

APPLIED RESEARCH INSTITUTE- JERUSALEM

Consolidated Financial Statements
As of December 31, 2011 and 2010
Together With Independent Auditors' Report

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El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm

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Independent Auditors' Report

To: The Board of Directors

Applied Research Institute- Jerusalem (ARIJ)
Bethlehem

We have audited the accompanying consolidated financial statements of the Applied Research Institute- Jerusalem (ARIJ), which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated statement of activities and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 ARIJ'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 ARIJ's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of **ARIJ** as of December 31, 2011, and its consolidated financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards.

As further discussed in note (19) to the financial statements, effective January 1, 2011, ARIJ recognizes temporarily restricted revenue from unconditional grant agreements signed with credible donors in the year the grant agreement is signed, whereas, prior to January 1, 2011 ARIJ recognized such revenues either when cash was received or when related work was performed.

El Wafa Company



Musa Abu Dieh

Ramallah, Palestine
March 29, 2012

Applied Research Institute- Jerusalem
Consolidated Statement of Financial Position
As at December 31, 2011 and 2010
(Currency: USD)

	<u>Note</u>	<u>2011</u>	<u>2010</u> (Restated, note 19)
Assets			
Current Assets			
Cash on hand and at bank	3	1,516,075	1,504,377
Pledges receivable	4	1,496,405	1,061,221
Inventory		50,169	44,735
Prepayments and other current assets	5	187,182	72,231
Total Current Assets		<u>3,249,831</u>	<u>2,682,564</u>
Long Term Assets			
Investment in associate	6	217,339	252,595
Fixed assets, net	7	1,042,619	1,029,188
Total Assets		<u>4,509,789</u>	<u>3,964,347</u>
Liabilities and Net Assets			
Current Liabilities			
Payables and accruals	8	71,802	36,510
Total Current Liabilities		<u>71,802</u>	<u>36,510</u>
Long Term Liabilities			
Reserve for end of service benefits	9	593,305	518,495
Reserve for provident fund	10	215,519	291,675
Total Liabilities		<u>880,626</u>	<u>846,680</u>
Net Assets			
Unrestricted	15	1,283,791	1,318,750
Temporarily restricted	16	2,345,372	1,798,917
Total Net Assets		<u>3,629,163</u>	<u>3,117,667</u>
Total Liabilities and Net Assets		<u>4,509,789</u>	<u>3,964,347</u>

The accompanying notes form an integral part of these financial statements

Applied Research Institute- Jerusalem
Consolidated Statement of Activities
For the Year Ended December 31, 2011 and 2010
(Currency: USD)

	Note	2011			2010
		Unrestricted	Temporarily Restricted	Total	Total (Restated, note 19)
Revenues					
Project revenues	11	-	3,607,001	3,607,001	1,812,770
Other revenues	12	297,067	-	297,067	270,100
Currency differentials gain	13	29,185	-	29,185	
Bank interest	14	6,294	-	6,294	8,040
Unrealized gain from investment	6	-	-	-	10,750
Net assets released from restriction	16	2,767,305	(2,767,305)	-	
Reallocation between temporarily restricted and unrestricted net assets	16	40,264	(40,264)	-	
Total Revenues		3,140,115	799,432	3,939,547	2,101,670
Expenses					
Program expenses	17	3,121,752	-	3,121,752	2,116,850
General and administrative	18	184,534	-	184,534	257,600
Depreciation	7	79,827	-	79,827	57,110
Unrealized loss from investment	6	35,256	-	35,256	
Currency differentials loss (gain)	16	(252,977)	252,977	-	26,960
Total Expenses		3,168,392	252,977	3,421,369	2,458,540
Change in net assets		(28,277)	546,455	518,178	(356,871)
Income tax- on profit-type activities		(6,682)	-	(6,682)	(7,000)
Net assets, beginning of year, as previously reported		1,318,750	1,798,917	3,117,667	2,296,817
Prior period adjustment	19				1,184,721
Net assets, beginning of year, as restated		-	-	-	3,481,538
Net assets, end of year		1,283,791	2,345,372	3,629,163	3,117,667

The accompanying notes form an integral part of these financial statements

Applied Research Institute- Jerusalem
Consolidated Statements of changes in Net Assets
For the Year Ended December 31, 2011 and 2010
(Currency: USD)

