

**Arab Center for Agricultural Development (ACAD)  
Non Profit, Non-Governmental Organization**

**Ramallah-Palestine**

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**Financial Statements  
and  
Independent Auditor's Report  
For the Year Ended December 31, 2012**

Arab Center for Agricultural Development (ACAD)  
Non Profit, Non-Governmental Organization

Ramallah-Palestine

Financial Statements and  
Independent Auditor's Report  
For the Year Ended December 31, 2012

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## **Independent Auditor's Report**

**To the General Assembly  
ArabCenter for Agricultural Development (ACAD)  
Ramallah-Palestine**

### ***Report on the financial statements:***

We have audited the accompanying financial statements of the **Arab Center for Agricultural Development (ACAD) "Non Profit, Non-Governmental Organization"**, which comprise the statement of financial position as of December 31, 2012, and the statement of activities, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the financial statements:***

The management of ACAD is responsible for the preparation and fair presentation of these financial statements in accordance with relevant International Financial Reporting Standards and the United States Statement on Financial Accounting Standards No. 116 and 117 applicable to not for profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility:***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion:***

In our opinion, the financial statements give a true and fair view of the financial position of the **Arab Center for Agricultural Development (ACAD)** as of December 31, 2012, its financial performance and its cash flows for the year then ended in accordance with relevant International Financial Reporting Standards and the United States Statement on Financial Accounting Standards No. 116 and 117 applicable to not for profit organizations.

**Ramallah:**  
**April 22, 2013**

A handwritten signature in blue ink that reads "Deloitte &amp; Touche".

**Deloitte & Touche(M.E)**

## Statement - A

Arab Center for Agricultural Development (ACAD)  
Non Profit, Non Governmental Organization  
Ramallah- Palestine

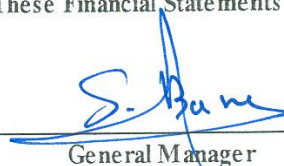
Statement of Financial Position  
As of December 31 , 2012

	Note	December 31	
		2012	2011
		USD	USD
<b>Assets:</b>			
Cash and Cash Equivalent	3	1,263,496	1,018,069
Loans Receivable-Net	4	4,622,278	4,521,806
Interest Receivable		109,285	95,780
Pledges Receivable	5	26,853	2,711
Prepayments and Other Receivables	6	372,936	394,854
Fixed Assets-Net	7	45,892	54,930
<b>Total Assets</b>		<b>6,440,740</b>	<b>6,088,150</b>
<b>Liabilities and Net Assets:</b>			
<b>Liabilities:</b>			
Accounts Payable and Accruals	8	27,689	15,827
Deffered Grants	9	3,455	-
Loans Payable	10	2,428,985	2,251,211
Provisions for Employees' Benefits	11	716,863	663,330
<b>Total Liabilities</b>		<b>3,176,992</b>	<b>2,930,368</b>
<b>Net Assets:</b>			
General Unrestricted Fund		151,251	146,615
Temporarily Restricted Fund		(8,789)	68,838
Loan Revolving Fund		3,033,250	2,840,619
Investment in Fixed Assets		45,892	54,930
General Reserve for Loan Losses		42,144	46,780
<b>Total Net Assets - Statement (C)</b>		<b>3,263,748</b>	<b>3,157,782</b>
<b>Total Liabilities and Net Assets</b>		<b>6,440,740</b>	<b>6,088,150</b>

The Accompanying Notes Constitute an Integral Part of These Financial Statements



Board Chairman

General Manager



Arab Center for Agricultural Development (ACAD)  
Non Profit, Non Governmental Organization  
Ramallah- Palestine  
Statement of Activities  
For the Year Ended December 31 , 2012

