

**Arab Center for Agricultural Development**  
**Ramallah-Palestine**

**Independent Auditor's Report**  
**and Separate Financial Statements**  
**For the year ended December 31, 2022**

**Talal Abu-Ghazaleh & Co. International**  
**Certified Public Accountants**



Arab Center for Agricultural Development  
Ramallah – Palestine

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## Independent Auditor's Report

To the Chairman and Member of General Assembly  
Arab Center for Agricultural Development  
Ramallah – Palestine

### Opinion

We have audited the accompanying financial statements of the Arab Center for Agricultural Development, shown on pages 3 to 23, which consist of the statement of financial position as of December 31, 2022, the statement of activities, statement of change in net assets and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the society as of December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Palestinian Associations Law.

### Basis of 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 Statements section of our report.

We are independent of the society in accordance with the Code of Ethics for Professional Accountants registered under Board of Auditing Profession, which are in conformity with the code of ethics of accountants registered under Palestinian Association of Certified Public Accountants, in line with the ethical requirements related to our audit of the financial statements in Palestine, and we have fulfilled our other ethical responsibilities in accordance with those requirements.

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

### Other matters

The accompanying financial statements do not include the financial statements of the subsidiary (ACAD Finance and Development Company) owned by 56.23% of the capital and total income of USD 2,403,750 and total assets of USD 14,734,698 and net income of USD 478,485 according to the audited financial statements of the company for the year 2022 that were issued for the ACAD company on May 23, 2023.

### Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and requirements of Palestinian Societies Law, 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 the society'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 the society or to cease operations, or have no realistic alternative but to do so.

Management is responsible for overseeing the society's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives represent obtaining a 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the society'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 the society to cease to continue as a going concern.

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.

We communicated 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 controls that we identified during our audit.

The engagement partner on the audit who signed this independent auditor's report is the Executive Director, Jamal Milhem.

**Talal Abu – Ghazaleh & Co. International**  
License No. 2022/201



**Jamal Milhem, CPA**  
Certified Accountant License No. (100/98)  
Ramallah – Palestine  
29 May 2023





**Arab Center for Agricultural Development**  
**Ramallah – Palestine**  
**Statement of Financial Position as of December 31, 2022 Exhibit "A"**

<u>Assets</u>	<u>Note</u>	<u>December</u> <u>31, 2022</u> <u>USD</u>	<u>December</u> <u>31, 2021</u> <u>USD</u>
<b><u>Current assets</u></b>			
Cash and cash equivalents	4	94,743	75,973
Donations receivable	5	--	3,094
Interest receivable		8,021	9,763
Other receivable	6	5,536	38,060
<b>Total current assets</b>		<b>108,300</b>	<b>126,890</b>
<b><u>Non-current assets</u></b>			
Investment in a subsidiary	14,15	3,000,000	3,000,000
Property and equipment, net	7	12,292	14,107
<b>Total non – current assets</b>		<b>3,012,292</b>	<b>3,014,107</b>
<b>Total Assets</b>		<b>3,120,592</b>	<b>3,140,997</b>
<b><u>Liabilities and net assets</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable and accrued expenses	8	16,853	11,028
Provision for End of service Indemnity- short term	9	4,625	5,565
<b>Total Liabilities</b>		<b>21,478</b>	<b>16,593</b>
<b><u>Net assets</u></b>			
General fund - Exhibit - c		61,838	42,287
Temporary restricted fund	10	24,984	68,010
Funds invested in property and equipment	7	12,292	14,107
Funds invested in a subsidiary	14,15	3,000,000	3,000,000
<b>Total Net assets</b>		<b>3,099,114</b>	<b>3,124,404</b>
<b>Total Liabilities and Net Assets</b>		<b>3,120,592</b>	<b>3,140,997</b>

*"The accompanying notes constitute an integral part of this financial statements"*

Chairman      Treasurer      General Manager      Financial Manager



**Arab Center for Agricultural Development**  
**Ramallah – Palestine**  
**Statement of activities for the year ended December 31, 2022**  
**Exhibit "B"**

	<u>Note</u>	<u>December</u> <u>31, 2022</u> <u>USD</u>	<u>December</u> <u>31, 2021</u> <u>USD</u>
<b><u>Grant and donation</u></b>			
Grant and donation revenues	10	72,747	359,042
<b>Total revenues, grants and donations</b>		<b>72,747</b>	<b>359,042</b>
<b><u>Loans revenue</u></b>			
Loan interest		1,065	777
Delinquent loan receipts		74	5,579
Interest in suspense received		272	2,002
<b>Total Loan revenues</b>		<b>1,411</b>	<b>8,358</b>
Other Revenues	13	62,858	51,421
<b>Total Revenues</b>		<b>137,016</b>	<b>418,821</b>
<b><u>Expenses</u></b>			
Project expenses	11	(116,366)	(350,200)
Administrative and general expenses	12	(42,580)	(36,883)
<b>Total expenses before depreciation and currency losses</b>		<b>(158,946)</b>	<b>(387,083)</b>
Depreciation	7	(2,511)	(2,328)
(losses) of the currency differences		(849)	(63)
<b>Total expenses</b>		<b>(162,306)</b>	<b>(389,474)</b>
<b>Change in net Assets for the current year – Exhibit C</b>		<b>(25,290)</b>	<b>29,347</b>