	Unrestricted			Temporary Restricted	Total
	General	Investment in Fixed Assets	Board Designated Endowment		
Balance at January 1, 2010, as previously reported	262,921	830,100	250,000	953,796	2,296,817
Prior period adjustment (note 19)	-	-	-	1,184,721	1,184,721
Balance at January 1, 2010, as restated	262,921	830,100	250,000	2,138,517	3,481,538
Change in net assets for year 2010	(24,271)	-	-	(379,864)	(404,135)
Additions to fixed assets during 2010	(256,205)	256,205	-	-	-
Depreciation during 2010	57,117	(57,117)	-	-	-
Retained earnings- from profit- type activities	-	-	-	40,264	40,264
Balance at December 31, 2010	39,562	1,029,188	250,000	1,798,917	3,117,667
Change in net assets for year 2011	(28,277)	-	-	546,455	518,178
Additions to fixed assets during 2011	(93,258)	93,258	-	-	-
Depreciation during 2011	79,827	(79,827)	-	-	-
Income tax- on profit type activities	(6,682)	-	-	-	(6,682)
Balance at December 31, 2011	(8,828)	1,042,619	250,000	2,345,372	3,689,163
		<u>1,283,791</u>			

The accompanying notes form an integral part of these financial statements

Applied Research Institute- Jerusalem
Consolidated Cash Flow Statement
For the Year Ended December 31, 2011 and 2010
(Currency: USD)

	<u>Consolidated</u> <u>2011</u>	<u>ARIJ only</u> <u>2010</u> <small>(As restated, note 19)</small>
Cash Flow from Operating Activities		
Change in net assets	518,178	780,586
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	79,827	57,062
Income tax- on profit type activities	(6,682)	-
Increase in reserve for end of service benefits	74,810	70,277
(Decrease) increase in reserve for provident fund	(76,156)	19,073
(Increase) in pledges receivables	(435,184)	(768,302)
(Increase) in inventory	(5,434)	-
(Increase) in prepayments and other current assets	(114,951)	(35,307)
(Decrease) increase in payables and accruals	35,292	(19,741)
(Decrease) increase in deferred revenues	-	(30,000)
Net cash flow from operating activities	<u>69,700</u>	<u>73,648</u>
Cash Flow used in Investing Activities		
Purchase of fixed assets	(93,258)	(255,393)
Additions to investments	-	(17,752)
Change in fair value of investments	35,256	(10,753)
Net cash flow (used in) investing activities	<u>(58,002)</u>	<u>(283,898)</u>
Net increase (decrease) in cash on hand and at bank	11,698	(210,250)
Cash on hand and at bank, beginning of year	<u>1,504,377</u>	<u>1,657,280</u>
Cash on hand and at bank, end of year	<u>1,516,075</u>	<u>1,447,030</u>

The accompanying notes form an integral part of these financial statements

Applied Research Institute- Jerusalem
Notes to the Consolidated Financial Statements
December 31, 2011
(Currency: USD)

1. ARIJ And Its Activities

The Applied Research Institute- Jerusalem (ARIJ) is a non-governmental, non-for-profit Palestinian organization registered at the Ministry of Interior in Bethlehem as of October 20, 2004 under registration number BL-478-B. ARIJ was also registered at the Ministry of Education and Higher Education as of May 17, 2010.

ARIJ's main objectives are to:

- Effectively disseminate information and knowledge to the Palestinian society. This requires existence of systems to collect, analyze and report data and information that are most beneficial to the Palestinian society. In this case, preparing and producing appropriate reports on activities of ARIJ and involvement of the community should be available on a regular basis.
- Identify and adapt the most appropriate technology to the needs and requirements of the community and the society.
- Achieve socio-economic development, through providing better access to food, and better management and utilization of land, water, and natural resources.
- Play an active role in the development of the human resources needed to adapt and use technologies. In this regard, trained personnel should provide knowledge and experience to those untrained.
- Generate and attract income-producing opportunities for the community through technology transfer and through encouraging teamwork between scientists of the various institutions.

