

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

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT**

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

FOR THE YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' 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 (ACAD NGO or the Center)**, which comprise the separate statement of financial position as of December 31, 2020, and the related separate statement of activities and the separate statements of 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, 2020, 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 responsibility under those standards is 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 the ethical requirements that are relevant to our audit of the separate financial statements in accordance with the International Ethics Standards Board for Accountants' International 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, 2020 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 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 "Board of Directors" are responsible for overseeing the Center's financial reporting process.



INDEPENDENT AUDITORS' REPORT " CONTINUED "

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 is 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.

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Ramallah, Palestine
November 2, 2021


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

SEPARATE STATEMENT OF FINANCIAL POSITION

<i>U.S Dollar</i>	<i>Note</i>	As of December 31,	
		2020	2019
Assets			
Current Assets			
Cash and Cash Equivalents	5	99,531	333,738
Pledges Receivables	6	1,090	33,315
Interest Receivable		12,234	13,086
Other Debit Balances	7	35,461	14,074
		148,316	394,213
Non-Current Assets			
Investment in a Subsidiary	16	3,000,000	3,000,000
Property & Equipment, Net	8	15,017	14,167
		3,015,017	3,014,167
Total Assets		3,163,333	3,408,380
Liabilities and Net Assets			
Current Liabilities			
Accounts Payable and Accruals	9	3,183	47,500
Due to ACAD Finance	16	-	10,023
End of Service Indemnity - Current	10	65,093	356,552
		68,276	414,075
Total Liabilities		68,276	414,075
Net Assets			
Unrestricted Funds		26,618	(42,966)
Temporarily Restricted Fund	11	53,422	23,104
Investment in Property and Equipment	8	15,017	14,167
Investment in a Subsidiary	16	3,000,000	3,000,000
Total Net Assets		3,095,057	2,994,305
Total Liabilities and Net Asset		3,163,333	3,408,380

The accompanying notes on pages from (7) to (25) are an integral part of these separate financial statements

The separate financial statements on pages (3) to (6) were approved by ACAD NGO Board of Directors on
October 17, 2021


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, 2020			2019
		Unrestricted Funds	Temporarily Restricted Fund	Total	
Contributions and Grants	11	-	252,900	252,900	212,007
Net Assets Released from Restrictions	11	217,139	(217,139)	-	-
Net of Contributions and Grants		217,139	35,761	252,900	212,007
Loans Income					
Interest on Loans		1,833	-	1,833	193
Recoveries of default loans		39,797	-	39,797	-
Penalty Revenues		2,975	-	2,975	1,368
		44,605	-	44,605	1,561
Other Income	15	105,925	-	105,925	172,419
Total Revenues		367,669	35,761	403,430	385,987
Expenses					
Program Expenses	13	(217,139)	-	(217,139)	(251,345)
General and Administrative Expenses	14	(76,930)	-	(76,930)	(171,774)
Total Expenses before Depreciation and Currency Differences		(294,069)	-	(294,069)	(423,119)
Depreciation		(2,936)		(2,936)	(5,055)
(Loss) Gain of Foreign Currency Exchange	12	(230)	(5,443)	(5,673)	5,066
Total Expenses		(297,235)	(5,443)	(302,678)	(423,108)
Surplus (Deficit) in Net Assets for the Year		70,434	30,318	100,752	(37,121)

The accompanying notes on pages from (7) to (25) 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
Balance as of January 1, 2020					
Increase in Net Assets during the Year	(42,966)	23,104	14,167	3,000,000	2,994,305
Addition to property and equipment, Net	70,434	30,318	-	-	100,752
Balance as of December 31, 2020	26,618	53,422	15,017	3,000,000	3,095,057
Balances as of January 1, 2019					
Increase (Decrease) in Net Assets during the Year	(50,238)	62,442	19,222	3,000,000	3,031,426
Addition to property and equipment, Net	2,217	(39,338)	-	-	(37,121)
Balance as of December 31, 2019	(42,966)	23,104	(5,055)	3,000,000	2,994,305

The accompanying notes on pages from (7) to (25) are an integral part of these separate financial statements



