Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2014

Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

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Independent Auditor's Report

The General Assembly
Arab Center 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, 2014, 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

Management 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 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.

Deloitte.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Arab Center for Agricultural Development (ACAD)** as of December 31, 2014, 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 applicable to not for profit organizations.

Deloitte & Touche (M.E.)

Deloitte &Touche(M.E)

Ramallah:
May 5, 2015

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Financial Position
As of December 31 , 2014

ASSETS	Note	2014 USD	2013 USD
Cash and Cash Equivalent	5	352,928	1,162,005
Loans Receivable, Net	6	4,177	4,822,986
Interest Receivable		23,420	111,971
Investment in a Subsidiary	18	3,000,000	-
Due from ACAD Finance & Development Co.		190,494	-
Pledges Receivable	7	77,121	50,617
Prepayments and Other Receivables	8	182,042	428,127
Property and Equipment, Net	9	59,627	39,389
Total Assets		**3,889,809**	**6,615,095**
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable and Accruals	10	74,459	31,528
Loans Payable	11	-	2,325,011
Provisions For Employees' Benefits	12	318,975	730,171
Total Liabilities		**393,434**	**3,086,710**
Net Assets			
Unrestricted Fund		3,388,257	132,503
Temporarily Restricted Fund	13	48,491	89,114
Loan Revolving Fund		-	3,223,364
Investment in Property and Equipment		59,627	39,389
General Reserve for Loan Losses		-	44,015
Total Net Assets		**3,496,375**	**3,528,385**
Total Liabilities and Net Assets		**3,889,809**	**6,615,095**

The accompanying notes form an integral part of these financial statements

yudeh jamal
Chairman of Board of Directors

S. Bauer
Treasurer

Jerusalem القدس
المركز العربي للتطوير الزراعي
ACAD
Arab Center For Agricultural Development
HQ الإدارة العامة

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Activities
For the Year Ended December 31 , 2014

	Note	Unrestricted Fund USD	Temporarily Restricted Fund USD	Total 2014 USD	Total 2013 USD
Revenue					
Temporarily Restricted Contributions to Cover Non-Operating Expenses	14	-	671,887	671,887	166,513
Net Assets Released From Restrictions	14	712,510	(712,510)	-	-
Net Revenue		**712,510**	**(40,623)**	**671,887**	**166,513**
Loans Revenue					
Interest on Loans		156,188	-	156,188	1,003,454
Recoveries		11,626	-	11,626	15,354
Loans Service Fees & Commissions		13,722	-	13,722	52,701
Penalty Revenue		23,241	-	23,241	45,022
		204,777	-	**204,777**	**1,283,044**
Other Revenue		186,345	-	186,345	109,864
Net Revenues Before Provision for Impaired Loans		**1,103,632**	**(40,623)**	**1,063,009**	**1,392,908**
Release from (Provision for) Impaired Loans	6	104,544	-	104,544	(35,427)
Net Revenue After Provision for Impaired Loans		**1,208,176**	**(40,623)**	**1,167,553**	**1,357,481**
Expenses					
Programs' Expenses					
Food Security		445,104	-	445,104	929,493
DEEP-AFEEF		1,742	-	1,742	-
ACTED		-	-	-	35,547
Women Empowerment (DEEP-SIDA 1&2)		136,846	-	136,846	-
Women Rights Assitance in Jerusalem (HBF)		14,088	-	14,088	-
Youth Development Project		1,800	-	1,800	-
Social and Economic Development Project - NDC		18,289	-	18,289	17,161
Beit Seira Development Project - Local Contributors		39,192	-	39,192	2,670
Local Network in Support for Farmers Rights - NPA		61,240	-	61,240	55,420
Emergency Relief - NPA		65,244	-	65,244	-
Planet Finance		32,712	-	32,712	29,570
Poor Families Empowerment-DEEP		313,163	-	313,163	26,889
Olive Plantation Project		24,934	-	24,934	-
Other Programs		-	-	-	5,738
Total Expenses	15	**1,154,354**	-	**1,154,354**	**1,102,488**
Depreciation Expense		14,879	-	14,879	16,476
Currency Exchange Loss		30,330	-	30,330	47,247
Incorporation Expenses		-	-	-	15,747
Total		**1,199,563**	-	**1,199,563**	**1,181,958**
Change in Net Assets During the Year		**8,613**	**(40,623)**	**(32,010)**	**175,523**

