

**Birzeit University (BZU)**

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

**For the Year Ended  
August 31, 2014**

**Birzeit University (BZU)**

**Financial Statements and Independent Auditor's Report  
For the Year Ended August 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

### **To the Board of Trustees of Birzeit University (BZU) Ramallah – 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, 2014, the statement of activities, the statement of changes in net assets, and the statement of cash flows 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 from 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 about 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 presented fairly, in all material respects, the financial position of **Birzeit University (BZU)** as at August 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with reference to the American standard on Financial Accounting relating to not for profit organizations.

#### **Emphasis of a Matter**

Without qualifying our opinion, we draw attention to the deficit in the general fund as of August 31, 2014 for an amount of JD 26,440,320 which resulted from accumulated recurring operating deficits during 2014 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 2014 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  
February 19, 2015

**Birzeit University ( BZU)**  
**Statement of Financial Position**  
**As of August 31, 2014**  
(Amounts are Expressed in Jordanian Dinar)

	Notes	A u g u s t 31,	
		2014	2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash on hand and deposits with banks	4	8,192,277	8,257,137
Investments	5	241,435	226,254
Accounts receivable and advances, Net	6	4,336,430	3,010,234
<b>Total current assets</b>		<b>12,770,142</b>	<b>11,493,625</b>
<b>Non - current assets</b>			
Other assets	7	2,101,235	2,222,182
Restricted funds with banks	8	11,836,704	13,241,898
Property, plant and equipment, Net	9	28,414,643	28,622,258
Land	10	34,964,551	34,407,254
<b>Total non-current assets</b>		<b>77,317,133</b>	<b>78,493,592</b>
<b>Total assets</b>		<b>90,087,275</b>	<b>89,987,217</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities</b>			
Due to bank	11	570,744	-
Payables and accruals	12	4,137,698	3,544,382
Current portion of loans payable	13	1,556,164	845,552
Deferred students' tuition fees		3,703,954	4,587,115
<b>Total current liabilities</b>		<b>9,968,560</b>	<b>8,977,049</b>
<b>Non - current liabilities</b>			
Long term portion of loans payable	13	264,127	374,125
Reserve for legal claims	22	266,367	266,367
Reserves for end of service staff benefits	14	29,356,042	28,107,884
<b>Total non - current liabilities</b>		<b>29,886,536</b>	<b>28,748,376</b>
<b>Total liabilities</b>		<b>39,855,096</b>	<b>37,725,425</b>
<b>Net assets:</b>			
<b>Unrestricted:</b>			
General fund (Deficit)		(26,440,320)	(24,935,385)
Net investments in property, plant, equipment and library books		65,409,697	65,175,752
<b>Total unrestricted net assets</b>		<b>38,969,377</b>	<b>40,240,367</b>
Temporarily restricted fund (Statement-C)		791,632	1,850,828
Permanently restricted-Endowment fund	15	8,337,645	7,963,518
Plant expansion fund (Statement-C)		2,133,525	2,207,079
<b>Total net assets</b>		<b>50,232,179</b>	<b>52,261,792</b>
<b>Total liabilities and net assets</b>		<b>90,087,275</b>	<b>89,987,217</b>

Harbi Daragmeh  
Finance Manager

Dr.Khalil Al Hindi  
President

The accompanying notes from 1 to 23 are an integral part of these financial statements

**Birzeit University (BZU)**  
**Statement of Activities**  
**For the Year Ended August 31, 2014**  
(Amounts are Expressed in Jordanian Dinar)

	Note	Year Ended August 31,	
		2014	2013
<b>Operating income:</b>			
Tuition fees, net of students aid	17	15,523,732	14,263,342
Auxiliary services and other income	16	955,929	854,386
<b>Total operating income</b>		<b>16,479,661</b>	<b>15,127,728</b>
<b>Grants:</b>			
Grants contributions and service contracts	18.a	8,055,204	8,274,202
Contributions from governmental institutions		698,028	930,037
<b>Total operating income and grants</b>		<b>25,232,893</b>	<b>24,331,967</b>
<b>Operating expenses:</b>			
Academic departments	20	15,832,202	14,361,549
Administration and supporting services	19	4,615,378	4,638,140
Community programs	21	5,281,115	4,379,771
<b>Total operating expenses</b>		<b>25,728,695</b>	<b>23,379,460</b>
Depreciation and amortization	7/9	2,069,745	1,460,708
<b>Total expenses</b>		<b>27,798,440</b>	<b>24,840,168</b>
<b>Deficit of operating income for the year</b>		<b>(2,565,547)</b>	<b>(508,201)</b>
<b>Other non-operating income (loss):</b>			
Unrealized gain (loss) on revaluation of marketable securities		15,181	(12,540)
Uncollected rent fees		-	(118,422)
Provision for legal cases		-	(266,367)
Provision for doubtful debts		(135,000)	-
Gain on sale of property		35,852	-
Dividend income		8,973	8,969
Effect of fixing the exchange rate of Jordan Dinar against Israeli Shekel at Nis 5.6/1 JD on the reserve for end of service staff benefits		(612,786)	(1,672,700)
(loss) Gain on difference of currency		(23,585)	118,846
Financing costs		(13,140)	(40,482)
<b>Decrease in net assets for the year (Statement-C)</b>		<b>(3,290,052)</b>	<b>(2,490,897)</b>

The accompanying notes from 1 to 23 are an integral part of these financial statements