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

SEPARATE STATEMENT OF CASH FLOWS

US Dollar	Notes	For the Year Ended December 31,	
		2020	2019
Cash flows from Operating Activities:			
Grants received from Donors		246,367	218,031
Loans Income		44,605	10,932
Other Income		105,925	163,048
Expenses paid to Suppliers and Employees		(617,295)	(527,422)
Net Cash flows (Used in) From Operating Activities		(220,398)	(135,411)
Cash flows from Investing Activities			
Procurement of Fixed Assets		(3,787)	-
Due from Subsidiary		(10,022)	12,867
Net Cash Flow (Used In) from Operating Activities		(13,809)	12,867
Net change in Cash and Cash Equivalent		(234,207)	(122,544)
Cash and Cash Equivalent - Beginning of the year		333,738	456,282
Cash and Cash Equivalent- End of Year	5	99,531	333,738
Adjustments to reconcile Net cash Flows (Used in) From Operating Activates to changing in Net Assets			
Change in Net Assets		100,752	(37,121)
Depreciation	8	2,936	5,055
Provision for employees' benefits, net of payments		(291,459)	(129,512)
Decrease in Interest Receivables		852	872
Decrease (Increase) in Pledges Receivables		32,225	(25,956)
(Increase) Decrease in Other Debit Balances		(21,387)	50,784
(Decrease) Increase in Accounts Payable and Accruals		(44,317)	467
Net Cash Flows (Used in) From Operating Activities		(220,398)	(135,411)

The accompanying notes on pages from (7) to (25) are an integral part of these separate financial statements



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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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 October 17, 2021.

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

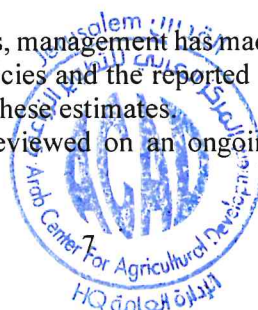
The separate financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities.

c. Functional and presentation currency

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

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.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

• **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 recognizes income tax expense for the year in accordance with the prevailing laws and regulations.
- 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.
- Extension and termination options are included in several lease agreements. These terms are used to increase operational flexibility in terms of contract administration, most extension and termination options held are renewable by both the center and the lessor.

In determining the term of the lease, management considers all facts and circumstances that create an economic incentive, the option to extend, or the non-option to terminate. Extension options (or periods following termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or significant change in circumstances affecting this assessment occurs and which is within the control of the lessee.

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.

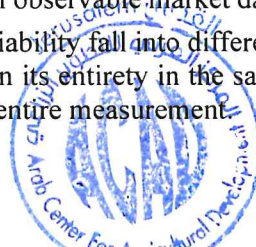
When measuring the fair value of an asset or a liability, the Center uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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 (e.g. 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 in preparing the Separate financial statements ended December 31, 2019 except for the following:

Impact of COVID 19

During the month of March 2020, the World Health 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.

3) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Center in these separate financial statements for the year ended December 31, 2020 are the same as those applied by the Center in its separate financial statements for the year ended December 31, 2019, except for the following new International Financial Reporting Standards or amendments that become effective after January 1, 2020:

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Definition of a Business (Amendments to IFRS 3).
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The application of these new standards and amended standards did not have a significant effect on the Center's separate financial statements.

The following are the significant accounting policies applied by the Center:

(a) Financial Instruments:

i. 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 or financial liability is initially measured at fair value plus, for an item not at fair value through Statement of Activities, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification and subsequent measurement

• Financial Assets:



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through statement of activities or Fair value through statement of change in net assets.

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 through 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 financial assets not classified as measured at amortized cost or fair value through other comprehensive income as described above are measured at fair value through statement of activities. This includes all derivative financial assets. On initial recognition, the Center may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through statement of activities if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

iii. **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 Center enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

• **Financial liabilities**

The Center derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Center also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of activities.



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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(a) 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 the Center is not subject to donor-imposed restrictions.

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

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.

(b) Contributions and grants

When the donor contributions are received by the Center, the received amount is recorded as restricted or unrestricted revenues.

- Unconditional promises are promises that depend only on passage of time and certain performance requested by the promising donors.
- Conditional promises to give and indications of intention to give are recorded at the fair market value at the date contribution is received by the Center.

Restricted contributions are recorded as restricted revenues. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. Community contributions are recorded when received.

(c) Pledge receivable

Pledge 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.

(d) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost net of accumulated depreciation. Depreciation is charged 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.

Property, Plant and Equipment	Depreciation %
Furniture and Fixture	7%
Office Equipment	15%
Computers and Printers	30%
Leasehold Improvements	20%



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(e) Leases

I. As a lessee

At commencement or on modification of a contract that contains a lease component, the Center allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Center has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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 end of the lease term, unless the lease transfers ownership of the underlying asset to Center by the end of the lease term or the cost of the right-of-use asset reflects that the Center will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is 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.

