

**ARAB CENTER FOR AGRICULTURAL  
DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
TOGETHER WITH THE INDEPENDENT  
AUDITOR'S REPORT**

**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

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## **INDEPENDENT AUDITOR'S REPORT**

**To the General Assembly of  
Arab Center for Agricultural Development  
Ramallah- Palestine**

### **Opinion**

We have audited the separate financial statements of **Arab Center for Agricultural Development (the Center or ACAD)**, which comprise the separate statement of financial position as of December 31, 2019, and the related separate statement of activities and separate changes in net assets and the separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Center as of December 31, 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements

section of our report. We are independent of the Center in accordance with International Ethics Standards Board of Accountant Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

The Center and its subsidiary ("the Group") has prepared a set of consolidated financial statements for the year ended December 31, 2019 in accordance with IFRS on which we will issue an auditor's report to the stockholders of the Center as stated in the basis of preparation.

### **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

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

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

Those charged with governance "Board of Directors" are responsible for overseeing the Center's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 when 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 these separate financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also,

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- 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 the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 the Center'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 separate financial statements or, if such disclosure 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 the Center to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

**Kawasmy and Partners**  
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**Ramallah - Palestine**  
**November 23, 2020**




**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE STATEMENT OF FINANCIAL POSITION**

<i>U.S Dollar</i>	<b>Note</b>	<b>As of December 31,</b>	
		<b>2019</b>	<b>2018</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	<b>5</b>	333,738	456,282
Interest Receivable		13,086	13,958
Pledges Receivables	<b>6</b>	33,315	7,359
Other Debit Balances	<b>7</b>	14,074	64,858
Due from ACAD Finance	<b>15</b>	-	2,844
		<b>394,213</b>	<b>545,301</b>
<b>Non-Current Assets</b>			
Investment in a Subsidiary	<b>15</b>	3,000,000	3,000,000
Property and Equipment, Net	<b>8</b>	14,167	19,222
		<b>3,014,167</b>	<b>3,019,222</b>
<b>Total Assets</b>		<b>3,408,380</b>	<b>3,564,523</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accruals	<b>9</b>	47,500	47,033
Due to ACAD Finance	<b>15</b>	10,023	-
End of Service Indemnities & Provident Fund Payable– Short-term	<b>10</b>	356,552	-
		<b>414,075</b>	<b>47,033</b>
<b>Non-Current Liabilities</b>			
End of Service Indemnities & Provident Fund Payable	<b>10</b>	-	486,064
		<b>-</b>	<b>486,064</b>
<b>Total Liabilities</b>		<b>414,075</b>	<b>533,097</b>
<b>Net Assets</b>			
Unrestricted Funds		(42,966)	(50,238)
Temporarily Restricted Fund	<b>11</b>	23,104	62,442
Investment in Property and Equipment		14,167	19,222
Investment in a Subsidiary		3,000,000	3,000,000
<b>Total Net Assets</b>		<b>2,994,305</b>	<b>3,031,426</b>
<b>Total Liabilities and Net Asset</b>		<b>3,408,380</b>	<b>3,564,523</b>

The accompanying notes on pages from (7) to (31) are an integral part of these separate financial statements

The separate financial statements on pages (3) to (6) were approved by ACAD Board of Directors on November 4, 2020.

  
Chairman of Board



  
Treasurer

**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE STATEMENT OF ACTIVITIES**

<i>US Dollar</i>	Note	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018
		Unrestricted Funds	Temporarily Restricted Fund	Total	Total
<b>Revenues</b>					
Contributions and Grants	11	-	212,007	212,007	326,207
Net Assets Released from Restrictions	11	251,345	(251,345)	-	-
<b>Net of Contributions and Grants</b>		<b>251,345</b>	<b>(39,338)</b>	<b>212,007</b>	<b>326,207</b>
<b>Loans Income</b>					
Interest on Loans		193	-	193	1,782
Recoveries of default loans		9,371	-	9,371	16,099
Penalty Revenues		1,368	-	1,368	7,763
		<b>10,932</b>	<b>-</b>	<b>10,932</b>	<b>25,644</b>
Other Income	14	163,048	-	163,048	167,645
<b>Total Revenues</b>		<b>425,325</b>	<b>(39,338)</b>	<b>385,987</b>	<b>519,496</b>
<b>Expenses</b>					
Program Expenses	12	(251,345)	-	(251,345)	(323,215)
General and Administrative Expenses	13	(171,774)	-	(171,774)	(276,680)
			-		
<b>Total Expenses before Depreciation and Currency Differences</b>		<b>(423,119)</b>	<b>-</b>	<b>(423,119)</b>	<b>(599,895)</b>
Depreciation	8	(5,055)	-	(5,055)	(11,711)
Expected Credit Loss	7	-	-	-	(43,865)
Income Tax Expense– Prior Years		-	-	-	(34,560)
Foreign Currency Exchange Gain		5,066	-	5,066	17,645
<b>Total Expenses</b>		<b>(423,108)</b>	<b>-</b>	<b>(423,108)</b>	<b>(672,386)</b>
<b>(Deficit) Surplus in Net Assets for the Year</b>		<b>2,217</b>	<b>(39,338)</b>	<b>(37,121)</b>	<b>(152,890)</b>

