

Birzeit University (BZU)  
Birzeit – Palestine

Financial Statements  
And Independent Auditor's Report  
For the Year Ended August 31, 2016

**Birzeit University (BZU)**

**Birzeit – Palestine**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of **Birzeit University (BZU)** (the "University"), which comprise the statement of financial position as at August 31, 2016, 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 in accordance with the provision of financial accounting board (FASB) Accounting Standards Codification (ASC) 958-205, Presentation of financial statements – Not-for-profit Entities, 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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### Opinion

In our opinion, the financial statements presented fairly, in all material respects, the financial position of **Birzeit University (BZU)** as at August 31, 2016, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in accordance with the provision of financial accounting board (FASB) Accounting Standards Codification (ASC) 958-205, Presentation of financial statements – Not-for-profit Entities.

### Emphasis of matter

Without qualifying our opinion, we draw attention to the deficit in the general fund as of August 31, 2016 for an amount of JOD 22,907,255 ( as of August 31,2015 JOD 24,514,692),which resulted from accumulated recurring operating deficits during 2016 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, 2016 as well as to finance its future activities and settle its contractual and legal obligation toward its faculty, staff and other creditors.

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Ramallah – Palestine  
16 May 2017

**Birzeit University ( BZU)**  
**Statement of Financial Position**  
**As of August 31, 2016**

	Notes	2016 JOD	2015 JOD
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash on hand and deposits with banks	5	11,949,691	6,882,813
Financial Assets at fair value through Statement of activities	6	83,858	103,740
Accounts and other receivable, Net	7	4,098,035	4,413,521
<b>Total current assets</b>		<b>16,131,584</b>	<b>11,400,074</b>
<b>Non - current assets</b>			
Inventories and Books	8	775,672	1,223,444
Financial investments to cover restricted funds	9	12,935,951	11,519,609
Held to maturity investments	6	-	140,355
Property, plant and equipment- Net	10	32,317,285	30,781,901
Land	11	36,297,054	35,531,029
<b>Total Non-current assets</b>		<b>82,325,962</b>	<b>79,196,338</b>
<b>Total assets</b>		<b>98,457,546</b>	<b>90,596,412</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Payables and accruals	12	4,823,622	4,201,729
Current portion of loans payable	13	98,183	101,346
Deferred students' tuition and fees		6,953,248	5,677,068
<b>Total current liabilities</b>		<b>11,875,053</b>	<b>9,980,143</b>
<b>Non current liabilities</b>			
Long term portion of loans payable	13	245,456	384,519
Reserve for legal claims	22	266,367	266,367
Reserve for end of service staff benefits	14	30,515,775	27,948,984
<b>Total non current liabilities</b>		<b>31,027,598</b>	<b>28,599,870</b>
<b>Total liabilities</b>		<b>42,902,651</b>	<b>38,580,013</b>
<b>Net Assets</b>			
<b>Unrestricted</b>			
General fund (Deficit)		(22,907,255)	(24,514,692)
Net investments in property, plant, equipment and library books		69,344,288	67,514,303
<b>Total unrestricted net assets</b>		<b>46,437,033</b>	<b>42,999,611</b>
Temporarily restricted Fund		92,324	224,349
Permanently restricted-Endowment Fund	15	7,711,233	7,004,825
Plant expansion fund		1,314,305	1,787,614
<b>Total net assets</b>		<b>55,554,895</b>	<b>52,016,399</b>
<b>Total liabilities and net assets</b>		<b>98,457,546</b>	<b>90,596,412</b>

