

**THE APPLIED RESEARCH INSTITUTE – JERUSALEM
(ARIJ)**

SEPARATE FINANCIAL STATEMENTS

for the year ended December 31, 2013

AND INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

	<u>PAGE</u>
Independent auditor's report	2
Statement of financial position	3
Statement of activities and changes in net assets	4
Statement of cash flows	5
Notes to the financial statements	6



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF TRUSTEES OF THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

BETHLEHEM- PALESTINE

We have audited the accompanying financial statements of the Applied Research Institute- Jerusalem (ARIJ), which comprise the statement of financial position as of December 31, 2013 and the statement of activities, statement of changes in net assets and statement of cash flows 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of 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 the entity'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 the entity'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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Applied Research Institute- Jerusalem (ARIJ) as of December 31, 2013 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

PricewaterhouseCoopers Palestine Limited

Ramallah, Palestine

May 12, 2014

THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

STATEMENT OF FINANCIAL POSITION

(All amounts in US Dollar)

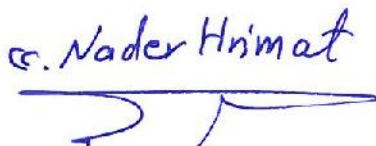
	Note	2013	2012
ASSETS			
Non-current assets			
Property, plant, and equipment	(3)	1,069,611	1,027,590
Investment in subsidiaries	(4)	227,400	177,400
Investment in associates	(5)	277,005	277,005
Total non-current assets		1,574,016	1,481,995
Current assets			
Pledges Receivable	(6)	3,220,463	4,105,774
Other current asset	(7)	434,146	208,176
Cash and cash equivalents	(8)	1,536,147	901,513
Total current assets		5,190,756	5,215,463
Total assets		6,764,772	6,697,458
NET ASSETS AND LIABILITIES			
Net assets			
Unrestricted net assets (General Fund)		1,497,442	1,353,499
Temporary restricted net assets	(9)	3,972,178	4,149,923
Total net assets		5,469,620	5,503,422
Liabilities			
Non-current liabilities			
Provision for End-of-service	(10)	836,565	727,361
Provision for provident fund indemnity	(11)	256,699	201,212
Total non-current liabilities		1,093,264	928,573
Current liabilities			
Other current liabilities	(12)	201,888	265,463
Total current liabilities		201,888	265,463
Total liabilities		1,295,152	1,194,036
Total net assets and liabilities		6,764,772	6,697,458

- The notes on pages (6) to (23) form an integral part of these financial statements.

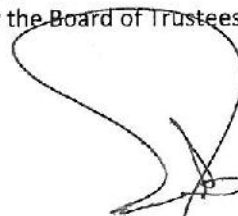
- The financial statements on pages from (3) to (23) were authorized for issue by the Board of Trustees on May 12, 2014 and were signed on its behalf.



Mr. Fahd Abu Saymeh
Financial and Administrative Director



Dr. Jaad Isaac
General Director



Dr. Nasri Qumsiyeh
Chairman

THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(All amounts in US Dollar)

	Note	2013	2012
Grants and revenues			
Unrestricted revenues	(13)	322,901	174,862
Net assets released from restriction	(9)	3,712,063	2,886,572
Total Grants and Revenues		4,034,964	3,061,434
Expenses			
Projects expenses	(14)	3,629,727	2,853,182
General and Administrative expenses	(15)	156,522	194,438
Depreciation Expense		83,011	80,387
Loss of written projects		82,967	6,538
Currency exchange gains		(61,206)	(148,101)
Total Expenses		3,891,021	2,986,444
Net change in unrestricted Net assets – general fund		143,943	74,990
Change in temporary restricted net assets			
Grants and donations	(9)	3,750,480	4,899,266
Net assets released from restrictions	(9)	(3,712,063)	(2,886,572)
Written off projects	(9)	(265,049)	(6,538)
Currency exchange (gains) or losses	(9)	48,887	(201,608)
(Decrease) Increase in temporary restricted net assets		(177,745)	1,804,548
(Decrease) Increase in net assets		(33,802)	1,879,538
Net assets surplus, beginning of year		5,503,422	3,623,884
Net assets, end of year		5,469,620	5,503,422

- The notes on pages (6) to (23) form an integral part of these financial statements.