*"The accompanying notes constitute an integral part of this financial statements"*

<b><u>Chairman</u></b>	<b><u>Treasurer</u></b>	<b><u>General Manager</u></b>	<b><u>Financial Manager</u></b>
			



**Arab Center for Agricultural Development**  
**Ramallah – Palestine**

**Statement of change in net assets for the year ended December 31, 2022 Exhibit "C"**

Net assets as of December 31, 2022	General fund	Temporary restricted fund	Funds invested in property and equipment	Funds invested in a subsidiary company	Total
	USD	USD	USD	USD	USD
Net assets as of January 1, 2022	42,287	68,010	14,107	3,000,000	3,124,404
Change in net assets for the year	17,736	(43,026)	--	--	(25,290)
Purchases of property and equipment	(696)	--	696	--	--
Depreciation	2,511	--	(2,511)	--	--
Net assets as of December 31, 2022	61,838	24,984	12,292	3,000,000	3,099,114
Net assets as of December 31, 2021					
Net assets as of January 1, 2021	26,618	53,422	15,017	3,000,000	3,095,057
Change in net assets for the year	14,759	14,588	--	--	29,347
Purchases of property and equipment	(1,418)	--	1,418	--	--
Depreciation	2,328	--	(2,328)	--	--
Net assets as of December 31, 2021	42,287	68,010	14,107	3,000,000	3,124,404

*"The accompanying notes constitute an integral part of this financial statements"*

Chairman

Treasurer

General Manager

Financial Manager





**Arab Center for Agricultural Development**  
**Ramallah – Palestine**  
**Statement of cash flows for the year ended December 31, 2022 Exhibit "D"**

	<u>Note</u>	<u>December</u> <u>31, 2022</u> <u>USD</u>	<u>December</u> <u>31, 2021</u> <u>USD</u>
<b><u>Cash flows from operating activities</u></b>			
Change in net assets Exhibit - B		(25,290)	29,347
<b>Adjustment to reconcile changes in net assets to net cash provided from operating activities</b>			
<b><u>Items that do not require cash flows</u></b>			
Depreciation of property and equipment	(7)	2,511	2,328
Provision for end of service indemnity	(9)	4,589	5,646
<b><u>Changes in operating assets and liabilities</u></b>			
Decrease (Increase) in donations receivable		3,094	(2,004)
Decrease in interest receivable		1,742	2,471
Decrease (Increase) in other receivables		32,524	(2,599)
Increase in accounts payable and accrued expenses		5,825	7,845
Employees' end of service indemnities paid	(9)	(5,529)	(65,174)
<b>Net cash flows provided from (used in) operating activities</b>		<u>19,466</u>	<u>(22,140)</u>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property and equipment	(7)	(696)	(1,418)
<b>Net cash flows (used in) investing activities</b>		<u>(696)</u>	<u>(1,418)</u>
Net Increase (decrease) in cash and cash equivalents during the year		<u>18,770</u>	<u>(23,558)</u>
Cash and cash equivalents, at the beginning of the year		75,973	99,531
Cash and cash equivalents, at the end of the year	(4)	<u>94,743</u>	<u>75,973</u>

***"The accompanying notes constitute an integral part of this financial statements"***

<b><u>Chairman</u></b>	<b><u>Treasurer</u></b>	<b><u>General Manager</u></b>	<b><u>Financial Manager</u></b>
			





**Arab Center for Agricultural Development**  
**Ramallah – Palestine**  
**Notes to the financial statement**

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**1. Establishment and Business Activity**

The Arab Center for Agricultural Development (society), is a Palestinian private charitable society. It was officially registered in Jerusalem in 1993, and on 6/9/2001 it was registered with the Palestinian National Authority as a charitable society in accordance with the Charitable Association's Law No. (1) of 2000 under registration No. QR-158-A. The society provides services to small and poor Palestinian producers. The Board of Directors are elected every (3) years by the General Assembly. The members of the Board of Directors consist of (7) members, including the Chairman.

**Objectives**

Rural agricultural development through participation by integrating marginalized groups, especially women and youth, in the development process and providing them with decent job opportunities.

