants are classified as net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which the contributions or grants are received.

During 2022, FAI received a \$4,000,000 contribution restricted for the new campus at AIES.

Program Registration Fees and Special Event Revenue – Revenue from performance obligations satisfied at a point in time consists of program registration fees related to the annual Israel Ride, which are recorded in the period in which the Israel Ride occurs, and special event revenue is recognized when any special events take place. Program registration fees and sponsorships received for a future period are deferred until the ride takes place. Program registration fees included in deferred revenue at June 30, 2023 and 2022 were \$96,165 and \$167,554, respectively. Deferred revenue at June 30, 2021 was \$273,654.

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by FAI. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Advertising Costs

Advertising costs incurred in the production and printing of FAI's literature are charged to expense as incurred.

Allocation of Expenses

FAI's operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require allocation are allocated based on personnel cost.

Income Taxes

FAI is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that FAI operates in a manner consistent with its tax-exempt status at both the state and federal levels.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

FAI annually files IRS Form 990, *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. FAI currently has no tax examinations in progress.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through January 3, 2024, which is the date these financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,198,559	\$ 2,752,696
Contributions receivable, net	321,624	310,953
Investments	4,004,356	2,828,123
Financial assets, end of year	5,524,539	5,891,772
Less those unavailable for general expenditure within one year, due to:		
Time and purpose restrictions	2,860,050	2,758,789
Contributions receivable due after one year	104,624	160,953
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,755,426	\$ 2,597,836

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

FAI's financial assets available for general expenditure consist of funds intended to be used to cover short-term operating expenses, including its AIES grant program. These financial assets are invested with the purpose of preserving assets to cover operating expenses and realizing earnings in a way that allows for immediate liquidity to meet FAI's ongoing programmatic and operational needs.

4. Contributions Receivable

Contributions receivable consist of unconditional promises to give from donors to support FAI's charitable mission.

At year-end, long-term pledges receivable have been discounted at 3.01% to reflect the present value of those receivables. Contributions receivable consisted of the following at June 30, 2023 and 2022:

	2023	2022
Gross contributions receivable	\$ 326,000	\$ 320,000
Unamortized discount at 3.01%	(4,376)	(9,047)
Contributions receivable, net	\$ 321,624	\$ 310,953

Contributions receivable are expected to be received as follows:

	2023	2022
Within one year	\$ 217,000	\$ 150,000
One to two years	67,000	65,000
Two to three years	42,000	65,000
Three to four years	-	40,000
Total	\$ 326,000	\$ 320,000

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

5. Investments

Investments are presented in the statement of financial position at their aggregate fair value and consist of the following at June 30, 2023 and 2022:

	2023	2022
<u>Level 1</u>		
Money market funds	\$ 6,536	\$ 86,773
Government bonds	3,997,820	2,741,350
Total investments at fair value	\$ 4,004,356	\$ 2,828,123

Investment return, net, consists of the following:

	2023	2022
Interest and dividends	\$ 53,480	\$ 14,562
Realized and unrealized gain (loss)	44,458	(19,241)
Investment return, net	\$ 97,938	\$ (4,679)

6. Right-of-Use Asset and Lease Payable

FAI leases its office space under an operating lease which expires in April 2028.

The related ROU asset and accumulated amortization at June 30, 2023 is as follows:

Right-of-use asset – operating lease	\$ 255,137
Less accumulated amortization	40,294
	\$ 214,843

Lease expense for the year ended June 30, 2023 totaled \$47,689.

Other quantitative disclosures for the year ended June 30, 2023 are as follows:

Supplemental Cash Flows Information	
Operating cash flows from operating leases	\$ 50,965
Weighted average remaining lease term	4.83 years
Weighted average discount rate	2.88%

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

Future minimum lease payments as of June 30, 2023 are as follows:

<u>Year Ending</u>	
June 30, 2024	\$ 45,168
June 30, 2025	46,222
June 30, 2026	47,277
June 30, 2027	48,331
June 30, 2028	41,008
Total future minimum lease payments	<u>228,006</u>
Less imputed interest	<u>15,655</u>
Operating lease payable	<u><u>\$ 212,351</u></u>

Lease expense was \$52,607 for the year ended June 30, 2022. As of June 30, 2022, the future minimum lease payments were approximately \$42,700.

7. Trust Income Beneficiary

FAI is an income beneficiary in the Jerome E. Toffler Living Trust (the Trust), the assets of which are not in FAI's possession, and is entitled to a portion of the annual distributions from the Trust. FAI received \$35,639 and \$31,021 of distributions from the Trust during the years ended June 30, 2023 and 2022, respectively, which is included in contributions and grants without donor restrictions on the statements of activities. Distributions from the Trust are for general use by FAI; however, all funds must be used within the United States or its possessions.

FAI is also the income beneficiary in irrevocable Arava Institute for Environmental Studies Endowment funds (the Funds), the assets of which are in the possession of and managed by Jewish National Fund. Three donors established the Funds to support general operations and scholarships for students from diverse backgrounds seeking to study and/or do environmental research at AIES. FAI received \$58,000 and \$45,000 of distributions from the Funds during the years ended June 30, 2023 and 2022, respectively, which is included in contributions and grants without donor restrictions on the statements of activities.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

8. PPP Loan Payable

On April 16, 2021, FAI received loan proceeds of \$117,957 under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 outbreak. Proceeds from this second-draw loan (PPP2 Loan) may only be used for payroll costs, mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations. The PPP2 Loan was set to mature on April 16, 2026 and bore interest at a rate of 1% per annum, payable monthly. Under the terms of the PPP, certain amounts of the PPP2 Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. FAI used the proceeds in accordance with the loan terms and applied for forgiveness from the SBA. On February 9, 2022, FAI received notification of SBA approval for forgiveness of the entire PPP2 loan proceeds.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows at June 30, 2023 and 2022:

	2023	2022
Time-restricted	\$ 178,645	\$ 469,879
Restricted for Specified Purpose:		
New Campus at AIES	2,294,240	2,214,240
Center for Renewable Energy and Energy Conservation	270,000	-
Scholarships	67,351	45,781
Women of Arava	61,703	76,561
Next-Gen Climate Changemakers	45,000	-
Track II Forum	40,850	63,281
Laptop Fund	6,885	-
Water Gen	-	50,000
	\$ 2,964,674	\$ 2,919,742
Total net assets with donor restrictions		

As of June 30, 2023, the time-restricted amount above includes \$121,379 of contributions to be used for the 2024 Israel Ride and \$57,266 restricted by the donor to be used where needed most for 2023 through 2025.

FRIENDS OF THE ARAVA INSTITUTE, LTD.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2023 and 2022

10. Retirement Plan

FAI sponsored a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code covering all eligible employees. Employees contributed a percentage of their eligible gross wages to the plan. FAI did not contribute to the plan for the years ended June 30, 2023 and 2022. This plan was terminated in August 2022. Effective September 1, 2022, FAI joined the Massachusetts Defined Contribution CORE Plan, a multi-employer 401(k) plan sponsored by the Commonwealth of Massachusetts. For the year ended June 30, 2023, employer matching contributions were \$22,390.

11. Concentrations of Risk

The financial instruments that potentially subject FAI to concentrations of credit risk consist of cash and cash equivalents, contributions receivable and investments.

FAI maintains its cash balances in two financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances in excess of \$250,000 are generally uninsured.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the financial statements.

At June 30, 2023 and 2022, contributions receivable were due from three and five contributors, respectively. Management has performed an analysis of those receivables and does not believe that significant credit risk exists.