

Justice Center for Legal Aid

Private Society

Amman – The Hashemite Kingdom of Jordan

Financial Statements and Independent Auditor's Report

For the year ended December 31, 2018

Justice Center for Legal Aid  
Private Society  
Amman – The Hashemite Kingdom of Jordan

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**Independent Auditor's Report**  
**Justice Center for Legal Aid**  
**Private Society**  
**Amman – The Hashemite kingdom of Jordan**

**Opinion**

We have audited the financial statements of **Justice Center for Legal Aid** (Private Society), which comprise the statement of financial position as at December 31, 2018, the statement of revenues and expenditures and change in retained surplus, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) basis of accounting described in Note (2).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and its amendments. 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 are independent of the Society in accordance with the International Ethics Standards Board for accountants' Code of Ethics for Professional Accountants in addition to the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**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 basis described in note (2), 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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:

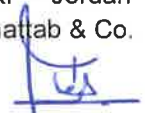
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Society'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 Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Society 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.

**Report on Other Legal and Regulatory Requirements**

The Society maintains proper accounting records, and the audited financial statements and the disclosures in the financial statement are consistent with these records .We recommend to approve these financial statements.

PKF – Jordan  
Khattab & Co.

  
Mohammed Khattab  
(License No.730)



Amman – The Hashemite Kingdom of Jordan  
25<sup>th</sup> April 2019

Justice Center for Legal Aid  
Private Society  
Amman – The Hashemite Kingdom of Jordan

Statement of Financial Position As of December 31, 2018

Exhibit – A

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	104,813	289,166
Other debit balances	6	8,323	41,528
<b>Total Current Assets</b>		<u>113,136</u>	<u>330,694</u>
<b>Non-Current Assets</b>			
Property and equipment	7	60,462	63,066
Intangible assets	8	39,054	58,650
<b>Total non - current assets</b>		<u>99,516</u>	<u>121,716</u>
<b>Total Assets</b>		<u>212,652</u>	<u>452,410</u>
<b><u>Liabilities and Retained Surplus</u></b>			
<b>Current Liabilities</b>			
Deferred grants revenues	9	1,948	5,282
Other credit balances	10	76,721	4,273
<b>Total Liabilities</b>		<u>78,669</u>	<u>9,555</u>
<b>Retained Surplus</b>			
Retained surplus		<u>133,983</u>	<u>442,855</u>
<b>Total Liabilities and Retained Surplus</b>		<u>212,652</u>	<u>452,410</u>

The Accompanying Notes From 1 to 17 Constitute An Integral Part of These Financial Statements

Justice Center for Legal Aid  
Private Society  
Amman – The Hashemite Kingdom of Jordan

Statement of Revenues and Expenditures and Change in retained surplus for the year Ended  
December 31, 2018

Exhibit – B

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
Grants revenues	11	1,135,410	1,689,747
Operating grants expenses	12	(1,210,584)	(1,222,505)
<b>Operating (Deficit) surplus</b>		( 75,174)	467,242
Amortization of deferred grants revenues	9	3,334	3,334
Other revenues	14	30,292	7,129
Depreciation expense	7	( 26,549)	( 26,360)
Amortization expense	8	( 19,596)	( 19,598)
Administrative expenses	13	( 221,179)	( 252,373)
<b>(Deficit) surplus for the year</b>		( 308,872)	179,374
Retained surplus at the beginning of the year		442,855	263,481
<b>Retained surplus at the end of the year</b>		133,983	442,855

The accompanying notes from 1 to 17 constitute an integral part of these financial statements

Justice Center for Legal Aid  
Private Society  
Amman – The Hashemite Kingdom of Jordan

