

The Negev Institute for Strategies of Peace and Development
Statement of Financial Activities as of December 31, 2008

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Hadad and Turgeman – Certified Public Accountants

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Auditors' Report

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

We audited the attached Balance Sheet for the Negev Institute for Strategies of Peace and Development up to December 31, 2008 and 2007, as well as the related statements of financial activities and the statement of changes in net assets for each year ending on the above-mentioned dates.

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

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

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

In our opinion, with the exception of the above, the following financial report appropriately represents in every respect, according to the accepted accounting standards, the financial situation of the non-profit organization as of December 31, 2007 and 2007, the results of the actions and the changes in the net assets in each year ending on that date, and this on the agreed basis of historical cost.

Beer Sheva – May 27, 2009

Respectfully,

Hadad and Turgeman
Certified Public Accountants

The Negev Institute for Strategies of Peace and Development
Balance Sheet
As of December 31, 2008
(In New Israeli Shekels - NIS)

Assets	<u>Notes</u>		<u>31.12.07</u>
<u>Current Assets</u>			
Cash in the bank/ready		475,809	344,841
Short term deposits		1,814,356	1,193,704
Account receivables	3	1,007, 246	986,959
		-----	-----
		3,297,411	2,525,504
<u>Fixed Assets</u>			
	4	149,173	137,333
<u>Other Assets and Deferred Charges</u>			
Improvements to rental facilities		36,936	45,413
		-----	-----
		3,483,520	2,708,268
		=====	=====
Liabilities:			
<u>Current Liabilities</u>			
Account payables		357,935	206,039
Checks for payment	5	1,270,350	954,066
		-----	-----
		1,628,285	1,160,105
<u>Provisions</u>			
Provisions for severance pay	6	330,140	151,321
		
<u>Net Assets</u>			
Net Assets without restrictions		47,372	185,055
Net Assets used for fixed assets		186,108	182,764
Net Assets with restrictions		1,291,615	1,029,023
		-----	-----
		1,525,095	1,396,842
		
	
		3,483,520	2,708,26
		=====	=====

Chairman _____ Member of Board _____

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

The Negev Institute for Strategies of Peace and Development
Activity Report
For the period that ended on 31 December, 2008
(in New Israeli Shekels – NIS)

Activity turnover:

		<u>2007</u>
Participants in courses	1,764,520	1,596,222
Contributions and grants	480,857	526,342
Assets released from restriction	6,567,246	6,984,821
	-----	-----
	8,812,623	9,107,385
Activity costs – List A	7,593,998	7,713,861
	-----	-----
Net income from activities	1,218,625	1,393,524
Management and general expenses– List B	1,301,187	1,383,665
	-----	-----
Net income (deficit) before financing (note 11)	(82,562)	9, 859
Net income from financing (note 12)	(51,777)	15,547
	-----	-----
Net income for the year	(134,399)	25,406
	=====	=====

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

The Negev Institute for Strategies of Peace and Development
Activity Costs

For the year ended on 31 December, 2008

(In New Israeli Shekels - NIS)

List A for Statements of Revenues and Expenses

		<u>2007</u>
Salaries for instructors and project managers and pedagogic costs	4,371,492	4,117,696
Board and lodging	729,012	720,548
Travel, tours and trips	835,494	610, 249
Overseas Travel	56,377	103,757
Participation in EU project (note 7)	-	46,455
Insurance	12,007	25,497
Maintenance of "The Tent" – Volunteer Center	183,487	255,519
Cost of joint courses (note 8)	663,365	536,475
Rent for lecture and computer rooms	120,624	75,409
Teaching aids, materials and miscellaneous	240,478	267,741
Investments in projects (note 9)	135,176	742,356
Resource development & fundraising	122, 728	118,649
Publicity & publications	28,004	26,223
Stipends (note10)	95,754	67,297
	-----	-----
	7, 593,998	7,713,861
	=====	=====

The Negev Institute for Strategies of Peace and Development
General and Administrative Expenses
For the year ended 31 December, 2008
(In New Israeli Shekels - NIS)

List B for the Revenues and Expenses Report

		<u>2007</u>
Administrative services and salaries	637,779	763,857
Professional services	336,207	329,368
Rent	66,777	43,467
Electricity and telephone	22,522	24,796
Travel abroad and travel on duty	25,361	15,818
Publicity and translations	12,479	7,488
Office supplies	24,857	40,273
Insurance	22,172	22,455
Maintenance and miscellaneous	1,148	2,001
Computer maintenance	37,111	23,089
Public relations	23,870	25,036
Dues and membership fees	1,492	1,562
Hospitality	21,736	19,874
Depreciation	67,680	64,581
	-----	-----
	1,301,187	1,383,665
	=====	=====