The accompanying notes form an integral part of these financial statements

Chairman of Board of Directors

Treasurer

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Changes in Net Assets
For the Year Ended December 31, 2014

	Note	Unrestricted Fund USD	Temporarily Restricted Fund USD	Loans Revolving Fund USD	Investment in Property and Equipment USD	General Reserve For Loan Losses USD	Total USD
2014							
Balances at Beginning of the Year		**132,503**	**89,114**	3,223,364	**39,389**	**44,015**	3,528,385
Change in Net Assets for the Year		8,613	(40,623)	-	-	-	(32,010)
Transfers between Funds		223,364	-	(223,364)	-	-	-
General Reserve for Loan Losses	6	44,015	-	-	-	(44,015)	-
Additions to Property and Equipment	9	(63,812)	-	-	63,812	-	-
Disposal of Property and Equipment	9	28,695	-	-	(28,695)	-	-
Depreciation for the Year	9	14,879	-	-	(14,879)	-	-
Investment in a Subsidiary		3,000,000	-	(3,000,000)	-	-	-
Balances at End of the Year		**3,388,257**	**48,491**	-	**59,627**	-	**3,496,375**
2013							
Balances at Beginning of the Year		**151,251**	**(8,789)**	**3,033,250**	**45,892**	**42,144**	**3,263,748**
Change in Net Assets for the Year		(23,380)	8,789	190,114	-	-	175,523
Reclassifcation from Deferred Grants		-	89,114	-	-	-	**89,114**
General Reserve for Loan Losses	6	(1,871)	-	-	-	1,871	-
Additions to Property and Equipment	9	(9,973)	-	-	9,973	-	-
Depreciation for the Year	9	16,476	-	-	(16,476)	-	-
Balances at End of the Year		**132,503**	**89,114**	**3,223,364**	**39,389**	**44,015**	**3,528,385**

The accompanying notes form an integral part of these financial statements

Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine
Statement of Cash Flows
For the Year Ended December 31, 2014

	2014 USD	2013 USD
Operating Activities		
Grants Received from Contributors	671,887	166,513
Loans Revenue	309,321	1,116,531
Other Revenue	186,345	109,864
Cash Received (Paid) on Disposal of Loans	3,573,992	(1,380,452)
Cash Generated from Operating Activities	**4,741,545**	**12,456**
Investing Activities		
Procurement of Property and Equipment	(63,812)	(9,973)
Disposal of Property and Equipment	28,695	-
Due from ACAD Finance & Development Co.	(190,494)	-
Investment in a Subsidiary	(3,000,000)	-
Cash (Used in) Investing Activities	**(3,225,611)**	**(9,973)**
Financing Activities		
Decrease in Loans Payable	(2,325,011)	(103,974)
Cash (Used In) from Financing Activities	**(2,325,011)**	**(103,974)**
Decrease in Cash	**(809,077)**	**(101,491)**
Cash and Cash Equivalent at Beginning of the Year	1,162,005	1,263,496
Cash and Cash Equivalent at End of the Year	**352,928**	**1,162,005**
Adjustments		
Change in net assets	(32,010)	175,523
Depreciation	14,879	16,476
Provision for employees' benefits	62,228	124,739
Decrease (increase) in interest receivable	88,551	(2,686)
Decrease (increase) in loans	4,818,809	(200,708)
(Increase) in pledges receivable	(26,504)	(23,764)
Decrease (increase) in prepayments and other receivables	246,085	(55,191)
Increase in payables and accruals	42,931	3,839
Increase in deffered grants	-	85,659
Payments of employees benefits	(473,424)	(111,431)
Cash Generated from Operating Activities	**4,741,545**	**12,456**

The accompanying notes form an integral part of these financial statements

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 comprise (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, 2014 was 26 (53 employees in 2013)

The accompanying financial statements have been approved by the Board of Directors on May 5, 2015.

B. ACAD Goal

Participatory agricultural and rural development by integrating marginalized groups especially women and youth in the development process and provision of decent job opportunities for them.

C. ACAD Vision, Mission and Values

Vision

A Palestinian non-governmental development leading model that contributes to building an effective agricultural rural community that relies on its capacities, identifies its future by itself and lives with dignity in the democratic and independent State of Palestine.