	Note	General Unrestricted Fund USD	Temporarily Restricted Fund USD	Loan Revolving Fund USD	Total	
					2012 USD	2011 USD
<b>Revenues:</b>						
Temporarily Restricted Contributions to Cover Non-Operating Expenses		-	169,245	-	169,245	234,444
Unrestricted Contributions to Cover Non-Operating Expenses		-	-	-	-	96,578
<b>Total Revenues</b>		-	169,245	-	169,245	331,022
Net Assets Released from Restrictions	12	246,872	(246,872)	-	-	-
<b>Net Revenues</b>		<b>246,872</b>	<b>(77,627)</b>	-	<b>169,245</b>	<b>331,022</b>
<b>Loans Revenue :</b>						
Interest on Loans		-	-	1,038,025	1,038,025	893,544
Collection of Bad Debts		-	-	14,923	14,923	25,870
Loans Service Fees & Commissions		-	-	37,505	37,505	15,803
Penalty Revenue		-	-	46,270	46,270	50,647
		-	-	1,136,723	1,136,723	985,864
<b>Other Revenues</b>		-	-	14,118	14,118	56,147
<b>Net Income before Provision for Loan Losses</b>		<b>246,872</b>	<b>(77,627)</b>	<b>1,150,841</b>	<b>1,320,086</b>	<b>1,373,033</b>
Provision / Release of Loan Losses	4	-	-	(11,723)	(11,723)	28,902
<b>Net Income after Provision for Loan Losses</b>		<b>246,872</b>	<b>(77,627)</b>	<b>1,139,118</b>	<b>1,308,363</b>	<b>1,401,935</b>
<b>Expenses:</b>						
<b>Program Expenses :</b>						
Support & Development Cooperatives		56,419	-	-	56,419	92,152
Food Security		-	-	939,262	939,262	875,973
Home Gardens Agriculture Land Restoration in Gaza -		124,928	-	-	124,928	-
Creation of Saving and Microcredit Woman Centers -		5,978	-	-	5,978	27,232
Local Network in Support for Farmers Rights - NPA		58,293	-	-	58,293	-
Islamic Development Bank		-	-	-	-	75,289
UNDP DEEP		-	-	-	-	14,620
Gaza Office Expenses -		1,254	-	-	1,254	26,061
Other Programs		-	-	-	-	26,830
<b>Total Expenses</b>		<b>246,872</b>	-	<b>939,262</b>	<b>1,186,134</b>	<b>1,138,157</b>
Depreciation Expense		-	-	14,795	14,795	14,884
Gain on Currency Fluctuations		-	-	(7,570)	(7,570)	-
<b>Total</b>	7	<b>246,872</b>	-	<b>946,487</b>	<b>1,193,359</b>	<b>1,153,041</b>
<b>(Decrease) Increase in Net Assets During the Year - Statement ( C )</b>		-	<b>(77,627)</b>	<b>192,631</b>	<b>115,004</b>	<b>248,894</b>

The Accompanying Notes Constitute an Integral Part of These Financial Statements

Board Chairman

General Manager

# Arab Center for Agricultural Development (ACAD)

Non Profit, Non Governmental Organization

Ramallah- Palestine

## Statement of Changes in Net Assets

For the Year Ended December 31, 2012

	Net Assets										
	General Unrestricted Fund		Temporarily Restricted Fund		Loans Revolving Fund		Investment in Fixed Assets		General Reserve for Loan		Total
	Note	USD		USD		USD		USD		USD	USD
<b>Year Ended December 31, 2012:</b>											
<b>Balances at Beginning of the Year</b>											
		146,615		68,838		2,840,619		54,930		46,780	3,157,782
		-		(77,627)		192,631		-		-	115,004
4		4,636		-		-		-		(4,636)	-
7		-		-		-		5,757		-	5,757
7		-		-		-		(14,795)		-	(14,795)
		151,251		(8,789)		3,033,250		45,892		42,144	3,263,748
<b>Year Ended December 31, 2011:</b>											
<b>Balances at Beginning of the Year</b>											
		182,626		348,376		2,626,535		64,605		38,808	3,260,950
		1,172		68,838		178,884		-		-	248,894
4		(7,972)		-		-		-		7,972	-
7		-		-		-		5,209		-	5,209
7		-		-		-		(14,884)		-	(14,884)
		(29,211)		(348,376)		35,200		-		-	(342,387)
		146,615		68,838		2,840,619		54,930		46,780	3,157,782
<b>Balances at End of the Year (Statement-A)</b>											

The Accompanying Notes Constitute an Integral Part of These Financial Statements

## Statement - D

Arab Center for Agricultural Development (ACAD)  
Non Profit, Non Governmental Organization  
Ramallah- Palestine

Statement of Cash Flows  
For the Year Ended December 31, 2012

	Year Ended December 31,	
	2012	2011
	USD	USD
<b>Operating Activities:</b>		
Grants Received from Contributors	169,245	331,022
Loans Revenues	1,120,364	985,864
Other Revenues	14,118	85,049
Cash Paid to Employees and Suppliers	(1,230,317)	(2,458,222)
<b>Cash Flow from (Used in) Operating Activities</b>	<b>73,410</b>	<b>(1,056,287)</b>
<b>Investing Activities:</b>		
Procurement of Fixed Assets	(5,757)	(5,209)
<b>Cash (Used in) Investing Activities</b>	<b>(5,757)</b>	<b>(5,209)</b>
<b>Financing Activities:</b>		
Increase in Loans Payable	177,774	555,550
<b>Cash Flow from Financing Activities</b>	<b>177,774</b>	<b>555,550</b>
<b>Increase in Cash and Cash Equivalent</b>	<b>245,427</b>	<b>(505,946)</b>
Cash and Cash Equivalent at Beginning of the Year	1,018,069	1,524,015
<b>Cash and Cash Equivalent at End of the Year</b>	<b>1,263,496</b>	<b>1,018,069</b>
<b>Adjustments:</b>		
Change in Net Assets	105,966	248,894
Depreciation	14,795	14,884
Prior Years Adjustments	-	(342,387)
Provision for Employees' Benefits	130,914	113,535
(Increase) in Interest Receivable	(13,505)	(4,831)
(Increase) in Loans	(100,472)	(742,212)
(Increase)Decrease in Pledges Receivable	(24,142)	9,172
Decrease (Increase) in Prepayments and Other Receivables	21,918	(150,266)
Increase (Decrease) in Payables and Accruals	11,862	(145,598)
Increase in Deffered Grants	3,455	-
Payments of Employees Benefits	(77,381)	(57,478)
<b>Cash Flow from (Used In) Operating Activities</b>	<b>73,410</b>	<b>(1,056,287)</b>

The Accompanying Notes Constitute an Integral Part of These Financial Statements



**Arab Center for Agricultural Development  
Non Profit, Non-Governmental Organization  
Ramallah-Palestine**

**Notes to the Financial Statements  
For the Year Ended December 31, 2012**

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**1. General :**

**a. The Center:**

The Arab Center for Agricultural Development (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 according to the Palestinian Charitable Institutions Law. ACAD is specialized in Micro-Credit and offers Business Support Services to the poor and low-income Palestinian producers. The Board of Directors comprised of 9 members including the chairman and elected every two years by the General Assembly that governs ACAD.

