

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

**Financial Statements and
Independent Auditor's Report
For the Year Ended December 31, 2017**

Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

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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, 2017, 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), (Not for profit organization) as of December 31, 2017, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the 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 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.


Deloitte & Touche (M.E.)
Certified Public Accountants
Ramallah - Palestine
May 28, 2018



Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine

Statement of Financial Position
As of December 31, 2017

Statement A

	Notes	2017 USD	2016 USD
ASSETS			
Cash and Cash Equivalents	4	427,607	506,993
Interest Receivable		15,379	17,463
Pledges Receivable	5	91,130	72,467
Prepayments and Other Receivables	6	118,027	202,856
Due from ACAD Finance & Development Co.	14	2,329	8,420
Total Current Assets		654,472	808,199
Investment in a Subsidiary	15	3,000,000	3,000,000
Property and Equipment, Net	7	30,932	43,201
Total Assets		3,685,404	3,851,400
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable and Accruals	8	48,191	46,214
Total Current Liabilities		48,191	46,214
Provisions For Employees' Benefits	9	452,897	416,361
Total Liabilities		501,088	462,575
Net Assets			
Unrestricted Fund		93,933	215,019
Temporarily Restricted Fund	10	59,450	130,604
Investment in Property and Equipment		30,933	43,202
Investment in a Subsidiary		3,000,000	3,000,000
Total Net Assets (Statement C)		3,184,316	3,388,825
Total Liabilities and Net Assets		3,685,404	3,851,400


Chairman of Board of Directors


Treasurer

The accompanying notes form an integral part of these financial statements



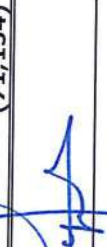
Arab Center For Agricultural Development (ACAD)
Ramallah- Palestine

Statement of Activities
For the Year Ended December 31, 2017

Statement B

Notes	Unrestricted Fund USD	Temporarily Restricted Fund USD	Total 2017 USD	2016 USD
Grants Revenues				
Contributions	-	598,553	598,553	856,020
10	-	598,553	598,553	856,020
Net Assets Released from Restrictions	667,505	(667,505)	-	-
10	667,505	(68,952)	598,553	856,020
Interest on Loans	3,031	-	3,031	4,881
Recoveries from default loans	12,282	-	12,282	11,849
Loans Service Fees & Commissions	10	-	10	10
Penalty Revenue	10,203	-	10,203	12,914
Other Income	25,526	-	25,526	29,654
12	185,464	-	185,464	211,763
Total Income	878,495	(68,952)	809,543	1,097,437
Expenses				
General and Administrative Expenses	258,335	-	258,335	272,065
11	665,676	-	665,676	833,322
11	924,011	-	924,011	1,105,387
Total Expenses before Depreciation and Currency Differences and Others				
Depreciation	14,098	-	14,098	14,097
7	25,000	-	25,000	-
6	-	2,202	2,202	-
Provision for Doubtful Accounts - Institutes Loans	48,741	-	48,741	4,268
Written Off Contributions	1,011,850	2,202	1,014,052	1,123,752
Currency Differentials Loss	-	-	-	-
Total Expenses	1,011,850	2,202	1,014,052	1,123,752
(Deficit) in Net Assets for the Year	(133,355)	(71,154)	(204,509)	(26,315)


Chairman of Board of Directors


Treasurer

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, 2017**

	Unrestricted Fund USD	Temporarily Restricted Fund USD	Investment in Property and Equipment USD	Investment in a Subsidiary USD	Statement C Total USD
2017:					
Balances at the Beginning of the Year	215,019	130,604	43,202	3,000,000	3,388,825
Change in Net Assets for the Year	(133,355)	(71,154)	-	-	(204,509)
Additions to Property and Equipment, net	12,269	-	(12,269)	-	-
Balances at the End of the Year (Statement A)	93,933	59,450	30,933	3,000,000	3,184,316
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, net	11,004	-	(11,004)	-	-
Balances at the End of the Year (Statement A)	215,019	130,604	43,202	3,000,000	3,388,825