Statement of Cash Flows For the Year Ended December 31, 2018

Exhibit – C

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		JD	JD
<b><u>Operating Activities</u></b>			
(Deficit) surplus for the year		(308,872)	179,374
<b>Adjustments:</b>			
Depreciation expense	7	26,549	26,360
Amortization expense	8	19,596	19,598
<b>Changes in Working Capital Changes</b>			
Other debit balances		33,205	(41,328)
Deferred grants revenues		( 3,334)	( 3,334)
Other credit balances		72,448	2,533
<b>Net Cash Flows (used in) Operating Activities</b>		<u>(160,408)</u>	<u>183,203</u>
<b><u>Investing activities</u></b>			
Purchase of property and equipment	7	( 23,945)	( 23,174)
<b>Net Cash Flows used in Investing Activities</b>		<u>( 23,945)</u>	<u>( 23,174)</u>
Change in cash and cash equivalents during the year		(184,353)	160,029
Cash and cash equivalents at the beginning of the year		289,166	129,137
<b>Cash and Cash Equivalents at the end of the year</b>	5	<u>104,813</u>	<u>289,166</u>

The accompanying notes from 1 to 17 constitute an integral part of these financial statements



**Justice Center for Legal Aid**  
**Private Society**  
**Amman - The Hashemite Kingdom of Jordan**

**Notes To The Financial Statements**

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**(1) General**

Justice Center Society for Legal Aid was established as a non-profit entity under the name of Diyala Hilal Othman Al-Khamra and partners on 21<sup>st</sup> July 2008 and registered as non for profit Partnership at the Companies General Controller at the Ministry of Industry and Trade under the number (218) and national No. (200097278). On July 23, 2008 the trade name was registered (Justice Center for Legal Aid) under the number (144019) in the record of trade names. With the entry into force of the Society's Law No. (51) for the year 2008, the non-profit Society became a private Society registered under the provisions of this Act and its amendments.

On May 3, 2013 the Society completed straighten conditions procedures under the provisions of the Society's Law No. (51) of the year 2008, and its amendments under the national number (200097278), the same establishment number mentioned above, the Society was included under the Jurisdiction of the Ministry of Justice according to its objectives, also the society name has been modified to become "Justice Center for Legal Aid Society"

As a result of the straighten conditions the Society General Assembly decided to close the capital of the Society and to recognize the paid part of the capital as a donation to the Society.

The main objectives of the society are as follows:

- Empowerment of the poor and vulnerable people of citizens and residents in Jordan, expats, refugees, and the like to access to their rights according to the law.
- Facilitate the access of the poor and vulnerable people of citizens and residents in Jordan, expats, refugees, and the like to legal assistance through lawyers, in accordance with the laws in force.
- Study and implementation of projects related to the reinforcement of the principle of access to justice and the right to sue.
- Study and implementation of projects related to reinforcement of the sovereignty of law.
- Spread the awareness of various Jordanian legislation, bilateral, regional and international agreements.
- Deepening the democratic culture and global culture of human rights and promote transparency, justice and tolerance.
- Promote the concepts of economic, social and cultural rights and the governance of good.
- Preparation of studies and research related to the objectives of the Society and in accordance with the provisions of the laws in force.

**Society Branches:**

The Society performs its work through the rented headquarter branch, in addition to the twenty-three offices called legal clinics are not considered branches of the Society, which is hosted by the institutions of civil society partners. The society headquarter includes the society management in addition to the legal clinics which provide services to the public.

## **(2) Basis of preparation**

- The society follows the amended accrued basis in recognition of its transactions, as grant revenues recognized when received and paid on operating and administrative expenses included in the grants budget, expenses recognized according to the accrual basis.
- The financial statements are prepared in accordance with the historical cost convention.
- The financial statements are presented in Jordanian Dinars which is the functional currency of the society.

## **(3) Changing in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended standards effective as of the first January 2018:

### **New and amended standards and interpretations issued and applied by the Society in the fiscal year commencing on the first January 2018:**

- International Financial Reporting Standard IFRS No. 9 - (financial instruments), the standard deals with the classification, measurement and exclusion of assets and financial liabilities and introduces new rules for hedging. The standard also introduced the new reduction model to recognize impairment provisions. The Society has audited its assets and financial requirements and expects to influence the application of the new standard on January 1, 2018.
- International Financial Reporting Standard (IFRS) No. 15, "Revenue from contracts with customers" The International Accounting Standards Board (IASB) issued new recognition criteria for revenue. The Standard will replace IAS No. 18, which covers contracts for goods and services and IAS 11 covering construction contracts. According to the new standard, revenue is recognized when the control of the goods or services is transferred to the customer. The standard allows the application to be executed retroactively or retroactive effect rate
- International Financial Reporting Standard (IFRS) No. 16 "Leases" The International financial Reporting standard (IFRS) No. 16 was issued in January 2016. It will almost lead to the recognition of all leases in the financial position list, where the distinction between leasing and finance leases has been eliminated. Under the new standard, the original and financial obligation to pay rents are recognized. The exceptions for the accounting of lessors have not changed significantly

The Society expects to apply the above criteria and explanations (enhancements) to the financial statements, with no other standards not in force and expected to have a substantial impact on the facility in current or future reporting periods, and on expected future transactions.

