

Arab Center for Agricultural Development
Ramallah-Jerusalem

Independent Auditor's Report
and Financial Statements
For the year ended December 31, 2021

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
Jerusalem – 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, 2021, the statement of activities, statement of change in net assets and the statement of cash flows for the year then ended, and clarifications about 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, 2021, 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 financial statements of the society for the year ending on December 31, 2020, were audited by another auditor who issued an unqualified opinion on November 2, 2021.
- The accompanying financial statements do not include the statements of the subsidiary (ACAD Finance and Development Company) owned by 56.23% of the capital with a total income of USD 1,623,723 and total assets of USD 10,839,025 and net loss of USD 288,475 according to the audited financial statements of the company for the year 2021; consolidated financial statements were issued for the Society on November 17, 2022.

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 Company'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 Company 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 resulting in 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

15 September 2022



Arab Center for Agricultural Development
Ramallah – Palestine
Statement of Financial Position as of December 31, 2021 Exhibit "A"

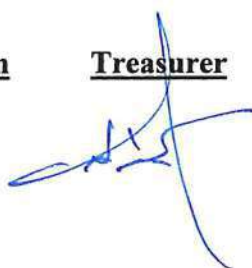
	<u>Note</u>	<u>December</u> <u>31, 2021</u> <u>USD</u>	<u>December</u> <u>31, 2020</u> <u>USD</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash and cash equivalents	4	75,973	99,531
Donations receivable	5	3,094	1,090
Interest receivable		9,763	12,234
Other receivable	6	38,060	35,461
		<u>126,890</u>	<u>148,316</u>
<u>Non-current assets</u>			
Investment in a subsidiary	14	3,000,000	3,000,000
Property and equipment, net	7	14,107	15,017
		<u>3,014,107</u>	<u>3,015,017</u>
Total Assets		<u>3,140,997</u>	<u>3,163,333</u>
<u>Liabilities and net assets</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued expenses	8	11,028	3,183
Provision for End of service Indemnity- short term	9	5,565	65,093
Total Liabilities		<u>16,593</u>	<u>68,276</u>
<u>Net assets</u>			
General fund - Exhibit - c		42,287	26,618
Temporary restricted fund	10	68,010	53,422
Funds invested in property and equipment	7	14,107	15,017
Funds invested in a subsidiary	14	3,000,000	3,000,000
Total Net assets		<u>3,124,404</u>	<u>3,095,057</u>
Total Liabilities and Net Assets		<u>3,140,997</u>	<u>3,163,333</u>

"The accompanying notes constitute an integral part of these financial statements"

Chairman



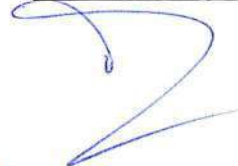
Treasurer



General Manager



Financial Manager



Arab Center for Agricultural Development
Ramallah – Palestine
Statement of activities for the year ending on December 31, 2021
Exhibit "B"

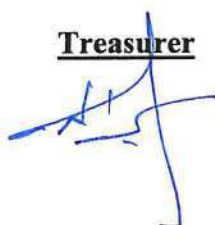
	<u>Note</u>	<u>December</u> <u>31, 2021</u> <u>USD</u>	<u>December</u> <u>31, 2020</u> <u>USD</u>
<u>Grant and donation</u>			
Grant and donation revenue	10	359,042	252,900
Total revenues, grants and donations		359,042	252,900
<u>Loan revenues</u>			
Loan interest		777	1,833
Delinquent loan receipts		5,579	39,797
Delayed interest		2,002	2,975
Total Loan revenues		8,358	44,605
Other Revenue	13	51,421	105,925
Total Revenue		418,821	403,430
<u>Expenses</u>			
Project expenses	11	(350,200)	(217,139)
Administrative and general expenses	12	(36,883)	(76,930)
Total expenses before depreciation and currency losses		(387,083)	(294,069)
Depreciation	7	(2,328)	(2,936)
Profits (losses) of the currency differences		(63)	(5,673)
Total		(389,474)	(302,678)
The increase in net Assets for the current year		29,347	100,752
- Exhibit C			

"The accompanying notes constitute an integral part of these financial statements"

Chairman



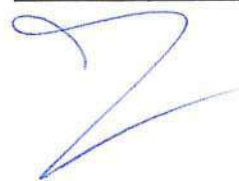
Treasurer



General Manager



Financial Manager



Arab Center for Agricultural Development

Ramallah – Palestine

Statement of change in net assets for the year ending December 31, 2021 Exhibit "C"

