

The Negev Institute for Strategies of Peace and Development
Statement of Financial Activities as of December 31, 2011

Hadad and Turgeman – Certified Public Accountants (Israel)

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Hadad and Turgeman – Certified Public Accountants

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Auditors' Report

**To the Members of the Negev Institute for Strategies of Peace and Development
(R.A.)**

We audited the attached Balance Sheet for the Negev Institute for Strategies of Peace and Development up to December 31, 2010 and 2011, as well as the related statements of financial activities and the statement of changes in net assets for each year ending on the above-mentioned dates.

These financial reports are the responsibility of the non-profit organization's management. We are responsible for passing an opinion on those financial reports, based on our auditing.

The audit was conducted in accordance with the accepted auditing standards, including standards that were set in the Auditors' Regulations (Generally Accepted Auditing Principles) 1973. According to these standards we are required to plan and execute the audit in order to reach reasonable assurance that there are no significant errors in the financial reports and how they are presented. The audit includes a sample audit of evidence supporting the figures and information contained in the financial reports. The audit also includes an examination of accounting standards that were applied, and significant estimates made by the association's management and governing body, as well as the evaluation of the properness of the presentation in the financial reports in general. We are of the opinion that our audit provides a reasonable basis for our judgment.

Information regarding "reported amounts" as stated in standard 12 of the Institute for Accounting Standards, is not included in the above financial statements.

In our opinion, with the exception of the above, the following financial report appropriately represents in every respect, according to the accepted accounting standards, the financial situation of the non-profit organization as of December 31, 2011 and 10, the results of the actions and the changes in the net assets in each year ending on that date, and this in line with acceptable accounting practices in Israel (Israeli GAAP)

Beer Sheva – June 26, 2012

Respectfully,

Hadad and Turgeman
Certified Public Accountants

The Negev Institute for Strategies of Peace and Development (R.A.)

Balance Sheet
(in New Israeli Shekels - NIS)

	<u>Notes</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
<i>Assets</i>			
<u>Current Assets</u>			
Cash in the bank/ready	(3)	2,111,662	2,186,384
Due income		408,908	784,599
Payables & debit balances	(4)	214,752	157,123
		-----	-----
		2,735,322	3,128,106
<u>Fixed Assets</u>			
	(5)	<u>107,322</u>	<u>166,880</u>
		2,842,644	3,294,986
		=====	=====
<i>Net Liabilities and Assets</i>			
<u>Current Liabilities</u>			
Employees	(6)	536,477	615,737
Suppliers	(7)	466,892	512,368
Receivables & credit balances	(8)	84,570	234,040
		1,087,939	1,362,145
		-----	-----
<u>Long Term Liabilities</u>			
Employee severance pay reserve	(9)	<u>394,386</u>	<u>325,066</u>
		-----	-----
Net Assets			
		1,360,319	<u>1,607,775</u>
		2,842,644	3,294,986
		=====	=====

Signature, Board Member : _____

Signature, Board Member: _____

The notes to the financial statement constitute an inseparable part thereof.

The Negev Institute for Strategies of Peace and Development (R.A.)

Activity Report
(in New Israeli Shekels – NIS)

	<u>Notes</u>	<u>31.12.2011</u>	<u>31.12.2010</u>
Contributions and grants		283,222	206,637
Participation in courses		877,119	571,167
Assets released from restricted net assets		7,908,998	9,002,688
		-----	-----
Activity Turnover		<u>9,069,339</u>	<u>9,780,492</u>
Activity costs	(11)	<u>7,945,956</u>	<u>8,384,240</u>
Net income (expenditures) from activities		<u>1,123,383</u>	<u>1,396,252</u>
Management and general expenses	(14)	1,121,752	1,291,865
Net income/expenditures before financing		<u>1,631</u>	<u>104,387</u>
Net financing	(15)	(5,254)	61,440
Net income (deficit) for the year		<u>6,885</u>	<u>42,947</u>

The notes to the financial report are an inseparable part thereof.

The Negev Institute for Strategies of Peace and Development (R.A.)

