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, 2019

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

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Independent Auditor's Report
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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, 2019, the statement of Income 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, 2019, 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 accountant's 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)

PKF
Khattab & Co.

Amman – The Hashemite Kingdom of Jordan
27th May 2020

Justice Center for Legal Aid

Private Society

Amman – The Hashemite Kingdom of Jordan

Statement of Financial Position As of December 31, 2019

Exhibit – A

	Notes	2019	2018
		JD	JD
Assets			
Current Assets			
Cash and cash equivalents	5	314,453	104,813
Other debit balances	6	9,465	8,323
Total Current Assets		323,918	113,136
Non-Current Assets			
Property and equipment	7	49,663	60,462
Intangible assets	8	19,456	39,054
Total non - current assets		69,119	99,516
Total Assets		393,037	212,652
Liabilities and Retained Surplus			
Current Liabilities			
Deferred Income	9	-	1,948
Other credit balances	10	18,593	76,721
Total Liabilities		18,593	78,669
Retained Surplus			
Retained surplus		374,444	133,983
Total Liabilities and Retained Surplus		393,037	212,652

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 Income and Expenditures and Change in retained surplus for the year Ended December 31, 2019

Exhibit – B

	Notes	2019	2018
		JD	JD
Grants Income	11	1,751,796	1,135,410
Operating grants expenses	12	(1,253,925)	(1,210,584)
Operating surplus (Deficit)		497,871	(75,174)
Amortization of deferred grants Income	9	1,948	3,334
Other Income	14	17,315	30,292
Depreciation expense	7	(24,706)	(26,549)
Amortization expense	8	(19,598)	(19,596)
Administrative expenses	13	(232,369)	(221,179)
Surplus (Deficit) for the year		240,461	(308,872)
Retained surplus at the beginning of the year		133,983	442,855
Retained surplus at the end of the year		374,444	133,983

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, 2019

Exhibit – C

	Notes	2019	2018
		JD	JD
Operating Activities			
Surplus (Deficit) for the year		240,461	(308,872)
Adjustments:			
Depreciation expense	7	24,706	26,549
Amortization expense	8	19,598	19,596
Changes in Working Capital			
Other debit balances		(1,142)	33,205
Deferred grants Income		(1,948)	(3,334)
Other credit balances		(58,128)	72,448
Net Cash Flows from (used in) Operating Activities		223,547	(160,408)
Investing activities			
Purchase of property and equipment	7	(13,907)	(23,945)
Net Cash Flows used in Investing Activities		(13,907)	(23,945)
Change in cash and cash equivalents during the year		209,640	(184,353)
Cash and cash equivalents at the beginning of the year		104,813	289,166
Cash and Cash Equivalents at the end of the year	5	314,453	104,813

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

Justice Center for Legal Aid
Private Society
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Notes To The Financial Statements

(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 21st 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. (2008201100001).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 Nineteen branches 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 Income 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 by the society in the preparation of the financial statements for the year ended December 31, 2019 is consistent with accounting policies adopted in the preparation of the financial statements for the year ended December 31, 2018 except for the adoption of the following new and amended international standards effective as of January 1, 2019:

- IFRS (16): Leases.
- IFRIC Interpretation (23): Uncertainty over Income Tax Treatment.
- Amendments to IFRS (9): Prepayment Features with Negative Compensation.
- Amendments to IAS (19): Plan Amendments, Curtailment or Settlement
- Amendments to IFRS (10) and IAS (28): Sale or contribution of assets between an investor and associate or joint venture.
- Amendments to IAS (28): Long- term Investments in Associates and Joint Ventures.

The adoption of the above revised standards did not affect the amounts or disclosures in the financial statements, with the exception of the impact of the application of IFRS 16 (leases).

IFRS (16): Leases

IFRS (16) supersedes IAS (17) Leases, IFRIC (4) determining whether an arrangement contains a lease, SIC-15 Operating leases-Incentives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for recognition, measurement and disclosure of leases and requires lessees to recognize most leases on the balance sheet.
Lessor accounting under IFRS (16) is substantially unchanged from IAS (17). Lessors will continue to classify leases as either operation or finance leases using similar principles as in IAS (17). Therefore, IFRS (16) did not have an impact for leases where the society is the lessor.

