

**Jerusalem College of Technology
(Registered Nonprofit)**

**Financial Statements
As of September 30, 2020**

Financial Statements as at September 30, 2020

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Somekh Chaikin

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**Auditors' Report to the Shareholders of
Jerusalem College of Technology (Registered Amuta)**

We have audited the attached balance sheets of the Jerusalem College of Technology (Registered Amuta) (hereinafter "JCT") as of September 30, 2020 and 2019 and the related statements of operations and changes in net assets and cash flows for each of the years ended on those dates, and the related integrated statements of operations. These financial statements are the responsibility of JCT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, including standards prescribed by the Israel Auditor Regulations (Manner of Auditor's Performance), 1973. Such standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by JCT's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial state of JCT and its integrated state as of September 30, 2020 and 2019 as well as the results of its operations, changes in net assets and cash flows for the year that ended on that date in accordance with Israeli GAAP guidelines

Somekh Chaikin

Certified Public Accountants (Isr)

16 June, 2021

Somekh Chaikin, a partnership registered under the Israeli Partnership Ordinance, is the Israeli member firm of KPMG International, a Swiss cooperative.

Jerusalem College of Technology (Registered Nonprofit)

Balance Sheets as of September 30

	Notes	<u>2020</u> <u>NIS thousands</u>	<u>2019</u> <u>NIS thousands</u>
Assets			
Cash and cash equivalents	3	33,415	14,770
Marketable Securities	4	81,464	74,137
Receivables and debit balances	5	17,051	21,150
		<u>131,930</u>	<u>110,057</u>
Long-term Investments			
Net Fixed Assets	7	68,087	46,112
Long-term Investments		57,703	50,006
Investments in companies	6	996	1,068
		<u>126,786</u>	<u>97,186</u>
		<u>258,716</u>	<u>207,243</u>

Notes to the financial statements are considered an integral part of the financial statements

Jerusalem College of Technology (Registered Nonprofit)

		<u>2019</u>	<u>2018</u>
	Notes	<u>NIS thousands</u>	<u>NIS thousands</u>
Suppliers and service providers		14,043	10,057
Accounts payable	8	42,862	29,191
Liabilities for Employees' benefits— short term		464	1,435
		<u>57,369</u>	<u>40,683</u>
Liabilities for Employees' benefits - long term	9	<u>31,671</u>	<u>30,540</u>
Contingent liabilities and commitments	10		
Net Assets			
Unrestricted net assets used for:			
Operations		36,293	34,999
Employee retirement benefits		(24,171)	(23,541)
Used for fixed assets		<u>68,087</u>	<u>46,112</u>
Total net assets not earmarked by JCT		80,209	57,570
Total net assets earmarked by JCT	11	<u>33,416</u>	<u>25,476</u>
Total deficit of unrestricted net assets		<u>113,625</u>	<u>83,046</u>
Temporarily restricted net assets			
For research and others		14,531	13,213
For development		17,120	14,338
Funds		7,818	8,558
		<u>39,469</u>	<u>36,109</u>
Permanently restricted net assets – funds	12	<u>16,582</u>	<u>16,865</u>
Total net assets		<u>136,020</u>	<u>136,020</u>
		<u>207,243</u>	<u>207,243</u>

Prof. Chaim Sukenik
President

Moshe Asbag
CFO

Mr. Uri Wurtzberger
Chairman, Amuta Committee

Mr. Eli Ninio
Chairman, Financial Committee and
Member of the Board

Date: 16 June 2021

Jerusalem College of Technology (Registered Nonprofit)

	Notes	<u>2020</u> <u>NIS thousands</u>	<u>2019</u> <u>NIS thousands</u>
Turnover			
Governmental authorities -	13	107,895	105,738
Council for Higher Education		1,795	1,867
Other governmental institutions		1,426	1,381
Total income from governmental institutions		111,116	108,986
Income from students	14	54,345	54,627
Charitable contributions	15	162	729
Amounts released from temporary restrictions	16	10,564	9,461
Other revenues		5,252	1,044
		181,439	174,847
Operation expenses:			
Academic expenses	17	86,416	86,221
Beit midrash and religious activities	18	4,055	4,076
Pre-academic and external learning expenses	19	4,427	4,703
Student services	20	23,291	24,961
Computing and Yeda	21	6,582	6,899
Rent and building maintenance	22	22,431	19,174
Liabilities for employee benefits		3,039	2,589
Investment in research and other projects	24	3,569	5,094
Liabilities returned and lost		190	297
		154,000	153,924
Surplus from operations:		27,439	20,923
Management and organization	23	10,187	10,756
Surplus for year prior to funding		17,252	10,167
Funding income (expenses), net	25	(1,688)	3,117
JCT's part in the gains (losses) of subsidiary	6a	(72)	(34)
Surplus for the year		15,492	13,250