Report on Changes in Net Assets

(In New Israeli Shekels - NIS)

	<u>Non-limited Net Asset</u>	<u>Limited Net Assets</u>	<u>Total</u>	
	<u>utilized for activities</u>	<u>utilized for fixed assets</u>		
Balance as of 1.1.2010	237,365	176,450	2,772,538	3,186,353
Current year accruals:				
Grants & contributions	-	-	7,381,163	7,381,163
Net revenue	42,948	-	-	42,948
Deficit of the current year:				
Amounts utilized for purchase of fixed asset	(52,794)	52,794		
Amounts utilized to cover depreciation	62,365	(62,365)	-	-
Amounts released for activities	-	-	(9,002,688)	(9,002,688)
Balance as of 1.1.2011	----- 289,884	----- 166,879	----- 1,151,013	----- 1,607,776
Accruals in the current year:				
Grants and contributions	-	-	7,654,656	7,654,656
Net revenue	6,885	-	-	6,885
Deficit of the current year:				
Amounts utilized for fixed assets	(20,055)	20,055	-	-
Amounts utilized to cover Depreciation	58,085	(58,085)	-	-
Amounts detracted from Fixed assets	21,527	(21,527)		
Amounts released for activities	-	-	(7,908,998)	(7,908,998)
Balance as of 31.12.2011	----- 356,326 =====	----- 107,322 =====	----- 896,671 =====	----- 1,360,319 =====

The Negev Institute for Strategies of Peace and Development (R.A.)
Notes to the Financial Reports

Note 1 - General

The Negev Institute for Strategies of Peace and Development was incorporated as a non-profit association (Amuta) June 5, 2000. The non-profit organization operates as an institute that has no intention of making a profit, and is registered as such with the tax authorities.

The main objective of the non-profit organization is to function as a teaching, planning, research and evaluation institute in the areas of social and economic development in general, specifically in societies under conditions of transition and substantial change.

Note 2 - Accounting policies

a. The Basis for this Report:

The financial statements are edited according to "accumulation based" accountancy, in accordance with accepted accounting standards as set forth in declaration no.69 of the Bureau of Certified Public Accountants in regulation #5 of the Institute of Accounting Regulations. Regulation # 12 of the Israel Institute of Accounting Regulations, concerning sums reported, is not adhered to in this report.

b. Liabilities:

Liabilities are listed including interest, exchange rate differentials and linkages accrued up to the date of this balance sheet.

c. Report on Cash Flow and Cash Valuation:

No report was prepared on cash flow and cash valuation since these do not contribute significant additional data to those included in this report.

Note 3 - Cash and Cash Equivalents

	<u>31.12.2011</u>	<u>31.12.2010</u>
NIS	228,465	286,836
Foreign currencies	331,337	374,813
Short –term deposits	<u>1,551,860</u>	<u>1,524,735</u>
	<u>2,111,662</u>	<u>2,186,384</u>

Note 4 - Creditors and Debit Balances

	<u>31.12.2011</u>	<u>31.12.2010</u>
Advances to suppliers and others	17,321	128,044
Expenditures in advance	28,446	23,427
Debt and remainder of Debt	163,333	-----
Government agencies and others	<u>5,652</u>	<u>5,652</u>
	<u>214,752</u>	<u>157,123</u>

Note 5. Fixed Assets

	<u>furniture& equipment</u>	<u>computers</u>	<u>improvements</u>	<u>total</u>
Cost as of 1 January 2011	171,996	371,606	84,965	628,567
Diminution this year	-42,477	-20,879	0	-63,356
Purchases this year	<u>6,745</u>	<u>13,310</u>	<u>0</u>	<u>20,055</u>
Cost as of 31 December 2011	<u>136,264</u>	<u>364,037</u>	<u>84,965</u>	<u>585,266</u>
Amortization as on 1 January 2011	73,421	323,244	65,023	461,688
Diminution this year	-21,262	-20,567	0	-41,829
Added this year	<u>18,266</u>	<u>31,322</u>	<u>8,497</u>	<u>658,085</u>
Amortization as on 31December 2011	<u>70,425</u>	<u>333,999</u>	<u>73,520</u>	<u>477,944</u>
	-----	-----	-----	-----
Depreciated cost as of 31.12.2011	<u>65,839</u>	<u>30,038</u>	<u>11,445</u>	<u>107,322</u>
Depreciated cost as of 31.12.2010	<u>98,575</u>	<u>48,362</u>	<u>19,942</u>	<u>166,879</u>

The Negev Institute for Strategies of Peace and Development (R.A.)