	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 December 31, 2021					
Net assets as on January 1, 2021	26,618	53,422	15,017	3,000,000	3,095,057
Increase 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	<u>42,287</u>	<u>68,010</u>	<u>14,107</u>	<u>3,000,000</u>	<u>3,123,404</u>
Net assets as of December 31, 2020					
Net assets as on January 1, 2020	(42,966)	23,104	14,167	3,000,000	2,994,305
Increase in net assets for the year	70,434	30,318	--	--	100,752
Purchases of property and equipment, net of depreciation	(850)	--	850	--	--
Net assets as of December 31, 2020	<u>26,618</u>	<u>53,422</u>	<u>15,017</u>	<u>3,000,000</u>	<u>3,095,057</u>

"The accompanying notes constitute an integral part of these financial statements"

Chairman

Treasurer

General Manager

Financial Manager








Arab Center for Agricultural Development
Ramallah – Palestine
Statement of cash flows for the year ending December 31, 2021 Exhibit “D”

	<u>Note</u>	<u>December</u> <u>31, 2021</u> <u>USD</u>	<u>December</u> <u>31, 2020</u> <u>USD</u>
<u>Cash flows from operating activities</u>			
Increase in net assets Exhibit - B		29,347	100,752
Adjustment to reconcile changes in net assets to net cash provided from operating activities			
<u>Items that do not require cash flows</u>			
Depreciation of property and equipment	(7)	2,328	2,936
Provision for end of service benefits	(9)	5,646	5,583
<u>Changes in operating assets and liabilities</u>			
(Increase) decrease in donations receivable		(2,004)	32,225
Decrease of interest receivable		2,471	852
(Increase) in other receivables		(2,599)	(21,387)
Increase (decrease) in accounts payable and accrued expenses		7,845	(44,317)
Employees' end of service indemnities paid	(9)	(65,174)	(297,042)
Net cash flows (used in) operating activities		<u>(22,140)</u>	<u>(220,398)</u>
<u>Cash flows from investing activities</u>			
Purchase of property and equipment	(7)	(1,418)	(3,787)
Required by the subsidiary		--	(10,022)
Net cash flows (used in) investing activities		<u>(1,418)</u>	<u>(13,809)</u>
Net (decrease) in cash and cash equivalents during the year		<u>(23,558)</u>	<u>(234,207)</u>
Cash and cash equivalents, at the beginning of the year		99,531	333,738
Cash and cash equivalents, at the end of the year	(4)	<u>75,973</u>	<u>99,531</u>

“The accompanying notes constitute an integral part of these financial statements”

Chairman



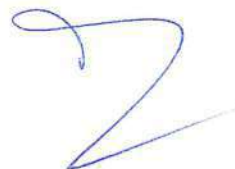
Treasurer



General Manager



Financial Manager



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

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.

As a result of the severe shortage in grants and funded projects for the society during the year 2019, the board of directors of the society decided to restructure, as it terminated the services of the existing employees and paid their dues, and they appointed part-time employees in order to reduce costs due to the lack of grants and donations to the society.

Final approval to issue the financial statements

The financial statements for the year ending December 31, 2021 were approved by the management on November 28, 2022.

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.

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 ending December 31, 2021 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, 2020, with the exception of the following:

3. Summary of significant accounting policies

The accounting policies used in preparing the financial statements are consistent with those that were followed in preparing the financial statements for the year ending on December 31, 2020, except of the following new and amended standards, which became effective as of January 1, 2021 and as follows:

Standard/interpretation	Subject	Effective date
International Financial Reporting Standard 17	Insurance contracts	January 1, 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to IAS 8	Define accounting estimates	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023
Amendments to IFRS 3	Refer to the conceptual framework	January 1, 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before reaching its intended use	January 1, 2022
Amendments to IAS 37	Burdened Contracts -Contract Completion Costs	January 1, 2022
IFRS 9 Financial Instruments	Fee in the test: 10% for derecognition of financial liabilities	January 1, 2022

The society did not early adopt any standards, interpretations or amendments that have been issued but are not yet effective.

Management expects to apply these new standards, interpretations and amendments in the society's financial statements when they are applicable, and the adoption of these new standards, interpretations and amendments may not have any material impact on the society's financial statements in the period of initial application.

