

INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of
Birzeit University (BZU)
Birzeit – Palestine**

Report on the Financial Statements

Opinion

We have audited the financial statements of Birzeit University (BZU) (the "University"), which comprise the statement of financial position as of August 31, 2017, statement of activities, statement of changes in net assets, and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Birzeit University (BZU) as of August 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the University in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the University financial statements in Palestine, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to the deficit in the general fund as of August 31, 2017 for an amount of JOD 24,649,809 (as of August 31, 2016 JOD 22,907,255), which resulted from accumulated recurring operating deficits during 2017 and in prior years. The ability of the University to continue as a going concern is highly dependent on its ability to generate unrestricted surplus from its normal operations and securing unrestricted donations to cover its accumulated deficit as of August 31, 2017 as well as to finance its future activities and settle its contractual and legal obligation toward its faculty, staff and other creditors.



INDEPENDENT AUDITOR'S REPORT (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the University'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 University or to cease operations, or has no realistic alternative but to do so.

Management and those charged with governance are responsible for the supervision on the University's financial reports preparation.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- 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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University'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 disclosure 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 University to cease to continue as a going concern.



INDEPENDENT AUDITOR'S REPORT (Continued)

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads "Saba & Co." with a small flourish at the end.

Saba & Co.
License Number 253
Ramallah - Palestine

14 July 2018

Birzeit University (BZU)
Statement of Financial Position
As of August 31, 2017

	Notes	2017 JOD	2016 JOD
ASSETS			
Current Assets			
Cash on hand and deposits with banks	5	14,300,538	11,949,691
Financial Assets at fair value through Statement of activities	6	77,839	83,858
Accounts and other receivable, Net	7	4,293,696	4,098,035
Total current assets		18,672,073	16,131,584
Non - current assets			
Inventories and Books	8	261,180	775,672
Financial investments to cover restricted funds	9	11,962,609	12,935,951
Property, plant and equipment, Net	10	33,559,597	32,317,285
Land	11	37,059,575	36,297,054
Total Non-current assets		82,842,961	82,325,962
Total assets		101,515,034	98,457,546
LIABILITIES AND NET ASSETS			
Current liabilities			
Payables and accruals	12	4,518,077	4,823,622
Current portion of loans payable	13	99,809	98,183
Deferred students' tuition and fees		5,686,059	6,953,248
Total current liabilities		10,303,945	11,875,053
Non current liabilities			
Long term portion of loans payable	13	149,713	245,456
Reserve for legal claims	22	266,367	266,367
Reserve for end of service staff benefits	14	33,388,342	30,515,775
Total non current liabilities		33,804,422	31,027,598
Total liabilities		44,108,367	42,902,651
Net Assets			
Unrestricted			
General fund (Deficit)		(24,649,809)	(22,907,255)
Net investments in property, plant, equipment and library books		70,843,345	69,344,288
Total unrestricted net assets		46,193,536	46,437,033
Temporarily restricted Fund		25,591	92,324
Permanently restricted-Endowment Fund	15	8,442,404	7,711,233
Plant expansion fund		2,745,136	1,314,305
Total net assets		57,406,667	55,554,895
Total liabilities and net assets		101,515,034	98,457,546

Harbi Daragmeh

Finance Manager

Dr.Abdul Latif Abu Hijleh

President

The accompanying notes from 1 to 24 are an integral part of these financial statements

Birzeit University (BZU)
Statement of Activities
For the Year Ended August 31, 2017

	2017			2016			Total
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted- Fund	Total Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted- Fund	
	JOD	JOD	JOD	JOD	JOD	JOD	
Operating Income:							
Tuition and fees, Net of students aid	21,916,715	-	-	21,916,715	-	-	20,602,000
Auxiliary services and other income	806,285	339,990	27,045	1,173,420	775,801	24,001	1,119,076
Total operating income	22,723,100	339,990	27,045	23,090,135	319,274	24,001	21,721,076
Grants:							
Grants contributions and service contracts	3,120,853	3,340,644	704,126	7,165,623	4,841,967	682,407	8,716,241
Contributions from governmental institutions	498,371	-	-	498,371	419,393	-	419,393
Total operating income and grants	26,342,324	3,680,634	731,171	30,754,129	3,511,141	706,408	30,856,710
Operating expenses:							
Academic departments	19,426,677	-	-	19,426,677	-	-	15,758,473
Administration and supporting services	5,797,458	-	-	5,797,458	5,542,077	-	5,542,077
Community programs	-	3,733,761	-	3,733,761	3,643,166	-	3,643,166
Total operating expenses	25,224,135	3,733,761	-	28,957,896	21,300,550	-	24,943,716
Depreciation and amortization	2,447,436	-	-	2,447,436	2,254,753	-	2,254,753
Total expenses	27,671,571	3,733,761	-	31,405,332	3,643,166	-	27,198,469
(Deficit) Surplus / of operating income for the year	(1,329,247)	(53,127)	731,171	(651,203)	3,083,858	706,408	3,658,241
Other non-operating income (loss):							
Unrealized gain on revaluation of marketable securities	(6,019)	-	-	(6,019)	(19,882)	-	(19,882)
Gain (Loss) on investment Portfolios	706,161	-	-	706,161	(237,961)	-	(237,961)
Provision for doubtful students and fees tuitions	(413,805)	-	-	(413,805)	(445,525)	-	(445,525)
Provision for other doubtful accounts	(96,771)	-	-	(96,771)	-	-	-
Dividend income	4,214	-	-	4,214	7,666	-	7,666
Effect of fixing the exchange rate of Jordan Dinar against Israeli Shekel at Nis 5.6/1 JOD on the reserve for end of service staff benefits	(888,012)	-	-	(888,012)	(1,146,030)	-	(1,146,030)
Gain on difference of currency and finance cost	107,815	-	-	107,815	133,234	-	133,234
(Decrease) / Increase in net assets for the year	(1,915,664)	(53,127)	731,171	(1,237,620)	1,375,360	706,408	1,949,743

