

Birzeit University (BZU)
Birzeit – Palestine

Financial Statements
And Independent Auditor's Report
For the Year Ended August 31, 2015



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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, 2015, 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, 2015, 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, 2015 for an amount of JOD 24,514,692 (as of August 31,2014 JOD 26,440,320),which resulted from accumulated recurring operating deficits during 2015 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, 2015 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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License Number 253

Ramallah – Palestine
February 18, 2016



Birzeit University (BZU)
Statement of Financial Position
As of August 31, 2015

| | Notes | 2015 JOD | 2014 JOD |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash on hand and deposits with banks | 5 | 6,882,813 | 8,143,517 |
| Financial Assets at fair value through Statement of activities | 6 | 103,740 | 101,080 |
| Accounts and other receivable, Net | 7 | 4,413,521 | 4,260,857 |
| Total current assets | | <u>11,400,074</u> | <u>12,505,454</u> |
| Non - current assets | | | |
| Inventories and Books | 8 | 1,223,444 | 2,101,235 |
| Financial investments to cover restricted funds | 9 | 11,519,609 | 11,599,972 |
| Held to maturity investments | 6 | 140,355 | 140,355 |
| Property, plant and equipment, Net | 10 | 30,781,901 | 28,414,643 |
| Land | 11 | 35,531,029 | 34,964,551 |
| Total Non-current assets | | <u>79,196,338</u> | <u>77,220,756</u> |
| Total assets | | <u>90,596,412</u> | <u>89,726,210</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Due to Banks | 12 | - | 570,744 |
| Payables and accruals | 13 | 4,201,729 | 3,776,633 |
| Current portion of loans payable | 14 | 101,346 | 1,556,164 |
| Deferred students' tuition and fees | | 5,677,068 | 3,703,954 |
| Total current liabilities | | <u>9,980,143</u> | <u>9,607,495</u> |
| Non current liabilities | | | |
| Long term portion of loans payable | 14 | 384,519 | 264,127 |
| Reserve for legal claims | 23 | 266,367 | 266,367 |
| Reserve for end of service staff benefits | 15 | 27,948,984 | 29,356,042 |
| Total non current liabilities | | <u>28,599,870</u> | <u>29,886,536</u> |
| Total liabilities | | <u>38,580,013</u> | <u>39,494,031</u> |
| Net Assets | | | |
| Unrestricted | | | |
| General fund (Deficit) | | (24,514,692) | (26,440,320) |
| Net investments in property, plant, equipment and library books | | 67,514,303 | 65,409,697 |
| Total unrestricted net assets | | <u>42,999,611</u> | <u>38,969,377</u> |
| Temporarily restricted Fund | | 224,349 | 791,632 |
| Permanently restricted-Endowment Fund | 16 | 7,004,825 | 8,337,645 |
| Plant expansion fund | | 1,787,614 | 2,133,525 |
| Total net assets | | <u>52,016,399</u> | <u>50,232,179</u> |
| Total liabilities and net assets | | <u>90,596,412</u> | <u>89,726,210</u> |

Harbi Daragmeh
Finance Manager

Dr. Abdul Latif Abu Hijleh
President

The accompanying notes from 1 to 26 are an integral part of these financial statements

Birzeit University (BZU)
Statement of Activities
For the Year Ended August 31, 2015

| Note | 2015 | | | | | | 2014 | | | | | |
|--|-------------------|-----------|-----------------------------|---------|-----------------------------|-------------|-------------------|-------------|-----------------------------|---------|-----------------------------|-------------|
| | Unrestricted Fund | | Temporarily Restricted Fund | | Permanently Restricted Fund | | Unrestricted Fund | | Temporarily Restricted Fund | | Permanently Restricted Fund | |
| | JOD | JOD | JOD | JOD | JOD | JOD | JOD | JOD | JOD | JOD | JOD | JOD |
| Operating Income: | | | | | | | | | | | | |
| Tuition and fees, Net of students aid | 18,572,363 | - | - | - | 18,572,363 | - | 15,523,732 | - | - | - | - | 15,523,732 |
| Auxiliary services and other income | 661,922 | 396,472 | 9,476 | 9,476 | 1,067,870 | 660,623 | 295,306 | 295,306 | 24,676 | 24,676 | - | 980,605 |
| Total operating income | 19,234,285 | 396,472 | 9,476 | 9,476 | 19,640,233 | 16,184,355 | 295,306 | 295,306 | 24,676 | 24,676 | - | 16,504,337 |
| Grants: | | | | | | | | | | | | |
| Grants contributions and service contracts | 2,526,120 | 2,941,419 | 460,327 | 460,327 | 5,927,866 | 4,128,591 | 3,926,613 | 3,926,613 | 349,451 | 349,451 | - | 8,404,655 |
| Contributions from governmental institutions | 473,793 | - | - | - | 473,793 | 698,028 | - | - | - | - | - | 698,028 |
| Total operating income and grants | 22,234,198 | 3,337,891 | 469,803 | 469,803 | 26,641,892 | 21,010,974 | 4,221,919 | 4,221,919 | 374,127 | 374,127 | - | 25,607,020 |
| Operating expenses: | | | | | | | | | | | | |
| Academic departments | 15,613,095 | - | - | - | 15,613,095 | 15,832,202 | - | - | - | - | - | 15,832,202 |
| Administration and supporting services | 5,249,187 | - | - | - | 5,249,187 | 4,615,378 | - | - | - | - | - | 4,615,378 |
| Community programs | - | 3,905,174 | - | - | 3,905,174 | - | 5,281,115 | 5,281,115 | - | - | - | 5,281,115 |
| Total operating expenses | 20,862,282 | 3,905,174 | - | - | 24,767,456 | 20,447,580 | 5,281,115 | 5,281,115 | - | - | - | 25,728,695 |
| Depreciation and amortization | 2,767,706 | - | - | - | 2,767,706 | 2,069,745 | - | - | - | - | - | 2,069,745 |
| Total expenses | 23,629,988 | 3,905,174 | - | - | 27,535,162 | 22,517,325 | 5,281,115 | 5,281,115 | - | - | - | 27,798,440 |
| Deficit of operating income for the year | (1,395,790) | (567,283) | 469,803 | 469,803 | (1,493,270) | (1,506,351) | (1,059,196) | (1,059,196) | 374,127 | 374,127 | - | (2,191,420) |
| Other non-operating income (loss): | | | | | | | | | | | | |
| Unrealized gain on revaluation of marketable securities | 2,660 | - | - | - | 2,660 | 15,181 | - | - | - | - | - | 15,181 |
| Gain on investment Portfolios | 254,693 | - | - | - | 254,693 | - | - | - | - | - | - | - |
| Provision for doubtful students and fees tuitions | (183,405) | - | - | - | (183,405) | (135,000) | - | - | - | - | - | (135,000) |
| Gain on sale of property, plant and equipment | 9,486 | - | - | - | 9,486 | 35,852 | - | - | - | - | - | 35,852 |
| Dividend income | 7,008 | - | - | - | 7,008 | 8,973 | - | - | - | - | - | 8,973 |
| 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 (loss) on difference of currency and finance Cost | 2,066,634 | - | - | - | 2,066,634 | (612,786) | - | - | - | - | - | (612,786) |
| Decrease in net assets for the year | (666,843) | - | - | - | (666,843) | (56,725) | - | - | - | - | - | (56,725) |
| | 94,443 | (567,283) | 469,803 | 469,803 | (3,037) | (2,230,856) | (1,059,196) | (1,059,196) | 374,127 | 374,127 | - | (2,915,925) |

The accompanying notes from 1 to 26 are an integral part of these financial statements