The number of employees as of December 31, 2012 was 45 (46 employees in 2011)

The accompanying financial statements have been approved by the Board of Directors on April 22, 2013.

**b. ACAD Mission:**

ACAD as a development institution established to encourage micro entrepreneurship through small income generating activities among the poor and low-income individuals. ACAD provides financial and business support services concentrating on rural and/or high poverty rate in Palestinian areas that are particularly affected by the difficult political situation. Economic independence and consequently food security for the poor and disadvantaged, is an effective tools towards empowerment and active participation in the economic, social and political spheres of the life in Palestine.

**c. ACAD Objectives:**

- Promotion of self-sustaining employment and income generating projects in the agricultural sector and rural areas.
- Expanding geographical access to financial resources.
- Graduating poor and small rural producers into capital lending markets by shifting the balance of power towards those needing credit.
- Mobilizing rural savings.
- Developing & empowering rural marginalized communities

**d. Target Group:**

ACAD's target group includes 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.

**e. Branches and Offices:**

ACAD provides services for small and poor producers through its headquarter in Ramallah and 8 field branches and offices in (Gaza, Jericho, Bethlehem, Hebron, Nablus, Jenin, Ramallah and Tulkarem).

**f. Financial Credit Services:**

ACAD provides financial credit services to small-scale and poor Palestinian producers in the Palestinian Territories through four kinds of credit products as follows:

- Woman loans based on cycling.
- Micro loans to finance existing project.
- Small loans to finance capital investment or startup businesses.
- Loans to cooperatives to finance cooperative credit & saving funds.

## **2. Summary of Significant Accounting Policies:**

### **2.1. Adoption of new and revised International Financial Reporting Standards (IFRSs)**

In the current year, ACAD considered all new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of IASB, relevant to its activities, that were issued and effective for annual reporting periods ending on December 31, 2012. The application of the new standards and interpretations has no effect on the financial position or the results of operations of ACAD (Refer to note 16).

### **2.2. Summary of Significant Accounting Policies:**

The financial statements have been prepared on the accrual basis of accounting, cost convention and in conformity with relevant International Financial Reporting Standards and the United States Statement on the Financial Accounting Standards No. 116 and 117 applicable to not for profit organizations.

Significant accounting policies followed are as described below:

#### **a. Net Assets of ACAD and Changes therein are Classified and Reported as Follows:**

- *General (Unrestricted) Net Assets:* represent net assets whose use by ACAD is not subject to donor-imposed restrictions and management of ACAD has direct control.
- *Temporarily Restricted Net Assets:* represent net assets whose use by ACAD is limited by donor-imposed restrictions that either expire by passage of time or can be fulfilled and released by actions of ACAD 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:**

- Grants with stipulations that are expected to be met are recognized as increases in temporarily restricted funds and are released to unrestricted funds over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis.

Amounts received under conditional grants whose conditions are based on future events and actions are deferred and presented under current liabilities and are taken to the statement of activities when the related conditions are met.

- Grants that are receivable as a compensation for expenses or loss already incurred or for the purpose of giving immediate support to ACAD with no future related costs are recognized in the statement of activities in the period in which they become receivable.

#### **c. Fixed Assets:**

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is calculated using the straight-line method based on their estimated useful lives as follows:

Furniture and Fixtures	7%
Office Equipment	15%
Safes	3%
Computers and Printers	30%
Cars	20%

When the expected recoverable amount is less than the net book value, the fixed assets amount is reduced to the lower of cost or net realizable value and the difference (if any) is included in the statement of activities.



## 2. Summary of Significant Accounting Policies (Cont.):

### d. Loans:

Loans receivable are stated at cost net of provision for impairment in loans. A provision for non-performing loans is taken when there is an evidence to management that these loans cannot be recollect in part or in full. Such a provision is calculated based on the following criteria:

<u>Percentage</u>	<u>Time Period</u>
--	1- 30 Days
10%	31- 60 Days
20%	61- 90 Days
30%	91- 120 Days
40%	121- 180 Days
50%	181- 360 Days
100%	More than 360 Days

- The resultant provision is recorded in the statement of activities.
- A general reserve for loans against unforeseen future losses is computed at 1.5% of performing loans. This reserve is reflected in the statement of financial position as part of net assets.
- Interests on non-performing credit facilities are suspended, in addition, uncollectible credit facilities are written off by decreasing the provision for credit facilities. Any surplus in the provision as well as any amount collected from credit facilities previously written off are taken to the statement of activities.

