Applied Research Institute - Jerusalem

Consolidated Financial Statements

December 31, 2016

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Independent Auditor's Report
To the General Assembly of Applied Research Institute - Jerusalem

Opinion

We have audited the consolidated financial statements of the Applied Research Institute-Jerusalem (ARIJ), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ARIJ as at December 31, 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of ARIJ in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The consolidated financial statements of ARIJ for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements dated June 1, 2016.

Responsibilities of Management and the Administrative Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing ARIJ's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate ARIJ or to cease operations, or has no realistic alternative but to do so.

The Administrative Committee is responsible for overseeing the ARIJ's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ARIJ's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ARIJ to cease to continue as a going concern.
- 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 ARIJ's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the ARIJ's Administrative Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Ernst + Young

June 13, 2017
Ramallah, Palestine

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

	Notes	2016 U.S. $	2015 U.S. $
Assets			
Non-current assets:			
Property, plant and equipment	3	952,379	1,018,053
Investment in an associate	4	268,292	262,276
		1,220,671	1,280,329
Current assets:			
Inventory		229,928	222,633
Contributions receivable	5	1,531,880	1,053,482
Other current assets	6	273,566	391,914
Cash and bank balances	7	592,421	552,651
		2,627,795	2,220,680
Total assets		3,848,466	3,501,009
Net assets and liabilities			
Net assets:			
Unrestricted net assets		309,556	1,037,813
Total net assets		309,556	1,037,813
Non-current liabilities:			
Provision for employees' benefits	8	822,991	933,645
Provident fund	8	223,827	318,563
		1,046,818	1,252,208
Current liabilities:			
Temporarily restricted contributions	10	1,150,259	766,803
Bank overdraft and debit balances		1,219,431	384,714
Other current liabilities	9	122,402	59,471
		2,492,092	1,210,988
Total liabilities		3,538,910	2,463,196
Total net assets and liabilities		3,848,466	3,501,009

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ended December 31, 2016

	Notes	2016 U.S. $	2015 U.S. $
Revenues			
Temporarily restricted contributions released from restriction	10	2,555,680	3,467,192
Unrestricted contributions	11	219,490	142,386
Deferred revenue recognized	10	2,695	-
Gain on sale of property, plant and equipment		9,182	16,142
ARIJ's share of results of associate	4	6,016	2,818
Other revenues		41,742	126,097
		2,834,805	3,754,635
Expenses			
Projects' expenses	12	(2,555,680)	(3,463,101)
General and administrative expense	13	(713,255)	(411,558)
Depreciation of property, plant and equipment	3	(68,462)	(105,671)
Accounts receivable written off		(131,545)	(378,948)
Currency exchange differences		(94,120)	(94,819)
		(3,563,062)	(4,454,097)
Decrease in net assets		(728,257)	(699,462)
Net assets, beginning of the year		1,037,813	1,737,275
Net assets, end of year		309,556	1,037,813

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2016

	Note	2016 U.S. $	2015 U.S. $
<u>Operating activities:</u>			
Decrease in net assets		(728,257)	(699,462)
Adjustments for:			
Depreciation of property, plant and equipment		68,462	105,671
Share of associate' results of operations		(6,016)	(2,818)
Accounts receivable written off		131,545	378,948
Provision for employees' benefits		114,334	138,598
Provident fund		38,978	40,732
		(380,954)	(38,331)
Changes in working capital:			
Contributions receivable		(478,398)	2,014,648
Temporarily restricted contributions		383,456	(1,354,466)
Inventory		(7,295)	(24,193)
Other current assets		(13,197)	(456,288)
Other current liabilities		62,931	(22,918)
Employees' benefits paid		(224,988)	(138,876)
Provident fund payments		(133,714)	(30,647)
Net cash flows used in operating activities		(792,159)	(51,071)
<u>Investing activities:</u>			
Purchase of property, plant and equipment		(2,788)	(50,544)
Time deposits maturing after three months		(405,422)	-
Net cash flows used in investing activities		(408,210)	(50,544)
<u>Financing activities</u>			
Bank overdraft and debit balances		834,717	(219,503)
Net cash flows from (used in) financing activities		834,717	(219,503)
Decrease in cash and cash equivalents		(365,652)	(321,118)
Cash and cash equivalents, beginning of the year		552,651	873,769
Cash and cash equivalents, end of year	7	186,999	552,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