#### **(4) Summary of Significant Accounting Policies**

##### **Financial instruments**

Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

##### **Financial assets**

- A financial asset is any asset that is:
  - (a) Cash; or
  - (b) An equity instrument of another entity; or
  - (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or
  - (d) A contract that may or will be settled in the entity's own equity instruments.
- Financial assets are initially measured at fair value in addition to, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.
- After primary recognition, all financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
  - (a) The entity's business model for managing the financial assets, and
  - (b) The contractual cash flow characteristics of the financial asset.
- A financial asset is measured at amortized cost if both of the following conditions are met:
  - (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
  - (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- All other financial assets are Measured later at fair value.
- A gain or loss on a financial asset that is measured at fair value and that is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include current accounts at banks.

##### **Other Debit Balances**

Other debit balances are recognized with the amounts paid to the service providers against services that will be received in the future, or payments made to external parties and will be refunded in the future.

##### **Income tax**

The Society provides for income tax provision in accordance with the Income Tax Law No. (34) of 2014, and accordance with IAS (12) which is provided in this standard to record deferred tax resulting from the difference between accounting and tax value of assets and liabilities.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	<u>Depreciation rate</u>
	%
Furniture and fixtures	15
Computers	20
Vehicles	20

The carrying values of property and equipment are reviewed periodically for impairment when events or changes in circumstances indicate that the assets are recorded at values exceeding their recoverable amounts, consequently, the assets are written down to their recoverable amounts, and impairment is recognized in the statement of Revenues and Expenditures and Change in retained surplus.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

### **Intangible assets**

Intangible assets acquired through the merger are recorded at their fair value at the date of acquisition, but intangible assets acquired in other ways are recorded at cost.

Intangible assets are classified based upon their estimated useful lives for a limited or unlimited duration. The intangible assets which have a limited useful life are amortized within it. Amortization charge is recorded in the statement of Revenues and Expenditures and Change in retained surplus.

.Following are the annual average amortization in accordance with the estimated useful life of each asset:

	<u>Useful lives in year</u>
	%
Accounting software	20
Lawyer software	20

As for any intangible asset with an indefinite useful life, they are reviewed for impairment on the date of the financial statements and any impairment shall be recorded in the statement of Revenues and Expenditures and Change in retained surplus.

- Any indications of impairment on intangible assets at the date of the financial statements are reviewed, as well as the useful life of those assets and any adjustments made to subsequent periods.

### **Other Credit Balances**

The other credit balances are recognized for the amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

### Revenue Recognition

Grants revenues are recognized when receiving from the donors and being paid for the operating and administrative expenses which is listed within the grants budgets.

### Deferred grants revenues

Deferred grants revenues are recognized as deferred income in the statement of financial position and will be recognized in the statement of Revenues and Expenditures and Change in retained surplus on a systematic basis over the useful life of the related asset.

### Provisions

Provisions are recognized when the Society has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

### Subsequent Events

Post-year-end events that provide additional information about the Society's position at the financial position date (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

### Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences resulting from the retranslation are taken to the statement of revenues and expenses.

### Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

### (5) Cash and Cash Equivalents

	<u>2018</u>	<u>2017</u>
	JD	JD
Current accounts at banks - JOD	103,109	104,995
Current accounts at banks - USD	<u>1,704</u>	<u>184,171</u>
<b>Total</b>	<u><u>104,813</u></u>	<u><u>289,166</u></u>

**(6) Other Debit Balances**

	2018	2017
	JD	JD
Accrued revenues	6,469	-
Employee's receivables	1,140	36
Prepaid expenses	514	-
Advance payment to suppliers	200	200
Advance payments to partners (*)	-	41,292
<b>Total</b>	<b>8,323</b>	<b>41,528</b>

(\*) This item represents part of the grant FOSL granted to Justice Center for Legal Aid, part of this grant was transferred as a sub-grant of the observatory for investment and training support as partners in return for providing the same services as the center.

