

The Arava Institute for Environmental Studies (registered association)

Financial statements

As of December 31, 2007

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**AUDITORS' REPORT TO THE MEMBERS OF THE ASSOCIATION OF
THE ARAVA INSTITUTE FOR ENVIRONMENTAL STUDIES**

We have audited the accompanying balance sheets of the **Arava Institute for Environmental Studies (registered association)** (hereinafter, "the Association") as of December 31, 2007 and 2006 and the related statements of operations and the changes in net assets for each of the years then ended. These financial statements are the responsibility of the executive committee and the management of the Association. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards, including those prescribed by the Auditors' Regulations (Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material errors. 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 Association's Executive Committee 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 aforementioned financial statements present fairly, in conformity with generally accepted accounting principles, in all material respects, the financial position of the Association as of December 31, 2007 and 2006 and its results of operations and the changes in net assets for each of the years then ended – in nominal values.

Marcovich Cohen
Certified Public Accountants


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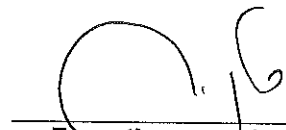
The Arava Institute for Environmental Studies (registered association)

Balance sheets

	Note	December 31	
		2007 NIS	2006 NIS
Assets			
Current assets			
Cash and cash equivalents		722,698	927,537
Grants and participations receivable		508,683	-
Accounts receivable	3	1,793,669	1,493,467
		<u>3,025,050</u>	<u>2,421,004</u>
Fixed assets	4	1,227,993	417,636
		<u>4,253,043</u>	<u>2,838,640</u>
Liabilities and net assets			
Current liabilities			
Banks		-	91,438
Checks payable		309,466	241,210
Suppliers		342,000	624,938
Other payables and credit balances	5	2,017,492	1,456,264
		<u>2,668,958</u>	<u>2,413,850</u>
Net Assets			
Net assets for which there is no restriction of use for activities designated by the association's institutions		1,584,085	424,790
Net assets for which there are temporary restrictions		<u>1,584,085</u>	<u>424,790</u>
		<u>4,253,043</u>	<u>2,838,640</u>



 Executive committee member



 Executive committee member

Date of approval of financial statements: _____ 2008

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

The Arava Institute for Environmental Studies (registered association)

Statements of Operations

	Note	For year ending December 31	
		2007 NIS	2006 NIS
Turnover			
Donations		3,779,201	2,152,404
Tuition fees		2,277,477	1,630,838
Allocations, grants and participation		2,835,214	3,577,227
		<u>8,891,892</u>	<u>7,360,469</u>
Cost of activities			
Research and Policy Center		1,518,087	2,329,337
Curriculum		2,380,997	1,953,598
Sabbaba		111,510	127,053
Graduate project		521,148	393,579
Bicycle trip		1,759,866	1,063,054
		<u>6,291,608</u>	<u>5,866,621</u>
Net income from activities		2,600,284	1,493,848
General & administrative expenses	6	<u>(1,395,375)</u>	<u>(829,889)</u>
Net income before financing		1,204,909	663,959
Financing expenses		<u>45,616</u>	<u>123,670</u>
Net annual income		<u>1,159,293</u>	<u>540,289</u>

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

	Net assets for which there are no restrictions of use for activities designated			
	<u>Used for activities</u>	<u>by the NPO's institutions</u>	<u>Used for fixed assets</u>	<u>Total</u>
Balance brought forward on January 1, 2006	(430,880)	-	315,381	(115,499)
Additions during 2006:				
Net annual revenues	540,289	-	-	540,289
Used as fixed assets	(194,510)	-	194,510	-
Subtractions during 2006				
Depreciation costs	92,255	-	(92,255)	-
Balance as of December 31, 2006	7,154	-	417,636	424,790
Additions during 2007:				
Net annual revenues	1,159,293	-	-	1,159,293
Used as fixed assets	(916,443)	-	916,443	-
Subtractions during 2007				
Depreciation costs	106,086	-	(106,086)	-
Balance as of December 31 2007	<u>356,090</u>	<u>-</u>	<u>1,227,993</u>	<u>1,584,085</u>

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

The Arava Institute for Environmental Studies (registered association)

Notice of high paid employees according to section 36(b) of the Associations Law of 1980

Note 1 - general

The goals of the Association are as follows:

A. Cultivate activities in 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 building for conciliation and cooperation in the Middle East, in order to transcend political boundaries and achieve environmental change

B. Raising awareness and promoting the quality of the environment

Note 2 – Principal accounting policies

A. Basis of statements

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

B. 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 that are not restricted in their withdrawals.

C. Net assets

The net assets are presented separately in the financial statements:

In net assets for which there is no restriction:

- for ongoing activity
- designated by the Association's institutions

In net assets for which there are restrictions of a temporary nature – restrictions imposed by external factors.