**Vision**

A pioneering Palestinian developmental model that contributes to building an active rural agricultural community that relies on its capabilities, determines its own future, and lives in dignity in an independent, democratic State of Palestine.

**Message**

A developmental NGO that contributes to the agricultural and rural sector development efforts by building partnerships based on complementarity and professionalism and involving the target groups, including marginalized farmers and rural people, especially women and youth. It supports initiatives that encourage job creation, capacity building, development of agricultural and productivity infrastructure, and facilitating access to financing opportunities for the implementation of small projects.

**Values**

Justice, transparency, love, sincerity in work.

**Target groups**

The target groups of the society's activities are low-income Palestinians in rural and urban areas who are ready to develop their small projects in order to provide a better standard of living. As well as the poor who seek to not be part of the cycle of poverty by engaging in feasible investment activities.

**Final approval to issue the financial statements**

The financial statements for the year ending December 31, 2022 were approved by the management on June 7, 2023

**2. The basis for preparing the stand alone financial statements**

**A. Statement of commitment**

- These financial statements have been prepared on an accrual basis and in accordance with International Financial Reporting Standards.
- These financial statements are for the year ended December 31, 2022 before being consolidated with the subsidiaries.

**B. Basis of measurement**

The financial statements have been prepared on the historical cost basis, with the exception of financial assets and financial liabilities.

**C. Functional and presentation currency**

The stand-alone financial statements are presented in USD, which is the functional currency of the society.

**D. Use of estimates and judgments**

The preparation of stand-alone financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the implementation of accounting policies and amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and assumptions are continually reviewed and changes in accounting estimates are recognized in the year in which the estimate is changed and in subsequent years affected.

The following is a summary of significant areas of estimation uncertainty and judgments in applying accounting policies that have the most significant effect on the amounts in the stand-alone financial statements:

**Fair value measurement**

**Judgments**

The following is a summary of the important matters that have a material effect on the amounts of assets and liabilities in the stand-alone financial statements:

- Classification of financial assets: Evaluating the business model under which the assets are held and determining whether the contractual terms of the financial assets are principal and interest on the principal amount remaining outstanding.
- Develop new standards to determine whether financial assets have significantly decreased since their initial recognition and define a methodology for future aspirations and methods for measuring the expected credit loss.

**Assumptions and estimates of uncertainty**

- The management takes a provision for doubtful receivables based on its estimates about the possibility of recovering these receivables in accordance with the accounting policies of the society.
- The management periodically reassesses the useful lives of property and equipment based on the general conditions of these property and equipment and the management's expectations for their useful lives in the future.
- Recognizing and measuring provisions and contingent liabilities: the main assumptions about the probability and size of cash outflows and resources.
- The administration reviews the cases filed against the society on an ongoing basis, based on a legal study prepared by the society's lawyer, which shows the potential risks that the society may incur in the future as a result of these cases.
- Extension and termination options are included in a number of lease contracts. These terms are used to increase operational flexibility in terms of contract management. Most of the extension and termination options held are renewable by both the society and the lessor.

When determining the lease term, management considers all facts and circumstances that create an economic incentive to extend or not to terminate. The lease payments are discounted using the discount rate and the yield curve, and management has applied judgment to determine the incremental borrowing rate at lease commencement.

### **Fair value measurement**

A number of accounting policies and disclosures of the society require the measurement of fair values of financial and non-financial assets and liabilities. The society has a control framework with respect to the measurement of fair values. Significant evaluation problems are reported to the society's board of directors. When measuring the fair value of assets and liabilities, the society uses reliable market inputs when possible.

The society identifies the fair value using valuation techniques. The society also uses the following levels, which reflect the importance of the inputs used in determining the fair value:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques that are based on inputs, not on Level 1 prices, that are directly or indirectly determined for assets and liabilities.
- Level 3: Techniques for valuing assets or liabilities using significant inputs that are not based on available market information (untraceable inputs). If the inputs used to measure the fair value of the assets. If the inputs used to measure the fair value of an asset or a liability are in different levels of the fair value hierarchy, then the fair value measurement would be categorized entirely in the same level of the fair value hierarchy considering it the lowest significant income level for the entire measurement.

The society recognizes transfers between fair value levels at the end of the reporting year at the same time the change occurs.

- 1. The principal market for the asset or liability, or
- 2. The most beneficial market for assets and liabilities, and in the absence of a main market, the society must be able to deal through the most beneficial market.

Assets or liabilities that are measured at fair value can be as follows:

- 1. Separate assets or liabilities.
- 2. A group of assets, a group of liabilities, or a group of assets and liabilities.
- 3. A set of accounting policies and clarifications that require the calculation of the fair value of financial and non-financial assets and liabilities.