**(7) Property and Equipment**

	Furniture and fixtures	Computers	Vehicles	Total
	JD	JD	JD	JD
<b>2018</b>				
<b><u>Cost</u></b>				
Balance as of January 1, 2018	40,238	91,462	26,196	157,896
Additions during the year	6,363	17,582	-	23,945
<b>Balance as of December 31, 2018</b>	<b>46,601</b>	<b>109,044</b>	<b>26,196</b>	<b>181,841</b>
<b><u>Accumulated Depreciation</u></b>				
Balance as of January 1, 2018	21,320	55,610	17,900	94,830
Depreciation during the year	6,041	15,269	5,239	26,549
<b>Balance as of December 31, 2018</b>	<b>27,361</b>	<b>70,879</b>	<b>23,139</b>	<b>121,379</b>
<b><u>Net</u></b>	<b>19,240</b>	<b>38,165</b>	<b>3,057</b>	<b>60,462</b>
<b>2017</b>				
<b><u>Cost</u></b>				
Balance as of January 1, 2017	34,310	74,216	26,196	134,722
Additions during the year	5,928	17,246	-	23,174
<b>Balance as of December 31, 2017</b>	<b>40,238</b>	<b>91,462</b>	<b>26,196</b>	<b>157,896</b>
<b><u>Accumulated Depreciation</u></b>				
Balance as of January 1, 2017	15,871	39,938	12,661	68,470
Depreciation during the year	5,449	15,672	5,239	26,360
<b>Balance as of December 31, 2017</b>	<b>21,320</b>	<b>55,610</b>	<b>17,900</b>	<b>94,830</b>
<b><u>Net</u></b>	<b>18,918</b>	<b>35,852</b>	<b>8,296</b>	<b>63,066</b>

**(8) Intangible assets**

	Accounting software	Lawyer software	Total
	JD	JD	JD
<b>2018</b>			
<b><u>Cost</u></b>			
Balance as of January 1, 2018	850	97,138	97,988
<b>Balance as of December 31, 2018</b>	<b>850</b>	<b>97,138</b>	<b>97,988</b>
<b><u>Accumulated Depreciation</u></b>			
Balance as of January 1, 2018	482	38,856	39,338
Amortization during the year	170	19,426	19,596
<b>Balance as of December 31, 2018</b>	<b>652</b>	<b>58,282</b>	<b>58,934</b>
<b><u>Net</u></b>	<b>198</b>	<b>38,856</b>	<b>39,054</b>
<b>2017</b>			
<b><u>Cost</u></b>			
Balance as of January 1, 2017	850	97,138	97,988
<b>Balance as of December 31, 2017</b>	<b>850</b>	<b>97,138</b>	<b>97,988</b>
<b><u>Accumulated Depreciation</u></b>			
Balance as of January 1, 2017	312	19,428	19,740
Amortization during the year	170	19,428	19,598
<b>Balance as of December 31, 2017</b>	<b>482</b>	<b>38,856</b>	<b>39,338</b>
<b><u>Net</u></b>	<b>368</b>	<b>58,282</b>	<b>58,650</b>

**(9) Deferred grant revenue**

The United States Agency for International Development provided a car as a gift to Justice Center Society to support the implementation of legal assistance programs and mobility between different legal clinics owned by the center, the estimated value of the gift is in the amount of 16,674 JD and the car ownership has been transferred properly to the Society during the year 2014.

The gift amount was recognized in the deferred grant revenue account, which is amortized as a contra with the annual depreciation related to the gift on its useful lives, as the amortization of deferred grant revenue will be recognized in the statement of Revenues and Expenditures and Change in retained surplus.

