

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

**Financial Statements  
As of September 30, 2018**

**Financial Statements as at September 30, 2018**

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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, 2018 and 2017 and the related statements of operations and changes in net assets and cash flows for each of the years ended on those dates.

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, 2018 and 2017 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)

29<sup>th</sup> May, 2019

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**

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		<u>2017</u>	<u>2018</u>
	Notes	NIS thousands	NIS thousands
<b>Assets</b>			
Cash and cash equivalents	3	21,260	43,102
Marketable Securities	4	63,798*	61,398
Receivables and debit balances	5	14,809	13,791
		<u>99,867</u>	<u>118,291</u>
<b>Long-term Investments</b>			
Fixed Assets	7	30,636	32,120
Long-term Investments		<u>17,262*</u>	<u>27,013</u>
Investments in companies	6	<u>1,155</u>	<u>1,102</u>
		<u>33,626</u>	<u>60,235</u>
		<u><u>148,920</u></u>	<u><u>178,526</u></u>

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

Jerusalem College of Technology (Registered Nonprofit)

		<u>2017</u>	<u>2018</u>
	Notes	<u>NIS thousands</u>	<u>NIS thousands</u>
Suppliers and service providers		11,423	<b>11,839</b>
Accounts payable	8	20,665	<b>31,588</b>
Liabilities for Employees' benefits– short term		951	<b>1,111</b>
		<u>33,039</u>	<u><b>44,538</b></u>
<b>Capital Notes</b>		-	-
<b>Liabilities for Employees' benefits - long term</b>	9	<u>27,450</u>	<u><b>29,535</b></u>
<b>Contingent liabilities and commitments</b>	10		
<b>Net Assets</b>			
<b>Unrestricted net assets used for:</b>			
Operations		28,143	<b>32,183</b>
Employee retirement benefits		(21,450)	<b>(23,036)</b>
Used for fixed assets		<u>30,636</u>	<u><b>32,120</b></u>
Total net assets not earmarked by JCT		37,329	<b>41,267</b>
Total net assets earmarked by JCT	11	15,378	<b>18,825</b>
Total deficit of unrestricted net assets		52,707	<b>60,092</b>
<b>Temporarily restricted net assets</b>			
For research and others		10,824	<b>11,614</b>
For development		1,454	<b>9,064</b>
Funds		<u>6,157</u>	<u><b>5,974</b></u>
		<u>18,435</u>	<u><b>26,652</b></u>
<b>Permanently restricted net assets – funds</b>	12	<u>17,289</u>	<u><b>17,709</b></u>
<b>Total net assets</b>		<u>88,431</u>	<u><b>104,453</b></u>
		<u>148,920</u>	<u><b>178,526</b></u>

\_\_\_\_\_  
Prof. Chaim Sukenik  
President

\_\_\_\_\_  
Mr. Uri Wurtzberger  
Chairman, Amuta Committee

\_\_\_\_\_  
Moshe Asbag  
CFO

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

\_\_\_\_\_  
Date: 29 May 2019

Jerusalem College of Technology (Registered Nonprofit)

	Notes	<u>2017</u> <u>NIS</u> <u>thousands</u>	<u>2018</u> <u>NIS thousands</u>
<b>Turnover</b>			
Governmental authorities -	13	99,583	<b>101,219</b>
Council for Higher Education		2,304	<b>2,020</b>
Other governmental institutions		<u>1,535</u>	<u><b>1,366</b></u>
Total income from governmental institutions		103,422	<b>104,575</b>
Income from students	14	53,422	<b>52,424</b>
Charitable contributions	15	907	<b>420</b>
Amounts released from temporary restrictions	16	8,289	<b>9,487</b>
Other revenues		<u>1,347</u>	<u><b>1,506</b></u>
		<u>167,387</u>	<u><b>168,412</b></u>
<b>Operation expenses:</b>			
Academic expenses	17	85,115	<b>83,766</b>
Beit midrash and religious activities	18	3,996	<b>3,648</b>
Pre-academic and external learning expenses	19	4,037	<b>3,834</b>
Student services	20	21,096	<b>22,967</b>
Computing and Yeda	21	6,814	<b>7,069</b>
Rent and building maintenance	22	16,960	<b>25,509</b>
Liabilities for employee benefits		486	<b>2,637</b>
Investment in research and other projects	24	3,341	<b>4,277</b>
Liabilities returned and lost		<u>80</u>	<u><b>156</b></u>
		<u>141,925</u>	<u><b>153,863</b></u>
<b>Surplus from operations:</b>		<u>25,462</u>	<u><b>14,549</b></u>
Management and organization	23	11,011	<b>10,415</b>
<b>Surplus for year prior to funding</b>		14,451	<b>4,134</b>
Funding income (expenses), net	25	1,158	<b>1,503</b>
JCT's part in the gains (losses) of subsidiary	6a	<u>(49)</u>	<u><b>(53)</b></u>
<b>Surplus for the year</b>		<u>15,560</u>	<u><b>5,584</b></u>