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, 2017

Statement D

	2017	2016
	USD	USD
Operating Activities		
Grants Received from Donors	579,890	831,976
Loans Income	25,526	29,654
Other Income	185,464	211,763
	<u>(874,528)</u>	<u>(1,095,755)</u>
Cash (Used in) Operating Activities	<u>(83,648)</u>	<u>(22,362)</u>
Investing Activities		
Procurement of Property and Equipment	(1,829)	(3,092)
Due from ACAD Finance & Development Co.	6,091	41,349
Cash Generated from Investing Activities	<u>4,262</u>	<u>38,257</u>
(Decrease) Increase in Cash During the Year	<u>(79,386)</u>	<u>15,895</u>
Cash and Cash Equivalents at Beginning of the Year	506,993	491,098
Cash and Cash Equivalents at End of the Year	<u>427,607</u>	<u>506,993</u>
Adjustments to Reconcile Net Cash (used in) Operating Activities to Change in Net Assets		
Change in Net Assets	(204,509)	(26,315)
Depreciation Expense	14,098	14,097
Provision For Employees' Benefits, Net of Payments	36,536	21,122
Decrease in Interest Receivable	2,084	2,909
(Increase) Decrease in Pledges Receivable	(18,663)	1,248
(Increase) Decrease in Prepayments and Other Receivables	84,829	(31,855)
Increase (Decrease) in Account Payables and Accruals	1,977	(3,568)
Net Cash (Used in) Operating Activities	<u>(83,648)</u>	<u>(22,362)</u>

The accompanying notes form an integral part of these financial statements



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

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

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, 2017 was 24 employees, (26 employees as of December 31, 2016).

The accompanying financial statements have been approved by the Board of Directors on May 2, 2018.

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.



Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017. The application of the new standards and interpretations has no effect on the financial position or the results of operations of ACAD.

2.2 Statement of compliance

The financial statements have been prepared using the accrual basis of accounting and in Conformity with International Financial Reporting Standards (IFRS).

2.3 Summary of Significant Accounting Policies

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.
- **Investment in Property, Plant and Equipment:** Represents unrestricted fund invested in fixed assets.
- **Investment in Subsidiaries:** Represents fund invested in ACAD Finance and Development Co. a Private Shareholding Company-Ltd.

Pledges Receivable: Represents amounts due from funding organizations for expense incurred prior to cash received related to funds as of December 31, 2017.

Expenses: Expenses are classified on a functional basis between different programs and public administration. The expenses that can be linked to a specific project are directly charged to that project. Other expenses which are shared among several projects are distributed to projects based on the management's estimates.



Notes to the Financial Statements
For the Year Ended December 31, 2017

2. Significant Accounting Policies (Continued)

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 rated against US Dollar as of December 31, 2017 and 2016 is as follows:

	2017	2016
	USD	USD
Euro	1.19	1.05
NIS	0.287	0.256
JOD	1.41	1.41

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

Investment in a subsidiary

The investment in a subsidiary is stated at cost shown in financial statements.

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.

Costs include expenses that are directly related to the acquisition of the asset. When part of the property and equipment have different useful lives, it is accounted as a separate components (main components) of fixed assets.

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, 2017

2. 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 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%

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. All Expenses related to the provisions are presented in the statement of activities.

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.

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.

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.

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.



Notes to the Financial Statements
For the Year Ended December 31, 2017

2. Significant Accounting Policies (Continued)

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. The significant judgements and estimates are described below:

Impairment of accounts and other receivables

Receivable impairment losses are determined by an evaluation of exposure on a case-by-case basis only when the collection of the full amount of receivables is impossible. For the individually significant accounts, estimates are made individually, however, for insignificant accounts that became overdue, it is assessed collectively and an allowance provision is made in accordance with the period of its stay in excess of the due date.

Property and equipment useful lives and depreciation

Management determines the estimated useful lives and residual values of property and equipment to calculate depreciation. This estimate is determined after considering the expected usage of the asset, physical obsolescence, technical and commercial obsolescence, management reviews the remaining values and useful lives annually. The rate of future depreciation is adjusted when the management considers that the useful lives are different from the previous estimates.



Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2017

4. Cash and Cash Equivalent

	2017	2016
	USD	USD
Cash on Hand	350	-
Cash at Banks - U.S Dollar	28,548	74,979
Cash at Banks - Jordanian Dinar	617	247
Cash at Banks - Israeli Shekel	4,000	8,197
Cash at Banks - Euro	41,057	85,738
	74,572	169,161
Restricted Deposits for Employees' Benefits	353,035	337,832
	427,607	506,993

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.