THE APPLIED RESEARCH INSTITUTE – JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

STATEMENT OF CASH FLOWS

(All amounts in US Dollar)

	<u>Note</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:			
Change in net assets for the year		(33,802)	1,879,538
Adjustments of non-cash items:			
End of service expense		126,628	161,139
Provident fund expense		63,226	60,191
Depreciation expense		83,011	80,387
Adjustments to reconcile changes in net assets to net cash provided by operating activities:			
Pledges receivable		885,312	(2,529,831)
Other current assets		(225,970)	(135,676)
Other current liabilities		(63,576)	41,406
End of service payments		(17,424)	(27,083)
Provident fund payments		(7,738)	(74,498)
Net cash provided by (used in) operating activities		809,667	(544,427)
Cash flows from investing activities:			
Investments in subsidiaries		(50,000)	-
Purchases of property and equipment		(125,033)	(66,067)
Net cash used in investing activities		(175,033)	(66,067)
Increase (Decrease) in cash and cash equivalents		634,634	(610,494)
Cash and cash equivalents, beginning of year		901,513	1,512,006
Cash and cash equivalents, end of year	(8)	1,536,147	901,513

- The notes on pages (6) to (23) form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (1) GENERAL

The applied Research Institute- Jerusalem (hereinafter the "Institute") 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 the institute is recognized by the Ministry of Higher Education as a research institute specialized in environmental, agricultural, and water researches under No. (2/M.B.E/99).

Applied Research Institute - Jerusalem (ARIJ) dedicated to promoting sustainable development in the occupied Palestinian territory and the self-reliance of the Palestinian people through greater control over their natural resources. The Institute 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.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), based on historical cost convention and are presented in the US Dollar (USD). Currently, International Financial Reporting Standards do not include any specific requirements regarding not-for-profit organizations in connection with the accounting policies or the presentation of the financial statements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Institute's accounting policies. There are no estimates or judgments which materially affects the financial statements.

These separate financial statements are issued to comply with the requirements of the local laws and regulations. In addition to the separate financial statements, ARIJ issues consolidated financial statements.

2.2 Changes in accounting policies and disclosures

The accounting policies used is the same as those used in the previous year, unless otherwise stated.

Amendments on the existing International Financial Reporting Standards:

New standards, amendments and interpretations issued but not effective and not applicable for the financial year beginning 1 January 2013 and not early adopted

- IAS 19, 'Employee benefits' was revised in June 2011.
- IFRS 9, 'Financial instruments', (will be affected at 1 January 2015).
- IFRS 10, 'consolidated financial statements', (will be affected at 1 January 2015).
- IFRS 12, 'Disclosures of interests in other entities' (will be affected at 1 January 2015).
- IFRS 13, 'Fair value valuation', (will be affected at 1 January 2015).

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

2.3 Property, Plant and equipment

Property and equipment is stated at cost or at fair value at the date of granting, if it was granted by a donor, less accumulated depreciation and any impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentage rates:

	%
Office equipment and furniture	6-20
Vehicles	10
Building	3
Labs and solar system	20-33

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditures incurred to replace a component of an item of property and equipment that are accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property and equipment. All other expenditures are recognized in the statement of activities and changes in net assets as expenses when incurred.

2.4 Investments in subsidiaries

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Institute has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Institute controls another entity. Subsidiaries are counted at cost. They are de-consolidated from the date on which control ceases.

The following is the subsidiary of the Institute as of December 31, 2013:

	Incorporated in	Ownership %	Main activities
Green Palestine Investment Company	Palestine	100%	Environment-related services

Green Palestine Investment Company (hereinafter the "The Company") was established as a private limited company and was registered in companies' controller on November 2009 under the registration number 562490946. The Company's registered capital is USD 300,000 divided into 300,000 shares (Par value 1 USD of each share). The paid in capital as of December 31, 2013 is USD 227,400. The Company was established to provide Environment-related services, such as disposal of waste water, recycling rubbish and scrap and managing environment protection and pollution control programs.

2.4 Investments in associates

Associates

Associates are all entities over which the Fund has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted at cost.

The following is the associate of the Institute as of December 31, 2013:

	Incorporated in	Ownership %	Nature of Business
New Farm Processing and Marketing Company	Palestine	39.2%	Agricultural products

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

2.6 Pledges receivable

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

2.7 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with an original maturity of three months or less.

