

ARAB AGRONOMISTS ASSOCIATION

**Independent auditor's report and financial statements
for the year ended December 31, 2023**

PAA

**Palestinian Auditing & Accounting Co.
Certified Accountants & Consultants**

A member firm of



PrimeGlobal

*An Association of
Independent Accounting Firms*

<u>Contents</u>	<u>Page</u>
- Independent auditor's report	1-2
- Statement of financial position - Exhibit A	3
- Statement of activities and changes in net assets - Exhibit B	4
- Statement of cash flows - Exhibit C	5
- Notes to the financial statements	6-14

Certified Accountants & Consultants

محاسبون قانونيون ومستشارون

Independent Auditor's Report

Gentlemen /General Assembly for ARAB AGRONOMISTS ASSOCIATION

Ramallah - Palestine

Opinion

We have audited the financial statements of **ARAB AGRONOMISTS ASSOCIATION**, which comprise the statement of financial position as at December 31, 2023, the statement of activities and changes 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 financial statements present fairly, in all material respects, the financial position of **ARAB AGRONOMISTS ASSOCIATION** as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 association in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled out the ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and the board of directors for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting's standards, 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 ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with is as, we exercise professional judgment and maintain professional skepticism throughout the audit, we also:

Certified Accountants & Consultants

محاسبون قانونيون ومستشارون

- 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, 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 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 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 communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

July 24, 2024.

Ramallah- Palestine

Yousef Mohammad Hammodeh

Yousef M. Hammodeh

License NO. 103/98



Statement of Financial Position **Exhibit A****As at December 31, 2023****"All amounts in USD"**

	Note	2023	2022
Assets			
Non Current assets			
Financial assets at fair value through comprehensive income	(3)	28,336	28,336
Property and equipment, net	(4)	-	723
Total current assets		28,336	29,059
Current assets			
Due from donors	(5)	-	98,660
Accounts Receivable		7,406	1,875
Cash and cash equivalents	(6)	34,432	136,618
Total Current assets		41,838	237,153
Total assets		70,174	266,212
Net Assets & Liabilities			
Net assets – Note (B)		32,333	17,942
Total Net Assets		32,333	17,942
Non-current liabilities			
Provision for employees benefits	(7)	24,361	20,843
Total non current liabilities		24,361	20,843
Current liabilities			
Temporarily restricted contributions	(8)	-	202,581
Accounts payable and other current liabilities	(9)	13,480	24,846
Total current liabilities		13,480	227,427
Total liabilities		37,841	248,270
Total liabilities and net assets		70,174	266,212

"The accompanying notes constitute an integral part of this statement"

Statement of activities and changes in net assets **Exhibit B**
For the year ended December 31, 2023
"All amounts in USD"

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>Revenues</u>			
Temporarily restricted contributions released from restriction	(8)	202,581	221,992
Other revenues	(10)	56,923	42,520
Total revenues		259,504	264,512
<u>Expenses</u>			
Projects expenses	(11)	(233,897)	(254,934)
General and administrative expenses	(12)	(11,495)	(33,428)
Depreciation expense	(4)	(723)	(1,312)
Currency exchange differences		1,002	(6,207)
Total expenses		(245,113)	(295,881)
Change in net assets during the year –Note (C)		14,391	(31,369)
Net assets beginning of the year		17,942	49,347
Prior year adjustments		-	(36)
Net assets ending of the year -Exhibit A		32,333	17,942

"The accompanying notes constitute an integral part of this statement"

Statement of Cash Flows Exhibit C
For the year ended December 31, 2023
"All amounts in "USD"

	2023	2022
<u>Cash flows from Operating activities</u>		
Change in net assets during the year –Note (B)	14,391	(31,369)
<u>Adjustments</u>		
Depreciation	723	1,312
Pension Fund	2,340	2,340
Provision for employees' end of service benefits	7,178	2,282
Other non-cash items	-	(36)
<u>Changes in working capital:</u>		
Accounts receivable	(5,531)	707
Due from donors	98,660	(32,508)
Temporarily restricted contributions	(202,581)	118,152
Accounts payable and other current liabilities	(11,366)	10,987
Paid of pension fund	(1,000)	(4,151)
Paid of end of service benefits	(5,000)	-
Net cash (used in) provided from operating activities	<u>(102,186)</u>	<u>67,716</u>
(Decrease) increase in cash and cash equivalents during the year	<u>(102,186)</u>	<u>67,716</u>
Cash and cash equivalents, beginning of the year	136,618	68,902
Cash and cash equivalents, end of the year- Note (6)	<u>34,432</u>	<u>136,618</u>

"The accompanying notes constitute an integral part of this statement"

Notes to the financial statements

For the year ended December 31, 2023

"All amounts in "USD"

Note (1): General:

The Arab Agronomists Association (Association) is a non-governmental, non-for-profit Palestinian organization, registered at the ministry of interior in Ramallah as of June 5, 2007 under registration number RA-22503-A, according to the Law of Charitable Societies and Civil Organizations No. (1) of 2000.