The society must have a specific policy for calculating the fair value, and the evaluation team must monitor and apply these policies, including the market value level 3. We believe that our estimates adopted in preparing the separate financial statements are reasonable and similar to the estimates approved in preparing the separate financial statements for the year ending on December 31, 2021, with the exception of the following:

### **Changes in accounting policies**

#### **IFRSs and the new amended effective interpretations:**

#### **Amendments with no effects to the company's financial statements**

The following amended IFRSs, that became effective, were adopted for the financial periods starting on or after 1 January 2022 in the preparation of the Company's financial statements. The adoption of the mentioned amendments did not materially affect the amounts and disclosures included in the financial statements of the current year as follows:



IFRS or Interpretation	Statement	Effective Date
Amendments to IAS 16, <i>property, plant, and equipment</i>	The amendment prohibits the deduction from the cost of an item of property, plant, and equipment any proceeds from selling items produced while an entity prepares the assets for its intended use. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing them, in the statement of income.	1 January 2022
Reference to the conceptual framework. Amendments to IFRS 3, <i>business combinations</i>	A minor amendment to IFRS 3 related to updating the reference to the financial reporting framework by adding an exemption from recognizing the liabilities and contingent liabilities within the scope of IAS 37, <i>provisions, contingent liabilities, and contingent assets</i> .  The amendment emphasized that the contingent assets should not be recognized on the date of acquisition.	1 January 2022
Onerous contracts - cost of fulfilling a contract Amendments to IAS 37, <i>provisions, contingent liabilities, and contingent assets</i>	The amendments state that the “cost of fulfilling” a contract comprises the costs that relate directly to the contract. These costs may be additional costs to fulfil a contract (for example, the direct labor or materials) or allocations of other costs that relate directly to fulfilling a contract (for example, the allocation of the depreciation expense to an item of property, plant, and equipment and the equipment used in fulfilling the contract).	1 January 2022
Annual improvements to IFRSs 2018 - 2020 cycle	Annual improvements to IFRS 9, IFRS 16, IFRS 1, and IAS 41.	1 January 2022

**IFRSs and the new amended interpretations that are not effective yet:**

The society did not adopt any of the following new amended standards that were issued but not yet effective:

IFRS or Interpretation	Statement	Effective Date
IFRS 17, <i>insurance contracts</i>	IFRS 17 was issued in May 2017 to supersede IFRS 4, <i>insurance contracts</i> .  The existent measuring model requires the remeasurement of estimates, where they exist, in each reporting period.  Contracts should be measured using the following bases: <ul style="list-style-type: none"> <li>• Weighted average discounted cashflows;</li> <li>• Explicit adjustment to risks; and</li> </ul>	1 January 2023 Deferred from 1 January 2021

IFRS or Interpretation	Statement	Effective Date
	<ul style="list-style-type: none"> <li>The contractual service margin that represents the unrealized profit from the contract that will be recognized as revenues during the coverage period.</li> </ul>	
<p>Disclosure of accounting policies</p> <p>Amendments to IAS 1, and practice statement 2</p>	<p>The amendments to IAS 1 require entities to disclose material instead of significant accounting policies and provide additional amendments that explain how an entity determines the material accounting policies. Examples are added to explain the cases where potential material accounting policies exist. To support the amendment, the IASB has developed guidance and examples to explain and demonstrate the application of “the four-step materiality process” included in IFRS practice statement 2. Once the entity applies the amendments to IAS 1, it is permitted to apply the amendments to IFRS practice statement 2. Entities should apply the amendments prospectively.</p>	1 January 2023
<p>Definition of accounting estimates</p> <p>Amendments to IAS 8,</p>	<p>Amendments to IAS 8, <i>accounting policies, changes in accounting estimates and errors.</i></p> <p>The amendments replace the definition of changes in accounting estimates with the definition of accounting estimates. According to the new definition, the accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty.” Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error.</p>	1 January 2023
<p>Amendments to IAS 12, <i>income taxes</i></p> <p><i>The deferred tax related to assets and liabilities arising from a single transaction.</i></p>	<p>The amendments require the entity to recognize the deferred taxes on the transactions that give rise, at the initial measurement, to equal amounts of taxable and deductible temporary differences. The amendments typically apply to transactions such as leases of lessees and end of service obligations, and will require the affected entities to recognize additional deferred taxes, assets and liabilities.</p> <p>This means that the initial recognition exemption will not apply to the transactions that give rise to equal amounts of taxable and deductible temporary differences at initial recognition.</p>	1 January 2023
<p>Initial Application of IFRS 17 and IFRS 9—Comparative Information (amendment to IFRS 17)</p>	<p>The amendment permits entities that apply IFRS 17 and IFRS 9 simultaneously for the first time to present comparative information about the financial assets as if the classification requirements in IFRS 9 have been applied previously on these financial assets.</p>	1 January 2023



