

**GREEK ORTHODOX PATRIARCHAE OF
JERUSALEM – SHEPHERDS HIGH SCHOOL**

FINANCIAL STATEMENTS

For the year ended August 31, 2016

And Independent Auditor's Report

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Independent Auditor's Report

To The Board of Directors of:

GREEK ORTHODOX PATRIARCHAE OF JERUSALEM – SHEPHERDS HIGH SCHOOL

Report on the audit of the financial Statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shepherds High School, as at August 31, 2016, and its financial Activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

What we have audited

The financial statements comprise:

- the statement of financial position as at August 31, 2016;
- the statement of activities for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters Paragraph

According to our audit procedures and requirements, we provided school's management with Donors Confirmation Template and requested donors replies to confirm these balances. Unfortunately, and until this moment, we did not get any reply from any donor. At the same, the School's Management did not obtain any type of Donors written Agreements. Therefore: we included the donated amounts in the financial statement exactly as school's management provided us, noting that the auditors will not take any responsibility nor will be liable for this information in front of any potential or future claim.

Independence

We are independent of the Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 Generally Accepted Accounting Principles in Palestine (GAAP), 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 Institute'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 Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

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 ISAs, we exercise professional judgment 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 risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 Institute's 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 evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 disclosures 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 Institute 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.

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

HLB Palestia for Auditing & Professional Services

Omran Naser

License Number 106/2001

Ramallah, Palestine

STATEMENT OF FINANCIAL POSITION

(All amounts in New Israeli Shekels)

	Note	31-Aug-16	31-Aug-15
Assets			
Current assets			
Cash and Cash equivalents	(3)	611,593	550,114
Students Account Receivable	(4)	2,464,039	2,370,607
Total current asses		3,075,633	2,920,721
Non - Current Assets			
Property , Plant and equipment, net	(5)	152,554	135,302
Total non current assets		152,554	135,302
Total Assets		3,228,187	3,056,023
Liabilities and Net Assets			
Current liabilities			
Account payable	(6)	4,052,239	3,120,189
Bank overdraft		323,618	260,568
Other Current Liabilities	(7)	468,638	333,865
Total current liabilities		4,844,495	3,714,622
Non-Current Liabilities			
Employees End of Service Indemnity	(8)	1,691,796	1,724,626
Total non current liabilities		1,691,796	1,724,626
Total Liabilities		6,536,290	5,439,248
Net Assets			
Unrestricted Net Assets			
From Operations		(3,267,503)	(2,366,700)
For Fixed Assets		(40,600)	(16,525)
Total Net Assets		(3,308,103)	(2,383,225)
Total liabilities and Net Assets		3,228,187	3,056,023

- Notes (1 to 12) to the financial statements form an integral part thereof.

Chairman

STATEMENT OF ACTIVITIES

(All amounts in New Israeli Shekels)

	<u>Note</u>	<u>31-Aug-16</u>	<u>31-Aug-15</u>
Changes in Unrestricted Net Assets			
Revenues, grants, and other gains			
School fees-Tuition, Uniform & Other revenues		1,568,435	1,750,000
Donations	(9)	<u>207,628</u>	<u>116,054</u>
Total Revenues, Grants and Other Revenues		<u>1,776,062</u>	<u>1,866,054</u>
Net Assets Released from Temporary Restrictions		<u>-</u>	<u>-</u>
Total Changes in Unrestricted Net Assets		<u>1,776,062</u>	<u>1,866,054</u>
Expenditures			
Cost of Activities	(10)	(2,017,963)	(3,296,824)
General and administrative expenses	(11)	<u>(654,490)</u>	<u>(959,033)</u>
Total expenditures		<u>(2,672,453)</u>	<u>(4,255,857)</u>
Net revenues (expenses) before financing expenses		(896,391)	(2,389,804)
Financing Income (Expenses), Net	(12)	<u>(28,487)</u>	<u>(10,753)</u>
Increase (Decrease) in Unrestricted Net Assets		<u>(924,878)</u>	<u>(2,400,557)</u>
Changes in Net Assets for the Beginning of the year		(2,383,225)	17,332
Changes in Net Assets for the End of the year		<u>(3,308,103)</u>	<u>(2,383,225)</u>

- Notes (1 to 12) to the financial statements form an integral part thereof.

