

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, 2018, 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, 2018, 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, 2018 for an amount of JOD 25,379,163 (as of August 31, 2017 JOD 24,649,809), which resulted from accumulated recurring operating deficits during 2018 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, 2018 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.

Deloitte & Touche (Middle East)

License number 208

Ramallah – Palestine

13 March 2019

Birzeit University (BZU)
Statement of Financial Position
As of August 31, 2018

	Notes	2018 JOD	2017 JOD
ASSETS			
Current Assets			
Cash on hand and deposits with banks	5	12,849,813	12,656,093
Financial Assets at fair value through Statement of activities	6	88,646	77,839
Accounts and other receivable, Net	7	6,894,357	4,293,696
Total current assets		19,832,816	17,027,628
Non - current assets			
Inventories and Books	8	298,810	261,180
Financial investments to cover restricted funds	9	13,215,084	13,607,054
Property, plant and equipment, Net	10	35,010,437	33,559,597
Land	11	38,104,163	37,059,575
Total Non-current assets		86,628,494	84,487,406
Total assets		106,461,310	101,515,034
LIABILITIES AND NET ASSETS			
Current liabilities			
Payables and accruals	12	3,758,359	4,518,077
Current portion of loans payable	13	99,907	99,809
Deferred students' tuition and fees		8,707,490	5,686,059
Total current liabilities		12,565,756	10,303,945
Non current liabilities			
Long term portion of loans payable	13	49,953	149,713
Reserve for legal claims	22	266,367	266,367
Reserve for end of service staff benefits	14	33,600,250	33,388,342
Total non current liabilities		33,916,570	33,804,422
Total liabilities		46,482,326	44,108,367
Net Assets			
Unrestricted			
General fund (Deficit)		(25,379,163)	(24,649,809)
Net investments in property, plant, equipment and library books		73,347,809	70,843,345
Total unrestricted net assets		47,968,646	46,193,536
Temporarily restricted Fund		391,801	25,591
Permanently restricted-Endowment Fund		8,974,322	8,442,404
Plant expansion fund	15	2,644,215	2,745,136
Total net assets		59,978,984	57,406,667
Total liabilities and net assets		106,461,310	101,515,034

Wisam Naser

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, 2018

Notes	2018				2017			
	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted- Fund	Total	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted- Fund	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Operating Income:								
Tuition and fees, Net of students aid	23,788,947	-	-	23,788,947	21,916,715	-	-	21,916,715
Auxiliary services and other income	847,508	291,059	-	1,138,567	806,385	339,990	27,045	1,173,420
Total operating income	24,636,455	291,059	-	24,927,514	22,723,100	339,990	27,045	23,090,135
Grants:								
Grants contributions and service contracts	3,596,230	3,137,071	381,307	7,114,608	3,134,459	3,327,038	704,126	7,165,623
Contributions from governmental institutions	132,730	-	-	132,730	498,371	-	-	498,371
Total operating income and grants	28,365,415	3,428,130	381,307	32,174,852	26,355,930	3,667,028	731,171	30,754,129
Operating expenses:								
Academic departments	20,128,915	-	-	20,128,915	19,426,677	-	-	19,426,677
Administration and supporting services	7,320,953	-	-	7,320,953	6,078,479	-	-	6,078,479
Community programs	-	3,061,920	-	3,061,920	-	3,452,740	-	3,452,740
Total operating expenses	27,449,868	3,061,920	-	30,511,788	25,505,156	3,452,740	-	28,957,896
Depreciation and Amortization	2,056,490	-	-	2,056,490	2,447,436	-	-	2,447,436
Total expenses	29,506,358	3,061,920	-	32,568,278	27,952,592	3,452,740	-	31,405,332
(Deficit) Surplus / of operating income for the year	(1,140,943)	366,210	381,307	(393,426)	(1,596,662)	214,288	731,171	(651,203)
Other non-operating income (loss):								
Unrealized gain on revaluation of marketable securities	10,807	-	-	10,807	(6,019)	-	-	(6,019)
Gain (Loss) on investment Portfolios	440,211	-	-	440,211	706,161	-	-	706,161
Provision for doubtful students and fees tuitions	-	-	-	-	(413,805)	-	-	(413,805)
Provision for other doubtful accounts	-	-	-	-	(96,771)	-	-	(96,771)
Dividend income	5,582	-	-	5,582	4,214	-	-	4,214
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	224,675	-	-	224,675	(888,012)	-	-	(888,012)
Gain on difference of currency and finance cost	168,785	-	-	168,785	107,815	-	-	107,815
(Decrease) / Increase in net assets for the year	(290,883)	366,210	381,307	456,634	(2,183,079)	214,288	731,171	(1,237,620)