Mission

A non-governmental development organization that contributes to the development of the agricultural rural sector through building partnerships based on complementarity and professionalism and involvement of target groups including marginalized farmers and rural people especially women and youth. ACAD supports initiatives that encourage generation of job opportunities, capacity building and development of the agricultural and productive infrastructure and facilitates finance opportunities to establish small enterprises.

Values

Justice, transparency, devotion and dedication to work.

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. The Subsidiary

Effective January 1, 2014, the lending activity was entirely transferred to ACAD Finance and Development Co. (Private Shareholding Co. Ltd.) - a subsidiary company to the Center was founded in 2013 under the Palestinian laws and a license from the Palestinian Monetary Authority, whereas mainly the customers' loans accounts, the loans payables and other related accounts were transferred to the company of net value amounting to USD (3) million represents the share capital of the Center in the Company's capital (Note 18). These standalone financial statements were issued for internal use purpose and as a requirement of the regulators; the Center also issued a consolidated financial statements for the Group (ACAD and its subsidiary "ACAD Finance and Development CO.").

2. New and Amended Standards (IFRSs) and Interpretations

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current year but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 32 Financial Instruments: Presentation relating to application guidance on the offsetting of financial assets and financial liabilities.

- Amendments to IAS 36 recoverable amount disclosures:
  The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting. The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities on 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.

2. New and Amended Standards (IFRSs) and Interpretations (Continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Center has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
• IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
• IFRS 9 Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.	1 January 2018

Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition

IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets: (2) the classification and measurement requirements for both financial assets and financial liabilities: (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before 1 February 2015.

2. New and Amended Standards (IFRSs) and Interpretations (Continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

	Effective for annual periods beginning on or after
• IFRS 15 Revenue from Contracts with Customers	1 January 2017

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 July 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

2. New and Amended Standards (IFRSs) and Interpretations (Continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

	Effective for annual periods beginning on or after
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Center's financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of the new standards, interpretations and amendment, may have no material impact on the financial statements of the Center in the period of initial application.

3. Significant Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the United States Statement on Financial Accounting Standards applicable to not for profit organizations.

Basis of preparation

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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.

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 lose 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.

3. Significant Accounting Policies (Continued)

Revenue recognition

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Commission income
Commission income is recognised when related services are rendered.

Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Center are expressed in United States Dollar ("US. Dollar"), which is the functional currency of the Center and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the statement of activities in the period in which they arise.

	2014 USD	2013 USD
Euro	1.213	1.374
NIS	0.2565	0.2865
JOD	1.410	1.4124

Investment in a subsidiary

The investment in a subsidiary is stated at cost.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment losses. The cost of property and equipment represents the purchase cost together with any incidental expenses of acquisition.

Depreciation is computed using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3. Significant Accounting Policies (Continued)

Property and equipment (Continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The useful lives considered in the calculation of depreciation for the assets are as follows:

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

Impairment of tangible assets

At the end of each reporting period, the Center reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Center estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of activities, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of activities, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. Significant Accounting Policies (Continued)

Provisions

Provisions are recognized when the Center has a present obligation (legal or constructive) as a result of a past event, it is probable that the Center will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employees' benefits

Annual leave and leave passage
An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision for employees' end of service benefits

End of service indemnity is computed in accordance with the prevailing labor law in the Palestinian Territory 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, while indemnities actually paid to staff are booked against the related provision account.

Financial instruments

Recognition and measurement

Financial assets and financial liabilities are recognized when the Center becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

A financial asset and financial liability is offset and the net amount is reported in the financial statements only when there is legally enforceable right to set off the recognized amount and the Center intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

3. Significant Accounting Policies (Continued)

Financial assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the statement of activities, which are initially measured at fair value.

Financial assets of the Center are classified into the following specified categories: cash and cash equivalents, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and deposits held with banks with original maturities of three months or less, are classified as financial assets at amortized cost.

Loans and receivables

Loans receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Allowance for impairment is made against loans and advances when their recovery is in doubt taking into consideration IFRS requirements for fair value measurement. Loans and advances are written off only when all possible courses of action to achieve recovery have proved unsuccessful.