IFRIC Interpretation (23): Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS (12) and does not apply to taxes or levies outside the scope of IAS (12) nor does it include requirements relating to interest and penalties associated with uncertain tax treatment. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

Amendments to IFRS (9): Prepayment Features with Negative Compensation

Under IFRS (9), a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principle interest on the principle amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS (9) clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance reasonable compensation for the early termination of the contract.

Amendments to IFRS (10) and IAS (28): Sale or contribution of assets between an investor and associate or joint venture

The amendments address the conflict between IFRS (10) and IAS (28) in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS (3), between an investor and the associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts amendments must apply them prospectively.

Amendments to IAS (28): Long- term Investments in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS (9) on long-term investments in associates and joint ventures which are not recognized according to the equity method, but in essence they form part of the net investment in associates and joint ventures (in the long-term). This amendment is considered appropriate as the expected credit loss model in IFRS (9) applies to these long-term investments.

The amendments also clarify that when applying IFRS (9), the entity does not record any losses for associates and joint ventures, or any losses of a decrease in the net investment value, as adjustments to the net investment in the associate or joint venture that may arise as a result of applying the IAS (28) investments in associates and joint ventures.

The management does not expect that there will be a substantial impact on the financial statements of the society when applying the above criteria.

The management does not expect that there will be a substantial impact on the financial statements of the society when applying above criteria.

(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, plant and equipment are initially recognized at cost less accumulated depreciation.

Depreciation is calculated (except lands) on a straight line basis method over the estimated useful lives of the assets as follows:

	Depreciation rate
	%
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 Income 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 Income and Expenditures and Change in retained surplus. Following are the annual average amortization in accordance with the estimated useful life of each asset:

	Useful lives in year
	%
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 Income 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.

Income Recognition

Grants Income 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 Income

Deferred grants Income are recognized as deferred income in the statement of financial position and will be recognized in the statement of Income 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 Income 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 Income 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

	2019	2018
	JD	JD
Current accounts at banks - USD	255,542	1,704
Current accounts at banks - JOD	58,911	103,109
Total	314,453	104,813

(6) Other Debit Balances

	2019	2018
	JD	JD
Accrued Income	6,469	6,469
Prepaid expenses	1,396	514
Advance to suppliers	800	200
Bank pledges	800	-
Employee's receivables	-	1,140
Total	9,465	8,323

(7) Property and Equipment

	Furniture and fixtures	Computers	Vehicles	Total
	JD	JD	JD	JD
2019				
Cost				
Balance as of January 1, 2019	46,601	109,044	26,196	181,841
Additions during the year	5,492	8,415	-	13,907
Balance as of December 31, 2019	52,093	117,459	26,196	195,748
Accumulated Depreciation				
Balance as of January 1, 2019	27,361	70,879	23,139	121,379
Depreciation during the year	6,490	15,160	3,056	24,706
Balance as of December 31, 2019	33,851	86,039	26,195	146,085
Net	18,242	31,420	1	49,663
2018				
Cost				
Balance as of January 1, 2018	40,238	91,462	26,196	157,896
Additions during the year	6,363	17,582	-	23,945
Balance as of December 31, 2018	46,601	109,044	26,196	181,841
Accumulated Depreciation				
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
Balance as of December 31, 2018	27,361	70,879	23,139	121,379
Net	19,240	38,165	3,057	60,462

(8) Intangible assets

	Accounting software	Lawyer software	Total
	JD	JD	JD
2019			
Cost			
Balance as of January 1, 2019	850	97,138	97,988
Balance as of December 31, 2019	850	97,138	97,988
Accumulated Depreciation			
Balance as of January 1, 2019	652	58,282	58,934
Amortization during the year	170	19,428	19,598
Balance as of December 31, 2019	822	77,710	78,532
Net	28	19,428	19,456
2018			
Cost			
Balance as of January 1, 2018	850	97,138	97,988
Balance as of December 31, 2018	850	97,138	97,988
Accumulated Depreciation			
Balance as of January 1, 2018	482	38,856	39,338
Amortization during the year	170	19,426	19,596
Balance as of December 31, 2018	652	58,282	58,934
Net	198	38,856	39,054

(9) Deferred Income

The United States Agency for International Development granted 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 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 Income account, which is amortized as a contra with the annual depreciation related to the gift on its useful lives, as the amortization of deferred Income will be recognized in the statement of Income and Expenditures and Change in retained surplus. Under amortization of deferred Income.

