

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

FINANCIAL STATEMENTS

For the year ended August 31, 2018

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, 2018, 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, 2018;
- 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)

	<u>Note</u>	<u>31-Aug-18</u>	<u>31-Aug-17</u>
Assets			
Current assets			
Cash and Cash equivalents	(3)	640,964	598,954
Students Account Receivable	(4)	3,059,397	2,611,281
Total current asses		<u>3,700,361</u>	<u>3,210,235</u>
Non - Current Assets			
Property , Plant and equipment, net	(5)	203,381	190,500
Total non current assets		<u>203,381</u>	<u>190,500</u>
Total Assets		<u>3,903,742</u>	<u>3,400,735</u>
Liabilities and Net Assets			
Current liabilities			
Account payable	(6)	6,185,352	5,159,658
Bank overdraft		380,034	378,122
Other Current Liabilities	(7)	179,448	353,187
Total current liabilities		<u>6,744,834</u>	<u>5,890,967</u>
Non-Current Liabilities			
Employees End of Service Indemnity	(8)	1,898,429	1,835,994
Total non current liabilities		<u>1,898,429</u>	<u>1,835,994</u>
Total Liabilities		<u>8,643,263</u>	<u>7,726,961</u>
Net Assets			
Unrestricted Net Assets			
From Operations		(4,716,042)	(4,259,296)
For Fixed Assets		(23,480)	(66,930)
Total Net Assets		<u>(4,739,522)</u>	<u>(4,326,226)</u>
Total liabilities and Net Assets		<u>3,903,742</u>	<u>3,400,735</u>

- 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-18</u>	<u>31-Aug-17</u>
Changes in Unrestricted Net Assets			
Revenues, grants, and other gains			
School fees-Tuition, Uniform & Other revenues		2,139,796	1,927,795
Donations	(9)	<u>78,490</u>	<u>22,783</u>
Total Revenues, Grants and Other Revenues		<u>2,218,286</u>	<u>1,950,578</u>
Net Assets Released from Temporary Restrictions		<u>-</u>	<u>-</u>
Total Changes in Unrestricted Net Assets		<u>2,218,286</u>	<u>1,950,578</u>
Expenditures			
Cost of Activities	(10)	(1,937,385)	(2,263,891)
General and administrative expenses	(11)	<u>(667,895)</u>	<u>(670,950)</u>
Total expenditures		<u>(2,605,281)</u>	<u>(2,934,841)</u>
Net revenues (expenses) before financing expenses		(386,995)	(984,263)
Financing Income (Expenses), Net	(12)	<u>(26,300)</u>	<u>(33,860)</u>
Increase (Decrease) in Unrestricted Net Assets		<u>(413,295)</u>	<u>(1,018,123)</u>
Changes in Net Assets for the Beginning of the year		(4,326,226)	(3,308,103)
Changes in Net Assets for the End of the year		<u><u>(4,739,522)</u></u>	<u><u>(4,326,226)</u></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-18</u>	<u>31-Aug-17</u>
Cash Flow from Operating Activities		
Change in net assets for the year	(413,295)	(1,018,123)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	10,599	28,985
Increase (decrease) in provision for end of service benefits	62,435	144,199
(Increase) decrease in accounts receivable and student receivable	(448,116)	(147,241)
Increase (decrease) in account payable	1,025,694	1,107,419
Increase (decrease) in bank overdraft	1,912	54,504
Increase (decrease) in other current liabilities	(173,739)	(115,451)
Net cash flow (used in) from operating activities	<u>65,489</u>	<u>54,291</u>
 Cash Flow from Investing Activities		
Purchase of fixed assets	(23,480)	(66,930)
Net cash flow used in investing activities	<u>(23,480)</u>	<u>(66,930)</u>
 Net (decrease) increase in cash and cash equivalents	42,009	(12,639)
Cash and Cash Equivalents, beginning of year	598,954	611,593
Cash and Cash Equivalents, end of year	<u>640,965</u>	<u>598,954</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:

