

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

FINANCIAL STATEMENTS

For the year ended August 31, 2020

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, 2020, 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, 2020;
- 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

Notes.#1,2 and 3 During the period of 1/9/2018 till 31/8/2019,

1- 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.

2- In receivables, the sum was written 1,851,215 NIS as bad debts, resulting from amounts unknown if they were actually received, and how they were recorded on students receivables from previous years, which may be theft or loss.

3- The sum of 232,759 NIS was deducted from the balance of the Greek Orthodox Patriarchate, which resulted from the failure to register the balances of the employees and teachers when paying them, which led to the accumulation of funds from time to time and a gap in the accounts of the school, and by an administrative decision that was deducted to the Greek Orthodox Patriarchate account.

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

29 December 2020

STATEMENT OF FINANCIAL POSITION

(All amounts in New Israeli Shekels)

	<u>Note</u>	<u>31-Aug-20</u>	<u>31-Aug-19</u>
Assets			
Current assets			
Cash and Cash equivalents	(3)	4,280	141,471
Students Account Receivable	(4)	2,003,193	1,273,690
Total current asses		<u>2,007,473</u>	<u>1,415,161</u>
Non - Current Assets			
Property , Plant and equipment, net	(5)	112,292	158,503
Total non current assets		<u>112,292</u>	<u>158,503</u>
Total Assets		<u>2,119,765</u>	<u>1,573,664</u>
Liabilities and Net Assets			
Current liabilities			
Account payable	(6)	7,412,335	6,577,193
Bank overdraft		188,829	-
Other Current Liabilities	(7)	83,829	177,325
Total current liabilities		<u>7,684,993</u>	<u>6,754,518</u>
Non-Current Liabilities			
Employees End of Service Indemnity	(8)	2,139,344	2,156,996
Total non current liabilities		<u>2,139,344</u>	<u>2,156,996</u>
Total Liabilities		<u>9,824,336</u>	<u>8,911,514</u>
Net Assets			
Unrestricted Net Assets			
From Operations		(7,704,571)	(7,323,430)
For Fixed Assets		-	(14,420)
Total Net Assets		<u>(7,704,571)</u>	<u>(7,337,850)</u>
Total liabilities and Net Assets		<u>2,119,765</u>	<u>1,573,664</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-20</u>	<u>31-Aug-19</u>
Changes in Unrestricted Net Assets			
Revenues, grants, and other gains			
School fees-Tuition, Uniform & Other revenues		2,255,248	2,281,428
Donations	(9)	-	70,529
Total Revenues, Grants and Other Revenues		<u>2,255,248</u>	<u>2,351,957</u>
Net Assets Released from Temporary Restrictions		<u>-</u>	<u>-</u>
Total Changes in Unrestricted Net Assets		<u>2,255,248</u>	<u>2,351,957</u>
Expenditures			
Cost of Activities	(10)	(1,970,729)	(2,253,992)
General and administrative expenses	(11)	(641,070)	(824,662)
Bad debt expenses		-	(1,851,215)
Total expenditures		<u>(2,611,799)</u>	<u>(4,929,870)</u>
Net revenues (expenses) before financing expenses		(356,551)	(2,577,913)
Financing Income (Expenses), Net	(12)	(10,170)	(20,416)
Increase (Decrease) in Unrestricted Net Assets		<u>(366,722)</u>	<u>(2,598,328)</u>
Changes in Net Assets for the Beginning of the year		(7,337,850)	(4,739,522)
Changes in Net Assets for the End of the year		<u>(7,704,571)</u>	<u>(7,337,850)</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-20</u>	<u>31-Aug-19</u>
Cash Flow from Operating Activities		
Change in net assets for the year	(366,722)	(2,598,328)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	46,211	59,298
Increase (decrease) in provision for end of service benefits	(17,652)	258,566
(Increase) decrease in accounts receivable and student receivable	(729,503)	1,785,707
Increase (decrease) in account payable	835,142	391,839
Increase (decrease) in bank overdraft	188,829	(380,034)
Increase (decrease) in other current liabilities	(93,496)	(2,123)
Net cash flow (used in) from operating activities	<u>(137,191)</u>	<u>(485,074)</u>
 Cash Flow from Investing Activities		
Purchase of fixed assets	-	(14,420)
Net cash flow used in investing activities	<u>-</u>	<u>(14,420)</u>
 Net (decrease) increase in cash and cash equivalents	(137,191)	(499,494)
Cash and Cash Equivalents, beginning of year	141,471	640,965
Cash and Cash Equivalents, end of year	<u><u>4,280</u></u>	<u><u>141,471</u></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>31-Aug-20</u>	<u>31-Aug-19</u>
Cash box	4,280	6,480
Deposit in transit	-	55,000
Bank- Current Account ILS	-	79,991
	<u>4,280</u>	<u>141,471</u>