2.8 Provision for End of Service Indemnity

Benefits payable to the employees of the Institute at the end of their services are provided for in accordance with the guidelines set by the local labour laws and Institute's bylaw.

2.9 Provident Fund

Upon the Board of Directors decision, The Institute deducts 2.5 % of the employee's base salary from each salary payment, and contributes an additional 5 % from its own funds to form the provident fund for employees.

The employee is entitled to receive the full amount of his or her contribution and Institute's contribution to the fund, if and when the employee ceases work at the Institute.

2.10 Accounts payable and accrued expenses

Accounts payable and accrued expenses are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.11 Revenues

Donation revenues:

Revenues from donations are recognized when contributions are pledged.

Operating revenues:

Operating revenues are the revenues generated from consultations, researches and other services. These revenues are recognized during the period in which such services are rendered. Revenues from products sales are recognized during the period in which sales are made.

2.12 Expenses recognition

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

2.13 Foreign currencies

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the statement of financial position date. All differences are taken to the statement of activities and change in net assets.

The exchange rates against US Dollar as of December 31, 2013 and 2012 were as follow:

	2013	2012
New Israeli Shekel (ILS)	0.288	0.267
Jordanian Dinar (JOD)	1.416	1.416
European Monetary Unit (EURO)	1.359	1.299

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

2.14 Risk management

1) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following are the assets that are performing:

Item	Carrying amount 2013
Cash on hand and at banks	1,536,147
Other current assets	427,178
Pledges receivable	3,244,944

1. The Institute has an amount of USD 1,536,147 as cash at bank and cash on hand, and there are no restrictions on using this amount.
2. The Institute has an amount of USD 427,178 as other current assets.
3. The Institute has an amount of USD 3,244,944 as pledges receivable, which represents promises from the Donors.

2) Liquidity risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The schedule below presents expected cash outflow resulting from financial liabilities broken down by time brackets:

Items	Carrying amounts	Expected timing of cash outflow		
		0-6 Month	7 Months-1 Year	1-2 Years
Other current liabilities	201,888	201,888	-	-

The Institute will pay an amount of USD 201,888 of the accounts payable and accruals during the first six months of the year 2013, and it will use the available cash to pay these liabilities.

3) Market risk

The market risk is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

The main market risk faced by the Institute is currency risk. Currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The main currencies that the Institute uses are the United States Dollar (USD), the Israeli Shekel (ILS), the Jordanian Dinar (JOD) and the European Monetary Unit (EURO).

These fluctuations in the exchange rates resulted in a net gain of US Dollar 60,212.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (3) PROPERTY PLANT AND EQUIPMENT

Details:

	<u>Lands</u>	<u>Building and Improvements</u>	<u>furniture and equipment</u>	<u>Office Caravans</u>	<u>Vehicles</u>	<u>Lab and solar system</u>	<u>Total</u>
Cost							
Beginning balance	240,363	666,344	966,022	50,074	257,785	135,980	2,316,568
Additions	-	33,369	24,799	-	66,864	-	125,032
Disposals	-	-	-	-	-	-	-
Ending balance	240,363	699,713	990,821	50,074	324,649	135,980	2,441,600
Accumulated depreciation							
Beginning balance	-	(87,587)	(853,466)	(48,456)	(213,761)	(85,708)	(1,288,978)
Additions	-	(20,603)	(40,448)	(993)	(19,883)	(1,084)	(83,011)
Disposals	-	-	-	-	-	-	-
Ending balance	-	(108,190)	(893,914)	(49,449)	(233,644)	(86,792)	(1,371,989)
Net book value 2013	240,363	591,523	96,907	625	91,005	49,188	1,069,611

NOTES TO THE FINANCIAL STATEMENTS
 (All amounts in US Dollar)

NOTE (3) PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Details:

<u>2012</u>	<u>Lands</u>	<u>Building and improvements</u>	<u>furniture and equipment</u>	<u>Office Caravans</u>	<u>Vehicles</u>	<u>Lab and solar system</u>	<u>Total</u>
Cost							
Beginning balance	239,740	636,715	930,207	50,074	257,785	135,980	2,250,501
Additions	623	29,629	35,815	-	-	-	66,067
Disposals	-	-	-	-	-	-	-
Ending balance	<u>240,363</u>	<u>666,344</u>	<u>966,022</u>	<u>50,074</u>	<u>257,785</u>	<u>135,980</u>	<u>2,316,568</u>
Accumulated depreciation							
Beginning balance	-	(70,447)	(814,547)	(44,952)	(195,419)	(83,450)	(1,208,815)
Additions	-	(17,140)	(38,919)	(3,505)	(18,341)	(2,258)	(80,163)
Disposals	-	-	-	-	-	-	-
Ending balance	<u>-</u>	<u>(87,587)</u>	<u>(853,466)</u>	<u>(48,457)</u>	<u>(213,760)</u>	<u>(85,708)</u>	<u>(1,288,978)</u>
Net book value 2012	<u>240,363</u>	<u>578,757</u>	<u>112,556</u>	<u>1,617</u>	<u>44,025</u>	<u>50,272</u>	<u>1,027,590</u>

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (4) INVESTMENTS IN SUBSIDIARY

Details:

	<u>Incorporated in</u>	<u>Ownership %</u>	<u>Cost of investment 2013</u>	<u>Cost of investment 2012</u>
Investment in Green Palestine Company	Palestine	100%	227,400	177,400

NOTE (5) INVESTMENTS IN ASSOCIATE

Details:

	<u>Incorporated in</u>	<u>Ownership %</u>	<u>Cost of investment 2013</u>	<u>Cost of investment 2012</u>
New Farm processing and marketing Company	Palestine	39.2%	277,005	277,005

THE APPLIED RESEARCH INSTITUTE - JEKUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (6) PLEDGES RECEIVABLE

Details:

	Beginning Balance	Additions	Received during the year	Written-off Projects	Currency Gain (loss)	Ending Balance
European Commission	74,220	-	74,220	-	-	-
European Commission - Dead Sea (1)	41,325	-	18,385	22,940	-	-
European Commission - Monitoring Colonizing Activities (3)	6,255	-	-	6,255	-	-
European Commission - Monitoring Colonizing Activities (4)	126,603	-	-	-	12,661	139,264
European Commission - Monitoring Colonizing Activities (5)	223,245	-	145,668	-	7,760	85,337
European Commission - Monitoring Colonizing Activities (6)	-	675,578	223,676	-	-	451,902
International Development and Research Center - (IDRC)	12,891	137,050	143,715	-	-	6,226
YMCA- Life	67,231	-	-	-	3,094	70,325
Swiss Agency for Development and Cooperation-Phase (3)	11,591	-	-	-	-	11,591
Swiss Agency for Development and Cooperation-Phase (5)	849,885	-	375,000	-	-	474,885
Arab Fund for Social and Economic Development	31,068	-	-	-	-	31,068
Care International -Tatweer	328,851	378,638	453,993	-	-	253,496
Monnolite Canadian Central Committee - MCCC 3	6,957	-	-	-	-	6,957
Monnolite Canadian Central Committee - MCCC 4	318,625	-	98,149	-	-	220,476
Spanish Cooperation - CENTA 2	323,824	-	49,204	258,914	-	15,706
Spanish Cooperation - CENTA 3 (Al-Arraoub Treatment)	-	1,058,238	1,058,238	-	-	-
Catholic Relief Services - Social Capital	47,785	-	22,010	25,775	-	-
SP7 European Commission-Oltriva	230,719	-	131,502	-	10,618	109,835
Integrity -Tiri (4)	50,312	-	48,079	2,233	-	-
Dan Church	88,509	-	44,214	-	-	44,295
Dan Church- Livestock	-	152,640	149,447	-	-	3,193
Swedish Cooperative Center (SCC) - NFC	7,726	158,423	140,829	-	-	25,320
Sub-total	2,847,622	2,560,567	3,176,329	316,117	34,133	1,949,876

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (6) PLEDGES RECEIVABLE (CONTINUED)