1. General

The Applied Research Institute – Jerusalem (ARIJ) was established in 1990, and was officially registered in Bethlehem as a not-for profit organization under registration number (BL-478-8). In addition to legal registration, ARIJ is recognized by the Ministry Of Higher Education as a research institute specialized in environmental, agricultural, and water research under No. (2/M.B.E/99).

ARIJ is dedicated to promoting sustainable development in the Occupied Palestine Territory and the self-reliance of the Palestinian people through greater control over their natural resources. ARIJ works specifically to augment the local stock of scientific and technical knowledge and to introduce and devise more efficient methods of resource utilization and conservation, improved practices, and appropriate technology.

The consolidated financial statements of ARIJ for the year ended December 31, 2016 were approved by the administrative committee on June 13, 2017.

2.1 Consolidated financial statements

The consolidated financial statements are composed of the financial statements of ARIJ and its wholly owned subsidiary as at December 31, 2016, which is Green Palestine Investment Company.

ARIJ subsidiary operate in the Palestinian National Authority territories providing environmental-related services.

2.2 Basis of preparation

The financial statements are prepared on a historical cost basis in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been presented in U.S. Dollars, which represents the functional currency of ARIJ.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of ARIJ and its subsidiary as at December 31, 2016. Control is achieved when ARIJ is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, ARIJ controls an investee if, and only if, ARIJ has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When ARIJ has less than a majority of the voting or similar rights of an investee, ARIJ considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- ARIJ's voting rights and potential voting rights

ARIJ re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when ARIJ obtains control over the subsidiary and ceases when ARIJ loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date ARIJ gains control until the date ARIJ ceases to control the subsidiary.

All intra-group balances, unrealized profits or losses and cash dividends relating to transactions between ARIJ and its subsidiary are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If ARIJ loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in statement of activities and changes in net assets. Any investment retained is recognised at fair value.

2.4 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous consolidated financial year.

Furthermore, several standards and interpretations have been issued but are not yet mandatory. ARIJ believes that the new standards and interpretations will have no significant impact on disclosures, financial position or performance when applied at a future date.

2.5 Estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, financial assets and liabilities and disclosure of contingent liabilities. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

The key estimates and assumptions involved in the consolidated financial statements are as follows:

Useful lives of property, plant and equipment

ARIJ's management reassesses the useful lives of property, plant and equipment, and makes adjustments if applicable, at each financial year-end.

Allocation of expenses

Expenses are allocated among projects and general and administrative activities based on estimates made by management.

Management believes that the estimates and assumptions used are reasonable.

2.6 Summary of significant accounting policies

Donation revenues

Donors' unconditional pledges are those pledges where donors do not specify prerequisites that have to be carried out by the recipient before obtaining the fund.

Donation revenues from unconditional pledges are recognized as follows:

- Unconditional pledges that are not restricted by donor for a specific purpose or time are recognized as revenue when the pledge is obtained.
- Unconditional pledges that are temporarily restricted by the donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

Deferred revenues

Donations related to property, plant and equipment are stated at fair value, recorded as deferred revenues in the statement of activities and changes in net assets and recognized as revenue on a systematic basis over the project period.

Sales of goods

Revenues from goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

Inventory

Inventories are stated at the lower of cost, using the first in first out method, or net realizable value. Costs are those amounts incurred in bringing the inventories to its present location and condition.

The carrying values of inventories are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the inventories are written down to their recoverable amount.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Classification of current and non-current assets and liabilities

The Institute presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when:

- It is expected to be realized or intended to sold or consumed in the normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realized within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be paid within the regular working cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the statement of activities and changes in net assets.