	<u>F.C</u>	<u>31-Aug-18</u>	<u>F.C</u>	<u>31-Aug-17</u>
Cash box		269,887		219,969
Bank- Current Account ILS		-		1,445
Bank- Deposit ILS		300,000		300,000
Bank- Saving ILS		70,001		10,000
Bank- Current Account \$	\$ 158	551	\$ 925.29	3,357
Bank- Saving \$	\$ 0.37	1	\$ 0.37	1
Bank- Saving JOD	JOD 97.50	520	JOD 97.50	520
Bank- Saving EURO	€ 0.93	4	€ 15,060.04	63,662
		<u>640,964</u>		<u>598,954</u>

Note (4) - Account receivable

Details:

	<u>31-Aug-18</u>	<u>31-Aug-17</u>
Account receivable/Students fees	3,004,369	2,559,538
Collectable Checks	55,028	51,743
	<u>3,059,397</u>	<u>2,611,281</u>

Note (5) - Fixed Assets -Net

Details:

	<u>Office renovation</u>	<u>Equipments</u>	<u>Office Furniture</u>	<u>Total</u>
Historical Cost				
Beginning balance	164,213	111,005	66,275	341,493
Additions during the year	-	2,780	20,700	23,480
Disposal during the year	-	-	-	-
End of year	<u>164,213</u>	<u>113,785</u>	<u>86,975</u>	<u>364,973</u>
Accumulated Depreciation				
Beginning balance	77,762	67,107	6,124	150,993
Accumulated Depreciation for the year	2,191	5,532	2,876	10,599
Disposal during the year	-	-	-	-
End of year	<u>79,953</u>	<u>72,639</u>	<u>9,000</u>	<u>161,592</u>
Net Book Value, Aug, 31 2018	<u>84,260</u>	<u>41,146</u>	<u>77,975</u>	<u>203,381</u>
Net Book Value, Aug, 31 2017	<u>86,451</u>	<u>43,898</u>	<u>60,151</u>	<u>190,500</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (6) - Account Payable

Details:

	<u>31-Aug-18</u>	<u>31-Aug-17</u>
Greek Orthodox Patriarchae of Jerusalem during the period	6,185,352	5,159,658
	<u>6,185,352</u>	<u>5,159,658</u>

Note (7) - Other current liabilities

Details:

	<u>31-Aug-18</u>	<u>31-Aug-17</u>
Employees	161,388	339,067
Income tax	-	380
Accrued expenses	18,060	13,740
	<u>179,448</u>	<u>353,187</u>

Note (8) - Employees End of Service Indemnity

Details:

	<u>31-Aug-18</u>	<u>31-Aug-17</u>
Balance - beginning of the year	1,835,994	1,691,796
Add: provision made during the year	176,197	188,394
Less: adjusted during the period	-	(38,390)
Less: payments of benefits made during the year	(113,762)	(5,805)
Balance - end of the year	<u>1,898,429</u>	<u>1,835,994</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (9) - Donations

Details:

	31-Aug-18	31-Aug-17
Right To Movement	44,130	-
Individual donation	34,360	2,653
Other donations	-	20,130
	78,490	22,783

Note (10) - Cost of Activities

Details:

	31-Aug-18	31-Aug-17
Salaries & Wages	1,624,002	1,892,454
Health insurance and compansiation	-	3,621
Severance pay expenses	118,516	148,962
Books and teaching materials	93,330	91,120
School uniform	9,900	13,870
Graduation and social activities	44,556	50,639
School renovation	12,153	7,600
Utilities	20,572	24,575
Printing Expense&PR Material	1,968	7,430
Rent and maintenance expenses	12,389	23,620
	1,937,385	2,263,891

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (11) - General and Administrative expenses

Details:

	31-Aug-18	31-Aug-17
Management salaries ,Wages	529,704	535,294
Health insurance	106	561
Management Severance pay expenses	33,427	39,431
Building maintenance and cleaning expenses	12,409	5,881
Professional fees	5,320	5,760
Office supplies and stationary	-	3,657
Transportation expenses	13,010	2,864
Computers and other equipments maintenance	1,730	-
Subscription for Accounting System	39,360	26,680
Guards the door of the school	-	-
Communication	5,826	4,563
Advertising expenses	8,524	2,469
Trips expenses	-	5,370
Internet Expenses	7,881.00	9,436
Depreciation expenses	10,599	28,985
	667,895	670,950

Note (12) - Financing expenses

Details:

	31-Aug-18	31-Aug-17
Interest and bank charges	22,663	33,860
Currency Variances	3,637	-
	26,300	33,860