The accompanying notes on pages from (7) to (31) are an integral part of these separate financial statements



**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE STATEMENT OF CHANGES IN NET ASSETS**

<i>U.S Dollar</i>	Unrestricted Fund	Temporarily Restricted Fund	Investment in Property and Equipment	Investment in a Subsidiary	Total
<b>Balances as of January 1, 2019</b>	(50,238)	62,442	19,222	3,000,000	3,031,426
(Decrease) Increase in Net Assets during the year	2,217	(39,338)	-	-	(37,121)
Addition to property and equipment, Net	5,055	-	(5,055)	-	-
<b>Balances as of December 31, 2019</b>	<b>(42,966)</b>	<b>23,104</b>	<b>14,167</b>	<b>3,000,000</b>	<b>2,994,305</b>
<b>Balances as of January 1, 2018</b>	93,933	59,450	30,933	3,000,000	3,184,316
(Decrease) Increase in Net Assets during the year	(155,882)	2,992	-	-	(152,890)
Addition to property and equipment, Net	11,711	-	(11,711)	-	-
<b>Balances as of December 31, 2018</b>	<b>(50,238)</b>	<b>62,422</b>	<b>19,222</b>	<b>3,000,000</b>	<b>3,031,426</b>

The accompanying notes on pages from (7) to (31) are an integral part of these separate financial statements





**ARAB CENTER FOR AGRICULTURAL DEVELOPMENT  
RAMALLAH – PALESTINE**

**SEPARATE STATEMENT OF CASH FLOWS**

<i>U.S Dollar</i>	<b>For the Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating Activities</b>		
Grants received from donors	218,031	315,857
Loans Income	10,932	25,644
Other income	163,048	167,645
Expenses paid to Suppliers and Employees	(527,422)	(479,956)
<b>Net Cash flows (Used in) From operating Activates</b>	<b>(135,411)</b>	<b>29,190</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	-	-
Due to (from) ACAD Finance and Development Company	12,867	(515)
<b>Net Cash Flows From (Used in) Investing Activates</b>	<b>12,867</b>	<b>(515)</b>
<b>(Decrease) increase in cash and cash equivalents during the year</b>	<b>(122,544)</b>	<b>28,675</b>
Cash and cash Equivalents at Beginning of the year	456,282	427,607
Cash and cash Equivalents at End of the year	<b>333,738</b>	<b>456,282</b>
<b>Adjustments to reconcile Net cash Flows (Used in) From Operating Activates to changing in Net Assets</b>		
Change in Net Assets	(37,121)	(152,888)
Depreciation	5,055	11,711
Provision for employees benefits, net of payments	(129,512)	33,167
Decrease in interest receivables	872	1,421
(Increase) decrease in pledges receivables	(25,956)	83,771
Decrease in other debit balances	50,784	53,166
Increase (decrease) in accounts payable and accruals	467	(1,158)
<b>Net Cash Flows (Used in) From Operating Activities</b>	<b>(135,411)</b>	<b>29,190</b>

**The accompanying notes on pages from (7) to (31) are an integral part of these separate financial statements**





## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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### 1) **GENERAL**

The Arab Center for Agricultural Development (the Center or ACAD) is a Palestinian non-profit, non-governmental organization that has been officially registered in Jerusalem since 1993, and also registered by the Palestinian National Authority since 2001 in accordance with the Palestinian Charitable Institutions Law No. (1) Of the year 2000. ACAD is specialized to assist the poor and low-income Palestinian manufacturers. The Board of Directors is comprised of 7 members including the chairman and is elected every three years by the General Assembly that governs the Center.

ACAD NGO changed their business module during 2019, they decided restructure the organization and to downsize the number of staff due to the decrease in donations and projects. The board of directors terminated all the staff (14 employees) and paid their indemnities in full and decided to hire few part-time employees during the year of 2020 to work on the current projects.

The accompanying separate financial statements have been approved by the Board of Directors on November 4, 2020.

#### **ACAD's Goal**

Effective rural agricultural community that depends on its capacities, interacts positively with environment and decides its future by itself, where all can live freely with dignity in the democratic independent state of Palestine.

#### **ACAD mission**

Developmental civil society organization that contributes in the efforts of developing the agricultural and rural sector through partnerships building based in integration, professionalism and targeted groups involving.

#### **Values:**

Belonging to land, justice, integrity, participation and faithfulness in work.

