

**Arab Center for Agricultural
Development (ACAD)
Ramallah-Palestine**

**Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2016**

Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Table of Contents

Pages

Independent Auditor's Report	-
Statement of Financial Position	1
Statement of Activities	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 18

Independent Auditor's Report

The General Assembly of Arab Center for Agricultural Development (ACAD) Ramallah-Palestine

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Arab Center for Agricultural Development (ACAD)** which comprise the statement of financial position as of December 31, 2016, statement of activities, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Arab Center for Agricultural Development (ACAD)** as of December 31, 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of financial statements – Not for Profit Entities.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of **Arab Center for Agricultural Development (ACAD)** in accordance with the ethical requirements that are relevant to our audit of the financial statement, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of financial statements – Not for Profit Entities, 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.

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

Those charged with governance are responsible for overseeing ACAD's financial reporting process.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also,

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ACAD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ACAD to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in blue ink, consisting of a long horizontal line followed by a large, stylized loop.

Deloitte & Touche (M.E.)
Ramallah - Palestine
May 16, 2017

Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Statement of Financial Position
As of December 31, 2016

	Notes	2016 USD	2015 USD
ASSETS			
Cash and Cash Equivalents	5	506,993	491,098
Interest Receivable		17,463	20,372
Investment in a Subsidiary	15	3,000,000	3,000,000
Due from ACAD Finance & Development Co.	14	8,420	49,769
Pledges Receivable	6	72,467	73,715
Prepayments and Other Receivables	7	202,856	171,001
Property and Equipment, Net	8	43,201	54,206
Total Assets		3,851,400	3,860,161
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable and Accruals	9	46,214	49,782
Provisions For Employees' Benefits	10	416,361	395,239
Total Liabilities		462,575	445,021
Net Assets			
Unrestricted Fund		215,020	254,374
Temporarily Restricted Fund	11	130,604	106,560
Investment in Property and Equipment		43,201	54,206
Investment in a Subsidiary		3,000,000	3,000,000
Total Net Assets		3,388,825	3,415,140
Total Liabilities and Net Assets		3,851,400	3,860,161

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 Activities
For the Year Ended December 31, 2016

	Notes	Unrestricted Fund USD	Temporarily Restricted Fund USD	Total 2016 USD	Total 2015 USD
Grants Revenues					
Temporarily Restricted Contributions to Cover Non-Operating Expenses	11	-	856,020	856,020	974,043
Net Assets Released From Restrictions			(831,976)	-	-
Total Grants Revenues	11	831,976	24,044	856,020	974,043
Loans Revenues					
Interest on Loans		4,881	-	4,881	7,083
Recoveries		11,849	-	11,849	1,693
Loans Service Fees & Commissions		10	-	10	61
Penalty Revenue		12,914	-	12,914	14,704
Total Loans Revenues		29,654	-	29,654	23,541
Other Revenue		211,763	-	211,763	264,733
Total Revenues		1,073,393	24,044	1,097,437	1,262,317
Operating Expenses					
General Program		272,065	-	272,065	435,996
Youth Program (Ryada)		-	-	-	65,628
Bait Seira Development Project		-	-	-	3,718
Women Empowerment (1+2)		-	-	-	533,136
East Jerusalem Women Empowerment - Heinrich 36 Foundation		114,970	-	114,970	99,578
Deeb - AFIF Program		18,662	-	18,662	28,696
Start your Project- Italian Embassy		3,063	-	3,063	18,834
Students Grants		142,468	-	142,468	44,572
Olive Plantation Project		18,604	-	18,604	27,900
Olive Plantation Project / Wad Volkin		10,843	-	10,843	-
Ara Water Spring		-	-	-	41,500
Rehabilitation of Arara Water Network		93,051	-	93,051	-
Economic Empowerment for Productive Families		348,554	-	348,554	-
Farmers Development - 2016-NFA		56,064	-	56,064	46,906
Rehabilitation of agricultural productive assets - Gaza		27,043	-	27,043	-
Total Operating Expenses	12	1,105,387	-	1,105,387	1,346,664
Depreciation Expense		14,097	-	14,097	13,213
Currency Exchange Loss (Gain)		4,268	-	4,268	(16,325)
Total Expenses	11	1,123,752	-	1,123,752	1,343,552
Change in Net Assets During the Year		(50,359)	24,044	(26,315)	(81,235)