3. Significant Accounting Policies (Continued)

Financial assets (continued)

Allowance for impairment is calculated as follows

Percentage	Over due by
--	1- 30 Days
25%	31- 60 Days
50%	61- 90 Days
75%	91- 180 Days
100%	More than 180 days

Individually assessed loans and advances

Individually assessed loans and advances mainly represent loans and advances which are assessed individually in order to determine whether there exists any objective evidence that loans and advances is impaired. Loans and advances are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Center in accordance with the original contractual terms.

Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is written back and recognized in the statement of activities in the period in which it occurs.

Derecognition of financial assets

The Center derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Center neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Center recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Center retains substantially all the risks and rewards of ownership of a transferred financial asset, the Center continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of activities.

3. Significant Accounting Policies (Continued)

Financial liabilities and equity instruments issued by the Center

Classification as debt or equity

Debt and equity instruments issued by the Center are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Center are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Payables are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition of financial liabilities

The Center derecognizes financial liabilities when, and only when, the Center's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of activities.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Center's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Center's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property and equipment

Property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational

Impairment losses on loans and advances

Impairment losses for individually assessed loans receivable determined by an evaluation of exposure on a case-by-case basis. The following factors are considered by management when determining allowance for impairment on individual financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals.
- The Center's ability to enforce its claim on the collaterals and associated cost of litigation.
- The expected time frame to complete legal formalities and disposals of collaterals.

Loans receivable continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

5. Cash and Cash Equivalent

	2014 USD	2013 USD
Cash in Hand	4,107	49,928
Current Accounts at Banks		
U.S Dollar	47,694	512,538
Jordanian Dinar	252,837	1,412
Israeli Shekel	5,154	42,473
Euro	43,136	17,175
	348,821	**573,598**
Checks Under Collection- Short Term	--	7,466
Short -Term Deposits for Employees Benefits	--	531,013
	352,928	**1,162,005**

6. Loans Receivable – Net

	2014 USD	2013 USD
Loan Portfolio	249,847	4,922,661
Cooperatives Portfolio	--	206,539
Provision for Impairment	(245,670)	(306,214)
	4,177	**4,822,986**

Effective January 1, 2014 and based on an agreement signed with ACAD Finance and Development Co. "the Subsidiary", the loan and cooperatives portfolios were transferred to the subsidiary (Note 18).

The movement in the provision for impairment was as follows:

	2014 USD	2013 USD
Balance at Beginning of the Year	306,214	272,658
Deductions from General Reserve for Loan Losses	(60,544)	(1,871)
Additions During the Year	--	35,427
Balance at End of the Year	**245,670**	**306,214**

7. Pledges Receivable

	2014 USD	2013 USD
SIDA	15,313	--
HBF	14,088	--
DEEP -AFEF	1,742	--
NPA	267	--
ACTED	--	17,889
NDC	--	1,161
Planet Finance	43,714	29,570
NGO Development Center – Khawass Project	1,997	1,997
	77,121	**50,617**

8. Prepayments and Other Receivables

	2014 USD	2013 USD
Prepaid Expenses	14,759	111,639
Due from Employees *	65,274	181,774
Cooperatives, Credit and Saving Funds Receivable	102,009	90,298
UNDP – PAPP– Participating Loans	--	14,416
Receivable from Palestine Monetary Authority - PMA	--	30,000
	182,042	**428,127**

* Loans to employees are interest free.

9. Property and Equipment – Net

	January 1, 2014 USD	Additions USD	Disposals USD	December 31, 2014 USD
Cost				
Furniture and Fixtures	78,132	18,888	(72,273)	24,747
Office Equipment	86,664	4,079	(74,883)	15,860
Safes	1,127	--	(1,127)	--
Vehicles	46,937	--	--	46,937
Computers& Printers	88,978	7,336	(74,758)	21,556
Leasehold improvements	--	35,463	--	35,463
	301,838	**65,765**	**(223,041)**	**144,563**
Accumulated Depreciation				
Furniture and Fixtures	57,164	802	(57,047)	919
Office Equipment	78,106	728	(62,058)	16,776
Safes	568	--	(568)	--
Vehicles	40,189	6,747	--	46,936
Computers& Printers	86,422	1,258	(72,719)	14,961
Leasehold improvements	--	5,344	--	5,344
	262,449	**14,879**	**192,392**	**84,936**
Carrying Amount	**39,389**			**59,627**