During year 2009, ARIJ invested in its wholly owned subsidiary, Green Palestine Investment Company (Green Palestine). Green Palestine is located in Bethlehem, and was incorporated and registered with the Companies Controller as of November 4, 2009 as a private shareholding company under registration number 562490946 in accordance with the companies' law number 12 for the year 1964. The registered capital of the company is 300,000 shares of par value of USD 1 each. ARIJ paid 25% of the total capital amount.

Green Palestine is engaged in providing environment related services, such as disposal of waste water, recycling of rubbish and scraps and managing environment protection and pollution control programs. It is also involved in investment activities and commercial industrial projects.

In addition, ARIJ has investment in its associate, New Farm Processing and Marketing Company, a private shareholding company registered in Ramallah. As of December 31, 2011, ARIJ owned 196,559 shares with a cost of Jordanian Dinar 196,559. This investment represents 39.2% of the total capital of New Farm Processing and Marketing Company of Jordanian Dinar 501,043.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared under the historical cost convention, the significant accounting policies follow: -

Consolidated Financial Statements

ARIJ is required to present consolidated financial statements covering its investment in its wholly-owned subsidiary, Green Palestine. All intercompany accounts and transactions between ARIJ and its subsidiary have been eliminated for consolidation purpose.

- General

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are those whose use by ARIJ is not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use by ARIJ has been limited by donors specific time period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by ARIJ in perpetuity. During the year 2011 and 2010, ARIJ had no permanently restricted net assets.

- Donors' Contributions

As further explained in note 19, effective January 1, 2011 ARIJ recognizes unconditional promises (unrestricted and temporarily restricted) to give cash and other assets to ARIJ, at the fair market value, at the date related agreements are signed with donors. Prior to January 1, 2011, ARIJ used to recognize revenue from agreements signed with donors either when related cash was received or when related work was performed by ARIJ. The effect of this change in accounting policy is fully disclosed in Note 19 to the financial statements. Conditional promises to give and indications of intention to give are recognized as revenues in the statement of activities at the fair market value at the date contribution is received. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

- Other Revenues

Other revenues are recorded when earned in accordance with the accrual basis of accounting.

- Investments in Associate

The investment in associate is accounted for under the equity method, which is a method of accounting whereby the investment is originally recorded at cost and is subsequently adjusted to reflect the investor's share of the net gain or loss of the associate, any increases or decreases in the investment carrying amount should be recognized in the Statement of Activities.

- Expenses

Expenses are recorded when incurred in accordance with the accrual basis of accounting, regardless of the date of actual payment.

- Provision for Severance pay

ARIJ provides for the severance pay of its employees in conformity with local labor law (law number 7 of the year 2000). The provision for severance pay is computed based on the last salary of the employee (excluding overtime) multiplied by the number of employment years.

- **Provision for Provident Fund**

In addition to the provisions of end of service benefits, ARIJ established a provident fund plan for its employees whereby ARIJ deducts 2.5% of the employees' monthly salaries and contributes an additional 5%.

- **Fixed Assets**

Fixed assets are recorded at cost and depreciated over their estimated useful lives using the straight-line method, at the following annual rates:

	<u>%</u>
Building	3
Office facilities (caravans)	7
Vehicles	10
Office furniture and equipment	6-20
Tools	20
Lab and air quality monitoring equipment	20-33

- **Foreign Currencies**

ARIJ's and ARIJ subsidiary's basic functional currency is the United States Dollar (USD). Transactions, which are expressed or denominated in other currencies, were translated to USD using exchange rates in effect at the time of each transaction. Assets and liabilities, which are denominated in other currencies, are translated to USD using exchange rates prevailing at the date of the statement of financial position. Gains and losses arising from translation are reflected in the statement of activities.

Foreign currency exchange rates against USD at December 31, 2011 and 2010 were as follows: -

	<u>2011</u>	<u>2010</u>
One Israeli Shekel	0.262	0.281
One Jordanian Dinar	1.416	1.416
One Euro	1.33	1.315

3. Cash on Hand and at Bank

Cash on hand and at bank comprises: -

	<u>2011</u>	<u>2010</u>
Cash on hand in USD	2,412	4,194
Cash at bank in NIS	(270,760)	(143,428)
Cash at bank in USD*	884,922	1,170,787
Cash at bank in EURO	596,214	179,185
Cash at bank in JD	296,749	293,639
Checks under collection	6,538	-
	<u>1,516,075</u>	<u>1,504,377</u>

*This balance includes USD 215,519 and USD 291,675 designated for the employees' provident fund as of December 31, 2011 and 2010 respectively.

