

Arab Center for Agricultural Development
Ramallah-Palestine

Independent Auditor's Report
and Separate Financial Statements
For the year ended December 31, 2023

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 Members of the 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 22, which consist of the statement of financial position as of December 31, 2023, 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, 2023, 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 the 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 had been prepared before the consolidation with subsidiaries including (ACAD Finance and Development Company), an independent audit report has been issued regarding these consolidated financial statement in accordance to IFRS.

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 the 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.

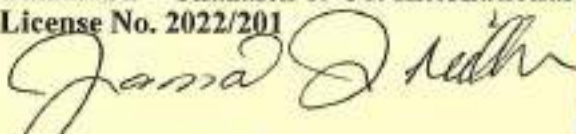
As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 society'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
14 April 2024



Arab Center for Agricultural Development
Ramallah – Palestine
Statement of Financial Position as of December 31, 2023 Exhibit "A"

	<u>Note</u>	<u>December</u> <u>31, 2023</u> <u>USD</u>	<u>December</u> <u>31, 2022</u> <u>USD</u>
Assets			
Current assets			
Cash and cash equivalents	4	260,030	94,743
Donations receivable	5	638,664	–
Other account receivable	6	53,797	13,557
Total current assets		952,491	108,300
Non-current assets			
Investment in a subsidiary	14	3,000,000	3,000,000
Property and equipment, net	7	12,841	12,292
Total non – current assets		3,012,841	3,012,292
Total Assets		3,965,332	3,120,592
Liabilities and net assets			
Current Liabilities			
Accounts payable and accrued expenses	8	10,219	16,853
Provision for End of service Indemnity- short term	9	11,447	4,625
Total Liabilities		21,666	21,478
Net assets			
General fund - Exhibit - c		83,013	61,838
Temporary restricted fund - Exhibit - c	10	847,812	24,984
Funds invested in property and equipment	7	12,841	12,292
Funds invested in a subsidiary	14	3,000,000	3,000,000
Total Net assets		3,943,666	3,099,114
Total Liabilities and Net Assets		3,965,332	3,120,592

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

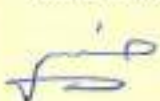



<u>Chairman</u>	<u>Treasurer</u>	<u>General Manager</u>	<u>Financial Manager</u>
			



Arab Center for Agricultural Development
Ramallah – Palestine
Statement of activities for the year ended December 31, 2023
Exhibit "B"

	<u>Note</u>	<u>December</u> <u>31, 2023</u> <u>USD</u>	<u>December</u> <u>31, 2022</u> <u>USD</u>
Grant and donation revenues	10	310,180	72,747
Other Revenues	13	56,201	64,269
Total Revenues		366,381	137,016
Expenses			
Project expenses	11	(303,633)	(116,366)
Administrative and general expenses	12	(48,037)	(42,580)
Total expenses before depreciation and currency losses		(351,670)	(158,946)
Depreciation	7	(3,723)	(2,511)
(Losses) of the currency differences		(7,427)	(849)
Total expenses		(362,820)	(162,306)
Change in net Assets (General Fund) for the current year – Exhibit C		3,561	(25,290)

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

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



Arab Center for Agricultural Development
Ramallah – Palestine

Statement of change in net assets for the year ended December 31, 2023 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, 2023										
Net assets as of January 1, 2023	61,838		24,984		12,292		3,000,000		3,099,114	
Previous years adjustments - Note 16	18,163		--		--		--		18,163	
Change in net assets for the year	3,561		822,828		--		--		826,389	
Net purchases and disposals of property and equipment	(4,272)		--		4,272		--		--	
Depreciation	3,723		--		(3,723)		--		--	
Net assets as of December 31, 2023	83,013		847,812		12,841		3,000,000		3,943,666	
Net assets as of December 31, 2022										
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	



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

Chairman

Treasurer

General Manager

Financial Manager

[Signature]

[Signature]

[Signature]

Arab Center for Agricultural Development
Ramallah – Palestine
Statement of cash flows for the year ended December 31, 2023 Exhibit "D"

	<u>Note</u>	<u>December</u> <u>31, 2023</u> <u>USD</u>	<u>December</u> <u>31, 2022</u> <u>USD</u>
Cash flows from operating activities			
Change in net assets Exhibit - B		3,561	(25,290)
Adjustment to reconcile net assets to net cash flows			
Items that do not require cash flows			
Depreciation of property and equipment	(7)	3,723	2,511
Provision for end of service indemnity	(9)	11,313	4,589
Loss on disposal of Property and equipment		2,568	--
Previous years adjustments	(16)	18,163	--
Changes in operating assets and liabilities			
(Increase) Decrease in donations receivable		(638,664)	3,094
(Increase) Decrease in other receivables		(40,240)	34,266
(Decrease) Increase in accounts payable and accrued expenses		(6,634)	5,825
Employees' end of service indemnities paid	(9)	(4,491)	(5,529)
Net cash flows (used in) provided from operating activities		(650,701)	19,466
Cash flows from investing activities			
Purchase of property and equipment	(7)	(6,840)	(696)
Net cash flows (used in) investing activities		(6,840)	(696)
Cash flows from financing activities			
Restricted Grants during the year		822,828	--
Net cash flows provided from financing activities		822,828	--
Net Increase in cash and cash equivalents during the year		165,287	18,770
Cash and cash equivalents, at the beginning of the year		94,743	75,973
Cash and cash equivalents, at the end of the year	(4)	260,030	94,743