Cash and bank balances

Cash and cash balances comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less, net of restricted cash balances, if any.

Contributions receivable

Contributions receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges. An estimate for the uncollectible amount is made when the collection of full unconditional pledge is no longer probable.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and changes in net assets as incurred. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful live (Years)
Building and improvements	33
Furniture and equipment	5-16
Office caravans	14
Vehicles	10
Labs and solar system	3-5

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and changes in net assets when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Investments in associate

ARIJ's investment in its associate is accounted for using the equity method. An associate is an entity in which ARIJ has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Under the equity method, the investment in the associates is carried in the consolidated statement of financial position at cost plus post acquisition changes in ARIJ's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of activities and change in net assets reflect the share of the result of operations of the associates. Profits and losses resulting from transactions between ARIJ and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent. Where necessary, adjustments are made to bring the accounting policies in line with those of ARIJ.

ARIJ determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case ARIJ calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of activities and change in net assets.
When step acquiring an associate, ARIJ's share is measured at fair value as at the date of acquiring significant influence over the associate. Any resulting differences are recognized in the consolidated statement of activities and change in net assets.

Income taxes

ARIJ is a not-for-profit organization; accordingly, it is not subject to income tax.

Provisions

Provisions are recognized when ARIJ has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measurable.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

Fair values

The fair values of financial instrument that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotes with no deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statement of activities and changes in net assets. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of activities and changes in net assets.
- For assets carried at cost, impairment is the difference between carrying value and present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences are recognized in the consolidated statement of activities and changes in net assets.

3. Property, plant and equipment

	Lands	Building and improvements	Furniture and equipment	Office Caravans	Vehicles	Lab and solar system	Total
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Cost:							
Balance, beginning of the year	249,042	707,515	1,048,889	50,074	302,741	135,980	2,494,241
Additions	-	-	2,788	-	-	-	2,788
Balance, end of year	-	-	-	-	-	-	-
	249,042	707,515	1,051,677	50,074	302,741	135,980	2,497,029
Accumulated depreciation:							
Balance, beginning of the year	-	151,600	976,237	46,411	203,823	98,117	1,476,188
Depreciation charge for the year	-	22,098	27,884	993	15,316	2,171	68,462
Balance, end of year	-	173,698	1,004,121	47,404	219,139	100,288	1,544,650
Net carrying amount							
At December 31, 2016	249,042	533,817	47,556	2,670	83,602	35,692	952,379
At December 31, 2015	249,042	555,915	72,652	3,663	98,918	37,863	1,018,053

Property, plant and equipment include U.S. $ 1,257,903 and U.S. $ 1,043,416 of fully depreciated assets that are still in operation as of December 31, 2016 and 2015, respectively.

4. Investment in an associate

	Incorporated in	Ownership %	December 31, 2016 U.S. $	December 31, 2015 U.S. $
Investment in New Farm Processing and Marketing Company	Palestine	39.2	268,292	262,276

The following tables summarize the financial information related to ARIJ's investment in its associate:

	2016 U.S. $	2015 U.S. $
Statement of financial position:		
Non-current Asset	411,879	353,432
Current Asset	367,701	336,880
Current Liability	(115,447)	(81,284)
Equity	664,133	609,028
ARIJ share from associate equity	260,341	238,739
Currency exchange adjustments:	7,951	23,537
Carrying amount of investment	268,292	262,276
Revenues and Results of Operations:		
Revenues	222,590	113,482
Results of Operations	15,347	7,351
ARIJ's share of results of associate	6,016	2,818