Statements of Changes in Net Assets

	Net assets without restriction Not designated by non-profit foundations				Temporarily Restricted Net Assets			Net Assets Permanently Restricted	Total
	Net assets used for operations	Reserves for employee rights	Designated by non- profit foundations	Used for permanent assets	For:				
					Research	Development	Funds		
	K NIS	K NIS	K NIS	K NIS	K NIS	K NIS	K NIS	K NIS	
Balance at September 30 2019	34,999	(23,541)	25,476	46,112	13,213	14,338	8,558	16,865	136,020
Additions during the year:									
Governmental authorities -									
Council for Higher Education	-	-	-	-	-	4,320	153	-	4,473
Other governmental institutions	-	-	-	-	517	-	455	-	972
<u>Total income from governmental institutions</u>	-	-	-	-	<u>517</u>	<u>4,320</u>	<u>608</u>	-	<u>5,445</u>
From other sources -									
Charitable contributions	-	-	-	-	3,448	12,813	4,925	34	21,220
Finance, net	-	-	-	-	-	-	(91)	496	405
Other revenues	-	-	-	-	922	102	-	-	1,024
Surplus for year	15,492	-	-	-	-	-	-	-	15,492
Unrestricted sources used for permanent assets	(9,325)	-	-	9,959	-	-	-	-	634
	-	-	-	-	-	-	813	813	-
Sums transferred to cover depreciation expenses	2,437	-	-	(2,437)	-	-	-	-	-
<u>Total revenue from other sources</u>	<u>8,604</u>	-	-	<u>7,522</u>	<u>4,370</u>	<u>12,915</u>	<u>5,647</u>	<u>(283)</u>	<u>38,775</u>
Deficits during the year									
Amounts released from temporarily restricted net assets -									
for investments in loan funds	-	-	-	-	-	-	(6,995)	-	(6,995)
Transfers from net restricted assets	-	-	-	14,453	-	(14,453)	-	-	-
Used for purchase of permanent assets	-	-	-	-	(3,569)	-	-	-	(3,569)
for research, education and misc. projects	-	-	-	14,453	(3,569)	(14,453)	(6,995)	-	(10,564)
Additional changes during the year									
Designated by administration, net	(7,940)	-	7,940	-	-	-	-	-	-
Designated for employee benefits	(500)	500	-	-	-	-	-	-	-
Released for employee benefits due to updated obligations for employee rights	<u>1,130</u>	<u>(1,130)</u>	-	-	-	-	-	-	-
Total changes during the year	1,294	(630)	7,940	21,975	1,318	2,782	(740)	(283)	33,656
Balance for September 30, 2018	36,293	(24,171)	33,416	68,087	14,531	17,120	7,818	16,582	169,676

Statements of Changes in Net Assets

	Net assets without restriction Not designated by non-profit foundations				Temporarily Restricted Net Assets			Permanently restricted Net Assets	Total
	Net assets used for operations	Reserves for employee rights	Designated by non-profit foundations	Used for permanent assets	Research	Development	Funds		
					K NIS	K NIS	K NIS		
Balance at September 30, 2018	32,183	(23,036)	18,825	32,120	11,614	9,064	5,974	17,709	104,453
Additions during the year:									
Governmental authorities -									
Council for Higher Education	-	-	-	-	-	-	154	-	154
Other governmental institutions	-	-	-	-	233	-	415	-	648
Total income from governmental institutions	-	-	-	-	233	-	569	-	802
From other sources -									
Charitable contributions	-	-	-	-	2,297	14,978	4,682	1	21,958
Finance, net	-	-	-	-	-	-	21	634	855
Other revenues	-	-	-	-	4,163	-	-	-	4,163
Surplus for year	13,250	-	-	-	-	-	-	-	-
Unrestricted sources used for permanent assets	(6,767)	-	-	6,767	-	-	-	-	-
Amounts transferred to cover depreciation expenses:	2,475	-	-	(2,475)	-	-	-	-	-
Total revenue from other sources	8,962	-	-	4,288	6,460	14,978	6,382	(844)	40,226
Deductions during the year:									
Amounts released from temporarily restricted net assets -									
for investment in funds	-	-	-	-	-	-	(4,367)	-	(4,367)
for purchase of permanent assets	-	-	-	9,704	-	(9,704)	-	-	-
for research, education and misc. projects	-	-	-	-	(5,094)	-	-	-	(5,094)
	-	-	-	14,453	(4,277)	(9,704)	(4,367)	-	(9,461)
Other changes during the year:									
Designated by administration, net	(6,651)	-	6,651	-	-	-	-	-	-
Designated for employee benefits	(500)	500	-	-	-	-	-	-	-
Transferred to cover obligations for employee benefits	1,005	(1,005)	-	-	-	-	-	-	-
Total changes during the year	<u>2,816</u>	<u>(505)</u>	<u>6,651</u>	<u>13,992</u>	<u>1,599</u>	<u>5,274</u>	<u>2,584</u>	<u>(844)</u>	<u>31,567</u>
Balance as of September 30, 2019	<u>34,999</u>	<u>(23,541)</u>	<u>25,476</u>	<u>46,112</u>	<u>13,213</u>	<u>14,338</u>	<u>8,558</u>	<u>16,865</u>	<u>136,020</u>

