

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, 2019, 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, 2019, 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.

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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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.
- 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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

Birzeit University (BZU)
Statement of Financial Position
As of August 31, 2019

	Notes	2019 JOD	2018 JOD
ASSETS			
Current Assets			
Cash on hand and deposits with banks	5	13,226,785	12,849,813
Financial Assets at fair value through Statement of activities	6	81,122	88,646
Accounts and other receivable, Net	7	7,860,888	6,894,357
Total current assets		21,168,795	19,832,816
Non - current assets			
Inventories and Books	8	270,348	298,810
Financial investments to cover restricted funds	9	13,535,472	13,215,084
Property, plant and equipment, Net	10	37,217,387	35,010,437
Land	11	38,104,163	38,104,163
Total Non-current assets		89,127,370	86,628,494
Total assets		110,296,165	106,461,310
LIABILITIES AND NET ASSETS			
Current liabilities			
Payables and accruals	12	6,649,194	3,758,359
Current portion of loans payable	13	52,050	99,907
Deferred students' tuition and fees		8,103,003	8,707,490
Total current liabilities		14,804,247	12,565,756
Non current liabilities			
Long term portion of loans payable	13	-	49,953
Reserve for legal claims	22	266,367	266,367
Reserve for end of service staff benefits	14	35,978,856	33,600,250
Total non current liabilities		36,245,223	33,916,570
Total liabilities		51,049,470	46,482,326
Net Assets			
Unrestricted			
General fund (Deficit)		(30,864,473)	(25,379,163)
Net investments in property, plant, equipment and library books		75,552,972	73,347,809
Total unrestricted net assets		44,688,499	47,968,646
Temporarily restricted Fund		1,042,989	391,801
Permanently restricted-Endowment Fund	15	9,540,655	8,974,322
Plant expansion fund		3,974,552	2,644,215
Total net assets		59,246,695	59,978,984
Total liabilities and net assets		110,296,165	106,461,310

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, 2019

Notes	2019			2018			
	Unrestricted Fund	Temporarily Restricted Fund	Total	Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Operating Income:							
Tuition and fees, Net of students aid	16	25,931,327	-	25,931,327	23,788,947	-	23,788,947
Auxiliary services and other Income	17	882,474	330,900	1,213,374	847,508	291,059	1,138,567
Total operating income		26,813,801	330,900	27,144,701	24,636,455	291,059	24,927,514
Grants:							
Grants contributions and service contracts	18	2,403,184	3,522,734	5,925,918	3,596,230	3,137,071	7,114,608
Contributions from governmental institutions		-	-	-	132,730	-	132,730
Total operating income and grants		29,216,985	3,853,634	33,070,619	28,365,415	3,428,130	32,174,852
Operating expenses:							
Academic departments	20	21,059,967	-	21,059,967	20,128,915	-	20,128,915
Administration and supporting services	19	7,386,803	-	7,386,803	7,320,953	-	7,320,953
Community programs	21	-	3,202,446	3,202,446	-	3,061,920	3,061,920
Total operating expenses		28,446,770	3,202,446	31,649,216	27,449,868	3,061,920	30,511,788
Depreciation and Amortization	10	2,043,002	-	2,043,002	2,056,490	-	2,056,490
Total expenses		30,489,772	3,202,446	33,692,218	29,506,358	3,061,920	32,568,278
(Deficit) Surplus / of operating income for the year		(1,272,787)	651,188	(621,599)	(1,140,943)	366,210	(393,426)
Other non-operating income (loss):							
Unrealized (loss) gain on revaluation of marketable securities		(7,524)	-	(7,524)	10,807	-	10,807
Gain on Investment Portfolios		206,106	-	206,106	440,211	-	440,211
Expected Credit Loss	7	(459,680)	-	(459,680)	-	-	-
Dividend Income		6,266	-	6,266	5,582	-	5,582
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	14	(820,179)	-	(820,179)	224,675	-	224,675
Gain on difference of currency and finance cost		46,728	-	46,728	168,785	-	168,785
(Decrease) / Increase in net assets for the year		(2,301,070)	651,188	(1,649,882)	(290,883)	366,210	456,634

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, 2019

	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 2019:						
Balance at Beginning of Year Before Adjustment	(25,379,163)	391,801	73,347,809	8,974,322	2,644,215	59,978,984
Effect of Implementing IFRS 9 (Note-7)	(1,054,422)	-	-	-	-	(1,054,422)
Balance at Beginning of Year Adjusted	(26,433,585)	391,801	73,347,809	8,974,322	2,644,215	58,924,562
Contributions Received During the Year 2019 (Note-18)	-	-	-	-	1,405,682	1,405,682
Surplus/ (Deficit) of net activities	(2,301,070)	651,188	-	-	-	(1,649,882)
Endowments Received During the Year	-	-	-	512,406	-	512,406
Yields from Endowments	-	-	-	53,927	-	53,927
Adjustments of Property, plant and equipment	(261,435)	-	261,435	-	-	-
Investment in Land, Property, Plant and Equipment	(3,911,385)	-	3,986,730	-	(75,345)	-
Inetrfund transfers - Depreciation Expense	2,043,002	-	(2,043,002)	-	-	-
Net assets at end of year	(30,864,473)	1,042,989	75,552,972	9,540,655	3,974,552	59,246,695
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

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, 2019

	2019	2018
	JOD	JOD
Operating Activities:		
Changes in net assets	(732,289)	2,572,317
Adjustments :		
Depreciation and amortization	2,043,002	2,056,490
Change of Reserve for end of service staff benefits and provident fund	3,616,017	3,006,569
Expected Credit Loss	459,680	-
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	820,179	(224,675)
(Gain) on investment Portfolios	(206,106)	(440,211)
Unrealized loss (gain) on revaluation of marketable securities	7,524	(10,807)
	6,008,007	6,959,683
 (Increase) in Accounts and other receivable	(1,426,211)	(2,600,661)
Decrease / (Increase) in Inventories and Books	28,462	(37,630)
Increase / (Decrease) in Payables and accruals	2,890,835	(759,718)
(Decrease) / Increase in Deferred students' tuition and fees	(604,487)	3,021,431
Cash flows from operating activities	6,896,606	6,583,105
Reserve for end of service staff benefits and provident fund paid	(2,057,590)	(2,569,986)
Net Cash flows from operating activities	4,839,016	4,013,119
Investing Activities:		
Financial investments to cover restricted funds	(114,282)	832,181
Procurement of property, plant and equipment	(4,249,952)	(3,507,330)
Procurement of land net of disposals	-	(1,044,588)
Net Cash Used in Investing Activities	(4,364,234)	(3,719,737)
Financing Activities :		
Loans payable	(97,810)	(99,662)
Cash Used in Financing Activities	(97,810)	(99,662)
 Increase in cash	376,972	193,720
Cash on hand and deposits with banks at beginning of the year	12,849,813	12,656,093
Cash on hand and deposits with banks at end of the year	13,226,785	12,849,813

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