5. Contributions receivable

	Balance, beginning of the year	Additions	Cash received	Write off	Currency exchange differences	Balance, end of year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
European commission monitoring colonizing activities (7)	-	502,077	(163,986)	-	-	338,091
Climate Change	370,549	535,673	(683,754)	-	-	222,468
Arab Fund	-	229,509	(57,200)	-	(114)	172,195
Awareness	-	165,789	-	-	(8,323)	157,466
European Commission –Sudep – (SUDEP)	4,463	168,349	(57,458)	-	(2,493)	112,861
European Commission Monitoring Colonizing Activities (6) – (Sett 6)	239,934	-	(127,972)	-	(3,654)	108,308
ACAP	87,424	-	-	-	(2,808)	84,616
Cross Boarder Program Heland – EC	121,139	-	(55,169)	-	(1,736)	64,234
Oxfam – GP	-	104,488	(41,795)	-	-	62,693
European Commission – Non State Actors – (Non State Actors)	9,365	282,454	(250,033)	-	8,163	49,949
Local Sat	32,848	-	-	-	10,726	43,574
Amenca 3	-	46,064	-	(7,522)	-	38,542
Tiri 5	-	55,000	(27,500)	-	-	27,500
United Nations Development Program- OFID- (UNDP-OFID)	41,078	-	(27,359)	-	-	13,719
Oxfam Novib	-	101,927	(89,746)	-	(2,584)	9,597
Beyond Horizon	8,726	-	-	-	-	8,726
Dan Church- Cistern	-	7,900	-	-	-	7,900
United Nations Environment Programme 1	6,017	-	-	-	-	6,017
GEF-Consultancy	12,500	-	(9,737)	-	(263)	2,500
Swedish Cooperative Center (SCC)-GG 2012 – (SCC – GG)	9,839	126,444	(135,359)	-	-	924
Swiss Agency For Development And Cooperation (SDC)	60,182	-	(60,182)	-	-	-
ADH – CARE	29,835	3,140	(30,864)	-	(2,111)	-
Leaders	10,350	-	(11,111)	-	761	-
Oxfam Novib	5,473	-	(5,673)	-	200	-
United Nations Environment Programme (GEF)-(GEF-UNDP)	3,760	-	(3,777)	-	17	-
Centa - Continous Sair	-	218,096	(218,096)	-	-	-
PCPM 2016 – (PCPM)	-	205,924	(205,924)	-	-	-
Dan Church- Livestock Year 2016 – (Livestock)	-	130,266	(114,349)	-	(15,917)	-
Dan Church- Core Fund	-	11,500	(11,396)	-	(104)	-
	1,053,482	2,894,600	(2,388,440)	(7,522)	(20,240)	1,531,880

6. Other current assets

	2016	2015
	U.S. $	U.S. $
Accounts receivable	209,041	244,272
Due from partners	31,435	117,592
Employees advances	7,575	8,693
Prepaid expenses	7,255	7,931
Others	18,260	13,426
	273,566	391,914

7. Cash and bank balances

	2016	2015
	U.S. $	U.S. $
Cash at banks	589,785	549,734
Cash on hand	2,636	2,917
	592,421	552,651

Term deposits at banks are short term in nature. Average interest rate as at December 31, 2016 was 3.5 %.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise:

	2016	2015
	U.S. $	U.S. $
Cash and bank balances	592,421	552,651
Deposits at banks with original maturity of more than three months	(405,422)	-
	186,999	552,651

8. Employees provisions

The provision for employee benefits consists of end of service benefits and employees provident fund, Following is a summary of the movement on the provisions during the year:

	Balance, beginning of the year	Additions	Payments	Balance, end of year
December 31, 2016	U.S. $	U.S. $	U.S. $	U.S. $
Provision for employees' benefits	933,645	114,334	(224,988)	822,991
Provident fund	318,563	38,978	(133,714)	223,827
	1,252,208	153,312	(358,702)	1,046,818

December 31, 2015	Balance, beginning of the year U.S. $	Additions U.S. $	Payments U.S. $	Balance, end of year U.S. $
Provision for employees' benefits	933,923	138,598	(138,876)	933,645
Provident fund	308,478	40,732	(30,647)	318,563
	1,242,401	179,330	(169,523)	1,252,208

ARIJ withholds %2.5 of the basic monthly salary and contributes %5 as the ARIJ's contribution towards the provident fund.