**(10) Other Credit Balances**

	<u>2018</u>	<u>2017</u>
	JD	JD
Unearned revenues	69,998	-
Accrued expenses	4,930	3,256
Consultancies' receivables	1,032	171
5% Income tax payable	761	546
Income tax payable	-	300
<b>Total</b>	<u>76,721</u>	<u>4,273</u>

**(11) Grants Revenues**

	<u>2018</u>	<u>2017</u>
	JD	JD
World Bank / State- and Peacebuilding Fund	357,077	819,302
Open Society Institute (OSF)	278,775	386,568
Norwegian Refugee Council - (ARC)	221,399	82,600
Foreign and Commonwealth Office (FCO-UPG II)	81,362	25,904
Norwegian Refugee Council - (ECHO II)	53,301	35,600
Norwegian Refugee Council - (ECHO III)	63,000	-
DANIDA Grants	25,340	27,126
Norwegian Refugee Council - (DFID I)	19,920	80,000
Norwegian Refugee Council - (DFID II)	16,000	59,698
King Abdullah II Fund For Development	12,767	14,356
Jordan Hashemite Fund for Human Development / JOHUD	6,469	-
Foreign and Commonwealth Office (FCO-UPG)	-	71,670
International Federation of Red Cross and Red Crescent Societies	-	58,509
Al Qistas Information Technology	-	22,750
Norwegian Refugee Council - (NMFA)	-	5,664
<b>Total</b>	<u>1,135,410</u>	<u>1,689,747</u>



**(12) Operating Grants Expenses**

	<u>2018</u>	<u>2017</u>
	JD	JD
Salaries and benefits	143,077	165,770
Society's contribution in social security	20,260	22,869
Attorney's fees	462,995	570,375
Research	150,354	16,794
Legal awareness and capacity building	120,026	131,505
Court fees	99,716	83,564
Meetings and training	63,866	59,396
Transportation	45,267	50,264
Professional fees	36,853	33,735
Rent	16,159	17,660
Subscriptions	16,157	22,750
Communications	14,078	9,249
Stationery and printing	12,647	21,889
Water and electricity	3,477	4,631
Office supplies	3,157	9,587
Fuel	2,495	1,837
Translation	-	630
<b>Total</b>	<u><u>1,210,584</u></u>	<u><u>1,222,505</u></u>

**(13) Administrative Expenses**

	<u>2018</u>	<u>2017</u>
	JD	JD
Salaries and benefits	148,984	174,004
Society's contribution in social security	21,424	25,907
Professional fees	17,201	10,038
Transportation	6,082	4,749
Maintenance	5,302	4,595
Rents	4,723	5,106
Communications	4,706	2,898
Audit fees	3,480	14,848
Office supplies	2,735	3,432
Stationery and printing	2,334	1,794
Bank commissions	1,544	1,339
Water and Electricity	1,026	1,256
Fuel	519	636
Governmental fees	-	-
Miscellaneous	1,119	1,771
<b>Total</b>	<u><u>221,179</u></u>	<u><u>252,373</u></u>

#### **(14) Other revenues**

This item includes an amount of JD 20,096 which represents services of training and development of awareness services from the Danish Refugee Council.

#### **(15) Income Tax**

- The society is committed to submitting income tax returns since its establishment, and its tax file has been finalized for all previous years.
- The 2017 tax return has been submitted.
- The society pays all due income taxes on the salaries of all the employees subject to income tax.

#### **(16) Fair value of financial instruments**

- Financial instruments comprise of financial assets and financial liabilities.
- Financial assets consist of current accounts at banks, other debit balances and advance payments on purchases of intangible assets.
- Financial liabilities consist of bank overdraft, other credit balances and deferred grants revenues.
- The fair values of financial instruments are not materially different from their carrying values.

#### **(17) Risk Management**

##### **Interest Rate Risk**

The Society is not exposed to interest rate risk since there is interest bearing financial assets and liabilities such as deposits at banks.

##### **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Society seeks to limit its credit risk by assigning credit limit for each customer. The Society seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

##### **Liquidity risk**

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial assets.

##### **Currency risk**

Most of the Society's transactions are in Jordanian Dinar, and US dollars. The Jordanian Dinar is fixed against the U.S dollar (USD. 1.41 for each Jordanian Dinar). Therefore, currency risk is not material to the financial statements.