STATEMENT OF CASH FLOWS

(All amounts in New Israeli Shekels)

	<u>31-Aug-16</u>	<u>31-Aug-15</u>
Cash Flow from Operating Activities		
Change in net assets for the year	(924,878)	(2,383,225)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	23,348	98,661
Increase (decrease) in provision for end of service benefits	(32,830)	1,724,626
(Increase) decrease in accounts receivable and student receivable	(93,432)	(2,370,607)
Increase (decrease) in account payable	932,050	3,120,189
Increase (decrease) in bank overdraft	63,050	260,568
Increase (decrease) in other current liabilities	134,773	333,865
Net cash flow (used in) from operating activities	<u>102,079</u>	<u>784,077</u>
Cash Flow from Investing Activities		
Purchase of fixed assets	(40,600)	(233,963)
Net cash flow used in investing activities	<u>(40,600)</u>	<u>(233,963)</u>
Net (decrease) increase in cash and cash equivalents	61,479	550,114
Cash and Cash Equivalents, beginning of year	550,114	-
Cash and Cash Equivalents, end of year	<u>611,593</u>	<u>550,114</u>

- Notes (1 to 12) to the financial statements form an integral part thereof.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

NOTE (1) GENERAL

Shepherds' High School was founded in Beit Sahour in the year 1993 by the Greek Orthodox Patriarchate of Jerusalem. It is located near the Orthodox Shepherds field church in Beit Sahour .

The School is divided Into Four stages The Kinder Garten, Elementary stage , The preparatory and the Secondary Stages . The school works on improvements of learning capacity and education. Teaching the Greek Language in addition to the basic materials and teaching non-educational skills such as Arts , Music , Sport and etc.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in Palestine (GAAP) for Not for profit organizations. Following is a summary of the significant accounting policies: 2.1 Fixed Assets - Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of these assets based on the following annual percentage rates:-

Equipment 15-20%

Furniture 5-15%

2.2 Net Assets - Net assets and contributions are classified based on the existence or absence of donor imposed restrictions. Therefore, net assets are classified as either unrestricted or temporarily restricted.

2.3 Revenue - Revenue is recognized when contributions and/or donations are received or services are performed. Contributions are recorded as either temporarily or permanently restricted if they are received with donor stipulation that limits the use of donation. When donor restriction expires, temporarily restricted net assets are reclassified to Unrestricted net assets and reported in the statements of activities as net assets Released from restrictions. In accordance with Financial Accounting Standards Board Pronouncement number 116.

2.4 Severance Pay - Benefits payable to the employees of Shepherds High School at the end of their services are provided for in accordance with the guidelines set by the Palestinian labor laws. The reserve for employee's severance pay for the year is calculated at the rate of one month's salary per year of service based on the last salaries paid.

2.5 Translation of Foreign Currencies - The accompanying financial statements are denominated in new Israeli Shekel. Transactions in other currencies during the year were translated according to prevailing rates at the time the transaction took place. Monetary assets and liabilities denominated in foreign currencies are translated into

FINANCIAL RISK MANAGEMENT**Liquidity risk**

The Institute minimize its liquidity risk by ensuring that credit facilities are available, and following up on the collection of the pledges receivable.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all categories of financial assets held by the school , the maximum exposure to credit risk is the carrying value, as disclosed in the statement of financial position.

(1) Cash and cash equivalents and deposits:

The Organization deposits its funds with reputable banks, and there are no restrictions on their use.

(2) Students Account receivables:

The school receives cash direct to the school box and there were no restriction to use cash so it is a big financial risk.