9. Other current liabilities

	2016 U.S. $	2015 U.S. $
Due to suppliers and partners	115,639	43,749
Accrued expenses	2,314	5,574
Income tax liability	2,308	2,873
Others	2,141	7,275
	122,402	59,471

10.Temporarily restricted contributions

This item comprises of temporarily restricted contributions subject to specific purpose or time restriction. These amounts represent the excess of donations pledged over the expenditures made out to satisfy the purposes stipulated by the donors. Movement on temporarily restricted contributions for the year ended December 31, 2016 is as follows:

	Balance, beginning of the year	Additions	Temporarily restricted contributions released from restriction	Deferred revenues	Write Off	Currency exchange differences	Balance, end of the year
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
European Commission Monitoring Colonizing Activities (7)	-	502,077	-	-	-	-	502,077
Arab Fund	-	229,509	-	-	-	-	229,509
Awareness	-	165,789	(38,775)	-	-	(6,570)	120,444
European Commission - Sudep – (SUDEP)	163,709	168,349	(244,485)	-	-	1,390	88,963
Oxfam – GP	-	104,488	(25,927)	-	-	-	78,561
Centa - Continous Sair	-	218,096	(165,846)	-	-	509	52,759
Oxfam Novib	-	101,927	(47,987)	(47)	-	(4,573)	49,320
Tiri 5	-	55,000	(39,463)	(53)	-	-	15,484
Dan Church – Cistern	-	7,900	(1,105)	-	-	-	6,795
Beyond Horizon	10,019	-	(3,672)	-	-	-	6,347
Climate Change	272,585	535,673	(807,069)	(1,117)	-	(72)	-
European Commission - Monitoring Colonizing Activities (6) – (Sett 6)	129,071	-	(158,497)	-	-	29,426	-
Spanish Cooperation –CENTA 3 (Al-Arraoub Treatment) – (CENTA 3)	77,698	-	(134,413)	-	-	56,715	-
United Nations Development Program– OFID – (UNDP – OFID)	52,022	-	(46,962)	-	-	(5,060)	-
GEF-Consultancy	21,517	-	(21,522)	-	-	5	-
Monnolite Canadian Central Committee- (MCC 5)	18,139	-	(18,139)	-	-	-	-
Swedish Cooperative Center (SCC)-GG 2012 – (SCC – GG)	11,265	126,444	(126,443)	-	-	(11,266)	-
United Nations Environment Programme (GEF)	7,842	-	(7,709)	(133)	-	-	-
European Commission – Non State Actors – (Non State Actors)	2,936	282,454	(278,776)	(871)	-	(5,743)	-
PCPM 2016 – (PCPM)	-	205,924	(205,446)	(474)	-	(4)	-
Dan Church- Livestock Year 2016 – (Livestock)	-	130,266	(130,266)	-	-	-	-
Amenca 3	-	46,064	(38,542)	-	(7,522)	-	-
Dan Church - Core Fund	-	11,500	(11,500)	-	-	-	-
ADH – CARE	-	3,140	(3,136)	-	-	(4)	-
	766,803	2,894,600	(2,555,680)	(2,695)	(7,522)	54,753	1,150,259

11.Unrestricted contributions

	2016	2015
	U.S. $	U.S. $
Researches and surveys revenue	135,499	49,714
Other revenues	78,448	82,664
Bids feeds	5,543	10,008
	219,490	142,386