4. Pledges Receivable

Pledges receivable comprise amounts due from donors as follows: -

	2011	2010
Spanish Cooperation (Centa 2)	323,824	-
Oltriva	230,719	-
European Commission- Monitoring Colonizing activities 5 (Settlements 5)	223,245	-
CARE International- TATWEER	208,361	269,088
European Commission- Monitoring Colonizing activities 4 (Settlements 4)	126,603	199,121
Catholic Relief Services- Social Capital	99,372	
European Commission (from previous years)*	74,220	74,220
European Commission- Life Project	67,231	67,231
Accion contra el- hambre	63,724	63,724
Canadian Foodgrains Bank/ through MCC 2	57,443	49,931
European Commission- Dead Sea Project 1*	41,325	41,325
Arab Fund	31,068	31,068
Canadian Foodgrains Bank/ through MCC3	19,567	45,533
Catholic Relief Services	18,856	-
IDRC*	12,891	12,891
Swiss Agency for Development*	11,591	11,591
USAID (Chemonics)	8,833	10,198
NGO Development Center (NDC)	8,000	24,000
European Commission- Monitoring Colonizing activities 2*	6,255	6,255
Swedish Cooperative Center- NFC	6,473	-
UK Department for International Development (DFID) TIRI 1	2,513	2,513
SDC	432	30,000
Jerusalem Capital of Arab Culture	141	141
UK Department for International Development (DFID) TIRI 2	-	12,013
Spanish Corporation (Centa 1)	-	21,698
Swedish Cooperative Center	-	234,962
Sub-total	1,642,687	1,207,503
Less: Provision for doubtful accounts (detailed below)	(146,282)	(146,282)
	1,496,405	1,061,221

* Provision for doubtful accounts had been established for these receivables at 100%.

The movement on the allowance of un-collectable during 2011 and 2010 follows: -

	2011	2010
Balance, beginning of year	146,282	134,691
Additions during the year	-	11,591
Balance, end of year	146,282	146,282

5. Prepayments and Other Current Assets

Prepayments and other current assets comprise: -

	<u>2011</u>	<u>2010</u>
Trade receivables	92,520	-
Receivable related to consultancy services	57,394	27,338
Letter of credit	15,457	-
Due from employees	9,641	9,948
Refundable VAT	6,120	481
Prepaid expenses	6,050	7,975
Guarantee receivable	-	1,907
Advances to suppliers	-	24,582
	<u>187,182</u>	<u>72,231</u>

6. Investment in Associate

Balances of investment in associate as of December 31, 2011 and 2010 and movement thereon during these years follow:-

	<u>2011</u>	<u>2010</u>
Investment book value, beginning of year	252,595	224,090
Addition during the year	-	17,752
Valuation of investment	(35,256)	10,753
Investment book value, end of year	<u>217,339</u>	<u>252,595</u>

The details of investment in associate follows:

	<u>Number of Shares</u>	<u>Cost JD</u>	<u>Cost USD</u>
Initial investment	21,000	21,000	29,764
Distributed shares in 2004	4,266	4,266	6,040
Shares acquired from 2005 to 2009	158,760	158,760	223,449
Shares acquired in 2010	12,533	12,533	17,752
ARIJ shares in Associate as of December 31, 2010	<u>196,559</u>	<u>196,559</u>	277,005
Accumulated losses as of December 31, 2011			(59,666)
			<u>217,339</u>

7. Fixed Assets, Net

Components of fixed assets costs and related accumulated depreciation as of December 31, 2011 and movement thereon during the year follows: -