### e. Foreign Currency Translation:

The Center's reporting currency is the U.S Dollar. However, transactions in currencies other than U.S Dollar are converted to U.S Dollar equivalent at the exchange rates prevailing at the date of each transaction. Monetary assets and liabilities denominated in other currencies are translated to U.S Dollar equivalent using the exchange rates prevailing at the year end. The resultant difference on exchange is taken to the statement of activities.

The rates of exchange of certain currencies against the U.S.Dollar as of December 31, 2012 and 2011 were as follows:

	<u>December 31 ,</u> <u>2011</u>	<u>December 31 ,</u> <u>2012</u>
	<u>USD</u>	<u>USD</u>
Euro	1.3251	1.3197
NIS	0.2808	0.2680
JOD	1.4064	1.4124

### f. Loan Revolving Fund:

Loan revolving fund represents net assets which are subject to donors' imposed restrictions and to be maintained permanently by ACAD and is composed of all grants received and provided for lending. This fund is charged by provisions for impairment losses if the agreements with the donors stipulated such condition.

### g. End of Service Indemnity:

End of service indemnity is computed in accordance with the prevailing labor law in the Palestinian Territories accruing for one-month compensation for each year of service based on the last salary of the employee. The provision is charged to the statement of activities (programs as well as general and administrative expenses), while indemnities actually paid to staff are booked against the related provision account.

### h. Provident Fund:

ACAD has a defined provident fund scheme by which the employees and the Center contributions are 7.5% each from the basic monthly salaries.

## 2. Summary of Significant Accounting Policies (Cont.):

### i. Functional Expenses:

ACAD 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. Accounting Estimates:

The financial statements include certain estimates and assumptions made by management related to reporting of assets and liabilities at the statement of financial position date, and the reporting of revenues, expenses, gains and losses during the year. Actual results may differ from those estimates adopted by the Centre's management. Estimates used in the preparation of the financial statements include depreciation rates and useful lives of fixed assets, provision for severance pay and provisions for impairment of loans.

## 3. Cash and Cash Equivalent:

Composition:

	<u>December 31,</u> <u>2012</u> <u>USD</u>	<u>December 31,</u> <u>2011</u> <u>USD</u>
Cash in Hand	34,045	15,466
<b>Cash at Banks</b>		
Current Accounts-U.S Dollar	664,450	496,092
Current Accounts- Jordanian Dinar	4,995	877
Current Accounts-Israeli Shekel	46,428	26,944
Current Accounts-Euro	18	1,735
	<u>715,891</u>	<u>525,648</u>
Checks Under Collection- Short Term	2,260	2,082
Short -Term Deposits for Employees Benefits	511,300	474,873
	<u>1,263,496</u>	<u>1,018,069</u>

## 4. Loans Receivable-Net:

Composition:

	<u>December 31,</u> <u>2012</u> <u>USD</u>	<u>December 31,</u> <u>2011</u> <u>USD</u>
Loan Portfolio *	4,648,886	4,466,455
Cooperatives Portfolio **	246,050	311,650
Provision for Impairment	(272,658)	(256,299)
	<u>4,622,278</u>	<u>4,521,806</u>

\* The number of performing loans as of December 31, 2012 was 3,264 loan (comparing with 3,410 loan as of December 31, 2011).

\*\* The balance represents amounts transferred from donors to support cooperatives, saving and credit funds in Palestine. Interest was not calculated on those loans granted before 2008, while interest is calculated on those loans granted during the years from 2008 to 2012. The Center would recover these loans amounts from the Associations for the benefit of the Center.

#### 4. Loans Receivable-Net (Cont):

The movement in the provision for impairment was as follows:

	December 31, 2012 USD	December 31, 2011 USD
Balance at Beginning of the Year	256,299	293,173
Deductions from (Transferred to) General Reserve for Loan Losses	4,636	(7,972)
Additions (Recoveries) During the Year	11,723	(28,902)
<b>Balance at End of the Year</b>	<b>272,658</b>	<b>256,299</b>

#### 5. Pledges Receivable :

Composition:

	December 31, 2012 USD	December 31, 2011 USD
NGO Development Center Home Gardens ( Agricultural Land Restoration in Gaza )	24,142	--
NGO Development Center – Khawass Project	2,711	2,711
	<b>26,853</b>	<b>2,711</b>

#### 6. Prepayments and Other Receivables:

Composition:

	December 31, 2012 USD	December 31, 2011 USD
Prepaid Expenses	21,127	22,930
Due from Employees *	189,090	198,184
Cooperatives, Credit and Saving Funds Receivable	114,044	118,390
UNDP – PAPP– Participating Loans **	18,675	25,350
Receivable from Palestine Monetary Authority - PMA	30,000	30,000
	<b>372,936</b>	<b>394,854</b>

\* Loans to employees are interest free.