Notes to the Financial Reports

Note 6 - Employees

	<u>31.12.2011</u>	<u>31.12.2010</u>
Employees	348,018	394,202
Institutions – for employees	<u>188,459</u>	<u>221,535</u>
	<u>536,477</u>	<u>615,737</u>

Note 7 - Suppliers

Suppliers	267,509	336,317
Checks and notes to be cashed	<u>199,383</u>	<u>176,059</u>
	<u>466,892</u>	<u>512,368</u>

Note 8 – Creditors and credit balances

Income received in advance	55,444	65,550
Expenditures to be paid	29,126	52,990
Other creditors and credit balances	-	<u>115,500</u>
	<u>84,570</u>	<u>234,040</u>

Note 9 – Reserves for Employee Severance Benefits

Reserve for severance pay	1,237,173	1,199,792
Designated for severance pay	(842,787)	<u>(874,726)</u>
	<u>394,386</u>	<u>325,066</u>

Note 10 – Net Assets

	<u>2011</u>	<u>2010</u>
Unrestricted net assets	356,326	289,884
Net assets used for purchase of fixed assets	107,322	166,879
Restricted net assets	<u>896,671</u>	<u>1,151,013</u>
	<u>1,360,319</u>	<u>1,607,776</u>

The Negev Institute for Strategies of Peace and Development (R.A.)

Notes to the Financial Reports

Note 11 – Cost of Activities

	<u>31.12.2011</u>	<u>31.12.2010</u>
Salaries and salary costs	5,121,834	5,327,586
Resource & Training Center	75,931	113,532
Resource development and fund raising	292,113	115,219
Rent and maintenance	225,759	233,847
Board and lodging	376,423	343,707
Overseas travel	26,851	102,763
Cost of joint courses	785,061	729,724
Insurance	22,773	10,335
Investments in projects	13,195	48,309
Publications	5,204	37,728
Teaching aids, materials and miscellaneous	284,455	352,723
Stipends	149,070	136,800
Travel, tours and trips	460,468	638,787
Maintenance of “The Tent” – Volunteer Center	<u>106,819</u>	<u>193,180</u>
	<u>7,945,956</u>	<u>8,384,240</u>

Note 12 – Cost of Joint Courses

	<u>31.12.2011</u>	<u>31.12.2010</u>
Joint Palestinian-Belgian course	495,667	463,149
Miscellaneous projects	<u>289,394</u>	<u>266,575</u>
	<u>785,061</u>	<u>729,724</u>

Note 13 – Investments in Projects

	<u>2011</u>	<u>2010</u>
Kitchen and equipment in Hura Catering	--	2,870
Playground for children	870	11,515
Equipment for early childhood frameworks	-----	20,244
Early Childhood Resource & Training Center	12,325	13,680
	<u>13,195</u>	<u>48,309</u>

Note 14 – Administrative and General Costs

	<u>31.12.2011</u>	<u>31.12.2010</u>
Salaries and salary costs	593,219	679,277
Professional services	280,515	309,958
Rent & property management	56,012	77,243
Taxes & contracts	11,241	12,088
Depreciation	58,085	62,365
Publicity & marketing	8,437	6,897
Hospitality	9,144	14,615
Gifts	2,093	8,016
Mail & communications	17,355	28,026
Travel abroad	8,658	15,079
Office supplies	45,597	54,524
Insurance	18,731	22,037
Miscellaneous	<u>11,665</u>	<u>1,740</u>
	<u>1,121,752</u>	<u>1,291,865</u>

The Negev Institute for Strategies of Peace and Development (R.A.)

Notes to the Financial Reports

Note 15 –Net financial transactions

	<u>31.12.2011</u>	<u>31.12.2010</u>
Bank charges	(225)	1,936
Exchange rate differences	<u>(5,029)</u>	<u>59,504</u>
	<u>(5,254)</u>	<u>61,440</u>