	Beginning Balance	Additions	Received during the year	Written off Projects	Currency Gain (loss)	Ending Balance
Sub- total from previous page	2,847,622	2,560,567	3,176,329	316,117	34,133	1,949,876
Swedish Cooperative Center (SCC) - GG 2012	11,291	91,603	93,375	-	-	9,519
Swedish Cooperative Center (SCC)- Cap	3,489	395,090	324,387	-	-	74,192
Oxfam SDC	118,692	-	50,000	-	-	68,692
Oxfam EU	645,283	-	196,650	-	29,697	478,330
Oxfam Capacity Building	-	42,000	-	-	-	42,000
Ministry of Education	-	59,136	-	-	-	59,136
Oxfam Direct	145,720	-	45,039	-	-	100,681
Polish Center for International Aid	-	102,300	102,300	-	-	-
United Nations Environment Programme (1)	6,017	-	-	-	-	6,017
United Nations Environment Programme (January 2013)	28,000	-	28,000	-	-	-
ACAP	142,955	-	13,108	-	-	129,847
Henrich Boil	12,209	-	4,572	7,637	-	-
Cross Boarder Program Heland- EC	207,389	-	29,323	-	9,544	187,610
Acour Garonne, Water Agency (ACAD)	43,389	-	16,201	-	1,997	29,185
United Nations Development Programme (GEF)	40,000	-	15,740	24,260	-	-
Food and Agricultural Organization of United Nations (FAO)	-	60,000	42,000	-	-	18,000
United Nations Development Programme CRDP- WWW	-	128,925	128,925	-	-	-
United Nations Development Programme CRDP- Solar Panel	-	142,736	132,163	-	-	10,573
Rosa Luxembourg Foundation	-	9,794	9,515	-	(279)	-
Leaders	-	29,849	-	-	734	30,583
RPCD	-	128,481	77,778	-	-	50,703
Allowance for doubtful accounts	4,252,056	3,750,481	4,485,405	348,014	75,826	3,244,944
Total	(146,282)					(24,481)
	4,105,774					3,220,463

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (7) OTHER CURRENT ASSETS

Details:

	<u>2013</u>	<u>2012</u>
Due from employees	9,801	10,764
Due from partners	417,377	192,896
Prepaid expenses	6,968	4,516
	<u>434,146</u>	<u>208,176</u>

NOTE (8) CASH AND CASH EQUIVALENTS

Details:

	<u>2013</u>	<u>2012</u>
Cash on hand	2,195	2,753
Cash at banks	1,533,952	898,760
	<u>1,536,147</u>	<u>901,513</u>

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)
 Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (9) TEMPORARY RESTRICTED NET ASSETS

Details:

	Beginning Balance	Additions during the year	Released from restrictions	Written-off projects	Currency (gain)/ losses	Ending Balance
European Commission - Monitoring Colonizing Activities (5)	244,701	-	177,826	-	(11,261)	78,136
European Commission - Monitoring Colonizing Activities (6)	-	675,578	-	-	-	675,578
Swiss Agency for Development and Cooperation- Phase (5)	680,078	-	559,288	-	-	120,790
Care International - Tatweer	260,455	378,638	324,964	-	-	314,129
Monnolite Canadian Central Committee - MCC 4	246,928	-	126,903	-	-	120,025
Spanish Cooperation - CENTA 2	304,904	-	350	258,914	(14,032)	59,672
Spanish Cooperation - CENTA 3 (Al-Arraoub Treatment)	-	1,058,238	426,392	-	-	631,846
SP7 European Commission-Oltriva	606,471	-	64,147	-	(27,911)	570,235
Integrity -Tiri (4)	16,885	-	36,382	(19,497)	-	-
Spanish Cooperation - QNSVP	114,012	-	75,133	-	38,879	-
Dan Church	90,064	-	53,423	-	-	36,641
Swedish Cooperative Center (SCC) NFC 2012,2013	(4,671)	158,423	158,272	-	(4,520)	-
Swedish Cooperative Center (SCC) GG 2012	5,389	91,603	90,720	-	-	6,272
Swedish Cooperative Center (SCC) Cap 2012,2013	105,270	395,090	332,222	-	-	169,138
Oxfam SDC	266,959	-	130,128	-	-	136,831
Oxfam EU	603,325	-	226,671	-	(27,766)	404,420
Oxfam Direct	200,914	-	103,335	-	-	97,579
Polish Center for International Aid	-	102,300	106,066	(3,766)	-	-
United Nations Environment Programme (January 2013)	9,295	-	9,299	-	(4)	-
Sub-Total	3,751,979	2,859,870	3,001,521	235,651	(46,615)	3,421,292

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)
 Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS
 (All amounts in US Dollar)