	Balance, beginning of year	Additions/ Charge**	Disposals/ Transfer between fixed asset categories	Balance, end of year
Costs:				
Land	239,740	-	-	239,740
Building*	229,784	53,158	348,690	631,632
Building under construction*	348,690	-	(348,690)	-
Office facilities (caravans)	50,074	-	-	50,074
Vehicles	257,785	-	-	257,785
Office furniture and equipment	898,569	27,620	-	926,189
Tools	2,018	-	-	2,018
Computer Software	2,933	-	-	2,933
Building Improvement	3,533	12,480	-	16,013
Lab and air quality monitoring equipment	125,050	-	-	125,050
	<u>2,158,176</u>	<u>93,258</u>	-	<u>2,251,434</u>
Accumulated Depreciation:				
Building	53,680	16,767	-	70,447
Office facilities (caravans)	39,926	5,026	-	44,952
Vehicles	173,878	21,541	-	195,419
Office furniture and equipment	779,074	33,906	-	812,980
Tools	1,238	329	-	1,567
Lab and air quality monitoring equipment	81,192	2,258	-	83,450
	<u>1,128,988</u>	<u>79,827</u>	-	<u>1,208,815</u>
Net Book Value	<u><u>1,029,188</u></u>			<u><u>1,042,619</u></u>

* As of January 1, 2011, the new building was used by ARIJ, therefore, the balance of the building under construction (USD 348,690) was transferred to building, and as of that date, depreciation expense was calculated. Further, additions to the building during 2011 amounted to USD 53,158.

** Part of these fixed assets amounting to USD 26,877 were purchased from the restricted donations, as shown in note 15 to the financial statements.

8. Payables and Accruals

Payables and accruals comprise: -

	2011	2010
Communications and utilities	8,562	5,029
Accrued professional fees	7,382	12,756
Due to Income Tax Authority	3,039	2,338
Vehicle maintenance and other	5,481	7,684
Due to Land Research Center	12,813	-
Due to New Farm	5,574	-
Due to bank	4,849	-
Insurance payable	2,310	-
Other	21,792	8,703
	<u>71,802</u>	<u>36,510</u>

9. Reserve for End of Service Benefits

The movement on the reserve for end of service benefits during 2011 and 2010 follows:-

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	518,495	447,993
Additions during the year	99,491	106,611
Payments during the year	(24,681)	(36,109)
Balance, end of year	<u>593,305</u>	<u>518,495</u>

10. Reserve for Provident Fund

The movement on the reserve for provident fund during 2011 and 2010 for ARIJ only accounts follows: -

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	291,675	272,602
Additions during the year	51,672	49,915
Payments during the year	(127,828)	(30,842)
Balance, end of year	<u>215,519</u>	<u>291,675</u>

11. Project Revenues

Project revenues during the year represent revenues for the following projects managed by ARIJ: -

	<u>2011</u>			<u>2010</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Swedish Cooperative Centre- FSAG	-	1,135,647	1,135,647	-
Oltriva	-	660,352	660,352	-
European Commission – Monitoring	-	534,745	534,745	-
Spanish Cooperation (Centa 2)	-	379,998	379,998	-
Spanish Cooperation (JVP)	-	265,222	265,222	-
Swedish Cooperative Centre- NFC	-	167,256	167,256	-
Catholic Relief Services- Social Capital	-	119,637	119,637	-
Australian Agency for International	-	104,364	104,364	-
Swedish Cooperative Centre- GG	-	86,600	86,600	-
UK Development for International Development (DFID) TIRI 3	-	75,200	75,200	-
Dan Church Aid	-	44,795	44,795	-
Catholic Relief Services	-	33,185	33,185	-
CARE International (TATWEER)	-	-	-	-
SCC Swedish Cooperative Centre	-	-	-	512,556
Spanish Cooperation (Centa 1)	-	-	-	-
Swiss Agency for Development	-	-	-	330,000
Canadian Foodgrains Bank/ through MCC3	-	-	-	-
NDC- Human Rights	-	-	-	40,000
Spanish Cooperation (Emerg 6)	-	-	-	861,641

	2011			2010
	Unrestricted	Temporarily Restricted	Total	
UK Development for International Development (DFID) TIRI 2	-	-	-	58,103
USAID (Chemonics)	-	-	-	10,476
Jerusalem Capital of Culture	-	-	-	-
Canadian Foodgrains Bank/ through MCC2	-	-	-	-
Accion contra el-hambre	-	-	-	-
	-	3,607,001	3,607,001	1,812,776

12. Other Revenues

Other revenues comprise: -

	2011	2010
Consulting services	221,640	136,095
Net sales from profit-type activities	63,594	63,450
Sales of printing and plotting	4,608	5,892
ARIJ contribution in project expense	-	(10,477)
Other	7,225	75,141
	297,067	270,101

13. Currency Differentials Gain or Loss

Currency differentials loss or gain have resulted from the revaluation of ARIJ and its subsidiary's monetary assets and liabilities in foreign currencies (mainly bank balances, accounts payable and contributions receivable) to USD using exchange rates prevailing at the date of the statement of financial position. The fluctuations in the exchange rates against USD resulted in a gain of USD 29,185 and in a loss of USD 26,967 as of December 31, 2011 and 2010 respectively.