Market risk**(i) Exchange rate**

The institute is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the \$USA, JOD and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. To manage their foreign exchange risk arising from future commercial transactions, the organization's management maintains cash balances in different currencies.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (3) - Cash and Cash Equivalents

Details:

	F.C	31-Aug-16	31-Aug-15
Cash in box		122,745	-
Bank- Current Account ILS		18,644	26,861
Bank- Deposit ILS		202,735	362,795
Bank- Saving ILS		175,000	115,000
Bank- Current Account \$	\$ 312.85	1,186	126
Bank- Saving \$	\$ 0.32	1	10,192
Bank- Saving JOD	JOD 97.50	520	538
Bank- Saving EURO	€ 21,456.90	90,763	34,602
		611,593	550,114

Note (4) - Account receivable

Details:

	31-Aug-16	31-Aug-15
Account receivable/Students fees	2,382,027	2,454,400
Collectable Checks	82,013	53,100
	2,464,039	2,507,500

Note (5) - Fixed Assets -Net

Details:

	Office renovation	Equipments	Office Furniture	Total
Historical Cost				
Beginning balance	164,213	54,175	15,575	233,963
Additions during the year	-	40,600	-	40,600
Disposal during the year	-	-	-	-
End of year	164,213	94,775	15,575	274,563
Accumulated Depreciation				
Beginning balance	64,634	33,984	43	98,661
Accumulated Depreciation for the year	6,573	14,438	2,336	23,348
Disposal during the year	-	-	-	-
End of year	71,207	48,422	2,379	122,009
Net Book Value, Aug, 31 2016	93,006	46,353	13,196	152,554
Net Book Value, Aug, 31 2015	99,579	20,191	15,532	135,302

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (6) - Account Payable

Details:

	<u>31-Aug-16</u>	<u>31-Aug-15</u>
Greek Orthodox Patriarchae of Jerusalem during the period	4,048,843	3,116,793
Outstanding cheques	3,396	3,396
	<u>4,052,239</u>	<u>3,120,189</u>

Note (7) - Other current liabilities

Details:

	<u>31-Aug-16</u>	<u>31-Aug-15</u>
Employees	459,078	328,928
Payroll tax	380	317
Accrued expenses	9,180	4,620
	<u>468,638</u>	<u>333,865</u>

Note (8) - Employees End of Service Indemnity

Details:

	<u>31-Aug-16</u>	<u>31-Aug-15</u>
Balance - beginning of the year	1,724,626	-
Add: provision made during the year	146,762	1,861,519
Less: payments of benefits made during the year	(179,592)	(136,893)
Balance - end of the year	<u>1,691,796</u>	<u>1,724,626</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (9) - Donations

Details:

	31-Aug-16	31-Aug-15
Cooperative Craft Association	-	800
Arch Agnathos	-	8,660
Fr. Jerry Group. St. Cloud Minnesota - USA	-	4,000
RTM program	74,890	40,950
The Palestinian Bible Society	1,500	7,000
Fr. Ignathos with Thanks.	8,490	2,100
Caritas	-	45,000
The Housing Bank	1,885	7,544
The world vision	25,000	-
Tree of life and David good	3,850	-
Mr. Awwad Qumsieh	17,145	-
Individual donation	74,868	-
	207,628	116,054

Note (10) - Cost of Activities

Details:

	31-Aug-16	31-Aug-15
Salaries & Wages	1,667,236	1,583,514
Health insurance	1,581	3,430
Severance pay expenses	116,044	1,521,195
Books and teaching materials	51,407	94,870
School uniform	20,150	28,720
Graduation and social activities	55,776	15,424
School renovation	-	1,800
Utilities	19,563	28,831
Printing Expense&PR Material	13,495	-
Rent and maintenance expenses	72,711	19,040
	2,017,963	3,296,824

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (11) - General and Administrative expenses

Details:

	31-Aug-16	31-Aug-15
Management salaries ,Wages	502,664	459,500
Health insurance	2,879	226
Management Severance pay expenses	30,718	402,669
Building maintenance and cleaning expenses	3,408	5,827
Professional fees	5,760	5,820
Office supplies and stationary	22,130	12,293
Transportation expenses	3,782	4,280
Computers and other equipments maintenance	-	1,580
Subscription for Accounting System	26,980	31,550
Guards the door of the school	4,200	400
Communication	5,536	5,465
Advertising expenses	15,066	4,122
Trips expenses	-	7,785
Internet Expenses	8,020	-
Registration Fees	-	3,045
Depreciation expenses	23,348	14,473
	654,490	959,033

Note (12) - Financing expenses

Details:

	31-Aug-16	31-Aug-15
Interest and bank charges	27,671	25,882
Currency Variances	817	(15,129)
	28,487	10,753