Statement of Cash Flow for the year ending on September 30

	JCT	
	2020	2019
	NIS thousands	NIS thousands
Cash flows from operating activities		
Net Surplus for the year	15,492	13,250
Adjustments to reconcile net surplus to cash flows from operating activities – see appendix A	15,491	(19,129)
Net cash used for operating activities	<u>(30,983)</u>	<u>(5,879)</u>
Cash flows from investment activities		
Investment in short- and long- term securities, net	(16,249)	(32,909)
Purchase of permanent assets	(23,778)	(16,467)
Net cash provided by investing activities	<u>(40,027)</u>	<u>(49,376)</u>
Cash flows from financing activities		
Temporarily restricted donations and finance income	27,655	26,922
Permanently restricted donations and finance income	34	1
Net cash provided by financing activities	<u>27,689</u>	<u>26,923</u>
Increase in cash and cash equivalents	18,645	(28,332)
Balance of Cash and cash equivalents at beginning of year	14,770	43,102
Balance of Cash and cash equivalents at end of year	<u>33,415</u>	<u>14,770</u>

Appendix A - Adjustments necessary to achieve cash flow from operating activities

	JCT	
	2020	2019
	NIS thousands	NIS thousands
Expenses (income) not included in cash flow		
Amounts released from temporary restricted net assets	(10,564)	(9,461)
Valuation of restricted net assets	405	855
Increase in net marketable securities value	1,225	(2,823)
Depreciation	2,437	2,475
Changes in asset and liability items		
(Increase) decrease in other receivables	4,099	(7,359)
Increase in accounts payable	17,657	(4,179)
Increase in obligations due to employee benefits	160	1,329
Stake of JCT in losses (gains) of subsidiary	72	34
	<u>15,491</u>	<u>(19,129)</u>

Notes to the financial statements are considered an integral part of the financial statements

Notes to the financial statements

Note 1 - General

- A.** Lev Academic Center Lev (hereinafter - "JCT") is a non-profit organization registered under the Nonprofit Organizations Law, 1980, and operates as a non-profit institution.
- B.** JCT is an institution of higher education. Accordingly, it is subject to the directives and supervision of the Planning and Budgeting Committee of the Council for Higher Education (hereinafter - the CHE).
- C.** JCT is a "public institution" and the provisions of section 9 (2) of the Income Tax Ordinance apply to it. In addition, JCT has an approval under section 46 of the Income Tax Ordinance that grants a tax credit for contributions to JCT.
- D.** JCT is assisted in achieving its goals, among other things, by the Friends of the Lev Academic Center and by raising funds for it for various purposes, while JCT and its employees assist the Friends of the Lev Academic Center in achieving its goals and providing various office services (See Note 28).
- E.** JCT holds 100% of the shares of JC Technologies Ltd. (hereinafter - "the Subsidiary"), see Note 6 below.

F. A major event in the year of the report

During March 2020, following the worldwide coronavirus outbreak, there was a decrease in the volume of economic activity in many parts of the world as well as in Israel. The spread of the virus caused some restrictions on movement and employment that the Israeli government and other governments in the world imposed, as well as restrictions on movement between countries in the world. The employees of the Lev Academic Center moved to work from home and academic studies were held remotely through Zoom. This led to savings and reductions in operating expenses on the one hand, but also to a decrease in students' income and on the other hand. Following the report year, Lev Academic Center gradually returned the employees and students to the campus' grounds. As of the date of approval of the financial statements, the activities at Lev Academic Center have not yet fully returned to normalcy. Academic studies are conducted through Zoom and through hybrid classes. That said, the coronavirus did not have a significant impact on the financial situation of Lev academic center.

Note 2 - Significant Accounting Policies

- A.** As from October 1, 2014, JCT implements Accounting Standard No. 9, "Financial Statements of Institutions of Higher Education". The Standard provides that the financial statements of institutions of higher education shall be prepared in accordance with Opinion No. 69, Accounting Principles and Financial Reporting by Non-Profit Institutions, and Accounting Standard No. 5, Amendments and Clarifications to Opinion No. 69 concerning Non-Profit Accounting and Financial Reporting.

B. Linkage principles

- Balances in or linked to foreign currency are presented at the representative rates of exchange at the balance sheet date.
- Balances linked to the Consumer Price Index are presented according to the linkage terms of the balance.