#### **Target Groups**

ACAD's target groups include low-income Palestinian in rural and urban areas who are willing to develop their small projects in order to improve their standard of living and income, also includes the poor who are willing to get out from the poverty cycle, through integrating in economic investment activities.

### 2) **BASIS OF PREPARATION**

#### **a. Statement of compliance**

The separate financial statements have been prepared on the accrual basis of accounting, cost convention and in conformity with relevant International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared and approved by management in compliance with IFRS. However, the consolidated financial statements are still under audit.

#### **b. Basis of measurement**

The separate financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities.

#### **c. Functional and presentation currency**

The separate financial statements are presented in U.S. Dollar (USD), which is the Center's functional currency.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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**d. Use of estimates and judgements**

In preparing these separate financial statements, management has made judgments and estimates that affect the application of the Center's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

**• Judgments**

The following are the most significant judgments that have a material effect on the amounts of assets and liabilities in the separate financial statements:

- Classification of financial assets: Valuation of the business model under which the asset is to be held and determining whether the contractual terms of the SPPI are on the outstanding balance.
- The development of new criteria to determine whether financial assets have declined significantly since initial recognition and determine the methodology of future expectations and methods of measuring expected credit loss.

**• Assumptions and estimation uncertainties**

- The management maintains the expected credit losses based on its estimates of the possibility of recovering receivables in accordance with the International Financial Reporting Standards.
- Management periodically reassesses the economic useful life of property and equipment based on the general condition of these assets and the expectation of their useful economic lives in the future.
- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Management frequently reviews the lawsuits raised against the Center based on a legal study prepared by the Center's legal advisors. This study highlights potential risks that the Center may incur in the future

**Measurement of fair values:**

A number of the Center's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Center has an established control framework with respect to the measurement of fair values.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Center's Board of Directors.

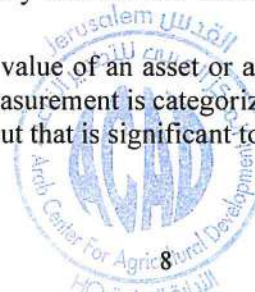
When measuring the fair value of an asset or a liability, the Center uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.





**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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The Center recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

- 1- In the principal market for the asset or liability, or
- 2- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Center.

The asset or liability measured at fair value might be either of the following:

- 1- A stand-alone asset or liability; or
- 2- A group of assets, a group of liabilities or a group of assets and liabilities (eg a cash generating unit or a business).
- 3- A number of the Center's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Center should establish control framework with respect to the measurement of fair values and a valuation team should oversee all significant fair value measurements, including Level 3 fair values.

- Management believes that its estimates and judgments are reasonable and adequate.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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3) **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Center in these separate financial statements for the year ended December 31, 2019 are the same as those applied by the Center in its separate financial statements for the year ended December 31, 2018, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2019:

- International Financial Reporting Standards (16): Leases.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

The application of amended standards above does not have a significant effect on the balances and disclosures within the separate financial statements, except for IFRS (16) below is the financial effect of the implementation:

**Changes in Significant Accounting Policies**

**-International Financial Reporting Standard 16 - Leases:**

The Center has applied IFRS (16) using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS (17) and IFRIC (4). The details of accounting policies under IAS (17) and IFRIC (4) are disclosed separately if they are different from those under IFRS (16) and the impact of changes is disclosed below.

**A. Significant accounting policy**

**Policy applicable from 1 January 2019**

At inception of a contract, the Center assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Center assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Center has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Center has the right to direct the use of the asset. The Center has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Center has the right to direct the use of the asset if either: the Center has the right to operate the asset; or
- the Center designed the asset in a way that predetermines how and for what purpose it will be used.

**This policy is applied to contracts entered into, or changed, on or after 1 January 2019.**

At inception or on reassessment of a contract that contains a lease component, the Center allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Center has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.





**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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**Policy applicable before 1 January 2019**

For contracts entered into before January 1, 2019, the Center determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met: the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

**i. As a Lessee**

The Center recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Center's incremental borrowing rate. Generally, the Center uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Center is reasonably certain to exercise, lease payments in an optional renewal period if the Center is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Center is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Center's estimate of the amount expected to be payable under a residual value guarantee, or if the Center changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of activities if the carrying amount of the right-of-use asset has been reduced to zero.

The Center presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position





**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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**Short-Term Leases and Leases of Low-Value Assets**

The Center has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Center recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Under IAS (17)**

In the comparative period, as a lessee the Center classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Center's statement of financial position. Payments made under operating leases were recognized in statement of activities on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

**ii. As a Lessor**

When the Center acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Center makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Center considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Center is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Center applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Center applies IFRS 15 to allocate the consideration in the contract.