The accompanying notes from 1 to 24 are an integral part of these financial statements

Birzeit University
Statement of Changes in Net Assets
For the Year Ended August 31, 2017

	General Funds		Temporarily Restricted Fund		Investment in Land, Property, Plant and Equipment		Permanently Restricted-Fund		Plant Expansion Fund		Total Net Assets	
	JOD	(Deficit)	JOD	Fund	JOD	Fund	JOD	Fund	JOD	Fund	JOD	Assets
Year Ended 31 August 2017:												
Balance at beginning of year	(22,907,255)		92,324		69,344,288		7,711,233		1,314,305			55,554,895
Contributions received during the year 2017 (note-18)	-		-		-		-		3,089,392			3,089,392
Surplus/ (Deficit) of net activities	(1,902,058)		(66,733)		-		731,171		-			(1,237,620)
Investment in Land, Property, Plant and Equipment	(1,780,388)		-		3,438,949		-		(1,658,561)			-
Inetrfund transfers - Depreciation Expense	1,939,892		-		(1,939,892)		-		-			-
Net assets at end of year	(24,649,809)		25,591		70,843,345		8,442,404		2,745,136			57,406,667
Year Ended 31 August 2016:												
Balance at beginning of year	(24,514,692)		224,349		67,514,303		7,004,825		1,787,614			52,016,399
Contributions received during the year 2016 (note- 18)	-		-		-		-		1,588,753			1,588,753
Surplus/ (Deficit) of net activities	1,375,360		(132,025)		-		706,408		-			1,949,743
Investment in Land, Property, Plant and Equipment	(1,547,136)		-		3,609,198		-		(2,062,062)			-
Inetrfund transfers - Depreciation Expense	1,779,213		-		(1,779,213)		-		-			-
Net assets at end of year	(22,907,255)		92,324		69,344,288		7,711,233		1,314,305			55,554,895

The accompanying notes from 1 to 24 are an integral part of these financial statements

Birzeit University
Statement of Cash Flows
For the Year Ended August 31, 2017

	2017 JOD	2016 JOD
Operating Activities:		
Changes in net assets	1,851,772	3,538,496
Adjustments :		
Depreciation and amortization	2,447,436	2,254,753
Change of Reserve for end of service staff benefits and provident fund	4,183,365	3,547,749
Provision for other doubtful accounts	510,576	445,525
Effect of fixing the exchange rate of Jordan Dinar against Israeli Shekel at Nis 5.6/1 JOD on the reserve for end of service staff benefits		
	888,012	1,146,030
Gain (Loss) on investment Portfolios	(706,161)	237,961
Unrealized loss on revaluation of marketable securities	6,019	19,882
	<u>9,181,019</u>	<u>11,190,396</u>
(Increase) / Decrease in Accounts and other receivable	(706,237)	(130,039)
Decrease / (Increase) in Inventories and Books	6,948	(27,768)
(Decrease) / Increase in Payables and accruals	(305,545)	621,893
(Decrease) / Increase in Deferred students' tuition and fees	(1,267,189)	1,276,180
Cash flows from operating activities	<u>6,908,996</u>	<u>12,930,662</u>
Reserve for end of service staff benefits and provident fund paid	(2,198,810)	(2,126,988)
Net Cash flows from operating activities	<u>4,710,186</u>	<u>10,803,674</u>
Investing Activities:		
Financial investments to cover restricted funds	1,652,458	(1,678,304)
Held to maturity investments	-	140,355
Procurement of property, plant and equipment	(3,182,204)	(3,314,597)
Procurement of land net of disposals	(762,521)	(766,025)
Net Cash Used in Investing Activities	<u>(2,292,267)</u>	<u>(5,618,571)</u>
Financing Activities :		
Loans payable	(94,117)	(142,226)
Income generated from endowment funds	27,045	24,001
Cash Used in Financing Activities	<u>(67,072)</u>	<u>(118,225)</u>
Increase in cash	2,350,847	5,066,878
Cash on hand and deposits with banks at beginning of the year	11,949,691	6,882,813
Cash on hand and deposits with banks at end of the year	<u>14,300,538</u>	<u>11,949,691</u>

The accompanying notes from 1 to 24 are an integral part of these financial statement