14. Bank Interest

Represents interest earned on ARIJ deposits with the bank.

15. Unrestricted Net Assets

Unrestricted net assets comprise:

	2011	2010
General	(8,828)	39,562
Investment in fixed assets	1,042,619	1,029,188
Board designated endowment fund*	250,000	250,000
	1,283,791	1,318,750

* For the purpose of sustainability of the organization, ARIJ board of directors decided in prior years to designate an amount of USD 250,000, from locally earned revenues, as an endowment fund.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2011 and movement thereon during the year follow:

	Balance, beginning of year	Additions	Net Assets Released From Restriction			Currency Variance	Reallocation	Balance, end of year
			Project expenses	Procurement of fixed assets	Total			
Swiss Agency for Development- 6	133,000	-	(131,394)	(1,176)	(132,569)	2	-	433
European Commission- Monitoring Colonizing activities 4	72,514	-	(64,539)	(1,088)	(65,627)	(6,887)	-	-
European Commission- Monitoring Colonizing activities 5	-	534,745	(45,071)	-	(45,071)	-	-	489,674
Canadian Foodgrains Bank/ through MCC3	82,955	-	(82,329)	(626)	(82,955)	-	-	-
Spanish Cooperation (FSIS)	41,173	-	-	-	-	(25,338)	-	15,835
Spanish Cooperation (Geopolitical fate of Jerusalem)	25,792	-	-	-	-	(25,792)	-	-
Spanish Cooperation (JVP)	-	265,222	(149,599)	(16,076)	(165,675)	-	-	99,547
Spanish Cooperation (Centa 1)	14,780	-	(14,780)	-	(14,780)	(22,111)	-	-
Spanish Cooperation (Centa 2)	-	379,998	(56,174)	-	(56,174)	-	-	323,824
Spanish Cooperation (Emerg 6)	793,794	-	(596,889)	-	(596,889)	(174,794)	-	-
UK Department for International Development (DFID) TIRI 2	37,894	-	(14,344)	-	(14,344)	2,331	-	25,881
UK Department for International Development (DFID) TIRI 3	-	75,200	(38,845)	(194)	(39,039)	-	-	36,161
USAID (Chemonics)	1,384	-	(1,365)	-	(1,365)	-	-	19
CARE International (TATWEER)	186,123	-	(60,490)	(236)	(60,727)	-	-	125,395
SCC Swedish Cooperative Center	304,216	-	(285,163)	(6,631)	(291,794)	(388)	-	12,034
NDC – Human Rights	31,663	-	(31,565)	-	(31,565)	-	-	98
Accion contra el-hambre	33,224	-	-	-	-	-	-	33,224
Jerusalem Capital of Arab Culture	141	-	-	-	-	-	-	141
Swedish Cooperative Center- NFC	-	167,256	(167,256)	-	(167,256)	-	-	-
Swedish Cooperative Center- GG	-	86,600	(83,224)	-	(83,224)	-	-	3,376
Swedish Cooperative Center- FSAG	-	1,135,647	(824,208)	(850)	(825,058)	-	-	310,589
Catholic Relief Services	-	33,185	(26,647)	-	(26,647)	-	-	6,538
Catholic Relief Services- Social Capital	-	119,637	(3,772)	-	(3,772)	-	-	115,865
Australian Agency for International Development (AusAID)	-	104,364	(5,637)	-	(5,637)	-	-	98,727
Dan Church Aid	-	44,795	(44,795)	-	(44,795)	-	-	-
Olitreva	-	660,352	(12,341)	-	(12,341)	-	-	648,011
Subsidiary retained earning- from profit activities	40,264	-	-	-	-	-	(40,264)	-
Consolidated Temporarily Restricted Net Assets	1,798,917	3,607,001	(2,740,427)	(26,877)	(2,767,305)	(252,977)	(40,264)	2,345,372