Significant accounting policies

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 assets 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 off off amounts are estimated at the time when collection of fully pledges is un possible.

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:

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

3.6 Rental contracts

Company acting as a lessee

On the date of signing the contract, or on the date of re-evaluation of the contract containing the lease elements, the society distributes the entire contract value to the contract components in a proportional manner in line with the value. Note that the company has decided, with regard to lease contracts that include land and building, to treat the components of the contract as a single clause.

The society recognizes the right to use the asset and the liabilities of the lease at the commencement of the lease. The right-of-use is measured at initial recognition at cost, which includes the initial value of the lease liability adjusted for lease payments made on or before the start date of the contract, plus any initial direct costs incurred and any expected costs related to removing the asset and/or restoring the asset to its pre-contractual condition, less the effect of any lease incentives received.

The right to use the asset is subsequently depreciated using the straight-line method from the start date of the contract, considering the useful life of either the lease term or the remaining useful life of the leased asset, whichever is less. The useful life of the leased asset is estimated on the same basis as the assessment of the useful life of property and equipment. The value of the right to use the asset is also reduced periodically to reflect the impairment value (if any) and is modified to reflect the impact of the modifications on the obligations associated with the lease contracts.

The lease liability is measured at initial recognition as the present value of the unpaid lease payments at the lease date, discounted using the interest rate implicit in the lease, and if it cannot be determined, the borrowing rate used by the society. The borrowing rate used by the society is usually used. The company determines the borrowing rate by analyzing its loans from various external sources and making some adjustments to reflect the lease terms and the type of leased assets.

The lease payments taken into account for the purposes of calculating the obligations related to the

lease contract include the following:

- Fixed payments, which include substantial fixed payments.
- Variable payments that depend on an indicator or a percentage, which is measured at initial recognition, taking into account this indicator or percentage at the lease date, the amounts expected to be paid under the residual value guarantee clause; and
- The purchase option price when the society is confident that it will implement the purchase option clause, lease payments when there is an optional renewal clause and the society intends to renew the lease, and fines related to early termination of the contract unless the society is confident that it will not terminate early.

The lease liability is measured at amortized cost using the effective interest rate. Liabilities are re-measured when there is a change in future lease payments as a result of a change in a specific indicator or percentage, when there is a change in management's estimates regarding the value payable under a residual value guarantee, or when the society's plan to exercise a purchase option changes, renews or termination of the contract.

When the lease liability is measured in this way, the effect of the modification is recorded on the right-to-use asset or in the statement of activities if the carrying amount of the right-to-use asset is fully amortized.

The society presents the right-of-use assets under property and equipment and the obligations related to lease contracts are presented within the liabilities (lease obligations) in the statement of financial position.

Short-term leases and leases of low-value assets:

The society has elected not to recognize the right-of-use assets and short-term lease liabilities for items with a lease term of 12 months or less and low-value leases. The society recognizes the lease payments associated with these contracts as operating expenses on a straight-line basis over the lease term.

Society acting as a lessor

When the society is a lessor, it determines at the commencement of the lease, whether each lease is a finance lease or an operating lease.

To classify each lease, the society makes a comprehensive assessment of whether the lease transfers substantially all of the risks and benefits associated with ownership of that asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the society considers certain indicators such as whether the lease is for the greater part of the economic life of the asset.

The society applies the de-recognition and impairment requirements in IFRS 9 to the net investment in a lease. The society periodically reviews the expected unsecured residual value that has been used in calculating the total investment amount in the lease.

There is no effect of applying International Accounting Standard No. 16 on the financial statements of the society.

3.7 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 allowance is paid to the employees, and the society recognizes the amount paid within the expenses.

3.8 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.

3.9 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.

3.10 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.