NOTE (9) TEMPORARY RESTRICTED NET ASSETS (CONTINUED)

Details:

	Beginning Balance	Additions during the year	Released from restrictions	Written- off projects	Currency (gain)/ losses	Ending Balance
Sub- total from previous page	3,751,979	2,859,870	3,001,521	235,651	(46,615)	3,421,292
Ausaid	36,105	-	29,868	-	-	6,237
ACAP	119,851	-	40,582	-	-	79,269
Cross Boarder Program Helanc- EC	190,145	-	44,473	-	(8,750)	154,422
Adour Garonne Water Agency (ACAD)	15,307	-	10,961	-	(703)	5,049
United Nations Development Programme (GEF)	36,533	-	33,450	3,083	-	-
I International Development and Research Center – (IDRC)	-	137,050	68,666	-	-	68,384
United Nations Development Programme CRDP- WWW	-	128,925	130,316	(1,391)	-	-
Food and Agricultural Organization of United Nations (FAO)	-	60,000	45,145	-	-	14,855
RPCD	-	128,481	100,776	27,705	-	-
United Nations Development Programme CRDP- Solar Panel	-	142,736	15,268	-	-	127,468
Rosa Luxembourg Foundation	-	9,794	8,847	-	-	947
Leaders	-	29,848	21,660	-	8,188	-
Oxfam-Capacity Building	-	42,000	9,436	-	-	32,564
Ministry of Education	-	59,136	-	-	(1,005)	60,141
Dan Church- Livestock	-	152,640	151,093	-	-	1,547
Total	4,149,920	3,750,480	3,712,062	265,048	(48,885)	3,972,175

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)
 Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS
 (All amounts in US Dollar)

NOTE (10) PROVISION FOR END- OF- SERVICE INDEMNITY

Following is a summary of the movement on the provision for End-of-service indemnity during the year:

	<u>2013</u>	<u>2012</u>
Reserve - beginning of the year	727,361	593,305
Add: Provision made during the year	126,628	161,139
Loss: Payments of benefits made during the year	<u>(17,424)</u>	<u>(27,083)</u>
Reserve - end of the year	<u>836,565</u>	<u>727,361</u>

NOTE (11) RESERVE FOR PROVIDENT FUND INDEMNITY

This amount represents employees' saving fund. The Institute contributes 5% of employees' gross salaries from its own funds. Following is a summary of the movement on the provident fund during the year:

	<u>2013</u>	<u>2012</u>
Reserve - beginning of the year	201,212	215,519
Add: Provision made during the year	63,226	60,191
Less: Payments of benefits made during the year	<u>(1,739)</u>	<u>(74,498)</u>
Reserve - end of the year	<u>256,699</u>	<u>201,212</u>

NOTE (12) OTHER CURRENT LIABILITIES

Details:

	<u>2013</u>	<u>2012</u>
Accrued expenses and other payables	6,927	70,370
Due to suppliers and partners	50,169	16,431
Due to tax department	3,848	-
Due to Banks	<u>140,944</u>	<u>178,662</u>
	<u>201,888</u>	<u>265,463</u>

NOTE (13) UNRESTRICTED REVENUES

Details:

	<u>2013</u>	<u>2012</u>
Researches and consultancy works revenues	129,642	146,420
Other revenues	186,578	23,384
Bank interests	<u>6,681</u>	<u>5,058</u>
	<u>322,901</u>	<u>174,862</u>

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (14) PROJECTS' EXPENSES

Details:

	TATWEER	Centa 2	SCC- Cap 2012	SCC- NFC	SCC- GG	Ausaïd	Sett 5	Dan Church	Oltriva	2013
Salaries	76,380	-	38,776	48,837	31,976	7,754	88,398	3,515	35,154	330,790
Provision for end of service benefits	5,606	-	3,105	4,046	2,643	617	7,133	293	2,879	26,322
Provision Fund	1,290	-	1,286	377	349	321	4,079	-	1,727	9,429
Employee medical insurance	1,431	-	706	759	693	248	2,421	97	515	6,870
Software	156	-	-	-	-	-	-	-	-	156
Printing and publications	-	-	-	-	-	803	1,700	-	356	2,859
Stationary and office supplies	1,096	-	1,853	384	-	516	-	2,413	1,177	7,439
Conferences and international travel	1,425	-	-	6,310	-	-	280	-	17,002	25,017
Communication and internet fees	34	-	1,348	2,812	183	167	-	-	336	4,880
Car expenses	3,134	350	6,052	15,765	4,525	5,175	4,048	2,157	505	41,711
Rent, electricity and water	3,205	-	1,838	-	-	19	-	-	-	5,062
Professional fees	700	-	-	-	3,421	260	-	580	-	4,961
Other expenses	539	-	38	6,522	4,320	-	11,429	30	4,497	27,375
Land Research Center in EU project	-	-	-	-	-	-	58,339	-	-	58,339
Agriculture activity expenses	216,229	-	271,007	48,209	-	9,000	-	44,300	-	588,745
Project consultant and research exp.	1,167	-	5,618	24,250	26,894	4,950	-	39	-	62,958
Water activity expenses	-	-	-	-	15,714	-	-	-	-	15,714
Grand Total	312,392	350	331,627	158,271	90,718	29,870	177,827	53,424	64,148	1,218,627

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2013	NQSYV	Oxfam- SDC	Oxfam EU	ACAP	Tiri 4	PCPM	MCC 4	Oxfam Direct	2013
Salaries	330,790	31,333	51,449	80,238	29,910	3,968	19,380	37,250	4,502	588,820
Provision for end of service benefits	26,322	2,505	4,098	4,951	2,440	315	1,319	2,976	365	45,291
Provision Fund	9,429	1,295	1,076	1,069	1,464	189	792	1,648	219	17,181
Employee medical insurance	6,870	1,185	919	1,271	926	95	492	1,437	56	13,251
Software	156	268	250	-	-	232	-	100	-	1,006
Printing and publications	2,859	-	1,610	963	-	-	-	-	-	5,432
Stationary and office supplies	7,439	7,488	798	283	189	1,146	276	3,153	74	20,846
Conferences and international travel	25,017	249	1,690	-	-	-	-	-	-	27,109
Communication and internet fees	4,880	3,571	3,771	-	-	259	1,459	4,872	153	18,812
Car expenses	41,711	7,800	437	1,059	2,222	1,615	4,161	12,270	-	71,275
Rent, electricity and water	5,062	13,852	2,057	-	-	-	-	19	-	20,990
Professional fees	4,961	-	-	13,998	-	-	-	-	-	18,959
Other expenses	27,375	348	80	52	2,726	-	41	112	-	30,734
Land Research Center in EU project	58,339	-	-	-	-	-	-	-	-	58,339
Agriculture activity expenses	588,745	-	58,813	116,472	-	41	76,733	47,342	-	982,351
Project consultant and research exp.	62,958	1,227	2,547	6,315	704	9,173	1,223	15,365	3,464	102,976
Water activity expenses	15,714	-	-	-	-	19,253	-	-	-	34,967
Total Grand	1,218,627	71,121	129,595	226,671	40,581	36,286	105,876	126,544	103,038	2,058,339

THE APPLIED RESEARCH INSTITUTE - JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2013	Heland	ACAD	Forest Management	UNEP Jan 13	IDRC	Centa 3 Al- Arub Treatment	UNDP- CRDP- WWT	FAO	2013
Salaries	588,820	24,062	7,735	7,726	7,610	53,670	49,473	12,159	32,262	783,517
Provision for end of service benefits	45,291	1,931	591	614	615	4,407	3,965	964	2,642	61,020
Provision Fund	17,181	1,158	355	169	369	1,151	1,899	578	1,112	23,972
Employee medical insurance	13,251	506	301	285	177	1,300	1,502	369	864	18,555
Software	1,006	-	-	-	-	100	-	-	-	1,106
Printing and publications	5,432	-	-	3,286	-	-	-	-	-	8,718
Stationary and office supplies	20,846	55	-	494	-	799	245	-	1,404	23,843
Conferences and international travel	27,109	7,566	-	-	-	362	-	-	-	35,037
Communication and internet fees	18,812	1,151	-	-	-	4,925	691	1,217	-	26,796
Car expenses	71,275	1,105	1,978	3,086	527	369	1,296	1,601	5,743	86,980
Rent, electricity and water	20,990	2,802	-	83	-	769	750	-	1,057	26,451
Professional fees	18,959	1,088	-	3,807	-	-	-	-	-	23,854
Other expenses	30,734	2,909	-	-	-	-	222	-	60	33,925
Land Research Center in EU project	58,339	-	-	-	-	-	-	-	-	58,339
Agriculture activity expenses	982,351	141	-	5,872	-	-	-	3,643	-	992,007
Project consultant and research exp.	102,976	-	-	4,922	-	646	252	305	-	109,101
Water activity expenses	34,967	-	-	-	-	-	366,098	109,480	-	510,545
Total Grand	2,058,339	44,474	10,960	30,344	9,298	68,498	426,393	130,316	45,144	2,823,766