The Center determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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, if the Center changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. 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 separate statement of financial position.

Short-term leases and leases of low-value assets

The Center has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Center recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

ii. As a lessor

At inception or on modification 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 standalone prices.

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 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 a 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, then the Center applies IFRS 15 to allocate the consideration in the contract.

The Center applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Center further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Center recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'. Generally, the accounting policies applicable to the Center as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered during current reporting period that resulted in a finance lease classification.

No Impact is expected in the Center finance lease.

(f) End of service Indemnity

The allocation for end-of-service indemnity is made in accordance with the labor law in force in Palestine, where the provision is calculated based on the last salary received by the employee multiplied by the number of years of service.

Starting from January 1, 2019, an end-of-service compensation allowance is paid annually to employees, and the Center recognizes the paid amount as expenses.

(g) Provisions

Provisions are recognized when the Center has a present obligation because 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

The Center is not-for-profit, its revenues from donor donations and other activities of the center are not subject to income tax.

(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.



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(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,	
	2020	2019
USD/ILS	3.21	3.46
USD/EUR	0.82	1.12
USD/JOD	0.71	0.71

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

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:

New Standards

IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts. With early application allowed only for companies that have applied IFRS 9.

Amendments

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). (Effective January 1, 2021)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). (Effective January 1, 2022)
- Annual Improvements to IFRS Standards 2018–2020. (Effective January 1, 2022)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). (Effective January 1, 2022)
- Reference to the Conceptual Framework (Amendments to IFRS 3). (Effective January 1, 2022)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1). (Effective January 1, 2023)

The center anticipates that each of the above standards and amendments will be adopted in the separate financial statements by its date mentioned above without having any material impact on the Center's separate financial statements.

5) CASH AND CASH EQUIVALENTS

U.S Dollar	As of December 31,	
	2020	2019
Cash on hand	15	264
Cash at Banks – U.S Dollar	21,287	77,927
Cash at Banks – New Israeli Shekel	3,619	23,470
Cash at Banks – EUR	74,610	8,600
	99,531	110,261
Restricted Deposits for Employees' Benefits	-	223,477
	99,531	333,738



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6) PLEDGES RECEIVABLES

<i>U.S Dollar</i>	As of December 31,	
	2020	2019
Cooperation for the Development of Emerging Countries (COSPE)	-	12,265
Association of Volunteers in International Service Foundation (AVSI)	-	21,050
Action Against Hunger	1,090	-
	1,090	33,315

7) OTHER DEBIT BALANCES

<i>U.S Dollar</i>	As of December 31,	
	2020	2019
Prepaid Expenses	2,920	5,447
Due from BOD Members	6,241	6,430
Cooperatives, Credit, and Saving Fund Receivable	125,319	165,116
Other Debit Balances	2,376	2,197
Checks under collection	23,924	-
	160,780	179,190
Expected Credit Loss*	(125,319)	(165,116)
	35,461	14,074

* The movement during the year for the expected credit losses is as follow:

<i>U.S Dollar</i>	As of December 31,	
	2020	2019
Expected Credit Losses, Beginning of the Year	165,116	172,648
Add: Provision during the Year	-	-
Less: Amounts received during the Year	(39,797)	(7,532)
Expected Credit Losses, End of the year	125,319	165,116



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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>
2020					
Cost					
Beginning balance as of January 1, 2020	24,748	17,630	32,499	35,463	110,340
Additions	978	558	2,250	-	3,786
Ending balance as of December 31, 2020	25,726	18,188	34,749	35,463	114,126
Accumulated Depreciation:					
Beginning as of January 1, 2020	11,642	17,630	31,462	35,439	96,173
Additions	1,476	558	878	24	2,936
Ending balance as of December 31, 2020	13,118	18,188	32,340	35,463	99,109
Net Book Value, December 31, 2020	12,608	-	2,409	-	15,017

The Center owned property and equipment include fully depreciated assets in the amount of USD 86,141 that are still in operation as of December 31, 2020.

8 PROPERTY AND EQUIPEMTN, NET (continued)

<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>
2019					
Cost					
Beginning balance as of January 1, 2019	24,748	17,630	32,499	35,463	110,340
Additions	-	-	-	-	-
Ending balance as of December 31, 2019	24,748	17,630	32,499	35,463	110,340
Accumulated Depreciation:					
Beginning as of January 1, 2019	9,439	17,630	30,339	33,710	91,118
Additions	2,203	-	1,123	1,729	5,055
Ending balance as of December 31, 2019	11,642	17,630	31,462	35,439	96,173
Net Book Value, December 31, 2019	13,106	-	1,037	24	14,167

The Center owned property and equipment include fully depreciated assets in the amount of USD 82,355 that are still in operation as of December 31, 2019.