The following table presents data regarding consumer price indices and exchange rates:

	<u>30 Sep 2020</u>	<u>30 Sep 2019</u>	<u>% Change</u> <u>2020</u>	<u>% Change</u> <u>2019</u>
Consumer Price Index (In points)	101.99	102.70	(0.69)	0.30
Exchange rate of the US dollar (In NIS)	3.441	3.482	(1.18)	(3.99)

C. Long-term investments

Investments in long-term deposits are presented in accordance with the terms of linkage and accrued interest. According to JCT, the amount of the investment does not exceed the realization value

Note 2 - Significant Accounting Policies (cont'd)

D. Fixed assets

Fixed assets are stated at cost less depreciation. The cost includes expenses that can be attributed directly to the acquisition of the asset.

Depreciation is calculated using the straight-line method on the basis of the estimated useful life of the asset.

Annual depreciation rates are as follows:

	%
Computers	33
Leasehold improvements	during the lease period
Equipment and furniture	7
Research equipment	10-33
Buildings	2

E. Restricted net assets

Net assets were divided into groups according to the restriction on their use.

1. Net assets with a temporary limitation -

Include funds that can be used (both in the fund and in its revenues), for purposes of which they were established, as detailed below -

- Funds for research and others - funds that were created mainly from allocations and donations intended for research projects and others.
- Development fund - a fund created from allocations and donations earmarked for investments in buildings and other development plans.
- Loan and Scholarship Fund - a fund created from funds intended for granting loans and scholarships to students of JCT.

All the funds for which the restriction is temporary are closed upon the completion of the fund's financing and the execution of the goals for which they were designated.

2. Net assets that are subject to a permanent restriction -

Include endowment funds created mainly from donations and which, according to the terms of the contribution, can be used only to sustain the activities for which funds were established.

According to the donors' stipulations, the balances of the net assets that are restricted in value linked to foreign currency or linked to the Consumer Price Index are maintained. Therefore, the financing income is charged first for preserving the value of the funds, according to the stipulations of the donors and the policy of JCT, while the balance, if any, is transferred to the activities for which the funds were established.

F. Overheads

JCT tends to charge research funds and development funds (net assets with temporary restrictions) to the ceiling, as the case may be. The overhead is transferred to ongoing activities to cover part of the expenses of JCT.

G. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make use of estimates and assessments that affect the reported amounts of assets and liabilities and the disclosure relating to contingent assets and liabilities as well as amounts of income and expenses in the reporting period. It is clarified that the actual results may differ from these estimates.

Note 2 - Significant Accounting Policies (cont'd)

H. Provision for doubtful debts

The financial statements include general provisions and specific provisions for doubtful debts that adequately reflect, in Management's opinion, the loss inherent in the debts, the collection of which is doubtful. Doubtful debts, which, in the opinion of the management of JCT, have no chance of being collected, are deleted from JCT's figures in accordance with management's decision.

I. New standards have not yet been implemented

Accounting Standard number 40 - Accounting Rules and Financial Reporting by non-profits

The advertising requirements

On August 13, 2020, the accounting standard 50, accounting rules and financial reporting by nonprofits (hereinafter "the standard") was published. The standard replaces the existing instructions in the combined mode of manifesto number 69 and the Accounting Standard number 5 and its amendments, as well as the Accounting Standard number 9. The Standard includes many amendments compared to the current standard, particularly in regards to the rules of accepting non-profit revenues, including contributions of fixed assets and investment cash and assets and services received without giving anything for return; the standard also makes reference to the rules of recognizing and evaluating works of art, historical assets and similar assets, classification of such articles in the report on cash flows, cancellation of differentiation between net assets that have a temporary limitation and between net assets that have a permanent restriction on them, etc.

Beginning and transition instructions

The standard will be implemented for annual periods starting on January 1, 2021, with the possibility of early adoption. JCT will adopt the standard as of October 1, 2021. The effect of adopting the instructions in this standard at the time of the implementation will first be reported as adapting the net asset balances to the beginning of the period when the standard was first adopted.

Expected effects

JCT management is currently examining the expected consequences of implementing the standard on its financial reports.

Note 3 - Cash and cash equivalents

	30 September 2020 K NIS	30 September 2019 K NIS
Composition		
In unlinked Israeli currency	29,943	14,097
In foreign currency	<u>3,472</u>	<u>673</u>
	<u>33,415</u>	<u>14,770</u>

Note 4 - Marketable securities

	30 September 2020 K NIS	30 September 2019 K NIS
Composition		
• Bank Deposits	43,626	35,009
• Government bonds	15,377	8,867
• Corporate bonds	63,585	65,069
• Stock	3,443	4,288
• Basket certificates and mutual funds	<u>13,134</u>	<u>10,910</u>
Total	<u>139,167</u>	<u>124,143</u>
Presented as assets	<u>81,464</u>	<u>74,137</u>
Presented as long term assets	<u>57,703</u>	<u>50,006</u>