\*\* During the month of September 2010, ACAD has signed an agreement with the UNDP – PAPP (The United Nations Development Program / Program of Assistance to the Palestinian People); by which, the UNDP has allocated U.S. Dollar 100,000 and make the sum available to ACAD in order to target and serve the low-income families with an average loan size not exceeding U.S. Dollar 7,000 and a maximum loan size not exceeding U.S. Dollar 15,000. The fund is restricted for use in the declining Musharakeh for a period of (4) years and then ACAD has the right to use the money as a lending capital for Islamic microfinance products only. The terms of the agreement commence on September 1, 2010 and terminate on December 31, 2014.



## 7. Fixed Assets-Net:

### Composition

	<u>January 1,</u> <u>2012</u> <u>USD</u>	<u>Additions</u> <u>USD</u>	<u>Disposals</u> <u>USD</u>	<u>December 31,</u> <u>2012</u> <u>USD</u>
<b><u>Cost:</u></b>				
Furniture and Fixtures	75,222	2,204	--	77,426
Office Equipment	77,137	2,116	--	79,253
Safes	1,127	--	--	1,127
Cars	46,937	--	--	46,937
Computers& Printers	85,685	1,437	--	87,122
	<u>286,108</u>	<u>5,757</u>	<u>--</u>	<u>291,865</u>
<b><u>Accumulated Depreciation:</u></b>				
Furniture and Fixtures	53,710	1,668	--	55,378
Office Equipment	69,066	4,659	--	73,725
Safes	500	34	--	534
Cars	22,588	8,214	--	30,802
Computers& Printers	85,314	220	--	85,534
	<u>231,178</u>	<u>14,795</u>	<u>--</u>	<u>245,973</u>
<b>Net Fixed Assets</b>	<u>54,930</u>			<u>45,892</u>

	<u>January 1,</u> <u>2011</u> <u>USD</u>	<u>Additions</u> <u>USD</u>	<u>Disposals</u> <u>USD</u>	<u>December 31,</u> <u>2011</u> <u>USD</u>
<b><u>Cost:</u></b>				
Furniture and Fixtures	73,498	1,724	--	75,222
Office Equipment	74,056	3,081	--	77,137
Safes	1,127	--	--	1,127
Cars	46,937	--	--	46,937
Computers& Printers	85,281	404	--	85,685
	<u>280,899</u>	<u>5,209</u>	<u>--</u>	<u>286,108</u>
<b><u>Accumulated Depreciation:</u></b>				
Furniture and Fixtures	51,113	2,597	--	53,710
Office Equipment	65,061	4,005	--	69,066
Safes	466	34	--	500
Cars	14,374	8,214	--	22,588
Computers& Printers	85,280	34	--	85,314
	<u>216,294</u>	<u>14,884</u>	<u>--</u>	<u>231,178</u>
<b>Net Fixed Assets</b>	<u>64,605</u>			<u>54,930</u>

The cost of fixed assets as of December 31, 2012 includes an amount of USD 176,777 represents fully depreciated fixed assets.

#### 8. Accounts Payable and Accruals:

Composition:

	December 31, 2012 USD	December 31, 2011 USD
Unearned Revenue	10,938	--
Sundry Creditors	16,751	15,827
	<u>27,689</u>	<u>15,827</u>

#### 9. Deferred Grants:

Composition:

	December 31, 2012 USD	December 31, 2011 USD
Local Network in support for farmers rights - NPA	3,455	--
	<u>3,455</u>	<u>--</u>

#### 10. Loans Payable :

Composition:

	December 31, 2012 USD	December 31, 2011 USD
Agency France De Development ( AFD )	906,773	906,773
UNDP – DEEP	1,122,212	944,438
Due to SIDI	400,000	400,000
	<u>2,428,985</u>	<u>2,251,211</u>

a). On March 3, 2010, ACAD signed a no interest loan agreement with Agence Francaise De Development (AFD) , in which the two parties agreed to initiate a loan portfolio for an amount of EURO 673,000 which is subject to ACAD credit procedures & bounded only for farmers cooperatives & women economic projects. According to the agreement, ACAD is exempted from paying any interest or fees . The duration for the loan is eight years which includes a grace period of four years. ACAD will pay the loan amount divided on eight quarterly equal payments starting from September 30, 2013.

b). On July 28, 2008, ACAD signed an agreement with the Islamic Development Bank – Jeddah – Saudi Arabia through UNDP/DEEP, the agreement was to establish a Credit Fund amounted U.S Dollars 700,000 to be used to support small projects of poor Palestinians people through granting small loans ranging between U.S Dollars 3,500 and U.S Dollar 7,500. The duration of the loan will be for three years from the date of the agreement. ACAD will pay the loan amount with interest rate of 2 % divided on nine quarterly equal payments starting from September 1, 2010.

On May 11, 2010, ACAD signed an additional agreement with the Islamic Development Bank – Jeddah – Saudi Arabia through UNDP/DEEP which considered a continuation of the previous agreement, the agreement was to establish a Credit Fund amounted U.S Dollars 400,000 to be used to support existing businesses or to start new businesses for those poor families through granting small loans ranging between U.S Dollars 3,500 and U.S Dollar 7,000. The duration of the loan will be for three years from the date of the agreement. ACAD will pay the loan amount with interest rate of 2 % divided on nine quarterly equal payments starting from June 1, 2011.