The Arab Agronomists Association (AAA or the Association) activities comprise four main programs including new graduate agronomists, training, agricultural extension, higher studies and research in sustainable rural development and regional cooperation.

The Financial statements as of December 31, 2023 were approved by the General Assembly on July 24, 2024.

Note (2): Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared on a historical cost basis.

The financial statements have been presented in United State Dollar (USD which represents the functional currency of the AAA.

The accounting policies used to prepare the comparative financial statements agree with the accounting policies used to prepare the financial statements for the previous year.

Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, financial assets and liabilities and disclosure of contingent liabilities at the reporting date. However, uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

The following details the most important basis and estimates included in the financial statements:

Useful lives of property and equipment

The association's management reassesses the useful lives of tangible assets and adjusts them, if necessary, at the end of each fiscal year.

Expenses allocation

Expenses are allocated among program activities and administrative expenses based on the best estimates of the association's management. Management believes that the estimates and assumptions used are reasonable.

Summary of Significant accounting policies

Donation revenues

Revenue transferred from donors and other revenues if any are recognized when received.

Unconditional pledges that are temporarily restricted by donor for specific purpose or time are recognized when such purpose or time is satisfied.

Grant income from unconditional donor pledges is recognized at its fair value as follows:

- Restricted grants that are intended to implement a specific purpose or are linked to the passage of time are recognized as "temporarily restricted grants as liabilities and are recognized as revenue in parallel with bearing the operating and capital expenses (property and equipment) for which the grant was restricted from the donor.
- Unrestricted grants (where donors do not impose restrictions for a specific purpose or time) are recognized when a pledge is obtained from the donor.

Expenses recognition

Expenses are recognized when incurred based on the accrual basis of accounting.

Cash & cash equivalent

Cash and cash equivalents: include cash available on hand, current accounts in the banks and short-term deposits mature within three months or less after deducting restricted cash and credit bank accounts if any.

Current versus non-current classification

AAA presents assets and liabilities in statement of financial position based on current/ non-current classification. An asset is current when it is:

Expected to be realized or intended to be sold or consumed in normal operating cycle

Held primarily for the purpose of trading

Expected to be realized within twelve months after the reporting period.

Cash and cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

It is expected to be settled in normal operating cycle

It is held primarily for the purpose of trading.

It is due to be settled within twelve months after the reporting period

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

all other liabilities classifies as non-current.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/ or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognized in the statement of activities and change in net assets as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

<u>useful lives</u>	<u>(years)</u>
Computer Hardware	5
Equipment and Tools	5

Any item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of activities and change in net assets when the asset is derecognized.

The property and equipment residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Notes to the financial statements**For the year ended December 31, 2023****"All amounts in "USD"****Financial assets held fair value through comprehensive income**

AAA, on initial recognition, classifies the equity instruments at fair value through other comprehensive income. This rating is done on a tool-by-tool basis and cannot be undone. AAA cannot classify an equity instrument held for trading as financial assets at fair value through other comprehensive income.

Equity instruments are initially measured through comprehensive income at fair value plus acquisition charges. Subsequently, these assets are measured at fair value and the gains or losses resulting from the change in fair value through other comprehensive income items are recorded in the fair value reserve account. Upon disposal of these assets, profits or losses previously recorded in the fair value reserve account are not reclassified to the statement of activities and change in net assets but are directly credited to the retained earnings account.

Dividend returns from investing in equity instruments from investee companies are recorded when the right to receive them arises in the statement of activities and change in net assets, unless these returns are considered as a refund of part of the investment value.

Debt instruments can be classified as financial assets at fair value through comprehensive income if the following two conditions are met:

The debt instrument is held within a business model whose objective is to hold the asset to obtain contractual cash flows and to sell it .

The contractual terms of the instrument give on specified dates the right to benefit from cash flows that represent payments from the asset and a return on the outstanding balance.

Income tax

AAA is a not-for-profit organization; accordingly, it is not subject to income tax.

Provisions

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

End of service compensation provision

The end-of-service compensation for employees is allocated in accordance with the Labor Law in force in Palestine and the special internal system of the employees of the association.

provision for employee benefits

The management of the association uses certain estimates to determine the amount of employee benefits provision. The association's management believes that these estimates and assumptions reasonable.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

Foreign currencies

Transactions that are expressed or denominated in other currencies were translated to USD according to the monthly market exchange rates. Net currency differences from currency fluctuation are recorded in the statement of activities and change in net assets.