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9) ACCOUNTS PAYABLE AND ACCRUALS

<i>U.S Dollar</i>	As of December 31,	
	2020	2019
Terminated Employees Bonus	3,183	3,451
Professional Fees	-	43,515
Others	-	534
	3,183	47,500

10) END OF SERVICE INDEMNITY - CURRENT

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

Accordingly, all amounts due from employees were settled during the period.

The movement during the years 2020 and 2019 for the End of Service Indemnity is as follow:

<i>U.S Dollar</i>	As of December 31,	
	2020	2019
Beginning balance as of January 1, 2020	356,552	486,064
Additions during the year	5,583	37,172
Payments during the year	(297,042)	(166,684)
Ending balance as of December	65,093	356,552



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11) TEMPORARILY RESTRICTED FUND & RELEASED FROM RESTRICTION

<i>U.S Dollar</i>	Unspent balance as of Jan 2020	Grants Received during 2020	Pledge Receivable as of 2020	Available Grants 2020	Released from Restriction _ Program Expenses	Currency Variance	Unspent balance as of Dec 31, 2020
Development of the Food Processing Unit _ Beit Iskarya	5,709	5,868	-	11,577	-	(1,024)	10,553
An Agricultural initiative to receive the cultivation _Beit Ummar	-	5,750	-	5,750	-	268	6,018
Let's Start up _ EDUCAID	14,533	-	-	14,533	(9,528)	(1,081)	3,924
Promote cross-border economic coordination, cooperation, exchange, and joint ventures _ PCS	2,862	4,936	-	7,798	-	(931)	6,867
Land and Rights- Paths to Social and Solidarity Economy in Palestine - COSPE	-	204,795	-	204,795	(194,421)	(705)	9,669
Reducing vulnerabilities of GMR affected households by increasing access to basic needs and psychosocial support services - ACF	-	9,814	1,090	10,904	(10,904)	-	-
DAMAN Project	-	14,544	-	14,544	(2,286)	(1,580)	10,678
Emergency aid to rebuild winter fodder stocks for the village of Humsa Al Bqai'a – AFPS	-	6,103	-	6,103	-	(390)	5,713
	23,104	251,810	1,090	276,004	(217,139)	(5,443)	53,422
			252,900				



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TEMPORARILY RESTRICTED FUND & RELEASED FROM RESTRICTION (continued)

<i>U.S Dollar</i>	Unspent balance as of Jan 2019	Grants Received during 2019	Pledge Receivable as of 2019	Available Grants 2019	Released from Restriction_ Program Expenses	Currency Variance	Unspent balance as of Dec 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 _ EDUCAID	-	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-border economic coordination, cooperation, exchange, and joint ventures _ PCS	-	9,619	-	9,619	(6,759)	2	2,862
Land and Rights- Paths to Social and Solidarity Economy in Palestine - COSPE	-	51,418	12,265	63,683	(63,683)	-	-
	62,442	178,692	33,315	274,449	(251,345)	-	23,104
			212,007				



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

12) (LOSS) GAIN FOREIGN CURRENCY EXCHANGE

Currency exchange gain or loss have resulted from the revaluation of the Center's monetary assets and liabilities in foreign currencies (mainly bank balances, contributions receivable, payables and accruals) to USD using exchange rates prevailing at the date of the separate statement of financial position. The fluctuations in the exchange rates against USD resulted in losses of USD 5,673 and gains of USD 5,066 as of December 31, 2020 and 2019 respectively.



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13) PROGRAM EXPENSES

	Reducing vulnerabilities of GMR affected households - ACF	DAMAN Project	Let's Start up - EDUCAID	Land and Rights - COSPE	2020	2019
Salaries and Related Expenses	4,706	-	-	42,019	46,725	90,506
Rent	910	-	-	7,448	8,358	8,486
Maintenance & Programs	-	-	-	-	-	267
Utilities	-	-	-	-	-	755
Printing & Stationary	728	223	-	97	1,048	340
Advertising and Promotion	-	-	-	-	-	1,272
Interest & Bank charges	18	-	-	276	294	84
Hosting Expenses	1,075	1,067	-	72	2,214	386
Workshops	-	-	-	-	-	1,437
Car Fuel Expenses	-	-	-	900	900	2,148
Car Rental	-	-	-	-	-	4,135
Travel and Transportation expenses	-	647	-	4,167	4,814	5,556
Telecommunication	1,105	-	-	1,468	2,573	2,324
Training Expenses	702	349	-	-	1,051	606
Project Activities	1,660	-	9,528	137,974	149,162	133,043
	10,904	2,286	9,528	194,421	217,139	251,345