	January 1, 2013 USD	Additions USD	Disposals USD	December 31, 2013 USD
Cost				
Furniture and Fixtures	77,426	706	--	78,132
Office Equipment	79,253	7,411	--	86,664
Safes	1,127	--	--	1,127
Vehicles	46,937	--	--	46,937
Computers& Printers	87,122	1,856	--	88,978
	291,865	**9,973**	--	**301,838**
Accumulated Depreciation				
Furniture and Fixtures	55,378	1,786	--	57,164
Office Equipment	73,725	4,381	--	78,106
Safes	534	34	--	568
Vehicles	30,802	9,387	--	40,189
Computers& Printers	85,534	888	--	86,422
	245,973	**16,476**	--	**262,449**
Carrying Amount	**45,892**			**39,389**

10. Accounts Payable and Accruals

	2014 USD	2013 USD
Unearned Revenue	1,006	2,060
Sundry Creditors	73,453	29,468
	74,459	**31,528**

11. Loans Payable

	2014 USD	2014 USD
Agency France De Development (AFD)	--	963,426
UNDP – DEEP	--	1,166,651
Due to SIDI	--	194,934
	--	**2,325,011**

These loans payable were transferred to the subsidiary "ACAD Finance and Development Company" – (Note 18)

12. Provision for Employees Benefits

	2014 USD	2013 USD
Provident Fund	150,521	353,301
End of Service Indemnity	157,395	366,307
Annual Leaves	11,059	10,563
	318,975	**730,171**

The movements in these employees' benefits were as follows:

A- Provident Fund

	2014 USD	2013 USD
Opening Balance	353,301	353,978
Additions	34,841	78,905
Payments	(237,621)	(79,582)
Ending Balance	**150,521**	**353,301**

B- End of Service Indemnity

	2014 USD	2013 USD
Opening Balance	366,307	337,609
Additions	26,687	45,834
Payments	(235,598)	(17,136)
Ending Balance	**157,395**	**366,307**

C- Annual Leaves

	2014 USD	2013 USD
Opening Balance	10,563	25,276
Additions	701	--
Payments	(205)	(14,713)
Ending Balance	**11,059**	**10,563**

13. Temporarily Restricted Fund

Deferred Grants:	2014 USD	2013 USD
Beit Seira Development Project - Local Contributors	107	4,257
Deep	--	71,278
Olive Oil Plantation Project	26,484	8,595
Local Network in Support for Farmers Rights – NPA	--	4,984
Arora Water resources Rehabilitation	21,900	--
	48,491	**89,114**

14. Disposition of Grants – Net Assets Released from Restrictions

	Unspent Grants as of 31/12/2013	Grants Received in 2014	Pledges Receivable	Available Grants for 2014	Unspent as of 31/12/14	Grants Spent in 2014	DISPOSITION OF GRANTS	
							Program Expenses	Capital Additions
	USD	USD	USD	USD	USD	USD	USD	USD
Women Empowerment - SIDA	-	121,533	15,313	136,846	-	136,846	136,846	-
Youth Development	-	1,800	-	1,800	-	1,800	1,800	-
Woman Rights Assistance in Jerusalem (HBF)	-	-	14,088	14,088	-	14,088	14,088	-
Arorah Water Sources Rehabilitation	-	21,900	-	21,900	21,900	-	-	-
DEEP-AFEF	-	-	1,742	1,742	-	1,742	1,742	-
Social and Economic Development Project-Bait Skaria- NDC	-	18,289	-	18,289	-	18,289	18,289	-
Beit Seira Project	4,257	35,042	-	39,299	107	39,192	39,192	-
Local Network in Support for Farmers Rights - NPA	4,983	59,250	267	64,500	-	64,500	61,240	3,260
Emergency Relief - NPA	-	65,244	-	65,244	-	65,244	65,244	
Planet Finance	-	-	43,714	43,714	-	43,714	43,714	-
Poor Families Empowerment-DEEP	71,279	241,884	-	313,163	-	313,163	313,163	-
Olive Plantation	8,595	29,824	-	38,419	26,848	11,935	11,935	-
Khawass Project	-	-	1,997	1,997	-	1,997	1,997	-
Total Expenditures Including Capital Additions	*89,114*	*594,766*	*77,121*	*761,001*	*48,491*	*712,510*	**709,250**	**3,260**