The accompanying notes form an integral part of these financial statements

**Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine**

**Statement of Changes in Net Assets
For the Year Ended December 31, 2016**

	Notes	Unrestricted Fund USD	Temporarily Restricted Fund USD	Investment in Property and Equipment USD	Investment in a Subsidiary USD	Total USD
2016						
Balances at the Beginning of the Year		254,374	106,560	54,206	3,000,000	3,415,140
Change in Net Assets for the Year		(50,359)	24,044	-	-	(26,315)
Additions to Property and Equipment	8	(3,092)	-	3,092	-	-
Depreciation for the Year	8	14,097	-	(14,097)	-	-
Balances at the End of the Year		215,020	130,604	43,201	3,000,000	3,388,825
2015						
Balances at the Beginning of the Year		388,257	48,491	59,627	3,000,000	3,496,375
Change in Net Assets for the Year		(139,304)	58,069	-	-	(81,235)
Additions to Property and Equipment	8	(7,792)	-	7,792	-	-
Depreciation for the Year	8	13,213	-	(13,213)	-	-
Balances at the End of the Year		254,374	106,560	54,206	3,000,000	3,415,140

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, 2016

	2016	2015
	USD	USD
Operating Activities		
Grants Received from Donors	831,976	974,043
Loans Revenue	29,654	23,541
Other Revenue	211,763	264,733
Cash Paid to employees and suppliers	<u>(1,095,755)</u>	<u>(1,257,080)</u>
Cash (Used in) Generated from Operating Activities	<u>(22,362)</u>	<u>5,237</u>
Investing Activities		
Procurement of Property and Equipment	(3,092)	(7,792)
Due from ACAD Finance & Development Co.	<u>41,349</u>	<u>140,725</u>
Cash Generated from Investing Activities	<u>38,257</u>	<u>132,933</u>
Increase in Cash During the Year	15,895	138,170
Cash and Cash Equivalents at Beginning of the Year	<u>491,098</u>	<u>352,928</u>
Cash and Cash Equivalents at End of the Year	<u>506,993</u>	<u>491,098</u>
Adjustments		
Change in Net Assets	(26,315)	(81,235)
Depreciation Expense	14,097	13,213
Provision For Employees' Benefits	57,481	86,981
Decrease in Interest Receivable	2,909	3,048
Decrease in Loans	-	4,177
Decrease in Pledges Receivable	1,248	3,406
(Increase) Decrease in Prepayments and Other Receivables	(31,855)	11,041
(Decrease) in Account Payables and Accruals	(3,568)	(24,677)
Payments of Employees Benefits	<u>(36,359)</u>	<u>(10,717)</u>
Net Cash (Used in) Generated from Operating Activities	<u>(22,362)</u>	<u>5,237</u>

The accompanying notes form an integral part of these financial statements



Notes to the Financial Statements
For the Year Ended December 31, 2016

1. General

A. ACAD

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 in accordance with the Palestinian Charitable Institutions Law No. (1) of the year 2000. ACAD is specialized in Micro-Credit and offers Business Support Services to the poor and low-income Palestinian manufacturers. The Board of Directors is comprised of 7 members including the chairman and is elected every three years by the General Assembly that governs ACAD.

The number of employees as of December 31, 2016 was 26 (23 employees as of December 31, 2015).

The accompanying financial statements have been approved by the Board of Directors on May 7, 2017.

B. ACAD's Goal

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

C. ACAD's 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 Groups

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

E. Consolidated Financial Statements

The accompanying financial statements represent ACAD stand-alone financial statements were the investment in the subsidiary "ACAD Finance and Development Co." Presented at cost. These financial statements were issued upon the request of the management and the supervising parties. ACAD issues consolidated financial statements.



Notes to the Financial Statements
For the Year Ended December 31, 2016

2. Summary of Significant Accounting Policies

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

In the current year, ACAD's management 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, 2016. The application of the new standards and interpretations has no effect on the financial position or the results of operations of ACAD.

2.2 Preparation of Financial Statements

The financial statements have been prepared on the accrual basis of accounting and in conformity with International Financial Reporting Standards and the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, presentation of financial statements – Not for Profit Entities.

3. Significant Accounting Policies

3.1 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.

3.2 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.

3.3 Pledges Receivables

Represents amounts due from funding organizations for expense incurred prior to cash received related to funds as of December 31st.



Notes to the Financial Statements
For the Year Ended December 31, 2016

3. Significant Accounting Policies (Continued)

3.4 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 ACAD are expressed in United States Dollar ("US. Dollar"), which is the functional currency of ACAD and the presentation currency for the financial statements.