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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

14) GENERAL AND ADMINISTRATIVE EXPENSES

<i>US Dollar</i>	For the Year ended December 31,	
	2020	2019
Salaries and related expenses	34,902	97,615
Utilities	3,004	13,665
Professional fees	6,757	5,690
Training and travel expenses	620	9,645
Loan collection expenses	12,624	5,885
Health insurance	4,575	9,278
Car expenses	-	8,987
Telecommunication	2,250	5,920
Printing & stationery	396	2,115
Bank charges	481	793
Fees & subscription	250	543
Maintenance Expenses	6,551	9,366
Rehabilitation expenses	2,692	-
Others	1,828	2,272
	76,930	171,774

15) OTHER INCOME

<i>US Dollar</i>	For the Year ended December 31	
	2020	2019
Managing Gaza Portfolio - from ACAD Finance	50,000	100,000
Refundable from Doubtful Account	3,445	24,878
Service Revenue	5,598	6,682
Write off Bonuses payable	43,515	-
Others	2,747	75
General Assembly Subscription Fees	620	-
Managing Management Office - from ACAD Finance	-	30,950
Interest Revenue from Deposits	-	9,834
	105,925	172,419

16) RELATED PARTY TRANSACTION

Related parties include transactions with members of the board of directors, members of executive management and key managers, who have the ability to influence them during the years 2020 and 2019.

<i>In U.S Dollars</i>	For the Year Ended December	
	2020	2019
Due (to) from ACAD Finance- current account	-	(10,023)
Investment in a Subsidiary*	3,000,000	3,000,000



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17) 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:

	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
	100%	5,335,000

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 Center's exposure to each of the above risks, 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 Center's risk management framework.

The management is responsible for developing and monitoring Center's risk management policies.

Center's risk management policies are established to identify and analyze the risks faced by 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 Center's activities.

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

• **Credit risk**

Credit risk is the risk of financial loss to Center counterparty to a financial instrument fails to meet its contractual obligations and arises principally from 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

In U.S Dollars

Cash and Cash Equivalents
Pledges Receivables
Interest Receivable
Other Debit Balances



	As of December 31,	
	2020	2019
	99,531	333,738
	1,090	33,315
	12,234	13,086
	35,461	14,074
	148,316	394,213

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Liquidity risk

- Liquidity risk is the risk that Center will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 Center's reputation.
- 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:

2020

<i>In U.S Dollars</i>	Carrying Amount	Contractual Cash Flows	6 months or less	6 to 12 months	More than a year
Accounts Payable and Accruals	3,183	3,183	3,183	-	-
Due to ACAD Finance	-	-	-	-	-
End of Service Indemnity - Current	65,093	65,093	65,093	-	-
	68,276	68,276	68,276	-	-

2019

<i>In U.S Dollars</i>	Carrying Amount	Contractual Cash Flows	6 months or less	6 to 12 months	More than a year
Accounts Payable and Accruals	47,500	47,500	47,500	-	-
Due to ACAD Finance	10,023	10,023	10,023	-	-
End of Service Indemnity - Current	356,552	356,552	-	356,552	-
	414,075	414,075	57,523	356,552	-

• **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect center 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.



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19) **Fair Value**

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, Center 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:

<i>In U.S Dollars</i>	Carrying amount	Fair Value		
		Level (1)	(2) Level	(3) Level
<u>December 31, 2020</u>				
Cash and Cash Equivalents	99,531	99,531	-	-
Pledges Receivables	1,090	-	1,090	-
Interest Receivable	12,234	-	12,234	-
Other Debit Balances	35,461	-	35,461	-
Accounts Payable and Accruals	3,183	-	3,183	-
Due to ACAD Finance	-	-	-	-
End of Service Indemnity - Current	65,093	-	65,093	-
<u>December 31, 2019</u>				
Cash and Cash Equivalents	333,738	333,738	-	-
Pledges Receivables	33,315	-	33,315	-
Interest Receivable	13,086	-	13,086	-
Other Debit Balances	14,074	-	14,074	-
Accounts Payable and Accruals	47,500	-	47,500	-
Due to ACAD Finance	10,023	-	10,023	-
End of Service Indemnity - Current	356,552	-	356,552	-

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.