"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.

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, 2023 were approved based on the General Assembly meeting dated 12 May 2024.

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, 2023 before being consolidated with the subsidiaries (ACAD finance and Development Company).

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 separate 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 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 input 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, 2022, with the exception of the following:

Changes in accounting policies

The financial statements were prepared according to the historical cost principle, except for financial instruments that were measured by revaluation or at fair value as described in the accounting policies below. Historical cost generally represents the fair value of the stated price offered in exchange for an asset

IFRSs and the new amended effective interpretations:

The following amended IFRSs, that became effective, were adopted for the financial periods starting on or after 1 January 2023 in the preparation of the society'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	Effective Date
International Financial Reporting Standard No. (17) Insurance Contracts	1 January 2023
Disclosure of accounting policies Amendments to International Accounting Standard No. (1) and Statement of Practice No. (2)	1 January 2023
Definition of accounting estimates Amendments to International Accounting Standard No. (8)	1 January 2023
Deferred taxes related to assets and liabilities arising from a single transaction Amendments to International Accounting Standard No. (12) Income Taxes	1 January 2023
Initial application of IFRS 17 and IFRS 9 - Comparative Figures (Amendment to IFRS 9). For the financial report 17)	1 January 2023
Amendments to International Accounting Standard (12) Tax reform at the international level - the rules of the second pillar model	1 January 2023

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	Effective Date
Amendments to International Accounting Standard No. (1) when classifying liabilities as current and non-current, and non-current liabilities with covenants	1 January 2024
Amendments to International Financial Reporting Standard (16) Lease Commitment for Sale and Leaseback	1 January 2024
Amendments to International Accounting Standard (7) and International Financial Reporting Standard (7) enhance disclosures of supplier financing procedures regarding the entity's obligations	1 January 2024
Amendments to International Financial Reporting Standard No. (10) and International Accounting Standard No. (28) Sale or Contribution to Assets between investors and an associate or joint venture	Effective date postponed indefinitely.
IFRS (S1) - General requirements for the disclosure of sustainability-related financial information, and IFRS (S2) - Climate-related disclosures.	1 January 2024 (The application depends on the regulatory authorities adopting the two standards)
Amendments to International Accounting Standard (21) Inability to exchange a foreign currency	1 January 2024

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

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 contributions 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:

<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. Provision for end of service indemnity

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 a 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 judgments.

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>2023</u>	<u>2022</u>
	USD	USD
New Shekel	0.27733	0.28245
Jordanian Dinar	1.41044	1.41044
Euro	1.10370	1.16300

- 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>2023</u>	<u>December 31,</u> <u>2022</u>
	USD	USD
Cash in hand	430	19
Cash at banks - USD	94,473	79,180
Cash at banks - Israeli shekels	5,132	3,502
Cash at banks - Euros	171,142	12,042
Total cash in hand and in banks	271,177	94,743
Less: Post-dated checks payable	(11,147)	--
Total	260,030	94,743

5. Donations receivable

This item consists of:

	December 31, 2023	December 31, 2022
	USD	USD
Enable	196,221	--
OXFAM	326,498	--
ACTED	45,044	--
Tarabot	35,261	--
ILO	35,640	--
Total	638,664	--

6. Other account receivable

a. This item consists of:

	December 31, 2023	December 31, 2022
	USD	USD
Prepaid Expenses	1,330	1,969
Cooperative societies and loan balances	--	103,903
Other receivables	52,467	28,057
Checks under collection	--	4,947
	53,797	138,866
Provision for expected credit losses –b	--	(125,319)
Balance at the end of the year	53,797	13,557

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

	December 31, 2023	December 31, 2022
	USD	USD
Balance at the beginning of the year	125,319	125,319
Less: Amounts received during the year	(125,319)	--
Total	--	125,319

7. Property and equipment, net

This item consists of:

	Furniture & fixture	Office equipment	Computers and printers	Leasehold improvements	Total
<u>Cost:</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Balance as of January 1, 2023	25,923	18,687	36,167	35,463	116,240
Reclassification	(885)	5,153	(4,292)	24	--
Additions during the year	--	450	6,390	--	6,840
Disposal	(5,898)	(188)	(10,126)	--	(16,212)
Balance as of December 31, 2023	19,140	24,102	28,139	35,487	106,868
Accumulated Depreciation:					
Balance as of January 1, 2023	15,934	18,334	34,217	35,463	103,948
Reclassification	(317)	4,136	(3,828)	9	--
Additions during the year	1,679	416	1,623	5	3,723
Disposal	(3,462)	(188)	(9,994)	--	(13,644)
Balance as of December 31, 2023	13,834	22,698	22,018	35,477	94,027
Net book value, as of December 31, 2023	5,306	1,404	6,121	10	12,841
Net book value, as of December 31, 2022	9,989	353	1,950	--	12,292

8. Accounts payable and accrued expenses

This item consists of:

	December 31, 2023	December 31, 2022
	USD	USD
Accounts payable	1,069	6,327
Audit Fees	5,000	--
Others	4,150	10,526
Total	10,219	16,853

9. Provision for end of service Indemnity - short term

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

	December 31, 2023	December 31, 2022
	USD	USD
Balance as of January 1, 2023	4,625	5,565
Additions during the year	11,313	4,589
Payments during the year	(4,491)	(5,529)
Total	11,447	4,625

10. Restricted and released net assets

This item consists of:

	Restricted grants beginning of the year USD	Grants contracted for (returned) USD	Grants available USD	Released from Restriction Grants - Program (*) USD	Currency differences USD	Restricted grants End of the year USD
Daman 2022	15,783	--	15,783	(15,783)	--	--
ACTED-2022 Emergency food security support Gaza households	9,201	15,005	24,206	(24,418)	212	--
ACTED-2023 Emergency food security support Gaza households	--	77,496	77,496	(76,354)	--	1,142
ACTED-2023 Supporting the most vulnerable households	--	107,642	107,642	(70,704)	--	36,938
Enable 2023 Youth Economic Empowerment in Palestine	--	319,687	319,687	(34,647)	7,348	292,388
Oxfam 2023 Inclusive development opportunities for Resilience	--	463,515	463,515	(81,470)	2,831	384,876
Tarabot 2023 Strengthening the resilience Of Palestinian farmer	--	88,357	88,357	(4,333)	--	84,024
ILO Project	--	50,915	50,915	(2,471)	--	48,444
	24,984	1,122,617	1,147,601	(310,180)	10,391	847,812

(*): The -released grants item includes expenses that were spent for the projects in the amount of US\$303,632 (Note 11) during the year ending December 31, 2023, while the difference in the value from the released grants from the expenses in the amount of US\$6,548 constitutes the value of Property and equipment that were Purchased from projects balances and recorded as Property and equipment in the accounting records.

11. Project expenses

This item consists of:

	Daman 2022	ACTED- 2022 Emergency food security	ACTED- 2023 Emergency food security	ACTED- 2023 Supporting the most vulnerable households	Enable 2023 Youth Economic Empowerment in Palestine	Oxfam 2023 Inclusive development opportunities for Resilience	Tarabot 2023 Strengthenin g the resilience Of Palestinian farmer	ILO Project	Total project expenses 2023	Total project expenses 2022
Salaries and related expenditures	11,051	4,400	11,858	3,850	30,063	59,187	3,615	1,843	125,867	54,003
Rental of buildings and halls	379	421	4,950	760	-	9,500	-	-	16,010	8,700
Insurance expense	-	-	-	-	1,183	1,929	185	321	3,618	-
Stationery, printing and office supplies	-	155	655	218	678	1,610	-	-	3,316	984
Fees & Subscriptions	400	-	-	-	-	-	-	-	400	-
Workshops and training of beneficiaries	-	-	3,925	2,520	-	-	-	-	6,445	6,897
Cash support contribution	-	18,063	47,678	61,762	-	-	-	-	127,503	-
Expense	-	-	-	-	-	-	-	-	-	-
Electricity, water, cleaning and hospitality expenses	70	163	461	-	186	1,071	16	10	1,977	-
Project Transportation Expense	-	1,106	3,552	514	119	1,524	-	-	6,815	-
Interest & Bank Charges	-	111	-	-	-	17	-	-	128	144
Audit Fees	1,748	-	-	-	1,635	2,666	444	255	6,748	-
Accounting and payroll	2,135	-	-	-	270	440	73	42	2,960	-
Software	-	-	1,845	-	-	-	-	-	1,845	713
Other miscellaneous expenses	-	-	-	-	-	-	-	-	-	2,290
Telephone, Fax and Postage	-	-	-	-	-	-	-	-	-	10,292
Travel, relocation and residence	-	-	-	-	-	-	-	-	-	32,221
Project activities	-	-	-	-	-	-	-	-	-	-
General maintenance and programs	-	-	-	-	-	-	-	-	-	122
	<u>15,783</u>	<u>24,418</u>	<u>74,926</u>	<u>69,623</u>	<u>32,500</u>	<u>75,280</u>	<u>3,889</u>	<u>2,216</u>	<u>303,632</u>	<u>116,366</u>