The Negev Institute for Strategies of Peace and Development
Report on Changes in Net Assets

For the year ended 31 December, 2008

(In New Israeli Shekels - NIS)

	<u>Limited Net Assets</u>		<u>Non-limited Net Assets</u>	
	<u>Utilized for</u>	<u>Utilized for</u>		<u>Total</u>
	<u>activities</u>	<u>purchase of fixed assets</u>		
Balance as of 1.1.07	143,098	199,315	1,026,147	1,368,560
Accruals of the current year:				
Grants & contributions	-	-	6,987,697	6,987,697
Net revenue (deficit)	25,406			25,406
Deficit of the current year:				
Amounts utilized for purchase of fixed assets	(48,030)	48,030	-	-
Amounts utilized to cover depreciation	64,581	(64,581)	-	-
Amounts released for activities	-	-	(6,984,821)	(6,984,821)
Amounts released for activities	-	-	(7,218,919)	(7,218,919)
	-----	-----	-----	-----
Balance as of 1.1.08	185,055	182,764	1,0229,023	1,396,842
Accruals in the current year:				
Grants and contributions	-	-	6,829,838	6,829,838
Net deficit	(134,339)	-	-	(134,339)
Deficit of the current year:				
Amounts utilized for purchase of fixed assets	(71,024)	71,024	-	-
Amounts utilized to cover depreciation	67,680	(67,680)	-	-
Amounts released for activities	-	-	(6,567,246)	(6,567,246)
	-----	-----	-----	-----
Balance as of 31.12.08	47,372	186,108	1,291,615	1,525,095
	=====	=====	=====	=====

The Negev Institute for Strategies of Peace and Development
Management's Notes to the Financial Reports

For the year ended 31 December, 2008

(In New Israeli Shekels - NIS)

1. General

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

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

2. The main accounting policies

a. The financial statements are edited according to "accumulation based" accountancy, in accordance with accepted accounting standards and on the basis of historical values, without calculating the influence of changes in purchasing power of the Israeli currency on the results of the actions.

b. The fixed assets in the balance sheet and its deductions are in accordance with the marked rates in the income tax regulations.

3. Account Receivables

		<u>2007</u>
Pre-paid expenses	78,046	24,331
Tax assessor	5, 652	5,652
Income in advance	923,548	956,976
	-----	-----
	1,007,246	986,959
	=====	

4. Fixed Assets

	<u>Cost</u>	<u>Cumulative depreciation</u>	<u>Reduced cost</u>	<u>2007</u>
Equipment and furniture	128,791	54,000	74,691	70,188
Computers	307,625	233,143	74,482	67,145
	-----	-----	-----	-----
	436, 416	287,243	149,173	137,333
	=====	=====	=====	=====

5. Creditors

		<u>2007</u>
Suppliers and creditors	457,174	465,741
Institutions and employees	411,979	408,361
Income received in advance	275,443	11. 744
Expenses to pay	125,754	68, 220
	-----	-----
	1,270,350	954,066
	=====	=====

6. Provisions for severance pay

		<u>2007</u>
Provisions for severance pay	772,720	504,780
In deducting its purpose for severance pay	(442,580)	(353,459)
	-----	-----
	330,140	151,321
	=====	=====

The Negev Institute for Strategies of Peace and Development
Management's Notes to the Financial Reports

For the year ended 31 December, 2008

(In New Israeli Shekels - NIS)

7. Participation in EU Project

The amount expresses the contribution of the Negev Institute to *Project Economic Empowerment of Rural Palestinian Women* supported by the European Community, in which Palestinian, Italian and Belgian NGOs are also partners. European Community covers 80% of the cost of the project while the cost of the remaining 20% is covered by the four partner organizations.

8. Cost of joint courses

Refers to courses conducted in various sites with various partners:

		<u>2007</u>
EU project	128,962	265,515
Other projects	534,403	270,960
	-----	-----
	663,365	536,475
	=====	=====

9. Investments in projects

		<u>2007</u>
Amounts expended for project equipment and materials:		
Kitchen and equipment in Hura Catering	91,846	477,660
Playground for children	16,329	187,005
Equipment for early childhood frameworks	27,000	77,691
	-----	-----
	135,175	742,356
	=====	=====

10. Stipends

Stipends awarded to Bedouin students studying in Negev colleges. Selection of students and awarding of stipends is conducted by the colleges.

12. Income (expenditures) for financial transactions

		<u>2007</u>
Bank charges	(7,510)	(8,886)
Exchange rate differences	(61,731)	(8,097)
	-----	-----
	(69,241)	(16,983)
Interest accrued on NIS deposits	10,835	4,817
Interest accrued on foreign currency deposits	6,629	27,713
	-----	-----
	(51,777)	(15,547)
	=====	=====