Note 5 - Accounts receivable and debit balances

	JCT	
	30 September 2020	30 September 2019
	K NIS	K NIS
Composition		
governmental institutions	4,583	3,650
Council for Higher Education (a)	-	1,303
Different receivables and income receivable	5,026	6,490
Students - tuition fees and loans	2,022	1,485
Checks for collection	4,541	2,850
Friends of the Lev Academic Center (a related party)	273	4,314
Prepaid expenses	1,682	1,954
JC Technologies Ltd. (a related party)	12	12
Employees - Loans	91	115
	<u>18,230</u>	22,173
Less general provision for uncertain liabilities (A)	(1,179)	(1,023)
	<u><u>17,051</u></u>	<u><u>21,150</u></u>

(A) Following is the movement in the provision for uncertain liabilities

	JCT	
	<u>30 Sep 2020</u>	<u>30 Sep 2019</u>
	K NIS	K NIS
Balance for October 1st	1,023	845
Lost debts	(34)	(29)
Update of provision	190	207
Balance for 30 September	1,179	1,023

Note 6 - Investments in Investee Company

- A. JC Technologies Ltd. has invested, supported, and provided services to research and development companies that develop industrial products of technological innovation, most of which are connected to the Technological Entrepreneurship Center - the "Technological Absorption Center near JCT" and the technological incubator which it owns - "Patir Research & Development Ltd.", which initiated developments that were developed in the framework of research at JCT and elsewhere. JC Technologies is in complete ownership of JCT.

The following is status of the investment account:

	K NIS
Balance of investment as of October 1, 2019	1,068
JCT's part at a loss of one year	(72)
Balance of investment for September 30, 2020	<u>996</u>

- B. The subsidiary owns Code Red Systems Ltd. In previous periods, a provision was made for impairment that brought the value presented to zero.
- C. Patir Research and Development Ltd. (a related party of the subsidiary) was a technology incubator until 2003. At that time, the incubator license was canceled and accordingly, the Company's activity was reduced. In February 2010, JC Technologies acquired 100% of the company's shares.
- D. Companies held by JCT:
- JCT holds 1% of the share capital of JBE Software Services Ltd., an Israeli software services company. The company is inactive.
 - JCT holds 10% of the shares of Grades 101 Inc. This company is inactive.

Note 7 - Fixed assets

	Computers	Improvements in Rented Property	Equipment & Furniture	Equipment & Research	Buildings*	Total
Cost	K NIS	K NIS	K NIS	K NIS	K NIS	K NIS
Balance at beginning of year	5,592	89	10,220	1,184	37,825	54,910
Additions	<u>2,000</u>	<u>41</u>	<u>1,206</u>	=	<u>21,165</u>	<u>24,412</u>
Balance for Sep 30, 2020	<u>7,592</u>	<u>130</u>	<u>11,426</u>	<u>1,184</u>	<u>58,990</u>	<u>79,322</u>
Accumulated depreciation						
Balance at beginning of year	4,682	20	2,125	376	1,595	8,798
Depreciation per year	<u>1,124</u>	<u>12</u>	<u>741</u>	<u>133</u>	<u>427</u>	<u>2,437</u>
Balance for September 30, 2020	<u>5,806</u>	<u>32</u>	<u>2,866</u>	<u>509</u>	<u>2,022</u>	<u>11,235</u>
Reduced balance for Sep 30, 2020	<u>1,786</u>	<u>98</u>	<u>8,560</u>	<u>675</u>	<u>56,968</u>	<u>68,087</u>
Reduced balance For Sep 30, 2019	<u>910</u>	<u>69</u>	<u>8,095</u>	<u>808</u>	<u>36,230</u>	<u>46,112</u>

* JCT leases from the Israel Lands Administration an area of 41 dunam, the lease period is up to 2031 with an option to extend for an additional 49 years. The built-up area of the JCT covers 35,000 square meters and is used entirely for teaching, research, administration and student service activities. Investments in development were recorded until Sep 30, 2013 as ongoing expenses as they arose, and as of October 1, 2013, these investments are presented under fixed assets.

Note 8 - Other payables and credit balances

	30 Sep 2020 K NIS	30 Sep 2019 K NIS
Advance income from students (advance payments For the next school year)	12,382	10,397
Employees in respect of salary	6,693	8,841
Institutions and others	12,847	9,953
Council of Higher Education *	10,940	-
	<u>42,862</u>	<u>29,191</u>

(a) Following is the balance of the Council of Higher Education account:

	30 Sep 2020 K NIS	30 Sep 2019 K NIS
Beginning of year balance	1,303	(3,612)
Allotments for the year:		
To user for misc. activities	108,084	105,461
For net assets with temporary restriction	4,473	154
	<u>112,557</u>	<u>105,615</u>
Subtracting payments received during the year	(124,800)	(100,700)
Total of activities during the year	<u>(12,243)</u>	<u>4,915</u>
End of year balance	<u>(10,940)</u>	<u>1,303</u>

Note 9 - Liabilities in respect of employee rights

Following are details of JCT's liabilities in respect of employee rights:

	30 September 2020	30 September 2019
	Total Liabilities	Total Liabilities
	K NIS	K NIS
Provision for vacation	2,072	2,113
Liability for severance pay and severance pay, net (a)	7,604	7,983
Science Relations Foundation (b)	3,911	4,928
Adaptation (c)	4,419	4,254
Provision for redemption of sick leave (d)	10,614	9,835
Academic staff multi-year training (e)	3,051	1,427
	<u>31,671</u>	<u>30,540</u>

A. Severance Pay and Severance Pay

(1) Composition:

	30 Sep 2020	30 Sep 2019
	K NIS	K NIS
Liability for severance pay	12,193	12,544
Less: earmarked - Central severance pay fund	(4,589)	(4,561)
Liabilities for severance pay and severance pay, net	<u>7,604</u>	<u>7,983</u>

(2) JCT regularly deposits monies in the employees' names in pension funds, insurance companies, and provident funds, to secure pension and retirement rights of its employees. The amounts deposited are not included in the balance sheet since they are not under the control and management of JCT. The liability included in the balance sheet represents the balance of the liability that is not covered by deposits for severance pay in the name of the employees. This undertaking is partially covered by a fund deposited in the name of JCT in a severance pay fund.

(3) Based on the general approval of the Minister of Labor and Social Affairs from 1998 under the Severance Pay Law, from January 1999 onwards, the policy of JCT is regular deposits to severance pay funds for employees who began their work from that date and are in the framework of the said approval and are instead of severance pay per employee. The academic authority waives in advance any right to refund money from such payments. In this framework, no provision was made in the balance sheet for an undertaking to compensate these employees and the amounts deposited in respect thereof.

B. Science Relations Foundation

Within the academic staff there are employees who are entitled to annual accrual to the Science Relations Fund, which can be redeemed after retirement. The annual accumulation amount and principal balance are linked to the US dollar. Under the wage agreements with the Ministry of Finance, it was determined that the calculation for redemption after retirement is according to the seniority of the employee.

C. Adaptation

Within the framework of the staff there are employees who are entitled to an adjustment allowance upon retirement.

D. Revenue of sick days

The provision for the redemption of sick leave was computed in respect to employees who at the date of the report reached the age of 50.

E. Academic staff multi-year training

As part of the renewal of the collective agreement with the senior academic staff, and in accordance with the approval of the Council of Higher Education, the senior academic staff's training budget was increased. In contrast to the past, the budget is accumulated year by year. This commitment is non-redeemable.

Note 10 - Contingent Liabilities and Commitments

- A. In December 2015, a claim was filed in the Tel Aviv District Court by the US trustee for the assets of Bernard Madoff against 30 entities in Israel. Most of them are institutions of higher learning, including JCT. The lawsuit calls for a refund of donations received from the Yeshaya Hurvitz Foundation, claiming that the source of the fund's funds stemmed from Madoff's embezzlement. The amount of contributions received by JCT from this fund is \$164,032. The hearing in the case was united with the aforementioned trustee's claim against a series of individuals in similar circumstances.
- Different interim procedures are being conducted in the case, some of which have not yet been completed. Amongst others, there were preliminary procedures that were not yet completed either. In the meantime, the first part of the prosecutor's affidavits has been submitted. A pre-trial hearing was scheduled for July 2021. JCT board of directors, based on legal counsel it received, estimates that the chances of the prosecution are low.
- B. In November 2019, 57 senior academic staff members filed a lawsuit against JCT, against the Treasury wage Commissioner and against the senior academic staff association, for JCT to pay the lecturers their permanent full salary for their work during the 2019-2020 academic year, to complement the partial wage paid to them in light of the senior academic strike. The suit was originally submitted for a purely declarative relief without a quantification. JCT submitted a plea to delete the claim on the basis of a lack of quantification. The court ordered the plaintiffs to quantify the prosecution. The prosecution was amended and the claim was made for a total of 447,328. An early hearing was set for May 18, 2021. JCT's management's assessment, based on its legal counsel opinion, is that the chances of the prosecution are low.
- C. During December 2018, a demand was received from the Jerusalem municipality for payment of a paving and channeling of a cumulative fee of NIS 15.2 million. JCT filed an administrative petition against Jerusalem municipality and a preliminary hearing was held. At such a preliminary stage, it is difficult to estimate the chances of prosecution. The financial statements include a provision in accordance with JCT's management's assessment, given the circumstances of this requirement in this preliminary period, and based on the opinion of JCT's legal counsel.
- D. During March 2021, after the balance sheet date, the senior academic board filed a "request for a collective party conflict" against JCT, which was mainly related to compensations due to appointment proceedings and the committee chair position. As part of the remedies, a financial relief of NIS 200,000 was requested for compensation for the alleged violation of the collective agreements Act. On April 20, 2021, a proof hearing was held. At this point, it is difficult to assess the prosecution's financial exposure. The financial statements include a provision in accordance with JCT's management's financial estimate based on its legal counsel opinion.
- E. JCT has a number of lease agreements for buildings used for educational activities and student dormitories. The significant engagements relate to four different entities and the end of the contractual periods is as follows:
- The first - the lease ended in July 2020 and JCT is negotiating the extension of the lease; the second - July 2021 with an option of extending the lease for another two years; the third - July 2021; the fourth - July 2021 with an option of extending the lease for an additional year. The annual rental fees are linked to the CPI. The annual rent for all the agreements is approximately NIS 9,200,000.