The Center recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Center as a lessor in the comparative period were not different from IFRS 16. However, when the Center was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

**i. As a Lessee**

Property and equipment' comprise owned and leased assets that do not meet the definition of Right of use assets.

**Effect on the Separate financial statements:**

The Center assessed the impact of IFRS 16 on the separate financial statements and there was no material impact of IFRS 16 on the Center's separate financial statements for the year ended December 31, 2019, since the office lease agreement shows that the contract period is one year, to be renewed with the agreement of both parties.

**There is no significant impact for applying IFRS 16 on the separate financial statements for the Center.**





NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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The following are the most important accounting policies applied by the Center:

(a) **Financial Instruments:**

- **Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Center becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

- **Classification**

• **Financial Assets:**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Center changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through statement of activities:

- It's held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value statement of activities:

- It's held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows (that are solely payments of principal and interest on the principal amount outstanding).

On initial recognition of an equity investment that is not held for trading, the Center may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are measured at fair value statement of activities.

**Business model assessment:**

The Center makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Center's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;



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- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Center's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

- **Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Center considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Center considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Center's claim to cash flows from specified assets (e.g. non-recourse features).

**Derecognition**

- **Financial Assets**

The Center derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Center neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The difference between the carrying amount of the assets derecognised and the recoverable amount of the Center is recognized in the statement of activities and the cumulative portion of the comprehensive income for the statement of activities relating to that asset is reversed.

- **Financial Liabilities**

The Center derecognises financial liabilities when their contractual obligations are discharged, cancelled or expired.

**-Modifications of Financial Assets and Financial Liabilities**

**Adjusted Financial Assets**

If the terms of a financial asset are modified, then the Center evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:



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- Fees considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the new asset.
- Other fees are included in statement of activities as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Center plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

### Adjusted Financial Liabilities

The Center derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in the statement of activities.

### Impairment in Financial Assets

#### Financial Assets

The Center recognizes expected credit loss on:

- Financial assets at amortized cost.
- Finance lease receivables
- Contractual guarantees

No impairment loss is recognized on equity investments.

Loss allowances for lease receivables are always measured at an amount equal to lifetime expected credit loss.

The expected credit loss on the life of the financial instrument is the portion of the expected credit loss that results from the possible default of the financial instruments over the life of the financial instrument.

Expected credit loss are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the date of the separate financial statements.
- Financial assets that are credit-impaired at the date of the separate financial statements.
- Undrawn loan commitments.
- Financial guarantee contracts.

### The provision for credit loss is presented in the statement of financial position

The provision for credit losses is presented in the statement of financial position as follows:

- Less the total carrying amount of financial assets at amortized cost.
- Loan commitments and financial guarantee contracts: generally, they are recognized as a provision.

For debt securities that are measured at fair value through the statement of comprehensive income, an allowance is not recognized in the statement of financial position because the carrying amounts of these assets are measured at fair value. However, the provision for loss is disclosed and recognized in the fair value reserve.

### (b) Principles of fund accounting

The Center maintains its accounts in accordance with the principles of fund accounting under which the resources for various purposes are classified into the following classes of net assets which are described below:

*Unrestricted net assets* represent net assets whose use by ACAD is not subject to donor imposed restrictions.



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**Temporarily restricted net assets** whose use by ACAD is limited by donor-imposed restriction that either expire by passage of time or can be fulfilled and released by actions of ACAD pursuant to those donor-imposed stipulations.

**Investment in fixed assets** represents fund invested in fixed assets.

**Investment in a subsidiary:** the investment in a subsidiary is stated at cost shown in a separate financial statement.

**Revenues:** are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified as unrestricted net assets and reported as net assets released from restrictions.

**(c) Contributions and grants**

Donors unconditional pledges are those pledges where donor does not specify prerequisites that have be carried out by the ACAD before obtaining the fund.

Contributions revenues from pledges where donor does not specify prerequisites that have to be carried out by the ACAD before obtaining the fund.

Contributions revenues from pledges /grants 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.
- Conditional restricted pledges that are temporarily restricted by donor for a specific purpose or time are recognized as revenue when such purpose or time is satisfied.

**(d) Pledges receivable**

Pledges receivable are stated at the original amount of the unconditional pledge less amounts received and any uncollectible pledges an estimate for the uncollectible amount (written-off) is made when the collection of full unconditional pledges is no longer probable.

**(e) Property and equipment**

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method. The estimated useful lives and depreciation methods are reviewed at the end of each year, with the effect of any changes in estimate accounted for on prospective basis.