On May 05, 2012, ACAD signed an additional agreement with the Islamic Development Bank – Jeddah – Saudi Arabia through UNDP/DEEP which considered a continuation of the previous agreements, the agreement was to establish a Credit Fund amounted U.S Dollars 500,000 to be used to support existing businesses or to start new businesses for those poor families through granting small loans up to a maximum amount of U.S Dollars 10,000. The duration of the loan will be for three years starting from June 01, 2012. This loan is interest free and will be paid into nine installments ending June 01, 2015.

c). On April 10, 2010, ACAD signed a loan agreement with Solidarite Internationale Pour Le Developpement et L' Investissement (SIDI) in which the two parties agreed to initiate loan portfolio of USD 400,000. The loan bears an interest rate of 5%. According to the agreement, the duration of the loan is five years. ACAD will pay the loan amount on six annual payments starting from December 31, 2011.

#### 11. Provision for Employees Benefits:

Composition:

	December 31, 2012 USD	December 31, 2011 USD
Provident Fund	353,978	324,652
End of Service Indemnity	337,609	312,857
Annual Leaves	25,276	25,821
	<b>716,863</b>	<b>663,330</b>

The movements in the provident fund and the end of service indemnity were as follows:

##### A- Provident Fund:

	December 31, 2012 USD	December 31, 2011 USD
Opening Balance	324,652	281,577
Additions	76,795	73,156
Payments	(47,469)	(30,081)
<b>Ending Balance</b>	<b>353,978</b>	<b>324,652</b>

##### B- End of Service Indemnity:

	December 31, 2012 USD	December 31, 2011 USD
Opening Balance	312,857	297,733
Additions	54,120	40,379
Payments	(29,368)	(25,255)
<b>Ending Balance</b>	<b>337,609</b>	<b>312,857</b>

Employees end of service indemnity and provident fund have been separated in a special bank accounts. The deposit value as of December 31, 2012 equals U.S Dollar 511,300 (Note 3).

##### C- Annual Leaves:

	December 31, 2012 USD	December 31, 2011 USD
Opening Balance	25,821	27,963
Payments	(545)	(2,142)
<b>Ending Balance</b>	<b>25,276</b>	<b>25,821</b>



12- Disposition of Grants - Net Assets Released from Restrictions :

	Unspent Grants as of 31/12/2011				Grants Received in 2012				Grants Pledges Receivables				Available Grants for 2012				Unspent (Deficit) Balance as of 31/12/2012				Grants Spent in 2012				DISPOSITION OF GRANTS			
	USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		Program Expenses		Capital Additions	
	USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD		USD	
Support & Developing of Cooperatives Project - AFD	47,005		-		-		-		-		47,005		47,005		56,419		9,414		56,419		56,419		-					
Home Gardens ( Agricultural Land Restoration in Gaza - NDC )	20,000		80,786		24,142		124,928						124,928				-		124,928		124,403		525					
Creation of Saving and Microcredit Women Centers - CESVI			6,024		-		6,024						(46)		5,978				5,978		5,978		-					
Local Network in Support for Farmers Rights - NPA			58,293		-		58,293						-		58,293				58,293		57,295		998					
Khawass Development Project - Local Contributors	-		-		2,711		2,711						(2,711)		-				-		-		-					
Gaza Office Expenses - CCFD	1,825		-		-		1,825						(571)		1,254				1,254		1,254		-					
<b>Total Expenditure Including Capital Additions</b>	<b>68,830</b>		<b>145,103</b>		<b>26,853</b>		<b>240,786</b>		<b>6,086</b>		<b>246,872</b>		<b>245,349</b>		<b>1,523</b>													