12. Project Expenses

	Dan Church – Core Fund	Dan Church Cistern	Climate change	SCC-GG	PCPM	CENTA 3	Livestock	Sett 6
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Agriculture activities expense	-	-	666,747	685	153,242	-	56,842	-
Salaries	11,500	709	71,185	48,495	31,180	-	46,213	73,945
Water activity expense	-	-	-	38,880	489	134,413	-	-
Car expenses	-	-	39,840	7,311	9,164	-	9,604	15,985
Project consultant and research exp.	-	-	3,623	14,838	4,529	-	1,473	381
Provision for end of service benefits	-	-	7,323	3,637	2,533	-	2,848	7,665
Professional fees	-	-	-	2,008	-	-	4,600	19,459
Land research center in EU projects	-	-	-	-	-	-	-	30,813
Provident fund	-	-	2,813	1,252	785	-	1,635	4,203
Communication and internet fees	-	-	4,573	2,224	1,702	-	1,641	53
Rent , electricity and water	-	396	2,030	3,080	-	-	2,696	-
Stationery and office supplies	-	-	3,066	2,301	690	-	762	634
Employee medical insurance	-	-	2,525	1,211	1,132	-	1,680	2,705
Conference and international travel	-	-	248	-	-	-	-	1,604
Printing and publications	-	-	2,280	350	-	-	-	982
Maintenance	-	-	711	-	-	-	-	-
Software	-	-	58	-	-	-	-	-
Other expenses	-	-	47	171	-	-	272	68
	11,500	1,105	807,069	126,443	205,446	134,413	130,266	158,497

Project Expenses (Continued)

	Non-State Actors	GEF - UNDP	Oxfam-Novib	SUDEP	MCC 5	Beyond Horizon	UNDP-OFID	ADH-CARE
	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $	U.S. $
Agriculture activities expense	8,342	-	-	168,085	16,484	-	6,046	3,136
Salaries	41,873	1,198	30,229	52,130	589	1,112	14,491	-
Water activity expense	168,804	-	206	-	-	-	16,820	-
Car expenses	20,079	-	3,218	7,198	-	-	3,105	-
Project consultant and research exp.	12,359	5,062	1,651	3,033	-	111	780	-
Provision for end of service benefits	6,233	97	2,431	4,232	265	90	927	-
Professional fees	8,115	-	6,398	2,644	-	-	-	-
Land research center in EU projects	-	-	-	-	-	-	-	-
Provident fund	3,492	58	1,458	1,594	75	54	556	-
Communication and internet fees	27	-	760	272	50	371	986	-
Rent, electricity and water	-	-	-	2,648	540	-	1,891	-
Stationery and office supplies	4,067	1,259	776	454	-	-	434	-
Employee medical insurance	2,263	35	828	1,474	136	33	419	-
Conference and international travel	295	-	-	187	-	1,901	-	-
Printing and publications	2,700	-	13	484	-	-	349	-
Maintenance	61	-	-	-	-	-	158	-
Software	-	-	-	50	-	-	-	-
Other expenses	66	-	19	-	-	-	-	-
	278,776	7,709	47,987	244,485	18,139	3,672	46,962	3,136

Project Expenses (Continued)

	GEF-Consultancy	Centa-Continous Sair	Tiri 5	Awareness	Oxfam-GP	Amenca-3	2016	2015
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Agriculture activities expense	-	4,716	-	-	-	-	1,084,325	1,526,623
Salaries	15,117	11,455	20,495	29,423	16,577	27,676	545,592	1,005,276
Water activity expense	-	135,663	4,708	1,754	-	-	501,737	118,603
Car expenses	2,296	2,846	4,843	684	894	848	127,915	131,166
Project consultant and research exp.	1,894	257	1,801	2,218	167	-	54,177	147,910
Provision for end of service benefits	1,229	918	1,669	2,390	1,359	2,280	48,126	27,715
Professional fees	-	2,167	-	-	-	45	45,436	32,135
Land research centerin EU projects	-	-	-	-	-	-	30,813	148,889
Provident fund	544	551	898	1,427	341	724	22,460	74,651
Communication and internet fees	-	2,658	3,284	-	1,215	1,671	21,487	24,286
Rent, electricity and water	-	2,942	-	-	1,178	3,299	20,700	19,061
Stationery and office supplies	-	1,040	671	100	462	1,336	18,052	31,420
Employee medical insurance	442	417	585	779	573	663	17,900	23,353
Conference and international travel	-	-	-	-	3,161	-	7,396	28,102
Printing and publications	-	-	55	-	-	-	7,213	51,310
Maintenance	-	-	-	-	-	-	930	-
Software	-	-	454	-	-	-	562	36,412
Other expenses	-	216	-	-	-	-	859	36,189
	21,522	165,846	39,463	38,775	25,927	38,542	2,555,680	3,463,101