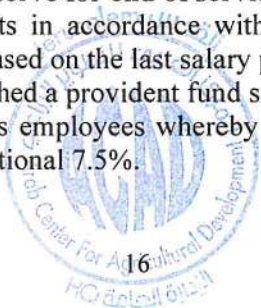
Gain or loss arising from the disposal or retirement of an item of assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of activities. Useful life for the assets is as follows:

<b>Property and Equipment</b>	<b>Years of Service</b>
Furniture and Fixture	7%
Office Equipment	15%
Computers and Printers	30%
Leasehold Improvements	20%

**(f) Provision for employee indemnity - reserve for end of service indemnities and provident fund**

ACAD provides end of service benefits in accordance with local laws by accruing for one-month compensation for each year of service based on the last salary paid during the year.

In addition to the above, ACAD established a provident fund scheme for its core employees. The Center established a provident fund plan for its employees whereby ACAD deducts 7.5% of the employees' monthly salaries and contributes an additional 7.5%.





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**(g) Provisions**

Provisions are recognized when ACAD has a present obligation as a result of past events, and it's probable that the obligation will be settled, and a reliable estimate can be made of the amount of the obligation.

**(h) Income Tax and Value Added Tax**

As a not-for-profit organization, ACAD is exempt from income tax and value added tax. Under the value added tax law, ACAD as an exempt entity, is not entitled to refund VAT paid on its purchases and expenses.

**(i) Functional allocation of expenses**

The Center allocates its expenses on a functional basis among its various programs and general administration. Expenses that can be identified with a specific program or administration are charged directly. Other expenses that are common to several functions are allocated between functions based on best estimates and judgment of management.

**(j) Foreign currency conversion and translation**

The books of accounts are maintained in United States Dollar (USD). Transactions, which are denominated or expressed in foreign currencies, are converted into USD equivalent as follows:

- Transactions, which are expressed or denominated in currencies other than USD, are converted into USD equivalent at the exchange rates prevailing at the date of the transaction.
- Balances of assets and liabilities in currencies other than USD are converted into USD equivalent at the exchange rate prevailing at the date of the separate financial statements. Conversion rates were as follows:

Currency	As of December 31,	
	2019	2018
USD/NIS	0.28848	0.26530
USD/EURO	1.11986	1.14379
USD/JOD	1.41044	1.41044

- Exchange differences arising from translation are charged to the separate statement of activities.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4) **NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED,**

The following new and revised IFRSs have been issued but are not effective yet, the Center has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

<b><u>New and revised standards</u></b>	<b><u>Amendments to the new and revised IFRSs</u></b>
Amendments to IAS (1) "Presentation of separate Financial Statements" (Effective January 1, 2020)	These amendments are mainly related to the significance definition.
Amendments to IFRS 3 "Business combinations" (Effective January 1, 2020)	These amendments clarify the definition of business as the international accounting standards board published the revised financial reporting framework. This includes revised definitions on measurement, derecognition, presentation, and disclosure. In addition to amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS standards, which contain amendments to IFRS (2, 3, 6 and 14) and IAS (1,8,34,37 and 38) and IFRIC (12,19) and (20,22), and interpretations of standing committee for the interpretation of standards number (32), in order to update those statements with regard to references and quotations from the framework or to refer to a different version of the conceptual framework.
IFRS 17 "Insurance Contracts" (Effective January 1, 2022)	Provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principle accounting objective for insurance contracts. IFRS (17) replaces IFRS (4) insurance contracts.
Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures (2011)"  (The start date has been postponed indefinitely, and the application is still permitted)	These amendments relate to the treatment of the sale or contribution of the assets of the investor in the associate or joint venture.

The adoption of these new standards, interpretations, and amendments may have no material impact on the Center's separate financial statements.



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**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**5) CASH AND CASH EQUIVALENTS**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Cash on hand	264	42
Cash at Banks – U.S Dollar	77,927	9,497
Cash at Banks – Jordanian Dinar	-	635
Cash at Banks – New Israeli Shekel	23,470	6,383
Cash at Banks – EURO	8,600	70,803
	<b>110,261</b>	<b>87,360</b>
Restricted Deposits for Employees' Benefits	223,477	368,922
	<b>333,738</b>	<b>456,282</b>

**6) PLEDGES RECEIVABLE**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Cooperation for the Development of Emerging Countries (COSPE)	12,265	-
Association of Volunteers in International Service Foundation (AVSI)	21,050	-
Agency for Technical Cooperation and Development (ACTED)	-	6,673
Palestine Consultative Staff for NGOs Development (PCS)	-	686
	<b>33,315</b>	<b>7,359</b>

**7) OTHER DEBIT BALANCES**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Prepaid Expenses	5,447	15,308
Due from Employees*	-	40,510
Due from BOD Members	6,430	6,357
Cooperatives, Credit and Saving Fund Receivable	165,116	172,648
Other Debit Balances	2,197	2,683
	<b>179,190</b>	<b>237,506</b>
Expected Credit Loss**	(165,116)	(172,648)
	<b>14,074</b>	<b>64,858</b>

\*Loans to employees are interest free.