5. Pledges Receivable

	2017	2016
	USD	USD
Heinrich Boell Foundation	56,906	-
ACTED	17,756	13,953
DEEP 2017	12,018	-
NDC	4,450	-
Association Palestine - AMITIE	-	32,894
Planet Finance	-	25,620
	91,130	72,467

6. Prepayments and Other Receivables

	2017	2016
	USD	USD
Prepaid Expenses	14,928	14,815
Due from Employees *	49,816	67,751
Cooperatives, Credit and Saving Funds Receivable	75,937	80,978
Other Debit Balances	2,346	39,312
	143,027	202,856
Allowance for Doubtful account – Institutes Loans	(25,000)	-
	118,027	202,856

* 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, 2017

7. Property and Equipment, Net

	January 1, 2017 USD	Additions USD	Disposals USD	December 31, 2017 USD
2017:				
Cost				
Furniture and Fixtures	24,748	-	-	24,748
Office Equipment	17,086	544	-	17,630
Computers & Printers	31,214	1,285	-	32,499
Leasehold improvements	35,463	-	-	35,463
	108,511	1,829	-	110,340
Accumulated Depreciation				
Furniture and Fixtures	3,404	1,240	-	4,644
Office Equipment	19,058	1,186	-	20,244
Computers & Printers	23,324	4,579	-	27,903
Leasehold improvements	19,524	7,093	-	26,617
	65,310	14,098	-	79,408
Net Book Value	43,201			30,932
	January 1, 2016 USD	Additions USD	Disposals USD	December 31, 2016 USD
2016:				
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
Net Book Value	54,206			43,201



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

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

8. Accounts Payable and Accruals

	2017 USD	2016 USD
Terminated Employees Bonus	43,515	43,515
Others	4,676	2,699
	48,191	46,214

9. Provisions for Employees' Benefits

	2017 USD	2016 USD
Provident Fund	212,506	188,492
End of Service Indemnity	227,083	213,370
Annual Leaves	13,308	14,499
	452,897	416,361

The movements in these employees' benefits were as follows:

A- Provident Fund

	2017 USD	2016 USD
Opening Balance	188,492	172,172
Additions	32,014	31,313
Payments	(8,000)	(14,993)
Ending Balance	212,506	188,492

B- End of Service Indemnity

	2017 USD	2016 USD
Opening Balance	213,370	209,544
Additions	24,153	23,753
Payments	(10,440)	(19,927)
Ending Balance	227,083	213,370

C- Annual Leaves

	2017 USD	2016 USD
Opening Balance	14,499	13,523
Additions	(1,191)	2,415
Payments	-	(1,439)
Ending Balance	13,308	14,499



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

**Notes to the Financial Statements
For the Year Ended December 31, 2017**

10. Disposition of Grants – Net Assets Released from Restrictions as of December 31, 2017

	Unspent Grants as of 1/1/2017	Grants Received in 2017		Pledges Receivable		Available Grants for 2017		released from restricted				Unspent Grants as of 31/12/2017				
		USD	USD	USD	USD	USD	USD	Program Expenses		Fixed Assets Additions			Total Release During 2017	Written off 31/12/2017	USD	USD
								USD	USD	USD	USD					
Rehabilitation of agricultural productive assets - Gaza	-	12,706	17,756	30,462	(29,918)	(544)	(30,462)	-	-	-	-	-	-	-	-	
Rehabilitation of agricultural production resources	-	6,581	-	6,581	(6,581)	-	(6,581)	-	-	-	-	-	-	-	-	
Economic initiative supporting the village of Beit Sira - 2017	-	9,156	-	9,156	(2,562)	-	(2,562)	-	-	-	-	-	-	6,594	-	
Promoting the rights of vulnerable Palestinian women - Jerusalem	80,584	98,686	56,906	236,176	(236,176)	-	(236,176)	-	-	-	-	-	-	-	-	
Italian grant "start your project"	2,202	-	-	2,202	-	-	-	-	-	-	-	(2,202)	-	-	-	
The Education Program in Amman, funded by Attica Bank	-	4,799	-	4,799	-	-	-	-	-	-	-	-	-	-	4,799	
Economic Empowerment Program for Families Products - IDB-2-	47,818	221,996	-	269,814	(269,814)	-	(269,814)	-	-	-	-	-	-	-	-	
Economic Empowerment Program for the Palestinian People	-	-	12,018	12,018	(12,018)	-	(12,018)	-	-	-	-	-	-	-	-	
Rehabilitation of Arora water network	-	16,699	-	16,699	(16,699)	-	(16,699)	-	-	-	-	-	-	-	-	
Developing the Food Processing Unit - Belt Iskaria	-	10,550	-	10,550	(6,478)	-	(6,478)	-	-	-	-	-	-	-	4,072	
French Solidarity Association AIZas - Yabed and Al-Aghwar	-	11,676	-	11,676	(11,676)	-	(11,676)	-	-	-	-	-	-	-	-	
Project of solar energy in the school of Arab Al-Kabneh	-	28,365	-	28,365	(11,473)	-	(11,473)	-	-	-	-	-	-	-	16,892	
Protecting residents of restricted and surrounding areas - pui	-	14,000	-	14,000	(7,929)	(670)	(8,599)	-	-	-	-	-	-	-	5,401	
Initiative for the share of the agricultural sector of the reconstruction process	-	3,000	-	3,000	(3,000)	-	(3,000)	-	-	-	-	-	-	-	-	
Olive Trees Project 2017	-	20,799	-	20,799	(20,799)	-	(20,799)	-	-	-	-	-	-	-	-	
Olive Trees Project 2018	-	4,108	-	4,108	-	-	-	-	-	-	-	-	-	-	4,108	
Project to improve the income of vulnerable farmers in northern Gaza	-	19,248	4,450	23,698	(23,083)	(615)	(23,698)	-	-	-	-	-	-	-	-	
James Lewis tree planting project in Palestine	-	1,978	-	1,978	-	-	-	-	-	-	-	-	-	-	1,978	
Safa Project Feminist	-	23,076	-	23,076	(7,470)	-	(7,470)	-	-	-	-	-	-	-	15,606	
Grand Total	130,604	507,423	91,130	729,157	(665,676)	(1,829)	(667,505)	(2,202)	-	-	-	-	-	59,450	59,450	



