

To: American Friends of the Reut Institute
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Community of Friends and Supporters of the Reut Institute

From: Gidi Grinstein
Reut Institute, Founder and President

Sub: **2008 Mid-Year Overview**

This brief report offers our community of donors and supporters a mid-year overview of the Reut Institute and a summary of the discussions and decisions of the recent session of our Board of Directors, held over the past few weeks.

General Overview

Since the beginning of 2008, the Reut Institute continued its progress toward becoming an effective agent of change in the State of Israel. We have become much better at identifying strategic surprises and opportunities and at researching them; we are learning the art of impacting Israel's public sphere and have significant exposure, access and recognition, with the First Annual ISRAEL 15 Conference being a highlight; we have polished our organizational design, which is innovative world wide; we have improved the training of our staff in order to prepare them for assuming positions of authority, leadership and influence in the public sphere; and we have proudly 'graduated' Jonathan Adiri – who had been one of our best analysts and the former head of our New York Office – to become Special Advisor to the President of Israel, Mr. Shimon Peres. To conclude, we have been making progress on all fronts.

Most importantly, a two-year effort of strengthening the institutional foundations of the Reut Institute – in order to prepare it to meet its mission of impacting the design of Israel's future – is coming to fruition. Reut is now ready to grow into an organization that serves its vision and mission while offering its unique value proposition in a spectrum of areas that are essential to Israel's prosperity and security. An objective of our 2008 Development Plan has been achieved and Reut is now ready to leap.

Our aggressive fundraising efforts continued in 2008 and our budget is expected to grow by 30-50% by the end of the year. However, due to the ~20% devaluation of the dollar relative to the NIS and in a period of uncertainty and instability, we have decided to 'play it safe' in our organizational growth. Hence, the size of our staff – twenty one full-time employees – has *not* grown since January 2008.

We have also embarked on a Special Adjustment Effort, which is designed to enhance the resilience of the organization by diversifying its sources of income and improving its fundraising capacities. Our objective is to emerge out of this period of economic slowdown stronger and better in terms of our capacity to serve our mission and to support it financially. Our Board and Management will work closely to monitor progress



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and adjust plans, as appropriate. Following is a brief update on our operations and financials during the first half of 2008.

Operations

Our vision, mission, strategy and unique value proposition remain solid as we strive to impact Israel's long-term security and prosperity. Yet, our target audience has expanded to include *all* agents of change within Israeli society, including nonprofits, business leadership, philanthropists and local governments.

Two Overarching Issues

- **The ISRAEL 15 Vision** calls for Israel to become one of the fifteen leading nations in terms of quality of life. Reut operates on the *strategic level* with senior decision-makers by creating the knowledge essential for leapfrogging Israel's social and economic performance and communicating it. We also work on the *operational level* with municipal and civic leadership.
- **National Security Reassessment** – Reut has been calling for a reassessment of Israel's national security strategy following the disappointing performance in recent years, primarily around Gaza and during the Second Lebanon War. Here too, Reut has been operating on the strategic and operational levels.

Four Policy Teams serve these two overarching issues as follows:

- **Home Front / Resilient Communities** – This team focuses on enhancing the capacity of Israeli society to withstand natural disasters, war or prolonged terrorism;
- **Prosperous Communities** – This team focuses on encouraging massive social and economic development on the regional and municipal levels (bottom-up);
- **Arab Sector** – This team focuses on the much needed overhaul of the policies of the Government of Israel regarding its Arab citizens;
- **Strategy and Structure** – This team focuses on enhancing the strategic capacities of decision-makers to incorporate long-term considerations into their decisions and actions.

To conclude, while Reut's staff of 21 full-time employees has been steady since the end of 2007, the level of methodological and technical capabilities of our team has increased significantly, as well as our access, recognition and influence with people in positions of authority, leadership or influence.

Financials

Reut has aligned its activities to ensure organization resilience in the medium term based on the following guidelines:

- **Strong fundraising continues** – Reut's 2008 budget is 2.1 million USD (compared to ~1.4 million USD in 2007). By August 2008, Reut has 1.4 million USD in cash and hard pledges for 2008 and by year end we expect to raise an estimated 1.9 million USD, nearly meeting our fundraising objectives. This



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success to date, in spite of the economic environment, is due to Reut's broad and committed support base.

- **Devaluation hurts** – However, due to the devaluation of the dollar relative to the NIS (est. 15-25%) and to the economic slowdown, Reut had to postpone the growth of its staff as designated by our 2008 Development Plan.
- **Playing it safe** – In order to ensure the financial resilience and future growth of Reut, we decided to adjust growth plans to the possibility of a protracted and volatile economic environment by taking the following steps:
 - **Bracing ourselves:** We assume that economic slowdown will continue and that the dollar will remain devalued throughout 2009 (historically, the length of such crises averages two years);
 - **Increased reserves and tightened risk management:** Reut will be conservative in undertaking projects or hiring staff without prior funding and will grow its cash and pledge reserves by 20%;
 - **Moderate growth plans:** Reut will postpone hiring of new staff until it meets its new reserves benchmark and, hence, may not meet all objectives set forth in our 2008 budget;
- **Special Adjustment Effort** – In order to increase the resilience of the Reut Institute during this challenging period, Reut has decided on the following:
 - **Diversify sources of income and develop new ones:** To date, Reut has raised its funding primarily from individuals and family foundations (~90%) and in the USA (~80%). In the future, Reut will diversify its sources of income to include foundations. We will also raise more support in Israel;
 - **Organizational focus on fundraising:** Reut has designated a full-time Director of Development, Ms. Netaly Ophir, and dedicates a full-time staffer to its fundraising backed by greater management focus and attention;
 - **Special Adjustment Fund:** Reut will undertake to reach out to its existing supporters to raise \$400,000 in pledges over and above their existing or past pledges to fund its Special Adjustment Effort.

We are deeply grateful for the support and friendship that have allowed the Reut Institute to become one of the leading policy groups in Israel with prospects of becoming Israel's most effective agent of change. We look forward to your feedback and comments.

Sincerely yours,



Gidi Grinstein



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