3.11 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>2021</u>	<u>2020</u>
	USD	USD
New Shekel	0.32084	0.31079
Jordanian Dinar	1.41044	1.41044
Euro	1.13195	1.22830

- 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, 2021</u>	<u>December 31, 2020</u>
	USD	USD
Cash in hand	422	15
Cash at banks - USD	52,698	21,287
Cash at banks - Israeli shekels	10,572	3,619
Cash at banks - Jordanian dinars	--	--
Cash at banks - Euros	12,281	74,610
Total	75,973	99,531

5. Donations receivable

This item consists of:

	December 31, 2021	December 31, 2020
	USD	USD
Work Against Hunger	--	1,090
ACTED	3,094	--
Total	3,094	1,090

6. Other Receivables

a. This item consists of:

	December 31, 2021	December 31, 2021
	USD	USD
Prepaid Expenses	2,798	2,920
Cooperative societies and loan balances	109,573	125,319
Other receivables	47,454	8,617
Postdated checks	3,554	23,924
	163,379	160,780
Provision for credit losses (cooperative societies' receivables and loan balances)	(125,319)	(125,319)
	38,060	35,461

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

	December 31, 2021	December 31, 2021
	USD	USD
The balance at the beginning of the year	125,319	165,116
Less: Amounts received during the year	--	(39,797)
The balance at the end of the year	125,319	125,319

7. Property and equipment, net

This item consists of:

	Furniture & fixture	Office equipment	Computers and printers	Leasehold improvements	Total
	USD	USD	USD	USD	USD
Cost:					
The balance as of January 1, 2021	25,726	18,188	34,749	35,463	114,126
Additions	--	--	1,418	--	1,418
Balance as of December 31, 2021	25,726	18,188	36,167	35,463	115,544
Accumulated Depreciation:					
The balance as of January 1, 2021	(13,118)	(18,188)	(32,340)	(35,463)	(99,109)
Additions	(1,551)	--	(777)	--	(2,328)
Balance as of December 31, 2021	(14,669)	(18,188)	(33,117)	(35,463)	(101,437)
Book value, as of December 31, 2021	11,057	--	3,050	--	14,107
Book value, as of December 31, 2020	12,608	--	2,409	--	15,017

8. Accounts payable and accrued expenses

This item consists of:

	December 31, 2021	December 31, 2020
	USD	USD
Accounts payable	3,865	3,183
Other	7,163	--
Total	11,028	3,183

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 of the society decided to restructure, 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 to the society, as an end-of-compensation provision is paid annually to the employees.

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

	December 31, 2021	December 31, 2020
	USD	USD
Balance as of January 1, 2021	65,093	356,552
Additions during the year	5,646	5,583
Payments during the year	(65,174)	(297,042)
Balance as at the end of the year	5,565	65,093

10. Restricted and deregulated net assets

This item consists of:

	Undisbursed grants beginning of the year	Grants received during 2021	Grants receivable during 2020	Grants available	Released from Restricted Grants - Program Expenses	Currency differences	Undisbursed grants at the end of the year
	USD	USD	USD	USD	USD	USD	USD
Development of the food manufacturing unit - Beit Iskaria	10,553	--	--	10,553	11,559	(1,006)	--
Educational agricultural initiative - Beit Ummar	6,018	--	--	6,018	5,909	109	--
Let's Get Started Project - EDUCAID	3,924	--	--	3,924	6,100	(2,176)	--
Promoting cooperation and economic exchange - PCS	6,867	--	--	6,867	8,784	(1,917)	--
Land and Rights Project - COSPE	9,669	182,637	--	192,306	146,134	1,940	44,232
Daman project	10,678	--	--	10,678	--	(712)	11,390
The Humsa Project – AFPS	5,713	--	--	5,713	4,745	968	--
Our future project	--	7,369	--	7,369	4,228	(43)	3,184
Promoting gender in agricultural value chains	--	20,532	--	20,532	10,649	679	9,204
Urgent assistance to vulnerable families and farmers - ACF	--	101,478	--	101,478	101,478	--	--
Supporting emergency food security and livelihoods for the most vulnerable affected families - ACTED	--	47,026	3,094	50,120	50,614	(494)	--
	<u>53,422</u>	<u>359,042</u>	<u>3,094</u>	<u>415,558</u>	<u>350,200</u>	<u>(2,652)</u>	<u>68,010</u>