IFRS or Interpretation	Statement	Effective Date
Classification of liabilities as current or noncurrent, amendments to IAS 1	The amendments to the presentation of financial statements show that the liabilities are classified as current or noncurrent based on the rights at the end of the reporting period. This classification is not affected by the entity's expectations or subsequent events. The amendments to the classification of liabilities as current or non-current (amendments to IAS 1) only affect the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of an asset, liability, revenue, expense, or information disclosed by an entity about such items.	1 January 2024 (Deferred from 1 January 2022)
Amendments to IFRS 16, <i>leases</i> <i>Lease liability in a sale and leaseback</i>	An amendment that explains how a seller - lessee subsequently measures a sale and a leaseback.	1 January 2024
Amendments to IFRS 10 and IAS 28 - <i>Sales or contributions of assets between an investor and its associate or joint venture</i>	The amendments address the inconsistencies between IFRS 10 and IAS 28 in dealing with loss of control over a subsidiary that was sold, or contributions in an associate or joint venture.	Postponing the effective date indefinitely; early application is permitted

The management of the society does not expect that these standards will have a material impact on the financial statements when applied in future financial periods.

### 3. Significant accounting policies

The accounting policies used in preparing the financial statements are the same as those applied by the society in its financial statements for the year ended December 31, 2021, except for the impact of the application of the new and revised International Financial Reporting Standards, which became effective for the financial periods beginning on or after the first of January 2022.

#### Accounting Policies Applied:

##### Financial assets and liabilities

##### -Recognition and initial measurement

Accounts receivable and debt instruments are initially recognized when they are established. All other financial assets and liabilities are initially recognized when the society becomes a party to the contractual provisions of the financial assets or liabilities. Financial assets and financial liabilities are initially measured at fair value plus, for an instrument not classified as a fair value through activity statement, transaction costs that are directly attributable to its acquisition or issue.

##### -Classification

##### Financial assets

At initial recognition, financial assets are classified into assets: at amortized cost, at Financial assets at FVTPL, or at Financial assets through the income statement.



A financial asset is measured at amortized cost if it meets the following two conditions and has not been designated as a Financial asset at FVTPL, or at Financial assets through the activities statement.

These financial assets are held within the business model whose objective is to hold assets in order to collect contractual cash flows. They are on specific dates and these flows are only principal and interest payments on the principal amount outstanding.

Upon initial recognition of an investment in shares not held for trading, the society may, without the right to reverse its decision, elect to display subsequent changes in the fair value of the investment in comprehensive income. These decisions are made for each investment separately. All other financial assets are measured at fair value through the activities statement.

### **Revocation of recognition**

#### **Financial assets**

The society derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it substantially transfers the rights to receive the contractual cash flows and all of the risks and rewards of ownership of the financial asset in a transaction to another party, or in which the society has neither transferred nor retained substantially all the risks and rewards of ownership and does not retain control of the financial assets.

The difference between the carrying amount of the assets that were derecognized and the value obtained for the society is recognized in the statement of activities, and the cumulative part is reversed in the activities related to those assets.

#### **Financial liabilities**

The society derecognizes financial liabilities when its contractual obligations are discharged, canceled or expire.

### **3.1. Non-commercial accounting principles**

The accounting records of the society were organized in order to comply with the accounting rules of non-profit institutions, and the accounts included the following:

#### **General Fund:**

It represents the net assets used by the society that are not subject to restrictions imposed by donors.

#### **Temporary restricted fund**

It represents the net assets, the use of which is restricted by the society due to restrictions imposed by the donors, and which expire with the passage of time or are achieved through the procedures carried out by the society according to the conditions imposed by the donors, which expires with the passage of time or is achieved through the actions carried out by the society according to the conditions imposed by the donors.

#### **Revenue:**

It is recorded as an excess of unrestricted net assets unless its use is limited by donor-imposed restrictions. When the donor restrictions expire, when a specific time restriction expires or the purpose is determined, the temporarily restricted net assets are classified as unrestricted net assets and recorded as net assets released from the restrictions.

#### **Fixed asset investment:**

Represents investment in fixed assets.

### **3.2. Investment in subsidiary**

The investment in the subsidiary is shown in the accompanying financial statements at cost.

### **3.3. Contracts and Grants**

Promises of cash to an unconditional society by donors are recorded as contribution receivable and as deferred revenue at fair value at the date of promise to pay.

Grants received are recorded as either restricted or unrestricted revenue on the date the cash is received.