- a) 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.
- b) At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date of financial position.
- c) Details of exchange rates against US Dollar as of December 31, 2016 and 2015 is as follows:

	2016 USD	2015 USD
Euro	1.050	1.090
NIS	0.256	0.256
JOD	1.410	1.410

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

3.5 Investment in a subsidiary

The investment in a subsidiary is stated at cost.

3.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment losses, if any. 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.



Notes to the Financial Statements
For the Year Ended December 31, 2016

3. Significant Accounting Policies (Continued)

3.6 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 the statement of activities.

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%
Vehicles	20%

3.7 Impairment of non financial assets

At the end of each reporting period, ACAD reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, ACAD 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized 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.



Notes to the Financial Statements
For the Year Ended December 31, 2016

3. Significant Accounting Policies (Continued)

3.8 Provisions

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

When ACAD expects that some or all of the provision will be disbursed and the payment is highly assured, the provision reduced by the actual payment amount. All Expenses related to the provisions are presented in the statement of activities.

3.9 Employees' benefits

Provision for employees' end of service benefits and Provident fund

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.

In addition to the provision for employees' end of service, ACAD has established a provident fund, in which it deducts a 7.5% from the employee monthly salary and contribute the same percentage for the benefit of the provident fund.

3.10 Financial assets

Accounts receivables are recognized initially on the date that they arise. All other financial assets are recognized on the trade date, which is the date on which ACAD becomes a Party to the contractual provisions of the instrument.

ACAD derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the right to receive the contractual cash flows from the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred.

The financial liability is offset and the amount is presented in the statement of financial position only and only when ACAD has the legal right to set off the amounts and wishes to settle the obligation at the same time. ACAD has the following non- derivative financial assets: due from related parties, accounts and other receivables and cash and cash equivalents.

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.



Notes to the Financial Statements
For the Year Ended December 31, 2016

3. Significant Accounting Policies (Continued)

3.10 Financial assets (continued)

Derecognition of financial assets

ACAD 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 ACAD neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, ACAD recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If ACAD retains substantially all the risks and rewards of ownership of a transferred financial asset, ACAD 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.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially measured at fair value, plus transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment.

Accounts and other payables

ACAD recognizes financial liabilities against the due payments to the suppliers.

ACAD derecognizes financial liabilities when, and only when, ACAD'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.

Impairment of financial assets

At the end of each reporting period, the center reviews the carrying amounts of its financial asset to determine whether there is any indication that those financial 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.



Notes to the Financial Statements
For the Year Ended December 31, 2016

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of ACAD's accounting policies, 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.

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 ACAD'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.

Impairment of accounts and other receivables

Impairment losses for the receivables determined by an evaluation of exposure on a case-by-case basis only when the collection of the full amount of receivables is impossible.

Property and equipment

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



Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2016

5. Cash and Cash Equivalent

	2016	2015
	USD	USD
Current Accounts at Banks		
U.S Dollar	74,979	152,372
Jordanian Dinar	247	53
Israeli Shekel	8,197	7,347
Euro	85,738	6,703
	169,161	166,475
 Restricted Deposits for Employees' Benefits	 337,832	 324,623
	506,993	491,098

ACAD bank accounts are mutual with ACAD Co accounts. ACAD Co. bank account balances were excluded, for the purpose of preparing the attached financial statement.

6. Pledges Receivable

	2016	2015
	USD	USD
ACTED	13,953	--
Association Palestine- AMITIE	32,894	--
Planet Finance	25,620	71,513
Italian Embassy	--	2,202
	72,467	73,715

7. Prepayments and Other Receivables

	2016	2015
	USD	USD
Prepaid Expenses	14,815	14,202
Due from Employees *	67,751	52,440
Cooperatives, Credit and Saving Funds Receivable	80,978	85,482
Other Debit Balances	39,312	18,877
	202,856	171,001

* Loans to employees are interest free.



Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2016

8. Property and Equipment – Net

	January 1, 2016 USD	Additions USD	Disposals USD	December 31, 2016 USD
Cost				
Furniture and Fixtures	24,748	-	-	24,748
Office Equipment	16,754	332	-	17,086
Computers& Printers	28,454	2,760	-	31,214
Leasehold improvements	35,463	-	-	35,463
	105,419	3,092	-	108,511
Accumulated Depreciation				
Furniture and Fixtures	2,160	1,244	-	3,404
Office Equipment	17,843	1,215	-	19,058
Computers& Printers	18,773	4,551	-	23,324
Leasehold improvements	12,437	7,087	-	19,524
	51,213	14,097	-	65,310
Carrying Amount	54,206			43,201

	January 1, 2015 USD	Additions USD	Disposals USD	December 31, 2015 USD
Cost				
Furniture and Fixtures	24,748	-	-	24,748
Office Equipment	15,860	894	-	16,754
Vehicles	46,937	-	(46,937)	-
Computers and Printers	21,556	6,898	-	28,454
Leasehold improvements	35,463	-	-	35,463
	144,564	7,792	(46,937)	105,419
Accumulated Depreciation				
Furniture and Fixtures	919	1,241	-	2,160
Office Equipment	16,776	1,067	-	17,843
Vehicles	46,937	-	(46,937)	-
Computers and Printers	14,961	3,812	-	18,773
Leasehold improvements	5,344	7,093	-	12,437
	84,937	13,213	(46,937)	51,213
Carrying Amount	59,627			54,206



Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2016

9. Accounts Payable and Accruals

	2016	2015
	USD	USD
Payables and others	46,214	49,782
	<u>46,214</u>	<u>49,782</u>

10. Provisions for Employees' Benefits

	2016	2015
	USD	USD
Provident Fund	188,492	172,172
End of Service Indemnity	213,370	209,544
Annual Leaves	14,499	13,523
	<u>416,361</u>	<u>395,239</u>

The movements in these employees' benefits were as follows:

A- Provident Fund

	2016	2015
	USD	USD
Opening Balance	172,172	150,521
Additions	31,313	28,651
Payments	(14,993)	(7,000)
Ending Balance	<u>188,492</u>	<u>172,172</u>

B- End of Service Indemnity

	2016	2015
	USD	USD
Opening Balance	209,544	157,395
Additions	23,753	55,866
Payments	(19,927)	(3,717)
Ending Balance	<u>213,370</u>	<u>209,544</u>

C- Annual Leaves

	2016	2015
	USD	USD
Opening Balance	13,523	11,059
Additions	2,415	2,464
Payments	(1,439)	-
Ending Balance	<u>14,499</u>	<u>13,523</u>



Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2016

11. Disposition of Grants – Net Assets Released from Restrictions

	Unspent Grants as of 31/12/2015		Grants Received in 2016		Pledges Receivable		Available Grants for 2016		Currency Differences		Unspent Grants as of 31/12/2016		Grants Spent in 2016		Program Expenses		Capital Additions	
	USD		USD		USD		USD		USD		USD		USD		USD		USD	
	USD		USD		USD		USD		USD		USD		USD		USD		USD	
East Jerusalem Women Empowerment- Herrich Bdi Foundation	32,312		163,242		-		195,554		-		82,584		114,970		114,970		-	
Deeb - AFIF Program	762		17,900		-		18,662		-		-		18,662		18,662		-	
Start your Project- Italian Embassy	-		5,265		-		5,265		-		2,202		3,063		3,063		-	
Students Grants- Deeb	48,948		93,520		-		142,468		-		-		142,468		142,468		-	
Olive Plantation Project/ Wad volin	12,843		-		-		10,843		-		-		10,843		10,843		-	
Rehabilitate A'ora water network	-		60,157		32,894		93,051		-		-		93,051		93,051		-	
Economic Empowerment for Productive Families	-		356,004		-		396,034		700		47,818		348,186		348,554		332	
Farmers Development- 2015-NFA	-		57,504		-		57,504		-		-		57,504		56,064		1,440	
Rehabilitation of agricultural productive assets - Gaza	-		13,692		13,953		27,643		-		-		27,643		27,043		600	
Olive Plantation Project- France Cooperation	13,595		1,891		-		15,585		3,018		-		15,586		18,604		-	
Total Expenditures Including Capital Additions	106,560		809,173		46,847		962,580		3,718		130,604		831,976		833,322		2,372	



Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2016

12. Operating Expenses

	East Jerusalem Women Empowerment Heinrich Böll Foundation	Deeb - AFIP Program	Start year Project- Italian Embassy	Students Grants- Deeb	Olive Plantation Project- France Cooperation	Olive Plantation Project/ Wad volin	Richa bilire Arora water network	Economic Empowerment for productive Families	Farmers Development- 2016-NPA	Rehabilitation of agricultural productive assets - Gaza	Total Projects 2016	General Fund	2016 USD	2015 USD
Salaries and related expenses	71,382	-	-	4,990	-	-	-	58,302	24,000	19,000	178,064	162,806	340,270	413,011
Rent	-	-	-	-	-	-	-	-	-	-	-	3,140	3,140	-
Rent	1,600	-	-	-	-	-	-	-	1,000	1,200	3,200	11,160	14,360	25,395
Leasehold Service Expenses	-	-	-	-	-	-	-	-	-	-	-	3,050	3,050	-
General Maintenance and Programs	-	-	-	-	-	-	-	194	266	-	104	9,754	9,868	12,358
Utilities	-	-	-	-	-	-	-	323	-	-	268	3,220	3,486	3,901
Hospitality	-	-	-	-	-	-	-	194	240	-	743	2,215	2,663	3,119
Printing & Stationery	359	-	20	-	-	-	-	-	-	-	-	3,896	4,639	7,508
Research	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	3,718
Advertising & Promotion	5,056	-	-	-	-	-	-	-	500	-	500	772	5,828	713
Professional & Audit Fees	-	-	-	-	-	-	-	-	-	-	952	4,640	5,140	9,340
Legal Fees	952	-	-	-	-	-	-	-	-	-	-	7,839	8,791	9,024
Bank Charges	-	-	-	-	-	-	-	8	-	-	8	818	818	1,671
Fees & Subscriptions	-	-	-	-	-	-	-	-	-	-	-	490	490	200
Microfinance Expenses	1,372	762	-	-	1,382	1,875	-	-	-	-	9,791	2,701	12,492	34,617
Insurance Expense	-	-	-	-	-	185	-	8,775	-	-	18,965	4,828	23,793	42,331
Workshops	6,951	-	3,543	-	-	-	-	-	-	-	-	2,415	2,415	-
Leaves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Car Expense - Fuel	351	-	-	-	520	-	-	-	-	1,375	520	5,016	6,436	5,913
Car Rent	2,500	-	-	-	-	-	-	-	-	1,733	1,426	18,096	22,429	-
Travel (Local & Overseas)	1,847	-	-	101	392	-	-	3,963	551	-	4,333	3,291	10,096	32,377
Telecommunication	2,315	-	-	998	-	-	-	2,317	1,845	760	6,804	7,661	15,596	15,446
Medical Expenses	-	-	-	-	-	-	-	513	-	-	7,935	1,251	7,378	6,948
Training & Conferences Expenses	-	-	-	-	-	-	-	-	-	-	-	1,427	1,427	8,052
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	214	214	-
Projects Deficit	-	-	-	-	-	-	-	-	-	-	-	1,783	1,783	-
Lease Collection Expense	-	-	-	-	-	-	-	-	-	-	-	3,795	2,796	137,962
Closing Loans Expenses	-	-	-	135,389	14,110	6,781	93,051	274,199	27,652	3,275	593,764	-	593,764	576,036
Projects Activities (*)	-	-	-	142,468	18,604	10,843	93,051	348,554	56,064	27,043	833,322	273,065	1,105,387	1,345,664
Total Expenses	114,970	18,662	3,063	142,468	18,604	10,843	93,051	348,554	56,064	27,043	833,322	273,065	1,105,387	1,345,664

* Project Activities illustrated in the Operational Expenses above, represents expenses incurred on activities as agreed with donors.



Notes to the Financial Statements
For the Year Ended December 31, 2016

13. Risk Management

The center adopts certain financial policies in managing the exposures of risks, in line with a specific strategy. The management monitors the center's assets and liabilities as well as controls risk exposures and performs the ultimate strategic allocation for financial assets and liabilities through its risk management committee.

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 2017 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 ACAD, such as default of loans receivable. ACAD has adopted a policy in dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults, however, accounts receivables 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 ACAD's short, medium and long term funding and liquidity management requirements. ACAD 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.



Notes to the Financial Statements
For the Year Ended December 31, 2016

13. 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.

14. Related Party Transactions

The following balances represent the balances of the subsidiary "ACAD Finance and Development Co." as of December 31, 2016 and December 31, 2015:

	2016	2015
	USD	USD
Current Account	8,420	49,769
Investment at Cost	3,000,000	3,000,000
		0

15. ACAD Finance and Development Company

ACAD Finance and Development Company was established as a private shareholding company. The issued share capital of the company is 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

Arab Center for Agricultural Development issues consolidated financial statements.