13. General and administrative expenses

	2016	2015
	U.S.$	U.S.$
Salaries and related benefits	543,796	233,580
Bank charges	53,032	29,963
Medical insurance	17,185	12,333
Professional fees	16,333	20,921
Rent, electricity and water	14,701	28,980
Water activity expenses	12,277	879
Communication and internet fees	6,313	7,534
Project consultant and research expense	5,801	-
Stationery and office supplies	4,429	7,435
Agriculture activity expense	2,851	11,478
Maintenance	2,753	4,392
Conference and international travel	2,366	10,255
Printing and publications	1,042	9,149
Software	761	911
Payroll income tax	8,344	10,262
Operating expenses (Subsidiary)	17,457	14,998
Other expenses	3,814	8,488
	713,255	411,558

14. Related party transactions

This item represents transactions with board members and key management personnel:

	2016	2015
	U.S.$	U.S.$
<u>**Key management remuneration**</u>		
Provision for end of service indemnity	256,534	237,699
Provident fund	50,261	41,052
Salaries and related benefits	123,732	119,450

15. Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of contributions receivable, cash and bank balances, other current assets. Financial liabilities consist of temporarily restricted contributions and other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

16. Risk management

Risks affecting the activities of ARIJ are interest rate risk, credit risk, liquidity risk and foreign currency risk. Management of ARIJ sets policies and procedures to manage these risks.

Interest rate risk

Interest rate risk is mainly caused by interest rate changes on financial assets and financial liabilities that are subject to floating interest rates. ARIJ's financial assets are subject to fixed interest rates and therefore there is no interest rate exposure risk on these financial assets.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or a contract, leading to a financial loss. ARIJ's maximum exposure to credit risk is the carrying value of contributions receivable as disclosed in (Note 6). ARIJ limits its credit risk through obtaining funds from several reputable donors. Generally, any write off on contribution receivable balances will be matched by a write off in the temporarily restricted contributions balance.

With respect to credit risk arising from other financial assets of ARIJ including cash and bank balances and other current assets, exposure to credit risk arises from the default of the counterparty. The maximum exposure is equal to the carrying amount of these financial assets.

Liquidity risk

ARIJ limits its liquidity risk by maintaining adequate cash balances and funds from multiple donors to meet its current obligations and to finance its activities. Most of the ARIJ's financial liabilities are due within a period of less than one year from the date of the consolidated financial statements.

Foreign currency risk

The table below indicates ARIJ's foreign currency exposure, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the U.S. Dollar currency rate against the Israeli Shekel (ILS), European Monetary Unit (EURO) and other currencies with all other variables held constant, on the statement of activities and changes in net assets. The Jordanian Dinar (JOD) exchange rate is pegged to the U.S. Dollar exchange rate; therefore, foreign currency risk of JOD is not material on the financial statements.

The effect of decrease in foreign currency exchange rate is expected to be equal and opposite to the effect of the increase shown below:

	Increase in ILS rate to U.S. $	Effect on statement of activities and changes in net assets for the year	Increase in EURO rate to U.S. $	Effect on statement of activities and changes in net assets for the year	Increase in other currencies rate to U.S. $	Effect on statement of activities and changes in net assets for the year
	%	U.S. $	%	U.S. $	%	U.S. $
2016	20	(17,077)	20	367,449	20	19,998
2015	20	767	20	180,987	20	33,272

17. Concentration of risk in geographic area

ARIJ is carrying out its activities in Palestine. The political and economic situation in the area increases the risk of carrying out its activities.

18. Comparative figures

The corresponding figures for the year ended December 31, 2015 have been reclassified in order to conform with the presentation for the current year.