Promises of unconditional payment are promises that depend only on the passage of time and action required by the donor. Promises of conditional payments are recorded at fair value on the date the grant is received and reported as restricted income, and when the restrictions on granting end, either with the passage of time or by achieving the goal of the restriction process. The restricted net assets are reclassified as unrestricted net assets and appear in the statement of activities as net assets released from restriction.

Local contributions are recorded on the date they are received.

### **3.4. Donors' receivable**

It is shown in the total amount if it is unrestricted, deduct the amounts received and the uncollectible pledges. Uncollectible (write-off) amounts are estimated at the time when collection of fully pledges uncollectible.

### **3.5. Property and equipment**

Plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Property and equipment include the cost incurred to replace any component of property and equipment and financing expenses for long-term construction projects if the recognition criteria are met. All other expenses are recognized in the statement of activities and change in net assets when incurred.

Depreciation is calculated using the straight-line method over the expected useful life as follows:

<b><u>Property and equipment</u></b>	<b><u>Depreciation</u></b>
	<b><u>percentage</u></b>
Furniture & fixture	7%
Office equipment	15%
Computers and printers	30%
Lease hold Improvements	20%

### **3.6. End of service provision**

The allocation for the end-of-service indemnity is made in accordance with the labor law in force in Palestine where the provision is calculated based on the last salary received by the employee multiplied by the number of years of service. Starting from January 1, 2019, an annual end-of-service provision is paid to the employees, and the society recognizes the amount paid within the expenses.

### **3.7. Provision**

Provisions are recognized when the society has an obligation (legal or contractual) at the statement of financial position date arising from a past event, and it is probable that the obligation to settle will result in an outflow of economic benefits and its value can be reliably measured.

### **3.8. Taxes and value added tax**

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

### 3.9. Program Expenses

Expenditures that can be reliably identified are credited to program, project, and other management accounts, and other expenditures that are common to several functions are allocated based on management's best estimates and judgment.

### 3.10. Foreign Currencies

The society maintains accounting records in US dollars, while transactions in other currencies are converted into dollars as follows:

- Transactions in currencies other than the US Dollar (the base currency) during the year are converted into US dollars at the exchange rates prevailing on the date of the transaction.
- Monetary assets and liabilities and those receivables or payables in other currencies at the end of the year are translated into US dollars at the exchange rates prevailing at the date of the financial statements.
- Transfer rates were as follows:

	<u>2022</u>	<u>2021</u>
	USD	USD
New Shekel	0.28245	0.32084
Jordanian Dinar	1.41044	1.41044
Euro	1.16300	1.13195

- Exchange differences arising from translation are accounted for in the stand-alone statement of activities.

### 4. Cash and cash equivalents

This item consists of:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	USD	USD
Cash in hand	19	422
Cash at banks - USD	79,180	52,698
Cash at banks - Israeli shekels	3,502	10,572
Cash at banks - Euros	12,042	12,281
<b>Total</b>	<b>94,743</b>	<b>75,973</b>

### 5. Donations receivable

This item consists of:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	USD	USD
ACTED	--	3,094
<b>Total</b>	<b>--</b>	<b>3,094</b>



**6. Other Receivables**

a. This item consists of:

	December 31, 2022	December 31, 2021
	USD	USD
Prepaid Expenses	1,969	2,798
Cooperative societies and loan balances	103,903	109,573
Other receivables	20,036	47,454
Checks in collection	4,947	3,554
	<b>130,855</b>	<b>163,379</b>
Provision for expected credit losses	(125,319)	(125,319)
Balance at the end of the year	<b>5,536</b>	<b>38,060</b>

b. The movement in the expected credit losses provision during the year was as follows:

	December 31, 2022	December 31, 2021
	USD	USD
Balance at the beginning of the year	125,319	125,319
Less: Amounts received during the year	--	--
Balance at the end of the year	<b>125,319</b>	<b>125,319</b>

**7. Property and equipment, net**

This item consists of:

	Furniture & fixture	Office equipment	Computers and printers	Leasehold improvements	Total
	USD	USD	USD	USD	USD
<b>Cost:</b>					
Balance as of January 1, 2022	25,726	18,188	36,167	35,463	115,544
Additions	197	499	--	--	696
Balance as of December 31, 2022	<b>25,923</b>	<b>18,687</b>	<b>36,167</b>	<b>35,463</b>	<b>116,240</b>
<b>Accumulated Depreciation:</b>					
Balance as of January 1, 2022	14,669	18,188	33,117	35,463	101,437
Additions	1,265	146	1,100	--	2,511
Balance as of December 31, 2022	<b>15,934</b>	<b>18,334</b>	<b>34,217</b>	<b>35,463</b>	<b>103,948</b>
Book value, as of December 31, 2022	<b>9,989</b>	<b>353</b>	<b>1,950</b>	<b>--</b>	<b>12,292</b>
Book value, as of December 31, 2021	<b>11,057</b>	<b>--</b>	<b>3,050</b>	<b>--</b>	<b>14,107</b>