ACAD NGO changed their business module during 2019, they decided restructure the organization and to downsize the number of staff due to the decrease in donations and projects. The board of directors terminated all the staff (14 employees) and paid their indemnities in full and decided to hire few part-time employees during the year of 2020 to work on the current projects. Accordingly, all amount due from employees were settled during the period.



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\*\*The movement on the expected credit loss during the year was as follows:

<i>U.S Dollar</i>	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
Balance at the beginning of the year	172,648	128,783
Provided for during the year	-	43,865
Reverse of the Provision during the Year	(7,532)	-
<b>Balance at year end</b>	<b>165,116</b>	<b>172,648</b>



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

8) PROPERTY AND EQUIPMENT, NET

<u>US Dollar</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Computers and Printers</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b>2019</b>					
<b>Cost</b>					
Beginning 2019	24,748	17,630	32,499	35,463	110,340
Additions	-	-	-	-	-
<b>Ending 2019</b>	<b>24,748</b>	<b>17,630</b>	<b>32,499</b>	<b>35,463</b>	<b>110,340</b>
<b>Accumulated Depreciation:</b>					
Beginning 2019	9,439	17,630	30,339	33,710	91,118
Depreciation	2,203	-	1,123	1,729	5,055
<b>Ending 2019</b>	<b>11,642</b>	<b>17,630</b>	<b>31,462</b>	<b>35,439</b>	<b>96,173</b>
<b>Net Book Value, as of December 31, 2019</b>	<b>13,106</b>	<b>-</b>	<b>1,037</b>	<b>24</b>	<b>14,167</b>

2018

<u>US Dollar</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Computers and Printers</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<b>2018</b>					
<b>Cost</b>					
Beginning 2018	24,748	17,630	32,499	35,463	110,340
Additions	-	-	-	-	-
<b>Ending 2018</b>	<b>24,748</b>	<b>17,630</b>	<b>32,499</b>	<b>35,463</b>	<b>110,340</b>
<b>Accumulated Depreciation:</b>					
Beginning 2018	7,258	17,630	27,903	26,616	79,407
Depreciation	2,181	-	2,437	7,093	11,711
<b>Ending 2018</b>	<b>9,439</b>	<b>17,630</b>	<b>30,340</b>	<b>33,709</b>	<b>91,118</b>
<b>Net Book Value, as of December 31, 2018</b>	<b>15,309</b>	<b>-</b>	<b>2,159</b>	<b>1,754</b>	<b>19,222</b>

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**9) ACCOUNTS PAYABLE AND ACCRUALS**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Terminated Employees Bonus	43,515	43,515
Professional Fess	3,451	3,518
Others	534	-
	<b>47,500</b>	<b>47,033</b>

**10) END OF SERVICE INDEMNITIES AND PROVIDENT FUND**

As described in Note (7) to the separate financial statements, and according to the Board of Directors decision to terminate the Center's employees, the end of service indemnities was classified into current and non-current liabilities as follows:

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Current Liabilities	356,552	-
Non-current Liabilities	-	486,064
	<b>356,552</b>	<b>486,064</b>

**A) Current Liabilities**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Provident Fund	241,290	-
End of Service Indemnity	104,736	-
Annual Leaves	10,526	-
	<b>356,552</b>	<b>-</b>

**B) Non-Current Liabilities**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Provident Fund	-	235,534
End of Service Indemnity	-	240,004
Annual Leaves	-	10,526
	<b>-</b>	<b>486,064</b>

The Movements in these employees' benefits were as follows:

**a. Provident Fund**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Beginning Balance as of January 1	235,534	212,506
Additions During the Year	23,306	27,628
Payments During the Year	(17,550)	(4,600)
<b>Ending Balance as of December 31</b>	<b>241,290</b>	<b>235,534</b>





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**b. End of Service Indemnity**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Beginning Balance as of January 1	240,004	227,083
Additions During the Year	13,866	20,407
Payments During the Year	(149,134)	(7,486)
<b>Ending Balance as of December 31</b>	<b>104,736</b>	<b>240,004</b>

**c. Annual Leaves**

<i>U.S Dollar</i>	As of December 31,	
	2019	2018
Beginning Balance as of January 1	10,526	13,308
Payments During the Year	-	(2,782)
<b>Ending Balance as of December 31</b>	<b>10,526</b>	<b>10,526</b>



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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