Note (4) - Account receivable

Details:

	<u>31-Aug-20</u>	<u>31-Aug-19</u>
Account receivable/Students fees	1,896,458	1,273,521
Collectable Checks	106,735	169
	<u>2,003,193</u>	<u>1,273,690</u>

Note (5) - Fixed Assets -Net

Details:

	<u>Computers</u>	<u>Equipments</u>	<u>Office Furniture</u>	<u>Total</u>
Historical Cost				
Beginning balance	86,437	92,639	200,317	379,393
Additions during the year	-	-	-	-
Disposal during the year	-	-	-	-
End of year	<u>86,437</u>	<u>92,639</u>	<u>200,317</u>	<u>379,393</u>
Accumulated Depreciation				
Beginning balance	73,572	55,357	91,964	220,890
Accumulated Depreciation for the year	12,744	14,199	19,269	46,211
Disposal during the year	-	-	-	-
End of year	<u>86,316</u>	<u>69,555</u>	<u>111,232</u>	<u>267,101</u>
Net Book Value, Aug, 31 2019	<u>122</u>	<u>23,084</u>	<u>89,085</u>	<u>112,292</u>
Net Book Value, Aug, 31 2018	<u>12,865</u>	<u>37,283</u>	<u>108,354</u>	<u>158,503</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (6) - Account Payable

Details:

	<u>31-Aug-20</u>	<u>31-Aug-19</u>
Greek Orthodox Patriarchae of Jerusalem during the period	7,404,193	6,569,193
Accounts Payable - Suppliers	7,542	-
Outstanding Checks	600	8,000
	<u>7,412,335</u>	<u>6,577,193</u>

Note (7) - Other current liabilities

Details:

	<u>31-Aug-20</u>	<u>31-Aug-19</u>
Employees	71,210	173,161
Income Tax Payable	1,505	-
Unearned Revenue Registration Fees	6,950	-
Accrued expenses	4,164	4,164
	<u>83,829</u>	<u>177,325</u>

Note (8) - Employees End of Service Indemnity

Details:

	<u>31-Aug-20</u>	<u>31-Aug-19</u>
Balance - beginning of the year	2,156,996	1,898,429
Add: provision made during the year	170,820	336,852
Less: payments of benefits made during the year	(188,472)	(78,286)
Balance - end of the year	<u>2,139,344</u>	<u>2,156,996</u>

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (9) - Donations

Details:

	31-Aug-20	31-Aug-19
Right To Movement	-	19,719
Rev. Agnatios	-	7,200
Caritas	-	43,610
	-	70,529

Note (10) - Cost of Activities

Details:

	31-Aug-20	31-Aug-19
Salaries & Wages	1,654,423	1,726,080
Health insurance , compansiation and other insurance expenses	31,788	1,225
Severance pay expenses	133,240	256,099
Books and teaching materials	66,786	105,507
School uniform	13,925	12,290
Graduation and social activities	18,491	63,386
Utilities	8,012	4,738
Printing Expense&PR Material	2,006	4,772
Rent and maintenance expenses	30,941	23,473
Kinder Garden expenses	8,543	5,323
Sessions, Courses & Trainings for teachers	2,575	6,600
Donation expenses(Caritas Scholarship - Student installment payment)	-	44,500
	1,970,729	2,253,992

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in New Israeli Shekels)

Note (11) - General and Administrative expenses

Details:

	31-Aug-20	31-Aug-19
Management salaries ,Wages	472,975	524,088
Health insurance	5,982	344
Management Severance pay expenses	37,580	72,233
Building maintenance and cleaning expenses	11,692	52,855
Professional fees	4,060	5,164
Office supplies and stationary	2,015	3,378
Transportation expenses and Fuel Expense	18,522	21,220
Computers and other equipments maintenance	-	4,864
Subscription for Accounting System	27,000	36,000
Communication	7,510	6,883
Trips expenses	2,480	1,240
Gift expenses	183	25,715
Internet Expenses	4,860	11,380
Depreciation expenses	46,211	59,298
	<u>641,070</u>	<u>824,662</u>

Note (12) - Financing expenses

Details:

	31-Aug-20	31-Aug-19
Interest and bank charges	10,170	20,416
	<u>10,170</u>	<u>20,416</u>