**8. Accounts payable and accrued expenses**

This item consists of:

	December 31, 2022	December 31, 2021
	USD	USD
Accounts payable	6,327	3,865
Other	10,526	7,163
Total	<b>16,853</b>	<b>11,028</b>

**9. Provision for end of service Indemnity - short term**

During the year 2019, as a result of the severe shortage in grants and funded projects for the society, the board of directors decided to restructure it, as it terminated the services of the existing employees and paid the large part of their dues during the years 2021 and 2020 and appointed part-time employees in order to reduce costs due to the lack of grants and donations, and end of service benefits provision to be paid annually to the employees.

The movement on the provision for end of service Indemnity during the year was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	<b>USD</b>	<b>USD</b>
Balance as of January 1, 2021	5,565	65,093
Additions during the year	4,589	5,646
Payments during the year	(5,529)	(65,174)
<b>Balance as at the end of the year</b>	<b>4,625</b>	<b>5,565</b>

**10. Restricted and released net assets**

This item consists of:

	Undisbursed grants beginning of the year USD	Grants received (returned) USD	Grants available USD	Released from Restricted Grants - Program USD	Currency differences USD	Restricted grants at the end of the year USD
ACTED-2021	--	28,586	28,586	(28,581)	(5)	--
ACTED-2022	--	35,011	35,011	(25,810)	--	9,201
Land and Rights Project - COSPE	44,232	(10,759)	33,473	(33,436)	(37)	--
Daman project	11,390	19,909	31,299	(15,516)	--	15,783
Our future project	3,184	--	3,184	(3,140)	(44)	--
Promoting gender in agricultural value chains	9,204	--	9,204	(9,883)	679	--
<b>Total</b>	<b>68,010</b>	<b>72,747</b>	<b>140,757</b>	<b>(116,366)</b>	<b>593</b>	<b>24,984</b>

# 11. Project expenses

This item consists of:

<u>USD</u>	ACTED- 2022	ACTED- 2021	Promoting gender in agricultural value chains	Daman project	Land and Rights Project - COSPE	Our future project	Total project expenses 2022	Total project expenses 2021
Salaries and related expenditures	5,793	6,900	9,883	11,390	16,897	3,140	54,003	86,534
Rental of buildings and halls	4,600	--	--	--	4,100	--	8,700	6,612
General maintenance + programs	122	--	--	--	--	--	122	2,858
Stationery, publications	424	353	--	118	89	--	984	1,075
Bank interest and commissions	146	--	--	--	(2)	--	144	189
Other miscellaneous expenses	179	534	--	--	--	--	713	1,468
Workshops and training	6,600	297	--	--	--	--	6,897	15,473
Travel, relocation and residence	2,463	2,416	--	4,008	1,405	--	10,292	9,748
Telephone, Fax and Postage	--	2,206	--	--	84	--	2,290	7,796
Project activities	5,482	15,876	--	--	10,863	--	32,221	218,447
<b>Total</b>	<b>25,809</b>	<b>28,582</b>	<b>9,883</b>	<b>15,516</b>	<b>33,436</b>	<b>3,140</b>	<b>116,366</b>	<b>350,200</b>



**12. General and administrative expenses**

This item consists of:

	December 31, 2022	December 31, 2021
	USD	USD
Salaries and related benefits	13,343	13,857
Rents, electricity, water and fuel	2,425	1,936
Professional fees	4,362	617
Training, travel and accommodation	3,611	2,607
Collecting and closing non-performing loans expenses	4,337	7,088
Insurance and medical expenses	4,360	3,970
Telephone, fax and mail	1,788	341
Stationery, hospitality and general maintenance expenses	482	30
Bank fees and interest	671	497
Subscriptions and fees	200	150
Maintenance	6,490	5,790
Other expenses	511	--
<b>Total</b>	<b>42,580</b>	<b>36,883</b>

**13. Other Revenues**

This item consists of:

	December 31, 2022	December 31, 2021
	USD	USD
Gaza portfolio management revenues - from ACAD company	50,000	50,000
Bethlehem Arab Society for Rehabilitation Agreement	7,828	--
Others	5,030	1,421
<b>Total</b>	<b>62,858</b>	<b>51,421</b>

**14. Related Party balances**

This item consists of:

	December 31, 2022	December 31, 2021
	USD	USD
Investment in a subsidiary Company	3,000,000	3,000,000
<b>Total</b>	<b>3,000,000</b>	<b>3,000,000</b>