During 2019, the remaining deferred Income was settled.

(10) Other Credit Balances

	2019	2018
	JD	JD
Accrued expenses	15,135	4,930
Consultancies' payables	1,660	1,032
5% Income tax payable	-	761
Unearned Income	-	69,998
Other payables	1,798	-
Total	18,593	76,721

(11) Grants Income

	2019	2018
	JD	JD
Open Society Foundation - (OSF)	836,325	278,775
Norwegian Refugee Council ARC III	180,000	-
Netherlands Embassy	172,425	-
Norwegian Refugee Council ECHO IIII	128,800	-
Foreign and Commonwealth Office (FCO- UPGII)	114,999	81,362
Norwegian Refugee Council - ECHO III	94,500	63,000
Danish Refugee Council (DRC / SDC)	74,878	-
Norwegian Refugee Council - ARC II	58,998	221,399
OXFAM	42,871	-
Norwegian Refugee Council - DFID III	24,000	53,301
Norwegian Refugee Council - DFID II	24,000	16,000
Norwegian Refugee Council - DFID I	-	19,920
World Bank/ State and Peacebuilding Fund (SPF)	-	357,077
DANIDA	-	25,340
King Abdullah II for Development Fund	-	12,767
The Jordanian Hashemite Fund for Human Development (JOHUD)	-	6,469
Total	1,751,796	1,135,410

(12) Operating Grants Expenses

	2019	2018
	JD	JD
Salaries and benefits	276,529	143,077
Society's contribution in social security	38,779	20,260
Attorney's fees	466,064	462,995
Legal awareness and capacity building	108,399	120,026
Court fees	130,297	99,716
Transportation	62,502	45,267
Meetings and training	47,548	63,866
Professional fees	37,479	36,853
Researchs	27,576	150,354
Rents	15,300	16,159
Communications	13,988	14,078
Stationery and printing	10,703	12,647
Water and electricity	5,812	3,477
Subscriptions	5,678	16,157
Office supplies	4,057	3,157
Fuel	2,470	2,495
Translation	744	-
Total	1,253,925	1,210,584

(13) Administrative Expenses

	2019	2018
	JD	JD
Salaries and benefits	147,667	148,984
Society's contribution in social security	19,792	21,424
Professional fees	16,301	17,201
Audit fees	14,036	3,480
Maintenance	8,872	5,302
Transportation	8,089	6,082
Communications	4,574	4,706
Rents	4,335	4,723
Office supplies	2,352	2,735
Bank commissions	1,678	1,544
Stationery and printing	1,540	2,334
Fuel	1,022	519
Water and Electricity	985	1,026
Miscellaneous	1,126	1,119
Total	232,369	221,179

(14) Other Income

	2019	2018
	JD	JD
Case fees Donations	9,867	10,196
GIZ DRC2	5,720	-
DRC Livelihood	1,688	20,096
Other	40	-
Total	17,315	30,292

(15) Income Tax

According to the opinion of the tax advisor,

- The Society has duly submitted income tax returns up to 2018.
- The Society is committed to withhold the income tax related to its employees, and also withhold the tax related to services provided by the resident suppliers and transfers it to the Income and Sales Tax Department duly according to Income Tax Law No. (34) for the year 2014 and its amendments, and instructions issued.
- The Society was audited by the Income and Sales Tax Department until 2018, and the tax returns were accepted without modifications.
- The Society surplus are exempt from income tax as it is a non-profit charity.
- The Society is not registered in the general sales tax network because its Income are exempted from sales tax and does not operate in any activity subject to the general sales 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 Income.
- 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.