Note 11 - Net assets designated by JCT

	<u>30 Sep 2020</u>	<u>30 Sep 2019</u>
	<u>K NIS</u>	<u>Thousands NIS</u>
Establishing a new website	11	71
Construction of new dormitories	-	4,359
Construction of the new Tal Campus	21,706	10,914
Establishment of technological teaching laboratories	372	372
Development of the existing Tal Campus	21	339
Simulation laboratories	200	200
Student service & consulting center	38	38
E-learning	200	200
Academic development	69	188
Fund for the preservation of currency value	1,540	1,540
Designed for compliance with fire extinguishing standards	409	512
Day Care Tal Campus	-	93
E.R.P. system – management allocation	1,000	1,000
Emergency Fund	5,000	5,000
Lustig Campus Construction	650	650
Improvement of student and research service	1,000	-
Renovation of Entrepreneurship Center	700	-
Construction of development campus center	500	-
Coverage of liabilities in respect of employee rights	<u>33,416</u>	<u>25,476</u>
	<u>7,500</u>	<u>7,000</u>

Note 12 - Net assets with a permanent restriction – funds

	<u>30 Sep 2020</u>	<u>30 Sep 2019</u>
	<u>K NIS</u>	<u>K NIS</u>
A. Net composition of assets by purpose		
For ongoing operation	2,340	2,368
Scholarships and assistance to students	14,242	14,497
	<u>16,582</u>	<u>16,865</u>
B. Net composition of assets by indexation type		
Linked to foreign currency	14,773	15,043
Linked to the CPI	1,809	1,822
	<u>16,582</u>	<u>16,865</u>

Note 13 - Income from the Council for Higher Education

	<u>30 Sep 2019</u>	<u>30 Sep 2019</u>
	<u>Thousands NIS</u>	<u>Thousands NIS</u>
Direct participation	102,084	99,072
Preparatory courses	4,684	5,239
Infrastructure improvement	956	1,259
Amulet program	171	168
Parallel allowances	153	154
Physical Development	4,320	-
Total income for the year	<u>112,368</u>	<u>105,892</u>
Deduction of amounts directly as net assets that are restricted	(4,473)	(154)
	<u>107,895</u>	<u>105,738</u>

Note 14 - Income from students

	<u>30 Sep 2020</u> <u>Thousands NIS</u>	<u>30 Sep 2019</u> <u>Thousands NIS</u>
Tuition fees for first degree	39,106	38,132
Tuition fees for masters degree	2,568	2,845
Dormitory	3,989	4,738
Stipends etc	3,618	5,004
Pre-academic program	2,954	2,057
Subsidized religious studies	1,249	1,137
Unsubsidized religious studies	861	714
	<u>54,345</u>	<u>54,627</u>

Note 15- Amounts released from restriction on activity

	<u>30 Sep 2020</u> <u>Thousands of NIS</u>	<u>30 Sep 2019</u> <u>Thousands of NIS</u>
Release from funds of a temporary nature	6,995	4,368
Release from research projects and others	3,569	5,093
	<u>10,564</u>	<u>9,461</u>

Note 16 - Academic expenses

	<u>30 Sep 2020</u> <u>Thousands of NIS</u>	<u>30 Sep 2019</u> <u>Thousands of NIS</u>
Wages and benefits	78,434	78,623
Equipment and other	495	118
Management and organization	6,779	6,818
Depreciation	708	662
	<u>86,416</u>	<u>86,221</u>

Note 17 - Beit Midrash expenses and Torah activities

	<u>30 Sep 2020</u> <u>Thousands of NIS</u>	<u>30 Sep 2019</u> <u>Thousands of NIS</u>
Wages and related activities	3,333	3,341
Wages & accompanying activities not supported	707	715
Management and organization	15	20
	<u>4,055</u>	<u>4,076</u>

Note 18 - Pre-academic Program and external studies

	<u>30 Sep 2020</u> <u>Thousands of NIS</u>	<u>30 Sep 2019</u> <u>Thousands of NIS</u>
Wages and benefits	4,407	4,652
Management and organization	20	51
	<u>4,427</u>	<u>4,703</u>

Note 19 - Student services

	<u>30 Sep 2020</u> <u>Thousands of NIS</u>	<u>30 Sep 2019</u> <u>Thousands of NIS</u>
Wages and benefits	10,446	10,826
Scholarships & assistance to students	7,817	7,734
Management & organization	4,518	5,890
Depreciation	510	511
	<u>23,291</u>	<u>24,961</u>