Note (3): Financial assets at fair value through comprehensive income

A. This item consists of the following:

	<u>2023</u>	<u>2022</u>
Reef Company for Agricultural Investment and Marketing - B	18,336	18,336
Reef for Microfinance Company - C	10,000	10,000
Total	<u>28,336</u>	<u>28,336</u>

ARAB AGRONOMISTS ASSOCIATION

Notes to the financial statements

For the year ended December 31, 2023

"All amounts in "USD"

- B. This item represents AAA's investment in the shares of Al Reef for Investment and Agricultural Marketing Company, an unlisted private shareholding at a cost of U.S.\$ 18,336. The association owns 1.6%of the company's capital.
- C. This item represents AAA's investment in the unlisted shares of the Reef Microfinance Services Company, at a cost of U.S. \$10 ,000 . The association owns 0.59%of the company's capital. These unquoted shares are shown at cost. AAA's management believes that the fair value of these assets is not materially different from their book value.

Note (4): Property and equipment net:

This item consists of the following:

	Computer	Equipment & tools	Total
Cost ,beginning balance 2023	3,545	2,628	6,173
Cost, Ending balance 2023	3,545	2,628	6,173
Depreciation			
Beginning balance 2023	3,473	1,977	5,450
Additions	72	651	723
Ending balance 2023	3,545	2,628	6,173
Net book value			
Net book value 2023	-	-	-
Net book value 2022	72	651	723

Note (5): Temporarily restricted contributions

This item consists of the following:

		2023			
	Balance beginning of the year	Addition	Cash received	Currency Variance	End balance
United Nations office for Project Services / International Environment	1,459	-	(1,459)	-	-
United Nations Office for Project Services / Coca COLA Company	6,574	-	(4,957)	(1,617)	-
Safety food - ICARDA	134	-	-	(134)	-
OCHA Association	90,493	-	(90,493)	-	-
Total	98,660	-	(96,909)	(1,751)	-

Note (6): Cash and cash equivalents

This item consists of the following:

	2023	2022
Current accounts at banks	34,432	136,618
Total	34,432	136,618

Note (7): Provision for employee benefits:

This item consists of the following:

	Beginning Balance	Addition	paid	End balance
2023				
End of service benefit	20,690	7,178	(5,000)	22,868
Provision of provident fund	153	2,340	(1,000)	1,493
Total	20,843	9,518	(6,000)	24,361
2022				
End of service benefit	18,408	2,282	-	20,690
Provision of provident fund	1,964	2,340	(4,151)	153
Total	20,372	4,622	(4,151)	20,843

ARAB AGRONOMISTS ASSOCIATION**Notes to the financial statements****For the year ended December 31, 2023****"All amounts in "USD"**

The provision for end-of-service benefits is calculated in accordance with the Palestinian Labor Law and the association's internal policy on the basis of one month's salary for each year of service.

A provision for savings benefits for the association's employees is formed on the basic salary. The monthly contribution from the association and the employees is 10% and 5% of the basic salary, respectively.

Note (8): Temporarily restricted contributions

This item consists of the following:

	2023			
	Balance beginning	Addition	Releas from restriction	End balance
United Nations office for Project Services / International Environment	8,187	-	(8,187)	-
United Nations Office for Project Services / Coca COLA Company	7,511	-	(7,511)	-
Safety food - ICARDA	3,239	-	(3,239)	-
OCHA Association	183,644	-	(183,644)	-
Total	202,581	-	(202,581)	-

Note (9): Accounts payable and other current liabilities

This item consists of the following:

	2023	2022
Accrual rent	1,975	-
Agricultural Development Association	8,813	8,813
Suppliers	625	14,336
Insurance payable	1,608	1,442
Income tax payable	-	255
Other	459	-
Total	13,480	24,846

Note (10): Other revenues

This item consists of the following:

	2023	2022
Unrestricted grants	54,201	29,996
Local donations	3,167	3,003
Membership subscriptions	339	339
Other	(784)	9,182
Total	56,923	42,520

ARAB AGRONOMISTS ASSOCIATION

Notes to the financial statements

For the year ended December 31, 2023

“All amounts in “USD”

Note (11): Projects expenses:

This item consists of the following:

	OCHA	2022					Total
		ICARDA		GEF	Coca Cola	France Solidarity	France Group
		Food Safty	evapotranspiration				
Wages & Salaries	18,943	1,131	612	1,720	3,000	-	25,406
Employees provision	1,533	-	-	-	-	-	1,533
Agricultural supplies	105,205	5,614	4,680	22,549	16,160	1,809	156,017
Hospitality	-	2,864	567	264	-	-	3,695
Travel and transportation	3,600	8,355	1,197	500	-	-	13,652
Professional fees	-	-	-	1,305	2,200	-	3,505
Stationery & publications	590	165	-	1,883	-	-	2,638
Rehabilitation of lands	-	-	-	4,995	10,095	-	15,090
Media and development	-	472	-	3,389	-	256	4,117
Workshops	-	-	-	2,900	-	-	2,900
Subscriptions & insurances	92	-	-	4	-	-	96
Postage&Internet	312	-	216	-	-	-	528
Cleaning & Maintenance	-	360	80	-	-	-	440
Other	-	56	-	38	-	130	224
Agricultural tools	-	7,793	1,333	-	-	1,166	25,021
Bank charges	-	-	-	72	-	-	72
Total	130,275	26,810	8,685	39,619	31,455	1,296	254,934
Total 2021	200,001	30,172	3,865	-	2,033	-	236,071

ARAB AGRONOMISTS ASSOCIATION

Notes to the financial statements

For the year ended December 31, 2023

“All amounts in “USD”

Note (11): Projects expenses:

This item consists of the following:

2023										
	UNOCHA - fss	Community Contributions	GEF/UN	Coca Cola	CCFD	Palestine Anie Besancon	AFPS	CPF	Other	Total
Wages & Salaries	19,670	-	-	1,000	-	-	6,450	-	-	27,120
Employees provision	2,025	-	-	-	-	-	928	-	-	2,953
Agricultural supplies	13,500	373	1,641	-	-	15,606	-	-	-	31,120
Hospitality	-	-	-	-	2,223	-	111	-	-	2,334
Travel and transportation	2,780	-	-	-	1,067	-	-	-	-	3,847
Professional fees	1,250	-	-	800	-	-	-	-	-	2,050
Stationery & publications	175	-	95	-	213	197	-	-	-	680
Rehabilitation of lands	123,090	10,960	-	3,157	-	5,403	2,702	5,209	-	150,521
Subscriptions & insurances	110	-	-	-	-	-	-	-	-	110
Postage&Internet	661	-	-	-	-	-	-	-	-	661
Cleaning & Maintenance	40	-	-	-	-	-	-	-	-	40
Rent	8,323	-	-	-	-	-	-	-	-	8,323
Agricultural tools	-	-	2,712	-	-	-	-	-	-	2,712
Bank charges	110	-	-	-	-	-	-	-	-	110
Electricity & water	1,316	-	-	-	-	-	-	-	-	1,316
Total	173,050	11,333	4,448	4,957	3,503	21,206	10,191	5,209	-	233,897
Total 2022	130,275	-	39,619	31,455	-	-	1,296	-	52,289	254,934

ARAB AGRONOMISTS ASSOCIATION**Notes to the financial statements****For the year ended December 31, 2023****"All amounts in "USD"****Note (12): General & administrative expenses:**

This item consists of the following:

	2023	2022
Salaries & wages	6,437	12,458
End of service compensation and savings	786	2,308
Hospitality	134	454
Bonuses	500	600
Rents	-	8,335
Subscriptions, Stationery & Media	53	890
Professional fees	-	1,250
Agricultural expenses	-	649
Travel & transportation	412	1,316
Postage & Internet	732	728
Bank charges	553	699
Cleanings & maintenance	219	374
Water & electricity	215	2,066
Tax expenses	-	479
Insurances & subscriptions	785	440
Other	669	382
Total	11,495	33,428

Note (13): Concentration of risks in the geographical area:

The association carries out most of its activities in Palestine. The instability of the political and economic situation in the region increases the risk of the association's activities and may negatively affect its performance.

Note (14): Risk Management:

The main risks that affect the operations of the association are credit risk, liquidity risk and foreign currency risk. The management of the association reviews and approves the policies for managing these risks, which are summarized as follows:

Liquidity risk

The association limits liquidity risk by maintaining sufficient cash and funds from a number of donors to pay its obligations and finance its operational activities.

Credit risk

Credit risk is the risk that may result from the default or inability of the other party to the financial instrument to fulfill its obligations towards the association, which leads to losses. The credit risks that the association is exposed to result from its operational operations mainly from receivables due from donors, as shown in note (5). The association limits credit risk by obtaining financing from multiple and reliable sources. With regard to credit risks arising from financial assets which includes cash and cash equivalents and other financial assets, the association's exposure to credit risk results from the inability of the other party to meet obligations that are equal to the book value of these financial assets.

ARAB AGRONOMISTS ASSOCIATION

Notes to the financial statements

For the year ended December 31, 2023

"All amounts in "USD"

Foreign currency risk

It is the risk of exposure to exchange rates against the different currencies of the Israeli shekel and the euro against the US dollar. The association works to hedge against fluctuation in exchange rates during the year, as this resulted in a currency difference loss of \$1,002 for the year 2023 and \$6,207 for the year 2022.

Note (15): Comparative figures:

The comparative figures have been reclassified to conform to the current year.