11) TEMPORARILY RESTRICTED FUND – NET ASSETS RELEASED FROM RESTRICTIONS

<i>U.S Dollar</i>	Unspent Grants as of Jan 1, 2019	Grants Received in 2019	Pledges Receivable	Available Grants for 2019	Released from restrictions – Program expenses	Currency Variance	Unspent Grants as of December 31, 2019
Development of the Food Processing Unit Beit Iskarya	9,745	-	-	9,745	(4,036)	-	5,709
Economic Initiative for Supporting – Beit Sira	5,894	1,007	-	6,901	(6,899)	(2)	-
Saffa Women Project	43,906	-	-	43,906	(43,906)	-	-
Planting Olive Trees Project 2019	2,897	2,269	-	5,166	(5,166)	-	-
Let's Start up	-	63,030	-	63,030	(48,497)	-	14,533
Mustaqbaluna (our future) - Increase of Job Opportunities	-	51,349	21,050	72,399	(72,399)	-	-
Promote cross - broader economic coordination, (PCS)	-	9,619	-	9,619	(6,760)	2	2,862
Land and Rights Project	-	51,418	12,265	63,683	(63,683)	-	-
	<b>62,442</b>	<b>178,692</b>	<b>33,315</b>	<b>274,449</b>	<b>(251,345)</b>	<b>-</b>	<b>23,104</b>
		<b>212,007</b>					





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12) PROGRAM EXPENSES

	Developing the food processing unit Beit Iskaria	Economic initiative supporting the village of Beit Sira	Saffa Women Project	Olives trees project 2019	Let's Start Project	Mustaqbaluna (our future) - Increase of Job Oppor	Promote cross - border economic coordination	Land and Rights Project	Total
Salaries and related Expenses	-	5,378	14,171	2,718	-	26,496	4,801	36,942	90,506
Rent	-	-	-	-	-	-	-	8,486	8,486
Maintenance & Programs	-	-	-	-	-	-	-	266	266
Utilities	-	-	-	-	-	-	-	755	755
Printing & stationery	-	-	-	-	-	-	-	340	340
Advertising & promotion	-	-	-	-	-	-	-	1,272	1,272
Bank charges	-	-	-	-	-	-	6	78	84
Others	-	-	-	-	-	-	-	386	386
Workshops	-	-	-	-	-	-	1,006	431	1,437
Car fuel expenses	-	-	-	-	-	-	-	2,148	2,148
Car rental	-	-	-	-	-	-	-	4,135	4,135
Travel Expenses	-	-	-	-	-	270	137	5,149	5,556
Telecommunication	-	-	-	-	-	-	204	2,120	2,324
Training expenses	-	-	-	-	-	-	606	-	606
Project activities	4,036	1,520	29,735	2,448	48,497	45,633	-	1,175	133,044
	<u>4,036</u>	<u>6,898</u>	<u>43,906</u>	<u>5,166</u>	<u>48,497</u>	<u>72,399</u>	<u>6,760</u>	<u>63,683</u>	<u>251,345</u>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**13) GENERAL AND ADMINISTRATIVE EXPENSES**

<i>U.S Dollar</i>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Salaries and related expenses	97,615	189,108
Utilities	13,665	18,708
Professional fees	5,690	13,213
Training and travel expenses	9,645	3,585
Loans collection expense	5,885	3,461
Insurance expense	9,278	9,345
Car expenses	8,987	14,793
Telecommunication	5,920	7,786
Printing & stationery	2,115	13,764
Bank charges	793	732
Fees & subscription	543	587
Maintenance Expenses	9,366	-
Others	2,272	1,598
	<b>171,774</b>	<b>276,680</b>

**14) OTHER INCOME**

<i>U.S Dollar</i>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Managing Gaza Portfolio – from ACAD Finance	100,000	100,000
Managing Management Office – from ACAD Finance	30,950	27,350
Refundable from Doubtful Account	15,507	19,142
Interest Revenue from Deposits	9,834	10,015
Service Revenue	6,682	9,114
Others	75	2,024
	<b>163,048</b>	<b>167,645</b>

**15) RELATED PARTY TRANSACTIONS**

The following balance represents related parties with ACAD Finance and Development Company

<i>U.S Dollar</i>	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
Executive Salaries	--	--
Due (to) from ACAD Finance – current account	(10,023)	2,844
Investment in a Subsidiary*	3,000,000	3,000,000

ACAD NGO manages Gaza portfolio and headquarter instead of USD 100,000 for management of the company's loan portfolio in Gaza Strip.





**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

**16) ACAD FINANCE AND DEVELOPMENT COMPANY**

\* ACAD Finance and Development Company was established as a private shareholding company, the issued share capital of the company is USD 5,335,000 divided into 5,335,000 shares as par value of USD 1 per share, the capital is divided as follows:

Shareholder Name	Percentage	Number of Shares
Arab Center for Agriculture Development	56.23%	3,000,000
European Investment Bank	18.74%	1,000,000
SIDI	10.03%	535,000
Grameen Credit Agricole	9.38%	500,000
Triple Jump	5.62%	300,000
	<b>100%</b>	<b>5,335,000</b>

**17) OPERATIONAL PLAN**

The management of ACAD NGO has developed an operational plan to decrease the deficit in the general (unrestricted) fund through:

- ACAD NGO decided to downsize their number of staff due to the shrinkage that is happening in the donations and projects and the board of directors terminated all the staff (14 employees) during the year of 2019 and decided to hire few part-timers during the year of 2020 to work on the current projects.
- ACAD NGO will request from its partners to contribute with additional funds.
- Various proposals were submitted to donors and yet waiting their responses.

