

Birzeit University (BZU)

**Financial Statements
and
Independent Auditor's Report**

**For the Year Ended
August 31, 2013**

Birzeit University (BZU)

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Trustees of
Birzeit University (BZU)
Ramallah**

We have audited the accompanying financial statements of **Birzeit University**, which comprise the statement of financial position as at August 31, 2013, the 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.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the university's preparation and fair presentation of the financial statements 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 university's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above give a true and fair view of the financial position of **Birzeit University** as at August 31, 2013, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the deficit in the general fund as of August 31, 2013 in the amount of JD 24,750,886 which resulted from accumulated recurring operating deficits during 2013 and in prior years. The ability of the University to continue as a going concern public entity 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 2013 as well as to finance its future activities and settle its contractual and legal obligation toward its faculty, staff and other creditors.

Saba & Co.

**Ramallah – Palestine
License Number 253**

October 20, 2014

Birzeit University
Statement of Financial Position
As of August 31, 2013
(Amounts are Expressed in Jordanian Dinar)

| | Note | A u g u s t 31, | |
|---|------|-------------------|-------------------|
| | | 2013 | 2012 |
| ASSETS | | | |
| Current Assets | | | |
| Cash on hand and deposits with banks | 3 | 8,257,137 | 7,868,045 |
| Investments | 4 | 226,254 | 238,794 |
| Accounts receivable and advances, Net | 5 | 3,010,234 | 3,329,162 |
| Other assets | 6 | 2,222,182 | 2,278,524 |
| Total current assets | | 13,715,807 | 13,714,525 |
| Long term assets | | | |
| Restricted funds with banks | 7 | 13,241,898 | 8,560,855 |
| Property, plant and equipment, Net | 8 | 28,622,258 | 26,867,003 |
| Lands | 9 | 34,407,254 | 34,233,851 |
| Total long term assets | | 76,271,410 | 69,661,709 |
| Total assets | | 89,987,217 | 83,376,234 |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Payables and accruals | 10 | 3,544,382 | 3,133,347 |
| Current portion of loan payable | 11 | 845,552 | 1,313,107 |
| Deferred students' tuition and fees | | 4,587,115 | 4,847,843 |
| Total current liabilities | | 8,977,049 | 9,294,297 |
| Non current liabilities | | | |
| Long term portion of loan payable | 11 | 374,125 | 479,866 |
| Reserve for legal claims | 20 | 266,367 | - |
| Reserves for end of service staff benefits | 12 | 28,107,884 | 24,945,111 |
| Total non current liabilities | | 28,748,376 | 25,424,977 |
| Total liabilities | | 37,725,425 | 34,719,274 |
| Net Assets: | | | |
| Unrestricted: | | | |
| General Fund (Deficit) | | (24,935,385) | (23,240,016) |
| Net investments in property, plant, equipment and library books | | 65,175,752 | 63,288,822 |
| Total unrestricted net assets | | 40,240,367 | 40,048,806 |
| Temporarily restricted (Statement-C) | | 1,850,828 | 773,955 |
| Permanently restricted-Endowment Fund | 13 | 7,963,518 | 4,335,906 |
| Plant expansion fund (Statement-C) | | 2,207,079 | 3,498,293 |
| Total net assets | | 52,261,792 | 48,656,960 |
| Total liabilities and net assets | | 89,987,217 | 83,376,234 |

The accompanying notes 1 to 21 are an integral part of these financial statements

Birzeit University
Statement of Activities
For the Year Ended August 31, 2013
(Amounts are Expressed in Jordanian Dinar)

| | Note | Year Ended August 31, | |
|---|------|-----------------------|--------------------|
| | | 2013 | 2012 |
| Operating Income: | | | |
| Tuition and fees, Net of students aid | 15 | 14,263,342 | 13,192,707 |
| Auxiliary services and other income | 14 | 864,386 | 1,025,159 |
| Total operating income | | 15,127,728 | 14,217,866 |
| Grants: | | | |
| Grants and service contracts | 16.a | 8,274,202 | 5,776,817 |
| Contributions from governmental institutions | | 930,037 | 689,263 |
| Total operating income, grants and service contracts | | 24,331,967 | 20,683,946 |
| Operating expenses: | | | |
| Academic departments | 18 | 14,361,549 | 13,965,870 |
| Administration and supporting services | 17 | 4,638,140 | 4,714,517 |
| Community programs | 19 | 4,379,771 | 4,853,549 |
| Total operating expenses | | 23,379,460 | 23,533,936 |
| Depreciation and amortization | 8 | 1,460,708 | 1,473,605 |
| Total expenses | | 24,840,168 | 25,007,541 |
| Deficit of operating income (under) expenses for the year | | (508,201) | (4,323,595) |
| Other non-operating income (loss): | | | |
| Unrealized (loss) gain on investment in marketable securities | | (12,540) | (8,151) |
| Uncollected rent fees | | (118,422) | - |
| Provision for legal cases | | (266,367) | - |
| Dividend income | | 8,969 | 8,418 |
| Effect of fixing the exchange rate of the Jordan Dinar against the shekel at Nis 5.6/1 JD on the reserve for end of service severance (see note 2.14) | | (1,672,700) | - |
| Gain (loss) on difference of currency | | 118,846 | (319,189) |
| Financing costs | | (40,482) | (2,574) |
| Decrease in net assets for the year (Statement-C) | | (2,490,897) | (4,645,091) |

The accompanying notes 1 to 21 are an integral part of these financial statements