Arab Center for Agricultural Development (ACAD) Ramallah-Palestine

Notes to the Financial Statements For the Year Ended December 31, 2017

11. Operating Expenses

	Total															
	2017		2016		2017		2016		2017		2016		2017		2016	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Salaries and Related Expenses	64,985	28,437	4,305	-	15,371	23,603	-	12,914	6,635	10,801	169,024	154,937	324,021	340,270	340,270	340,270
Rewards and Bonuses	-	600	-	-	300	-	-	-	-	-	900	228	1,128	3,140	3,140	3,140
Rent	-	-	-	-	1,200	1,200	-	-	-	-	2,600	10,760	13,360	14,360	14,360	14,360
Leasehold Service Expenses	-	-	-	-	-	-	-	-	-	-	-	3,174	3,174	3,080	3,080	3,080
General Maintenance and Programs	-	-	-	-	-	-	-	-	-	-	-	10,438	10,438	9,868	9,868	9,868
Utilities	-	-	-	-	564	498	-	-	285	-	1,347	3,120	4,467	3,486	3,486	3,486
Hospitality	-	178	-	-	-	-	-	-	169	-	739	1,512	2,251	2,603	2,603	2,603
Printing & Stationery	4,917	360	-	-	311	302	-	-	174	-	6,092	3,723	9,815	4,639	4,639	4,639
Research	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000
Advertising & Promotion	16,468	-	-	-	-	-	-	-	-	-	16,468	257	16,725	5,828	5,828	5,828
Professional & Audit Fees	4,122	-	-	-	-	-	-	-	-	-	4,122	4,640	8,762	5,140	5,140	5,140
Legal Fees	-	-	-	-	-	-	-	-	-	-	-	4,794	4,794	8,791	8,791	8,791
Bank Charges	-	10	-	-	-	-	-	-	-	-	10	765	775	826	826	826
Fees & Subscription	-	-	-	-	-	-	-	-	-	-	-	281	281	490	490	490
Miscellaneous Expenses	-	-	-	-	-	-	-	-	-	-	-	672	809	12,279	12,279	12,279
Insurance Expense	-	-	-	-	-	-	-	-	-	-	-	83	83	79	79	79
Workshops	43,880	782	201	-	-	-	-	-	399	-	50,069	-	50,069	23,953	23,953	23,953
Leaves	-	-	-	-	-	-	-	-	-	-	-	1,191	(1,191)	2,415	2,415	2,415
Donations	-	-	-	-	-	-	-	-	-	-	-	-	-	520	520	520
Car Expense - Fuel	1,469	-	721	-	1,239	-	-	-	-	-	3,429	3,012	6,441	6,436	6,436	6,436
Car Rent	6,109	-	888	-	3,300	-	-	-	-	-	10,297	18,096	28,393	22,429	22,429	22,429
Travel (Local & Overseas)	639	4,686	86	-	-	3,435	114	-	-	941	9,901	1,832	11,733	10,096	10,096	10,096
Telecommunication	1,682	2,775	380	-	661	880	-	-	267	276	6,921	8,329	15,250	15,596	15,596	15,596
Medical Expenses	-	-	-	-	-	-	-	-	-	-	-	6,946	6,946	7,378	7,378	7,378
Training & Conferences Expenses	-	493	-	-	-	-	-	-	-	-	493	1,033	1,526	648	648	648
Health Insurance	-	-	-	-	-	-	-	-	-	-	-	1,441	1,441	1,427	1,427	1,427
Projects Deficit	-	-	-	-	-	-	-	-	-	-	-	1,886	1,886	214	214	214
Loans Collection Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Loans Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Projects Activities (*)	91,905	231,493	-	-	7,470	-	-	-	-	-	383,127	16,006	399,133	593,817	593,817	593,817
Total Expenses	236,176	269,814	6,581	20,799	23,083	29,918	11,473	16,699	17,929	12,018	665,676	258,335	924,011	1,105,387	1,105,387	1,105,387