15. Operational Expenses

	DEEP-AFEEF USD	Women Empowerment (DEEP-SIDA 1&2) USD	Women Rights Assitance in Jerusalem (HBF) USD	Youth Development Project USD	Social and Economic Development Project - NDC USD	Beit Seira Development Project - Local Contributors USD	NPA Projects USD	Planet Finance USD	Poor Families Empowerment-DEEP USD	Olive Plantation Project USD	Total Projects 2014 USD	Loans Revolving Fund USD	ACAD Share USD	2014 USD	2013 USD
Salaries and Rental Expenses	1,742	34,156	13,602	1,800	1,200	4,310	27,284	14,714	14,413	-	113,221	309,077	-	422,298	656,760
Closing Loans Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,492
Rent	-	-	-	-	-	-	1,000	-	-	-	1,000	21,208	-	22,208	53,315
General Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,282
Utilities	-	-	-	-	-	-	-	-	-	-	-	3,898	-	3,898	13,209
Hospitality	-	-	-	-	-	-	-	-	-	-	-	1,788	-	1,788	7,419
Printing & Stationary		979	-	-	-	-	200	-	-	-	1,179	2,690	-	3,869	11,716
Advertising & Promotion	-	-	486	-	-	-	-	-	-	-	486	1,137	-	1,623	1,867
Professional & Audit Fees	-	-	-	-	-	-	1,100	-	-	-	1,100	15,582	-	16,682	17,270
Legal Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,854
Bank Charges	-	-	-	-	-	-	124	-	-	-	124	941	-	1,065	27,792
Fees & Subscription	-	-	-	-	-	-	-	-	-	-	-	1,070	-	1,070	3,787
Miscellaneous Expenses	-	-	-	-	-	-	-	-	-	-	-	17,341	-	17,341	15,195
Insurance Expense	-	-	-	-	-	-	-	-	-	-	-	1,218	-	1,218	257
Donations	-	-	-	-	-	-	-	-	-	1,064	1,064	1,800	-	2,864	2,734
Car Expense - Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,087
Car Expense - Maintenance	-	-	-	-	-	-	-	-	-	-	-	6,336	-	6,336	2,816
Car Expense - Fuel	-	-	-	-	-	266	-	6,473	-	-	6,739	12,954	-	19,693	18,857
Car Expense - Registration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	411
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	15,876	-	15,876	39,553
Travel (Local & Overseas), Per Diem & Car Rent	-	2,808	-	-	-	962	1,108	3,722	2,196	-	10,796	1,139	-	11,935	33,933
Telecommunication	-	2,820	-	-	505	-	1,889	903	1,534	-	7,651	770	-	8,421	43,354
Medical Expenses	-	-	-	-	-	-	-	-	-	-	-	5,298	-	5,298	23,876
Training & Conferences Expenses	-	134	-	-	10,480	1,930	32,477	6,900	-	-	51,921	8,247	-	60,168	56,255
Bonuses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,329
Projects Monitoring Expense	-	-	-	-	6,104	-	-	-	-	-	6,104	-	-	6,104	893
Programs and Systems Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,175
Projects Activities	-	95,949	-	-	-	31,724	61,302	-	295,020	23,870	507,865	16,734	-	524,599	-
Total Expenses	1,742	136,846	14,088	1,800	18,289	39,192	126,484	32,712	313,163	24,934	709,250	445,104	-	1,154,354	1,102,488

16. Risk 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.

Operational Risk

The costs of the programs and administrative expenses as well as Property and Equipment procurement are significantly financed by donors through donations. The management believes that the funding level in the year 2015 will be sufficient to finance all types of its disbursements and will be consistent with the funding level in the prior years.

Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the Center, such as default of loans receivable. The Center has adopted a policy in dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults, however, accounts receivable are recorded net of allowance for doubtful accounts.

Liquidity Risk

Ultimate responsibility for liquidity risk rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Center's short, medium and long term funding and liquidity management requirements. The Center manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

The contractual maturities of the financial assets have been determined on the basis of the remaining period at the balance sheet to the contractual maturity date. The maturity profile is monitored by management to insure adequate liquidity is maintained.