**18) FINANCIAL RISK MANAGEMENT**

**Overview**

The Center has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.
- Interest risk.

This note presents information about the Center's exposure to each of the above risks, the Center's objectives, policies and processes for measuring and managing risk.

**Risk management framework**

The management has overall responsibility for the establishment and oversight of the Center's risk management framework.

The management is responsible for developing and monitoring the Center's risk management policies. The Center's risk management policies are established to identify and analyze the risks faced by the Center, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Center's activities.

The Center's Management oversees how management monitors compliance with the Center's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Center.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

• **Credit risk**

Credit risk is the risk of financial loss to the Center counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Center's cash and cash equivalents, contributions receivable and other debit balances.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

<b>US Dollar</b>	<b>As of December 31,</b>	
	<b>2019</b>	<b>2018</b>
Cash and Cash Equivalents	333,738	456,282
Interest Receivable	13,086	13,958
Pledges Receivables	33,315	7,359
Other Debit Balances	14,074	64,858
Due from ACAD Finance	-	2,844
	<b>394,213</b>	<b>545,301</b>

• **Liquidity risk**

Liquidity risk is the risk that the Center will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Center's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Center's reputation.

The Center ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contracted maturities of financial liabilities, including estimated interest payments:

<b>2019</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>More than a year</b>
<b>US Dollar</b>					
Accounts payable and accruals	47,500	47,500	47,500	-	-
Due to ACAD Finance	10,023	10,023	10,023	-	-
End of Service Indemnities & Provident Fund Payable– Short-term	356,552	356,552	-	356,552	-
	<b>414,075</b>	<b>414,075</b>	<b>57,523</b>	<b>356,552</b>	<b>-</b>
<b>2018</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>6 months or less</b>	<b>6 to 12 months</b>	<b>More than a year</b>
<b>US Dollar</b>					
Accounts payable and accruals	47,033	47,033	47,033	-	-
Provision for employees Indemnity	486,064	486,064	-	-	486,064
	<b>533,097</b>	<b>533,097</b>	<b>47,033</b>	<b>-</b>	<b>486,064</b>



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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- **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Center's statement of activities or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- **Interest rate risk**

Interest rate risk is the risk that the value of financial instrument will fluctuate due to change in market interest rates.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

19) **FAIR VALUES**

**Fair Value Hierarchy**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Prices quoted in active markets for similar instruments or through the use of valuation model that includes inputs that can be traced to markets, these inputs good be defend directly or indirectly.

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Financial assets and liabilities that are not measured at fair value:**

In exception to the table below, The Center's management believes that the book value of the financial assets and liabilities shown in the separate financial statements approximates their fair value as a result of their short-term maturities or of re-pricing their interest rates during the year:

		Fair Value		
<i>U.S Dollar</i>	Carrying amount	Level (1)	Level (2)	Level (3)
<b><u>December 31, 2019</u></b>				
Cash and Cash Equivalents	333,738	333,738	-	-
Interest Receivable	13,086	-	13,086	-
Pledges Receivables	33,315	-	33,315	-
Other Debit Balances	14,074	-	14,074	-
Accounts payable and accruals	47,500	-	47,500	-
End of Service Indemnities & Provident Fund Payable– Short-term	356,552	-	356,552	-
Due to ACAD Finance	10,023	-	10,023	-
<b><u>December 31, 2018</u></b>				
Cash and Cash Equivalents	456,282	456,282	-	-
Interest Receivable	13,958	-	13,958	-
Pledges Receivables	7,359	-	7,359	-
Other Debit Balances	64,858	-	64,858	-
Due from ACAD Finance	2,844	-	2,844	-
Accounts payable and accruals	47,033	-	47,033	-
Provision for employees Indemnity	486,064	-	486,064	-

For items illustrated above, level 2 fair values for financial assets and liabilities have been determined based on interest rates, yield curve, credit spreads.

Management believes that the book value of these financial assets and liabilities approximate their fair value as a result of their short-term maturities or of re-pricing their interest rates during the year.



**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

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**20) SUBSEQUENT EVENT**

During the month of March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices, donations and contributions receivable from donors and currency exchange rates.

For the Center's December 31, 2019 separate financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Due to the uncertainty of the outcome of the current events, the Center cannot reasonably estimate the impact these events will have on the Center's financial position, results of activities or cash flows in the future.