### 13. Operational Expenses:

#### Arab Center for Agricultural Development (ACAD) Statement of Functional Expenses Year Ended December 31, 2012

	Support & Development Cooperatives Project AFD	Home Gardens Agriculture Land Restoration in Gaza - NDC	Creation of Saving and Microcredit Woman Centers - CESVI	Local Network in support for farmers rights- NFA	Gaza Office Expenses - CCFD	Total Projects 2012	Loans Revolving Fund	ACAD Share	Total 2012	Total 2011
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Salaries and Rental Expenses	-	22,301	5,978	14,730	-	43,009	567,928	-	610,937	592,569
Closing Loans Expenses	-	-	-	-	-	-	16,727	-	16,727	28,329
Rent	-	1,000	-	1,000	-	2,000	47,388	-	49,388	48,388
General Maintenance	-	-	-	-	-	-	18,766	-	18,766	25,968
Utilities	-	-	-	-	-	-	10,866	-	10,866	12,091
Hospitality	-	-	-	2,723	-	2,723	6,355	-	9,078	6,096
Printing & Stationary	-	178	-	4,448	-	4,448	10,945	-	15,393	13,913
Advertising & Promotion	-	-	-	4,270	-	4,270	1,268	-	4,270	1,142
Professional & Audit Fees	3,000	-	-	3,002	-	3,002	8,625	-	11,625	10,588
Legal Fees	14,000	-	-	-	-	14,000	8,516	-	22,516	20,862
Bank Charges	92	-	-	9	4	105	24,711	-	24,816	9,912
Fees & Subscription	-	-	-	-	-	-	3,491	-	3,491	3,832
Miscellaneous Expenses	-	-	-	178	-	178	15,885	-	16,063	10,842
Insurance Expense	-	-	-	-	-	-	2,685	-	2,685	2,859
Donations	2,485	-	-	-	-	2,485	200	-	2,685	1,141
Car Expense - Insurance	-	-	-	-	-	-	1,298	-	1,298	1,515
Car Expense - Maintenance	-	-	-	-	-	-	2,983	-	2,983	4,816
Car Expense - Fuel	-	-	-	-	-	-	12,851	-	12,851	14,176
Car Expense - Registration	-	-	-	-	-	-	455	-	455	442
Interest Expense	-	-	-	-	-	-	42,627	-	42,627	48,660
Travel (Local & Overseas), Per Diem & Car Rental	-	1,725	-	4,031	-	5,756	27,400	-	33,156	31,214
Telecommunication	-	1,584	-	822	-	2,406	31,804	-	37,210	40,536
Medical Expenses	-	-	-	-	-	-	23,481	-	23,481	22,834
Training & Conferences Expenses	30,677	-	-	-	1,250	31,927	3,681	-	35,611	7,627
Bonuses	-	-	-	-	-	-	40,301	-	40,301	35,526
PMA - Credit Service Expense	-	-	-	-	-	-	3,666	-	3,666	3,703
Lenders Awards	-	-	-	-	-	-	1,197	-	1,197	-
Projects Monitoring Expense	6,165	-	-	-	-	6,165	-	-	6,165	20,439
Programs and Systems Development	-	-	-	-	-	-	125	-	-	8,500
Capital Expenditures	-	525	-	998	-	1,523	-	4,109	5,757	3,175
Projects Activities	-	97,615	-	26,530	-	124,145	-	-	124,145	124,828
<b>Total Expenses (Statement - B)</b>	<b>56,419</b>	<b>124,928</b>	<b>5,978</b>	<b>58,293</b>	<b>1,254</b>	<b>246,872</b>	<b>939,262</b>	<b>4,109</b>	<b>1,190,243</b>	<b>1,156,523</b>



#### **14. Risks Management:**

Financial instruments used by the Center exposed a number of risks. The most significant types of risks are credit risk, liquidity risk and market risk. The Board of Directors is responsible for developing a framework to manage these risks. The policies developed for risk management aimed to define the risks faced by the Centre and analyzing them in order to set controls to monitor these various risks. The policies and regulations designed to control the risk are reviewed periodically by management in order to determine the changes in market conditions and in the services provided by the Centre for its target group.

##### **A- Operational Risk:**

The costs of the programs and administrative expenses as well as fixed assets procurement are significantly financed by donors through donations. The management believes that the funding level in the year 2013 will be sufficient to finance all types of its disbursements and will be consistent with the funding level in the prior years.

##### **B- Credit Risk:**

Credit risks are risks that may result from the failure or inability of the other party to meet its obligations towards the Centre. The Centre manages credit risk through the development of specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings. These controls and ceilings are reviewed and amended periodically, if necessary. The credit risk on liquid funds is limited because they are placed with reputable financial institutions.

##### **C- Liquidity Risk:**

Liquidity risk is the inability of the Centre to provide the funding necessary to meet its obligations in due dates. ACAD's policy of prevention of these risks requires management to diversify sources of assets and liabilities and maintain an adequate balance of cash and cash equivalent.