* 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, 2017

12. Other Income

	2017	2016
	USD	USD
Managing Gaza portfolio – from ACAD	100,000	100,000
Managing management office – from ACAD	26,000	26,000
Refundable from doubtful account	27,983	37,877
Interest revenues from deposits	9,584	8,438
Services Revenue	7,389	22,096
Others	14,508	17,352
	185,464	211,763

13. Risk Management

The inherent risks relating to the activities of the center are managed, measured and monitored on an ongoing basis to remain within the permissible limits. In view of the importance of risk management, the supervisory tasks and responsibilities associated with these risks are distributed to the center staff. The Company is exposed to currency risk, asset fair value risk and risk of reliance on donor grants and operational risk.

Operational Risk

The center relies mainly on grants from donors. Management of the center believes that the level of funding for the programs and projects of the center during the year 2018 will be the same as the level of funding in previous years. Management believes that the conditions Economic and political conditions prevailing in the areas of the Palestinian Authority will not have a material impact on its operations.

Credit risk

Credit risk is primarily the risk of cash at banks, management believes that credit risk for liquid funds within banks is limited due to the deposit of funds with banks and financial institutions with high credit worthiness.

Liquidity Risk

Liquidity risk is the inability of the center to provide the necessary funding to meet its obligations on due dates in a manner of low costs. Liquidity management requires maintaining a large and diversified financing capacity, availability of liquid assets and other sources of cash to be protected against fluctuations in the levels of assets and liabilities arising from unexpected events in the market.

Liquidity risk management is subject to the centers liquidity policy, which is primarily attributable to the availability of planning and mechanisms to deal with unexpected changes when liquidity required resulting from customer actions or abnormal situations in the market is needed. The centers management is committed to reaching and maintaining a maximum number of other sources of funding, in addition to monitoring deposit rates, levels, trends, large changes and deposit marketing plans that are constantly monitored to ensure their consistency with liquidity policy requirements.



Notes to the Financial Statements
For the Year Ended December 31, 2017

13. Risk Management (Continued)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The center is exposed to interest rate risk as a result of an incompatibility or a gap in the amounts of assets and liabilities according to maturity or re-review of interest rates over a certain period of time by reviewing interest rates on assets and liabilities through a risk management strategy.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates. Management considers that the net result from currency risk could be materially affected due to the receipt of contributions in currencies most likely the US Dollar and the Euro. While programs expenses are sometimes spent in Israeli shekels in order to prevent these risks, management monitors the foreign exchange positions periodically and follows strategies to hedge these risks.

14. Related Party Transactions

The following balances represent the balances with the subsidiary "ACAD Finance and Development Co," as of December 31, 2017 and December 31, 2016:

	2017	2016
	USD	USD
Current Account	<u>2,329</u>	<u>8,430</u>
Investment at Cost	<u>3,000,000</u>	<u>3,000,000</u>

The Arab Center for Agricultural Development (ACAD) receives USD 100,000 annually from ACAD for the management of Gaza loan portfolio and USD 27,000 for management of the head office.



Arab Center for Agricultural Development (ACAD)
Ramallah-Palestine

Notes to the Financial Statements
For the Year Ended December 31, 2017

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

16. Other Liabilities

There is a dispute between the center and the income tax department regarding the differences between employees' salaries tax and profitable activities revenues, where the income tax department requires the center to pay tax due for the years from 2013 to 2016. The center submitted an objection regarding tax assessment and the dispute is still in its early stages where it is difficult to predict the final consequences of this dispute.