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, 2016

	Note	2016			2015		
		Unrestricted Fund	Temporarily Restricted Fund	Permanently Restricted Fund	Total	Temporarily Restricted Fund	
		JOD	JOD	JOD	JOD	JOD	JOD
<b>Operating Income:</b>							
Tuition and fees, Net of students aid	16	20,602,000	-	-	20,602,000	18,572,363	-
Auxiliary services and other income	17	775,801	319,274	24,001	1,119,076	661,922	9,476
<b>Total operating income</b>		<b>21,377,801</b>	<b>319,274</b>	<b>24,001</b>	<b>21,721,076</b>	<b>19,234,285</b>	<b>9,476</b>
<b>Grants:</b>							
Grants contributions and service contracts	18	4,841,967	3,191,867	682,407	8,716,241	2,526,120	460,327
Contributions from governmental institutions		419,393	-	-	419,393	473,793	-
<b>Total operating income and grants</b>		<b>26,639,161</b>	<b>3,511,141</b>	<b>706,408</b>	<b>30,856,710</b>	<b>22,234,198</b>	<b>469,803</b>
<b>Operating expenses:</b>							
Academic departments	20	15,758,473	-	-	15,758,473	15,613,095	-
Administration and supporting services	19	5,542,077	-	-	5,542,077	5,249,187	-
Community programs	21	-	3,643,166	-	3,643,166	-	-
<b>Total operating expenses</b>		<b>21,300,550</b>	<b>3,643,166</b>	<b>-</b>	<b>24,943,716</b>	<b>20,862,282</b>	<b>-</b>
Depreciation and amortization	8 & 10	2,254,753	-	-	2,254,753	2,767,706	-
<b>Total expenses</b>		<b>23,555,303</b>	<b>3,643,166</b>	<b>-</b>	<b>27,198,469</b>	<b>23,629,988</b>	<b>-</b>
<b>Surplus / (Deficit) of operating income for the year</b>		<b>3,083,858</b>	<b>(132,025)</b>	<b>706,408</b>	<b>3,658,241</b>	<b>(1,395,790)</b>	<b>469,803</b>
<b>Other non-operating income (loss):</b>							
Unrealized gain on revaluation of marketable securities		(19,882)	-	-	(19,882)	2,660	-
Gain on investment Portfolios		(237,961)	-	-	(237,961)	254,693	-
Provision for doubtful students and fees tuitions	7	(445,525)	-	-	(445,525)	(183,405)	-
Gain on sale of property, plant and equipment		-	-	-	-	9,486	-
Dividend income		7,666	-	-	7,666	7,008	-
Effect of fixing the exchange rate of Jordan Dinar against Israeli Shekel at Nis 5.6/1 JD on the reserve for (loss) on difference of currency and finance Cost	14	(1,146,030)	-	-	(1,146,030)	2,066,634	-
<b>Increase / (Decrease) in net assets for the year</b>		<b>1,375,360</b>	<b>(132,025)</b>	<b>706,408</b>	<b>1,949,743</b>	<b>94,443</b>	<b>(3,037)</b>

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, 2016**

	Net investments					Total Net Assets
	General Funds ( Deficit)	Temporarily Restricted Fund	in property, plant, equipment and library books	Permanently Restricted-Fund	Plant Expansion Fund	
	JOD	JOD	JOD	JOD	JOD	JOD
<b>Year Ended 31 August 2016:</b>						
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 property, plant, equipment and library books	(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
<b>Year Ended 31 August 2015:</b>						
Balance at beginning of year	(26,440,320)	791,632	65,409,697	8,337,645	2,133,525	50,232,179
Contributions received during the year 2015 (note-18)	-	-	-	-	1,166,712	1,166,712
Surplus/ (Deficit) of net activities	94,443	(567,283)	-	469,803	-	(3,037)
Investment in property, plant, equipment and library books	28,562	-	2,104,606	-	(1,512,623)	620,545
Transferring of Scholarship Contributions to General Fund	1,802,623	-	-	(1,802,623)	-	-
Net assets at end of year	(24,514,692)	224,349	67,514,303	7,004,825	1,787,614	52,016,399

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, 2016**

	2016 JOD	2015 JOD
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees collected from students	20,602,000	18,572,363
Collections from auxiliary services and other income	1,095,075	1,058,394
Grants contributions and service contracts	8,033,834	5,467,539
Contributions from governmental institutions	419,393	473,793
Gain on sale of property, plant and equipemt	-	9,486
Financing costs	133,234	(666,843)
	<u>30,283,536</u>	<u>24,914,732</u>
Payments to employees and suppliers	(22,634,538)	(20,963,593)
<b>Net cash flows from operating activities</b>	<u>7,648,998</u>	<u>3,951,139</u>
<b>Cash Flows from Investing Activities:</b>		
Procurement of property, plant and equipment	(3,314,597)	(4,293,669)
Proceed from sale of property, plant and equipment	-	9,486
Procurement of land net of disposals	-	(566,478)
Procurement of books	(4,116)	(12,164)
(increase) in restricted funds with banks	(1,416,342)	(80,363)
<b>Net Cash Used in Investing Activities</b>	<u>(4,735,055)</u>	<u>(4,943,188)</u>
<b>Cash flows from Financing Activities :</b>		
Contributions received for plant expansion fund	1,588,753	1,166,712
Funds received from endowments	682,407	460,327
Due to Banks	-	(570,744)
Loans payable	(142,226)	(1,334,426)
Income generated from endowment funds	24,001	9,476
<b>Cash flows from / (used in) financing activities</b>	<u>2,152,935</u>	<u>(268,655)</u>
<b>Increase / (Decrease) in cash</b>	<u>5,066,878</u>	<u>(1,260,704)</u>
<b>Cash and Cash Equivalent at beginning of the year</b>	<u>6,882,813</u>	<u>8,143,517</u>
<b>Cash and Cash Equivalent at end of the year</b>	<u>11,949,691</u>	<u>6,882,813</u>

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