12. General and administrative expenses

This item consists of:

	December 31, 2023	December 31, 2022
	USD	USD
Salaries and related benefits	23,498	13,343
Rental of buildings and halls	2,400	--
Insurance expenses	2,050	4,360
Telephone, fax and mail	5,032	1,788
Stationery, printing and office supplies	1,986	482
Fees & Subscriptions	110	200
Electricity, water, cleaning and hospitality expenses	3,032	2,425
Transportation Expense	515	--
Interest & Bank Charges	1,116	671
Loss on disposal of Property and equipment	2,568	--
Accounting and payroll Software	2,961	--
Professional fees	--	4,362
Training, travel and accommodation	--	3,611
Collecting and closing non-performing loans expenses	--	4,337
Maintenance	--	6,490
Other expenses	2,769	511
Total	48,037	42,580

13. Other Revenues

This item consists of:

	December 31, 2023	December 31, 2022
	USD	USD
Gaza portfolio management revenues - from ACAD company	50,000	50,000
Bethlehem Arab Society for Rehabilitation Agreement	--	7,828
Others	6,201	6,441
Total	56,201	64,269

14. Related Party balances

This item consists of:

	December 31, 2023	December 31, 2022
	USD	USD
Investment in a subsidiary Company	3,000,000	3,000,000
Total	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:

<u>Shareholder's name</u>	<u>Percentage</u>	<u>Number of shares</u>
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
	%100	5,335,000

16. Previous year adjustments for US\$ 18,163

This item consists of:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	<u>USD</u>	<u>USD</u>
Write off old loans	(107,708)	--
Write off provision for expected credit losses	125,319	--
Write off checks under collection	(299)	--
Others	851	--
Total	18,163	--

The General assembly authorized the Board of Directors of the society in its meeting on 21 June 2023 to assess the balances of due old loans and to make a recommendation to write off the bad debt loans balances. On 31 December 2023, the society's management wrote off the old loans and other accounts against the outstanding provision for expected credit losses (Note No. 6), and the difference in the amount of USD 18,163 were recognized as previous years' adjustments.

17. 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 society'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 client or the party dealing with the society with a financial instrument to fulfill its contractual obligations. These risks arise mainly from accounts with banks, donors' receivable and other receivables.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
	USD	USD
Cash and cash equivalents	260,030	94,743
Donors' receivable	638,664	--
Other debit balances	53,797	13,557
Total	<u>952,491</u>	<u>108,300</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.

- 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.

18. 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)
<u>December 31, 2023</u>				
Cash and cash equivalents	260,030	260,030	--	--
Donations receivable	638,664	--	638,664	--
Other account receivable	53,797	--	53,797	--
Accounts payable and accrued expenses	10,219	--	10,219	--
Provision for end of service Indemnity - short term	11,447	--	11,447	--
<u>December 31, 2022</u>				
Cash and cash equivalents	94,743	94,743	--	--
Other account receivable	13,557	--	13,557	--
Accounts payable and accrued expenses	16,853	--	16,853	--
Provision for end of service Indemnity - short term	4,625	--	4,625	--

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.

19. Concentration of Risk in Geographic Area

The Society is carrying out all of its activities in , 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.

20. Going Concern

The society has conducted an assessment of its ability to continue as a going concern in the current economic conditions using all available information about future risks and uncertainties. Forecasts have been prepared that address the future performance of the society's, Net assets and liquidity. The information indicates that the organization has sufficient resources, as well as that its position regarding continuity has not been significantly affected and has not changed materially to continue operating its business since the beginning of the fiscal year. As a result, these financial statements have been prepared in accordance with the principle of continuity. The society's management also concluded that there is no need to make material adjustments to liabilities, assets or business results within these financial statements for the year ended December 31, 2023.

The Palestinian territories witnessed security disturbances during the year ended December 31, 2023, mostly concentrated in the Gaza Strip, where the society conducts a small portion of its activities in the southern Palestinian cities, this consists of Gaza portfolio management of ACAD Finance Company (the subsidiary) affiliated with the society. The society receives an amount of US\$ 50,000 annually in exchange for these activities. Based on the society's

management assessment of the impact of these events, the management decided to develop an operational plan to manage its community activities in that area during the upcoming year of 2024. According to the management's estimates, the society is still able to carry out its operations as usual, and there was no financial impact on these financial statements for the year ended December 31, 2023, due to this war.

21. Comparative figures

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