17. Program Expenses

Program expenses during the year comprise: -

	2011											
	Settlement 4	MCC 3	TATWEER	Centa 1	Centa 2	JVP	SCC- FSAG	SCC- NFC	SCC- GG	Tiri Phase 3	CRS	AusAID
Salaries	25,275	21,491	48,995	-	39,133	92,612	77,566	34,646	21,597	14,446	10,416	3,904
Provision for end of service benefits	2,011	1,558	3,936	-	2,935	7,025	5,831	2,882	1,855	1,062	840	304
provident fund	1,207	845	1,316	-	1,502	3,606	2,268	354	558	637	504	147
Employee medical insurance	690	584	938	-	971	2,808	1,674	391	459	321	213	82
Software	-	-	61	-	-	-	-	711	-	-	-	-
Printing and publications	7,823	-	-	-	-	-	-	-	4,311	-	-	-
Stationery and office supplies	321	1,892	2,141	4,763	1,012	2,851	999	32	1,804	3,533	231	239
Conferences and international travel	356	-	65	3,406	-	-	136	-	-	40	-	-
Communications and internet fees	2,000	1,055	-	-	1,889	5,791	2,466	218	80	3,337	614	380
Car expenses	983	1,219	-	2,036	3,341	4,825	16,485	15,153	10,973	5,396	1,997	69
Rent, electricity and water	99	2,083	2,930	1,192	3,129	11,341	3,456	-	-	2,454	-	512
Maintenance	-	-	109	168	-	316	28	-	-	-	-	-
Professional fees	1,127	-	-	-	-	500	-	51,487	9,375	500	-	-
Other expenses	4,293	-	-	-	-	12,252	1,745	7,219	3,964	-	-	-
Land Research Center in EU project	17,962	-	-	-	-	-	-	-	-	-	-	-
Agriculture activity expenses	-	49,763	-	-	-	-	709,806	52,148	10,984	-	138	-
Project consultant and research expense	392	1,839	-	679	492	5,672	1,749	2,015	17,264	5,129	11,694	-
Water activity expenses	-	-	-	2,536	1,770	-	-	-	-	1,990	-	-
Total Program expenses	64,539	82,329	60,491	14,780	56,174	149,599	824,208	167,256	83,224	38,845	26,647	5,637
Procurements of fixed assets	1,088	626	236	-	-	16,076	850	-	-	194	-	-
	65,627	82,955	60,727	14,780	56,174	165,675	825,058	167,256	83,224	39,039	26,647	5,637
Financed by:												
Donors contribution	65,627	82,955	60,727	14,780	56,174	165,675	825,058	167,256	83,224	39,039	26,647	5,637
ARIJ contribution	-	-	-	-	-	-	-	-	-	-	-	-
	65,627	82,955	60,727	14,780	56,174	165,675	825,058	167,256	83,224	39,039	26,647	5,637

Continued to note 17...