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

Birzeit University (BZU)
Statement of Changes in Net Assets
For the Year Ended August 31, 2018

	General Funds (Deficit)	Temporarily Restricted Fund	Investment in Land , Property, Plant and Equipment	Permanently Restricted- Fund	Plant Expansion Fund	Total Net Assets
	JOD	JOD	JOD	JOD	JOD	JOD
Year Ended 31 August 2018:						
Balance at beginning of year	(24,649,809)	25,591	70,843,345	8,442,404	2,745,136	57,406,667
Contributions received during the year 2018 (note-18)	-	-	-	-	1,965,072	1,965,072
Surplus/ (Deficit) of net activities	(290,883)	366,210	-	381,307	-	456,634
Yields from Endowments	-	-	-	150,611	-	150,611
Investment in Land, Property, Plant and Equipment	(2,494,961)	-	4,560,954	-	(2,065,993)	-
Inetrfund transfers - Depreciation Expense	2,056,490	-	(2,056,490)	-	-	-
Net assets at end of year	(25,379,163)	391,801	73,347,809	8,974,322	2,644,215	59,978,984
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

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

Birzeit University (BZU)
Statement of Cash Flows
For the Year Ended August 31, 2018

	2018 JOD	2017 JOD
Operating Activities:		
Changes in net assets	2,572,317	1,851,772
Adjustments :		
Depreciation and amortization	2,056,490	2,447,436
Change of Reserve for end of service staff benefits and provident fund	3,006,569	4,183,365
Provision for other doubtful accounts	-	510,576
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	(224,675)	888,012
(Gain) on investment Portfolios	(440,211)	(706,161)
Unrealized (gain) loss on revaluation of marketable securities	(10,807)	6,019
	<u>6,959,683</u>	<u>9,181,019</u>
(Increase) in Accounts and other receivable	(2,600,661)	(706,237)
(Increase) / Decrease in Inventories and Books	(37,630)	6,948
(Decrease) in Payables and accruals	(759,718)	(305,545)
Increase / (Decrease) in Deferred students' tuition and fees	3,021,431	(1,267,189)
Cash flows from operating activities	<u>6,583,105</u>	<u>6,908,996</u>
Reserve for end of service staff benefits and provident fund paid	<u>(2,569,986)</u>	<u>(2,198,810)</u>
Net Cash flows from operating activities	<u>4,013,119</u>	<u>4,710,186</u>
Investing Activities:		
Financial investments to cover restricted funds	606,647	35,058
Procurement of property, plant and equipment	(3,507,330)	(3,182,204)
Procurement of land net of disposals	(1,044,588)	(762,521)
Net Cash Used in Investing Activities	<u>(3,945,271)</u>	<u>(3,909,667)</u>
Financing Activities :		
Loans payable	(99,662)	(94,117)
Cash Used in Financing Activities	<u>(99,662)</u>	<u>(94,117)</u>
Increase in cash	(31,814)	706,402
Cash on hand and deposits with banks at beginning of the year	12,656,093	11,949,691
Cash on hand and deposits with banks at end of the year	<u>12,849,813</u>	<u>12,656,093</u>

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