#### 14. Risks Management (Cont.):

December 31, 2012						
	Up to 3 months USD	From 3 to 6 months USD	From 6 months to 1 Year USD	More than one year USD	Without maturities USD	Total USD
<b>Assets:</b>						
Cash and Cash Equivalent	752,196	--	--	--	511,300	1,263,496
Loans and Interest Receivable	1,218,209	1,353,100	1,586,000	574,254	--	4,731,563
Pledges Receivable	26,853	--	--	--	--	26,853
Prepayments and Other Receivables	75,000	60,000	80,000	127,936	30,000	372,936
Fixed Assets-Net	--	--	--	--	45,892	45,892
<b>Total Assets</b>	<b>2,072,258</b>	<b>1,413,100</b>	<b>1,666,000</b>	<b>702,190</b>	<b>587,192</b>	<b>6,440,740</b>
<b>Liabilities and Net Assets:</b>						
<b>Liabilities:</b>						
Payables and Accruals	27,689	--	--	--	--	27,689
Deferred Grants	3,455	--	--	--	--	3,455
Loans Payable	124,444	155,560	562,248	1,586,733	--	2,428,985
Provision for Employees' Benefits	--	--	--	--	716,863	716,863
<b>Total Liabilities</b>	<b>155,588</b>	<b>155,560</b>	<b>562,248</b>	<b>1,586,733</b>	<b>716,863</b>	<b>3,176,992</b>
<b>Net Liquidity Sensitivity</b>	<b>1,916,670</b>	<b>1,257,540</b>	<b>1,103,752</b>	<b>(884,543)</b>	<b>(129,671)</b>	<b>3,263,748</b>
<b>Cumulative Sensitivity Gap</b>	<b>1,916,670</b>	<b>3,174,210</b>	<b>4,277,962</b>	<b>3,393,419</b>	<b>3,263,748</b>	<b>--</b>
December 31, 2011						
	Up to 3 months USD	From 3 to 6 months USD	From 6 months to 1 Year USD	More than one year USD	Without maturities USD	Total USD
<b>Assets:</b>						
Cash and Cash Equivalent	862,242	--	--	--	155,827	1,018,069
Loans and Interest Receivable-Net	1,243,116	1,135,165	936,854	1,302,451	--	4,617,586
Pledges Receivable	2,711	--	--	--	--	2,711
Prepayments and Other Receivables	50,000	65,000	72,000	177,854	30,000	394,854
Fixed Assets-Net	--	--	--	--	54,930	54,930
<b>Total Assets</b>	<b>2,158,069</b>	<b>1,200,165</b>	<b>1,008,854</b>	<b>1,480,305</b>	<b>240,757</b>	<b>6,088,150</b>
<b>Liabilities and Net Assets:</b>						
<b>Liabilities:</b>						
Payables and Accruals	965	14,862	--	--	--	15,827
Loans Payable	111,097	94,222	94,222	1,951,670	--	2,251,211
Provision for Employees' Benefits	56,000	--	--	--	607,330	663,330
<b>Total Liabilities</b>	<b>168,062</b>	<b>109,084</b>	<b>94,222</b>	<b>1,951,670</b>	<b>607,330</b>	<b>2,930,368</b>
<b>Net Liquidity Sensitivity</b>	<b>1,990,007</b>	<b>1,091,081</b>	<b>914,632</b>	<b>(471,365)</b>	<b>(366,573)</b>	<b>3,157,782</b>
<b>Cumulative Sensitivity Gap</b>	<b>1,990,007</b>	<b>3,081,088</b>	<b>3,995,720</b>	<b>3,524,355</b>	<b>3,157,782</b>	<b>--</b>

#### D- Interest Rate Risk:

Interest rate risk arises from the possibility that changes in market interest rates may affect the value of interest bearing assets. The management of ACAD usually monitors the fluctuation in interest rates in every individual currency in order to maximize the benefits from placements.

#### E- Currency Risk:

Currency risk arises from the possibility that changes in the exchange rates may affect negatively the value of the financial assets and liabilities in case ACAD does not hedge its currency exposure by means of hedging instruments. The management usually distributes its liquid assets over its functional currencies to minimize any possible loss from currency rates fluctuation.

#### **15. Fair Value of Assets and Liabilities:**

The financial instruments include the financial assets and liabilities. Financial assets represented by cash on hand, cash at banks and loans, financial liabilities represented by payables, accruals and employees benefits. The carrying book value of financial assets and liabilities are not materially different from their fair values applicable after taking into consideration the allowances for loan losses at the date of the statement of financial position.

#### **16. Adoption of new and revised International Financial Reporting Standards (IFRSs):**

##### **a. New and revised IFRSs applied with no material effect on the financial statements:**

The following new and revised IFRSs have been adopted in the preparation of the financial statements for which they did not have any material impact on the amounts and disclosures of the financial statements; however, they may affect the accounting for future transactions and arrangements.

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

Amendments to IFRS 1 Severe Hyperinflation (Effective for annual periods beginning on or after 1 July 2012)

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

Amendments IFRS 1 removal of Fixed Dates for First-time Adopters (Effective for annual periods beginning on or after 1 July 2012)

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

Amendments to IFRS 7 Disclosures – Transfers of Financial assets (effective for annual periods beginning on or after 1 July 2012)

The amendments to IAS 12 provide an exception to the general principle set out in IAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset.

Amendments to IAS 12: Deferred Tax – Recovery of Underlying assets (Effective for annual periods beginning on or after 1 January 2012)



## 16. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Cont.):

### **b. New and revised IFRSs issued but not yet effective:**

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

#### Effective for annual periods beginning on or after

1 January 2015	IFRS 9 Financial Instruments (as revised in 2010)
1 January 2015	Amendments to IFRS 9 and IFRS 7 Mandatory Effective date of IFRS 9 and transition Disclosures
1 January 2013	IFRS 10 Consolidated Financial Statements
1 January 2013	IFRS 11 Joint Arrangements
1 January 2013	IFRS 12 Disclosure of Interests in Other entities
1 January 2013	Amendments to IFRS 10, IFRS 11 and IFRS 12 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other entities: Transition Guidance
1 January 2013	IAS 27 Separate Financial Statements (as revised in 2011)
1 January 2013	IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
1 January 2013	IFRS 13 Fair Value Measurement
1 January 2013	IAS 19 Employee Benefits (as revised in 2011)
1 January 2014	Amendments to IAS 32 Financial Statements Offsetting Financial Assets and Liabilities
1 January 2013	Amendments to IFRS 1 Government Loans
1 January 2013	Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
1 January 2014	Amendments to IAS 1 Presentation of Items of Other Comprehensive Income
1 January 2013	Annual Improvements to IFRSs 2009 – 2011 Cycle
1 January 2013	IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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