16. Risk Management (Continued)
Liquidity Risk (Continued)

2014	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
Assets						
Cash and Cash Equivalent	352,928	--	--	--	--	**352,928**
Loans and Interest Receivable	6,800	7,500	6,000	7,297	--	**27,597**
Pledges Receivable	33,408	20,000	23,713	--	--	**77,121**
ACAD Finance and Development Co.	190,494	--	--	--	3,000,000	**3,190,494**
Prepayments and Other Receivables	11,200	14,842	15,000	141,000	--	**182,042**
Property and Equipment-Net	--	--	--	--	59,627	**59,627**
Total Assets	**594,830**	**42,342**	**44,713**	**148,297**	**3,059,627**	**3,889,809**
Liabilities						
Payables and Accruals	--	24,000	--	--	50,459	74,459
Provision for Employees' Benefits	--	--	--	--	318,975	318,975
Total Liabilities	--	**24,000**	--	--	**369,434**	**393,434**
Net Liquidity Sensitivity	**594,8300**	**18,342**	**44,713**	**148,297**	**2,437,535**	**3,496,375**

16. Risk Management (Continued)
Liquidity Risk (Continued)

2013	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
Assets						
Cash and Cash Equivalent	649,772	--	--	512,233	--	1,162,005
Loans and Interest Receivable	1,178,610	1,446,684	1,695,692	613,971	--	4,934,957
Pledges Receivable	50,617	--	--	--	--	50,617
Prepayments and Other Receivables	109,567	12,271	16,361	289,928	--	428,127
Property and Equipment-Net	--	--	--	--	39,389	39,389
Total Assets	**1,988,566**	**1,458,955**	**1,712,053**	**1,416,132**	**39,389**	**6,615,095**
Liabilities						
Payables and Accruals	31,528	--	--	--	--	31,528
Loans Payable	119,117	148,901	538,181	1,518,812	--	2,325,011
Provision for Employees' Benefits	--	--	--	--	730,171	730,171
Total Liabilities	**150,645**	**148, 901**	**538,181**	**1,518,812**	**730,171**	**3,086710**
Net Liquidity Sensitivity	**1,837,921**	**1,310,054**	**1,173,872**	**(102,680)**	**(690,782)**	**3,528,385**

16. Risk Management (Continued)

Foreign Exchange Risk

Foreign exchange risks are the risks of potential changes in the value of financial instruments due to change in foreign currencies rates. The US. Dollar is the base currency of the company and the Board of Directors monitors on regular basis the financial positions of foreign currencies and setting strategies to hedging such risks.

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.

17. Related Party Transactions

The following balances represent the balances of the subsidiary "ACAD Finance and Development Co." as of December 31, 2014:

	USD
Current Account	190,494
Investment at Cost	3,000,000

18. ACAD Finance and Development Company

During the year 2013, the Arab Center for Agricultural Development in addition to other shareholders established a company registered under commercial Registration Number (562527358) as a private shareholding company. The issued share capital of the company is US Dollars 5,335,000 divided into 5,335,000 shares at par value of US Dollar (1) per share. The capital is divided as follows:

Shareholder Name	**Percentage**	**Number of Shares**
Arab Center for Agriculture Development	56.24%	3,000,000
European Investment Bank	18.75%	1,000,000
SIDI	10%	535,000
Grameen Credit Agricole	9.38%	500,000
Triple Jump	5.63%	300,000
Total	**100%**	**5,335,000**

18. ACAD Finance and Development Company (Continued)

On February 26, 2014 , an agreement was signed by the chairmen's of the Board of Directors of the two parties; the Arab Center for Agricultural Development (an NGO registered with the Palestinian Ministry of Interior under the number QR-158-A) and ACAD Finance and Development Co. (Private Shareholding Co. Ltd. registered with the Companies Controller under number 562527358 in 2013) for transferring portable assets, loan portfolio and bank accounts, from the Center to the Company.

The covenants of the agreement state that the following assets and liabilities will be transferred from the Arab Center for Agricultural Development to ACAD Finance and Development Co. effective January 1, 2014. The value of the net assets to be transferred is USD (3) million and should represent the share capital of the Center in the Company:

Assets transferred	**Amount / USD**
Loan portfolio	4,562,787
Interest receivable	111.971
Cooperatives receivable	206.539
Net property and equipment	41.695
Deposit with PMA	30,000
Cash and checks in hand and at banks	372.019
	5,325,011
Liabilities transferred	
Loans payable	(2.325.011)
Net assets transferred	**3,000,000**

The two parties also signed another agreement governing the transfer of loans payable, loan portfolio management in Gaza Strip and the use of the headquarters and branch offices of the Center.