2011

	Chemonics	TIRI phase 2	Emergency 6	SCC	NDC-Human Program	CRS-SC	Settlement 5	DCA	Oltriva	ARIJ Core Program	SDC	Total	2010
Salaries	-	4,647	34,511	23,924	36,364	2,187	24,077	1,523	9,250	237,219	89,110	852,893	777,225
Provision for end of service benefits	-	371	2,680	2,166	2,749	178	1,885	71	725	30,169	14,678	85,911	58,686
provident fund	-	223	1,300	975	1,266	59	870	42	435	5,881	7,539	31,534	30,666
Employee medical insurance	-	116	946	496	1,046	64	637	19	143	7,094	4,760	24,452	24,885
Software	-	-	492	-	-	-	-	-	-	-	-	1,264	3,941
Printing and publications	-	-	-	-	-	-	-	-	-	1,201	3,238	16,573	37,625
Stationery and office	1,365	3,129	937	606	516	-	811	69	-	6,905	-	34,156	23,116
Conferences and international travel	-	-	185	123	-	-	-	-	-	6,110	653	11,074	9,095
Communications and internet fees	-	-	565	561	175	14	-	140	-	8,989	5,326	33,600	33,915
Car expenses	-	3,099	6,251	3,869	1,309	1,031	1,029	584	391	15,603	6,810	102,453	74,487
Rent, electricity and water	-	-	-	372	106	239	-	107	-	18,820	(11,009)*	35,831	42,085
Maintenance	-	-	-	14	252	-	-	-	-	4,391	54	5,332	206
Professional fees	-	-	730	-	2,000	-	-	-	-	9,108	5,561	80,388	43,025
Other expenses	-	-	39,819	233	-	-	2,949	-	807	5,664	304	79,249	1,766
Land Research Center in EU project	-	-	-	-	-	-	12,813	-	-	-	-	30,775	59,227
Agriculture activity expenses	-	-	503,908	248,023	-	-	-	-	-	-	1,863	1,576,633	548,098
Project consultant and research expense	-	2,759	4,115	3,801	1,432	-	-	-	590	-	98	59,720	79,776
Water activity expenses	-	-	450	-	-	-	-	50,760	-	-	2,408	59,914	269,036
Total Program expenses	1,365	14,344	596,889	285,163	47,215	3,772	45,071	53,315	12,341	357,154	131,393	3,121,752	2,116,855
Procurements of fixed assets	-	-	-	6,631	-	-	-	-	-	-	1,176	26,877	46,395
	1,365	14,344	596,889	291,794	47,215	3,772	45,071	53,315	12,341	357,154	132,569	3,148,629	2,163,250
Financed by:													
Donors contribution	1,365	14,344	596,889	291,794	31,565	3,772	45,071	44,795	12,341	-	132,569	2,767,304	2,163,250
ARIJ contribution	-	-	-	-	15,650	-	-	8,520	-	357,154	-	381,324	-
	1,365	14,344	596,889	291,794	47,215	3,772	45,071	53,315	12,341	357,154	132,569	3,148,628	2,163,250

* Reduced from the total amount reported in financial statements for year 2010.

18. General and Administrative Expenses

General and administrative expenses comprise:-

	<u>2011</u>	<u>2010</u>
Staff salaries and related benefits	138,082	145,833
Rent, electricity and water	8,066	11,544
Conferences and international travel	7,836	9,874
Car expenses	6,687	12,887
Professional fees	4,819	14,887
Communications and internet fees	3,896	9,086
Stationery and office supplies	3,344	7,899
Employees' medical insurance	3,040	2,196
Maintenance	1,882	557
Subscription, Registration Printing and publications	1,083	15,642
Consultant and research expenses	684	4,282
Software	650	664
Water activity expenses	517	4,905
Provision for doubtful accounts	-	11,591
Other expenses	3,948	5,756
	<u>184,534</u>	<u>257,603</u>

19. Restatement of Prior Year Financial Statements

Effective January 1, 2011, ARIJ changed its revenue recognition policy for temporarily restricted revenues from unconditional grants, as stated in note 2 to the financial statements. Under the new policy, revenues from temporarily restricted donations are recognized when the related agreement is signed with the donor. Prior to January 1, 2011, ARIJ recognized the temporarily restricted donations as revenues either when related cash was received or when the related work was performed by ARIJ.

The financial statements for the year 2010, presented for comparative purposes, have been restated to conform to the new accounting policy. Adjustments on 2010 balances follow:

	<u>Balance, as previously reported</u>	<u>Restatement / adjustment</u>	<u>Balance, as restated</u>
Pledges receivable, net	358,545	702,676	1,061,221
Project revenues	2,294,821	(482,045)	1,812,776

In addition, the effect of this change in accounting policy on years prior to 2010 amounting to USD 1,184,721 has been reflected as a prior period adjustment on net assets as at January 1, 2010.

	<u>ARIJ only- 2010</u>
Change in net asset, as previously reported	77,910
Restatement/ adjustment	(482,045)
Prior period adjustment	<u>1,184,721</u>
Change in net asset, as restated	<u><u>780,586</u></u>

20. ARIJ Subsidiary Financial Statements

ARIJ's subsidiary has been audited by a firm of accountants other than El Wafa Company for Financial Consulting and Accounting Services. The auditor's report on the subsidiary's 2011 financial statements dated March 18, 2012 expressed an unqualified opinion.