THE APPLIED RESEARCH INSTITUTE- JERUSALEM (ARIJ)

Separate financial statements for the year ended December 31, 2013

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollar)

NOTE (14) PROJECTS' EXPENSES (CONTINUED)

	Total in previous page 2013	RPCD	UNDP- CRDP- Solar Panel	Rosa Luxemburg	Leaders	Oxfam- Capacity Building	Livestock- DCA year 1	SDC	2013	2012
Salaries	783,517	23,053	9,790	3,114	2,470	8,168	4,256	370,818	1,205,186	1,082,785
Provision for end of service benefits	61,020	1,818	793	250	189	661	333	30,974	96,038	88,265
Provision Fund	23,972	932	476	151	114	396	161	15,949	42,151	39,864
Employee medical insurance	18,555	586	322	71	94	210	83	9,793	29,714	23,608
Software	1,106	100	-	-	100	-	-	111	1,417	6,264
Printing and publications	8,718	-	-	1,087	-	-	-	1,639	11,444	25,975
Stationary and office supplies	23,843	2,938	-	-	1,897	-	619	5,983	35,280	32,758
Conferences and international travel	35,037	5,855	-	-	-	-	-	296	41,188	24,797
Communication and internet fees	26,796	1,288	1,762	-	274	-	436	11,442	41,998	36,867
Car expenses	86,980	2,471	2,126	526	1,956	-	1,171	34,776	130,006	117,405
Rent, electricity and water	26,451	1,115	-	-	1,021	-	679	14,046	43,312	49,621
Maintenance	-	-	-	-	-	-	-	-	-	1,500
Professional fees	23,854	3,775	-	3,608	29	-	-	11,757	43,023	81,028
Other expenses	33,925	98	-	40	28	-	-	(8,880)	25,211	44,238
Land Research Center in EU project	58,339	-	-	-	-	-	-	-	58,339	54,974
Agriculture activity expenses	992,007	26,266	-	-	123	-	143,357	10	1,161,763	1,024,101
Project consultant and research exp.	109,101	30,267	-	-	-	-	-	379	139,747	90,593
Water activity expenses	510,545	-	-	-	13,365	-	-	-	523,910	28,539
Total Grand	2,823,766	100,562	15,269	8,847	21,660	9,435	151,094	499,093	3,629,727	2,853,182

NOTES TO THE FINANCIAL STATEMENTS
 (All amounts in US Dollar)

NOTE (15) GENERAL AND ADMINISTRATIVE EXPENSES

Details:

	2013	2012
Salaries and related benefits	87,491	95,883
Employee medical insurance	13,716	6,616
Software	-	805
Printing and publications	4,037	124
Stationary and office supplies	3,331	5,833
Conferences and international travel	1,566	3,306
Communication and internet fees	186	50
Car expenses	3,785	14,193
Rent, electricity and water	368	5,006
Maintenance	1,669	2,292
Professional fees	3,334	6,140
Other expenses	19,613	36,439
Agriculture activity expenses	5,296	5,110
Project consultant and research expenses	11,933	5,627
Water activity expenses	197	7,014
	<u>156,522</u>	<u>194,438</u>

NOTE (16) RELATED PARTIES

Related parties represent associated organizations, directors and key management personnel of the Institute, and entities controlled or significantly influenced by such parties. Terms of these transactions are approved by the Institute's management.

Transactions with related parties included in the financial statements are as follows:

a) Investment in subsidiary

	2013	2012
Investment in Green Palestine Company	227,400	177,400

b) Investment in associate

	2013	2012
Investment in New Farm Processing and Marketing	277,005	277,005

c) Key management compensation

	2013	2012
Key management compensation	319,994	309,964