F. Linked balances

The financial balances in and linked to foreign currency have been presented according to the representative exchange rate published by the Bank of Israel on December 31, 2007 – 1 US\$ = NIS 3.846 (on December 31, 2006 - 1 US\$ = NIS 4.225)

G. "Linked parties" – as defined in Opinion no. 29 of the Institute of Certified Public Accountants in Israel.

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

The Arava Institute for Environmental Studies (registered association)

Notice of high paid employees according to section 36(b) of the Associations Law of 1980

Note 2 – Principal accounting policies (contd.)

I. Amendment 11 to the Associations Law of 1980 (contd.)

3. (contd.)

It will be noted that the Association must do everything possible to know if the donation came from a foreign political entity and the obligation of reporting it if the Association knew or should have known that the donation came from a foreign political entity rests on the Association.

A parallel amendment was made to the Companies Law (Amendment no. 7), according to which the above instructions will also apply to a company for public benefit. Similarly, the amendment states that the Minister of Justice is entitled to determine instructions regarding how documents and reports should be submitted according to the Associations Law.

Note 3 – Accounts receivable

Composition:

	December 31	
	2007	2006
	NIS	NIS
Advance payments to suppliers	-	67,508
Employees	-	23,508
Prepaid expenses	1,044,661	1,347,452
Debtors - students	-	3,713
Income tax	6,336	17,858
Other debtors	742,672	33,428
	<u>1,793,669</u>	<u>1,493,467</u>

Note 4 – Fixed assets

	Cost	Depreciation	Depreciated value as of December 31, 2007	Depreciated value as of December 31, 2006
Buildings and improvements	872,448	48,192	824,256	146,561
Computers	433,533	298,732	134,801	94,949
Furniture & equipment	<u>464,526</u>	<u>195,590</u>	<u>268,936</u>	<u>176,126</u>
	1,770,507	542,514	1,227,993	417,636

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

The Arava Institute for Environmental Studies (registered association)

Notice of high paid employees according to section 36(b) of the Associations Law of 1980

Note 5 – Other payables

Composition:

	December 31	
	2007	2006
	NIS	NIS
Advance income - scholarships	1,716,463	1,012,583
Institutions	91,327	43,195
Employees	12,539	48,770
Researchers and colleagues	-	1,409
Students	-	108,403
Kibbutz Ketura and tourism	-	231,168
Credit companies	-	6,981
Other creditors	197,163	3,755
	<u>2,017,492</u>	<u>1,456,264</u>

Note 6 – General and administrative expenses

	For year ending December 31	
	2007	2006
	NIS	NIS
Salaries	657,635	310,414
Transportation	54,525	50,726
Motor vehicle maintenance	13,166	(4,331)
Rent	126,691	13,258
Office and administration	78,883	60,461
Office maintenance	-	1,229
Printing and advertising	-	25,275
Gifts	-	1,253
Guarantees	15,011	21,008
Mail & telephones	28,483	34,281
Advertising	25,320	9,459
Refreshments	22,044	5,602
Electricity & gas	25,882	19,503
Computer expenses	84,961	81,067
Taxes & licenses	4,220	8,449
Maintenance and repairs	95,610	23,045
Fundraising expenses	-	1,487
Literature & training courses	136,441	3,253
Sub-contractors and consultants	282,851	392,891
Overseas travel	91,026	116,413
Participation of others in expenses	(464,831)	(425,909)
Miscellaneous	10,271	(9,535)
Bad debts	1,100	(1,665)
Depreciation expenses	<u>106,086</u>	<u>92,255</u>
	1,395,375	829,889

Note 7 – Taxes on revenue

Final assessments have not yet been produced for the Association since its establishment.

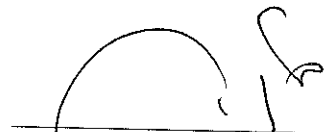
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Notice of high paid employees according to section 36(b) of the Associations Law of 1980

Name of employee	Function	Total gross salary for 2007 NIS
Elad Toppel		147,541
Clive Lipkin		142,692
Hanan Ginat		125,722
Eileen Solway		88,811
Miriam Ben Yosef		88,240


Executive committee member


Executive committee member

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