#### 15. **ACAD Finance and Development Company**

ACAD Finance and Development Company was established as a “private shareholder company” with a capital of USD 5,335,000 divided into 5,335,000 shares with a nominal value of one dollar per share. The capital is distributed as follows:

Shareholder's name	Percentage	Number of shares
Arab Center for Agricultural Development	%56.23	3,000,000
European Investment Bank	%18.74	1,000,000
SIDI	%10.03	535,000
Grameen Credit Agricole	%9.38	500,000
Triple Jump	%5.62	300,000
	<b>%100</b>	<b>5,335,000</b>

#### 16. **Financial Risk Management**

##### **Overview**

The society has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Interest risk

This note presents information about the society’s exposure to each of the above risks, the society’s objectives, policies and processes for measuring and managing risk, and the society’s management of capital.

##### **Risk management framework**

The overall responsibility for the preparation and monitoring of risk management rests with the society’s management.

The society’s risk management policies are designed to identify and analyze the risks faced by the society and to set appropriate controls and limits on the extent of exposure to those risks and then monitor them to ensure that the limits set are not exceeded.

Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the company's activities. The society’s management, through training and management standards and procedures, aims to develop a constructive and orderly control environment so that each employee understands his or her role and duties.

The society’s Board of Directors monitors the performance of the management in monitoring the extent to which the society’s policies and procedures are adhered to in managing risks. It also reviews the adequacy of the risk management framework in relation to the risks facing the society.

**- Credit risk**

Credit risk represents the risk of the society's exposure to financial loss due to the failure of the customer or the party dealing with the society with a financial instrument to fulfill its contractual obligations. These risks arise mainly from accounts with banks, donor receivables other receivables.

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
	<b>USD</b>	<b>USD</b>
Cash and cash equivalents	94,743	75,973
Donor receivables	--	3,094
Interest receivable	8,021	9,763
Other receivable	5,536	38,060
<b>Total</b>	<b>108,300</b>	<b>126,890</b>

**- Liquidity risk**

Liquidity risk is the risk arising from the society's inability to meet its financial obligations as they fall due and associated with its financial liabilities that are settled by providing cash or other financial assets. The society's management of liquidity is to ensure, as far as possible, that the society always maintains sufficient liquidity to meet its obligations when they become payable in normal and emergency circumstances without incurring unacceptable losses or risks that may affect the society reputation.

**- Market risk**

Market risk is the risk that arises from changes in market prices, such as foreign exchange rates, interest, returns and equity prices, which affect the society's profits or the value of the society's financial instruments. The objective of the market risk management is to control the society's exposure to market risks within acceptable limits, in addition to maximizing the return.

**- Interest rate fluctuations**

Interest rate risk is the risk that the value or cash flows of financial instruments will change due to changes in market interest rates.

**17. Fair Value Hierarchy**

The table below shows the analysis of financial instruments designated at fair value by valuation method, where the different levels are defined as follows:

**Level 1:** Quoted prices (unadjusted) in an active market for identical financial assets and liabilities.

**Level 2:** Inputs other than quoted prices included in Level 1 that can be determined for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices), quoted prices in active markets for similar instruments or through the use of a valuation model that includes inputs that can be traced back to the markets, and those inputs may be determined directly or indirectly.

**Level 3:** Inputs for assets and liabilities that are not based on observable market information (unobservable inputs).



**Financial assets and liabilities that are not measured at fair value:**

USD	Book Value	Level (1)	Level (2)	Level (1)
<b><u>December 31, 2022</u></b>				
Cash and cash equivalents	94,743	94,743	--	--
Interest receivable	8,021	--	8,021	--
Other receivable	5,536	--	5,536	--
Accounts payable and accrued expenses	16,853	--	16,853	--
Provision for of service Indemnity - short term	4,625	--	4,625	--
<b><u>December 31, 2021</u></b>				
Cash and cash equivalents	75,973	75,473	--	--
Donor receivables	3,094	--	3,094	--
Interest receivable	9,763	--	9,763	--
Other receivable	38,060	--	38,060	--
Accounts payable and accrued expenses	11,028	--	11,028	--
Provision for of service Indemnity - short term	5,565	--	5,565	--

For the items described above, the second level of the fair value of the financial assets and liabilities has been determined on the basis of agreed pricing models to reflect the credit risks of the parties transacting with the society and interest rates.

**18. Concentration of Risk in Geographic Area:**

The Society is carrying out all of its activities in West Bank, Palestine. The political and economic situation in the area increases the risk of carrying out these activities and may adversely affect the Society's performance.

**19. Comparative figures:**

Certain comparative figures have been reclassified to comply with the current financial statements' presentation.