Food Processing Unit - Beit Askaria	Agricultural initiative - Beit Ummar	Promote cooperation and economic exchange		Rights and land project		Urgent assistance to vulnerable families and farmers in Rafah Governorate - ACF		Humana project	Food Security Support ACTED	Our future Project	Promoting gender in agricultural value chains	
		Let's Get Started Project	USD	USD	USD	USD	USD				USD	USD
11,559	2,266	--	8,784	45,360	8,775	--	9,790	--	--	--	86,534	46,725
--	--	--	--	5,002	1,000	--	--	--	610	--	6,612	8,358
--	--	--	--	--	2,668	--	190	--	--	--	2,858	--
--	--	--	--	31	899	--	145	--	--	--	1,075	1,048
--	--	--	--	153	36	--	--	--	--	--	189	294
--	--	--	--	196	1,260	--	--	--	12	--	1,468	2,214
--	--	--	--	15	3,118	--	3,003	--	5,109	4,228	15,473	--
--	--	--	--	--	--	--	--	--	--	--	--	900
--	--	--	--	209	3,475	--	1,146	--	4,918	--	9,748	4,814
--	--	--	--	4,988	2,357	--	451	--	--	--	7,796	2,573
--	--	--	--	--	--	--	--	--	--	--	--	1,051
--	3,643	6,100	--	90,180	77,890	--	35,889	4,745	--	--	218,447	149,162
11,559	5,909	6,100	8,784	146,134	101,478	4,745	50,614	4,228	10,649	350,200	217,139	

12. General and administrative expenses

This item consists of:

	December 31, 2021	December 31, 2020
	USD	USD
Salaries and related benefits	13,857	34,902
Rents, electricity, water and fuel	1,936	3,004
Professional and other fees	617	6,757
Training, travel and accommodation	2,607	620
Collecting and closing non-performing loans	7,088	12,624
Insurance and medical	3,970	4,575
Telephone, fax and mail	341	2,250
Stationery and hospitality	30	396
Bank fees and interest	497	481
Subscriptions and fees	150	250
Maintenance	5,790	6,551
Rehabilitation and equipment of agricultural areas	--	2,692
Others	--	1,828
Total	36,883	76,930

13. Other Revenues

This item consists of:

	December 31, 2021	December 31, 2020
	USD	USD
Gaza portfolio management revenues - from ACAD company	50,000	50,000
Doubtful debts recovered	--	3,445
Service revenues	--	5,598
Receivables Bonuses for resigned employees	--	43,515
Other	1,421	2,747
Board Membership	--	620
Total	51,421	105,925

14. Investment in a subsidiary Company

This item consists of:

	December 31, 2021	December 31, 2020
	USD	USD
Investment in a subsidiary Company - ACAD	3,000,000	3,000,000

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
International Solidarity Company for Development and Finance	10.03%	535,000
Grameen Credit Microfinance Corporation	9.38%	500,000
Triple Jump	5.62%	300,000
	100%	5,335,000

16. Financial Risk Management

Overview

The Company 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 company 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.

	<u>December 31,</u> <u>2021</u> <u>USD</u>	<u>December 31,</u> <u>2020</u> <u>USD</u>
Cash and cash equivalents	75,973	99,531
Donor receivables	3,094	1,090
Interest receivable	9,763	12,234
Other receivable	38,060	35,461
	<u>126,890</u>	<u>148,316</u>

- 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's reputation.

The society is keen to have a sufficient amount of cash to cover the expected operating expenses, including covering financial obligations, but without this including any possible impact of harsh conditions that are difficult to predict such as natural disasters. In addition, the society maintains a line of credit from its bank for sudden cash requirements.

- 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:

<u>December 31, 2021</u>	<u>Book</u>			
<u>USD</u>	<u>Value</u>	<u>Level (1)</u>	<u>Level (2)</u>	<u>Level (3)</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Cash and cash equivalents	75,973	75,973	--	--
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	-

<u>December 31, 2020</u>	<u>Book Value</u>			
<u>USD</u>	<u>USD</u>	<u>Level (1)</u>	<u>Level (2)</u>	<u>Level (3)</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Cash and cash equivalents	99,531	99,531	--	--
Donor receivables	1,090	-	1,090	-
Interest receivable	12,234	-	12,234	-
Other receivable	35,461	-	35,461	-
Accounts payable and accrued expenses	3,183	-	3,183	-
Provision for of service Indemnity - short term	65,093	-	65,093	-

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. COVID-19 Events

At the beginning of 2020, the emergence of the new Corona virus (Covid-19) was confirmed and spread across multiple geographical regions in the world, and therefore many countries, including Palestine, imposed restrictions on movement and travel in addition to quarantine procedures, which caused a state of instability in the economy as a whole and disruption in economic business activities. This subsequent event is expected to affect the society's operational activities, revenues and results of its work, and the society's management considers this outbreak an adjustable post-balance sheet event. At this stage, the society's management evaluates any potential impact for this event.

19. Comparative figures:

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