Note 20- Computers and Information

	<u>The year ending on 30 Sep</u>	
	<u>2020</u>	<u>2019</u>
	<u>K NIS</u>	<u>K NIS</u>
Wages and benefits	4,005	4,044
Management and organization	1,523	1,709
Depreciation	1,054	1,146
	<u>6,582</u>	<u>6,899</u>

Note 21 - Rental and maintenance of buildings

	<u>The year ending on 30 Sep</u>	
	<u>2020</u>	<u>2019</u>
	<u>K NIS</u>	<u>K NIS</u>
Wages and benefits	3,412	3,395
Maintenance of campus and buildings	11,436	9,592
Rent	9,947	8,699
Insurance	583	469
Depreciation	69	61
	<u>25,447</u>	<u>22,216</u>
Less rental income	<u>(3,016)</u>	<u>(3,042)</u>
	<u>22,431</u>	<u>19,174</u>

Note 22 - General and administrative expenses

Administrative

	<u>The year ending on 30 Sep</u>	
	<u>2020</u>	<u>2019</u>
	<u>K NIS</u>	<u>K NIS</u>
Wages & Benefits	8,182	8,312
Management and organization	867	1,124
Public relations and fundraising	179	318
Professional services	1,049	1,154
phones	340	342
depreciation	96	95
	<u>10,713</u>	<u>11,345</u>
Less participation in expenses		
Research projects and others - overhead	(398)	(461)
JC Technologies Ltd. (related party)	(48)	(48)
Friends of the Lev Academic Center (related party)	(80)	(80)
	<u>(526)</u>	<u>(589)</u>
	<u>10,187</u>	<u>10,756</u>

Note 23- Investments in research projects and others

	<u>30 Sep 2020</u>	<u>30 Sep 2019</u>
	<u>K NIS</u>	<u>K NIS</u>
Wages and benefits	2,165	2,637
Management and organization	133	1,442
Research Equipment exhaustible	210	320
Overheads	398	460
Scholarships	663	235
	<u>3,569</u>	<u>5,094</u>

Note 24 - Financing income (expenses), ET

	<u>30 Sep 2020</u> <u>K NIS</u>	<u>30 Sep 2019</u> <u>K NIS</u>
Interest income and revaluation of deposits and securities	(1,225)	3,227
Exchange rate differences *	(198)	101
Banking expenses	(265)	(211)
	<u>(1,688)</u>	<u>3,117</u>

* Including expenses in respect of exchange rate differentials to cover liabilities in perpetual funds.

Note 25 – Other revenues

In the year of this report, JCT sold IP addresses that were received for no value twenty years ago. The IP addresses were sold for a total amount of approximately NIS 4.1 million which is included in the ‘other revenues’ clause.

Note 26 - Taxes

The tax assessments of JCT up to and including 2015 are considered final.

Note 27 - Related parties

Support from Friends of JCT

	<u>30 Sep 2020</u> <u>Thousands of NIS</u>	<u>30 Sep 2019</u> <u>Thousands of NIS</u>
Net assets for which there is no restriction	111	234
Net assets with a temporary restriction		
For Research and others	2,773	1,425
For Development	9,504	11,884
To Funds	3,191	3,641
	<u>15,468</u>	<u>16,950</u>
Net assets with a permanent restriction		-
	<u>15,579</u>	<u>17,184</u>

See also Note 6 & 22

Note 28 - Comparison to the budget (unaudited)

Revenue	Performance K NIS	Budget K NIS
Government budgets - CHE	108,048	106,966
Government budgets - Ministry of Education and miscellaneous	2,843	2,787
Students	55,800	56,546
Donations	3,223	1,970
Miscellaneous income	7,589	8,114
Total income	177,503	176,383
Expenses		
Salaries and incidentals - Academic	72,994	77,417
Salaries and incidentals - Administration	32,840	35,343
Salaries and incidentals – programs salaries	9,664	10,370
Management & organization	16,276	17,868
Computers and devices and improvement of infrastructures	2,038	2,136
Scholarships and social activities	5,330	5,635
Rental of buildings	9,452	9,531
Maintenance of buildings	10,741	9,933
Development of JCT campuses	547	980
Frozen expenses	-	1,170
Total expenditure	159,882	170,383
Total revenue less expenses	17,621	6,000
<u>Adjustments to profit in the financial statement</u>		
Depreciation and secure assets	61	-
Other adjustments	25	-
Use of allocations that were approved	(2,062)	-
Matching to Governmental support	(153)	-
Total adjusted budget balance	15,492	-
Designation of funds during 2018-2019		
Construction of dormitories	(2,000)	(2,000)
Reduction of deficit in respect of commitments to end employment of employees	(500)	(1,000)
Tal Campus	(10,792)	(3,500)
Improvement of student service	(1,000)	-
Renovation of Entrepreneurship Center	(700)	-
Development of campus center	(500)	-
Total Designated Funds 2018-2019	(15,492)	(6,000)
Total surplus of budget adjusted incl. monies allocations	-	-