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

## 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 K NIS
	Net assets used for operations  K NIS	Reserves for employee rights  K NIS	Designated by non- profit foundations  K NIS	Used for permanent assets  K NIS	For:			K NIS	
					Research K NIS	Development K NIS	Funds K NIS		
<b>Balance at September 30 2017</b>	<b>28,143</b>	<b>(21,450)</b>	<b>15,378</b>	<b>30,636</b>	<b>10,824</b>	<b>1,454</b>	<b>6,157</b>	<b>17,289</b>	<b>88,431</b>
<b>Additions during the year:</b>									
Governmental authorities -									
Council for Higher Education	-	-	-	-	-	4,320	154	-	4,474
Other governmental institutions	-	-	-	-	38	-	782	-	820
<u>Total income from governmental institutions</u>	-	-	-	-	<u>38</u>	<u>4,320</u>	<u>936</u>	-	<u>5,294</u>
From other sources -									
Charitable contributions	-	-	-	-	1,108	5,091	3,963	16	10,178
Finance, net	-	-	-	-	-	-	128	404	532
Other revenues	-	-	-	-	3,921	-	-	-	3,921
Surplus for year	5,584	-	-	-	-	-	-	-	5,584
Unrestricted sources used for permanent assets	(2,317)	-	-	2,317	-	-	-	-	-
Sums transferred to cover depreciation expenses	2,634	-	-	(2,634)	-	-	-	-	-
Total revenue from other sources	<u>5,901</u>	-	-	<u>(317)</u>	<u>5,029</u>	<u>5,091</u>	<u>4,091</u>	<u>420</u>	<u>20,215</u>
<b>Deficits during the year</b>									
Amounts released from temporarily restricted net assets -									
for investments in loan funds	-	-	-	-	-	-	(5,210)	-	(5,210)
Transfers from net restricted assets	-	-	-	1,801	-	(1,801)	-	-	-
Used for purchase of permanent assets for research, education and misc. projects	-	-	-	-	(4,277)	-	-	-	(4,277)
	-	-	-	1,801	(4,277)	(1,801)	(5,210)	-	(9,487)
<b>Additional changes during the year</b>									
Designated by administration, net	(3,477)	-	3,477	-	-	-	-	-	-
Designated for employee benefits	(500)	500	-	-	-	-	-	-	-
Released for employee benefits due to updated obligations for employee rights	<u>2,086</u>	<u>(2,086)</u>	-	-	-	-	-	-	-
<b>Total changes during the year</b>	<b>4,040</b>	<b>(1,586)</b>	<b>3,447</b>	<b>1,484</b>	<b>790</b>	<b>7,610</b>	<b>(183)</b>	<b>420</b>	<b>16,022</b>
<b>Balance for September 30, 2018</b>	<b>32,183</b>	<b>(23,036)</b>	<b>18,825</b>	<b>32,120</b>	<b>11,614</b>	<b>9,064</b>	<b>5,974</b>	<b>17,709</b>	<b>104,453</b>

## 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	K NIS	K NIS	K NIS	K NIS		
<b>Balance at September 30, 2015</b>	19,659	(22,159)	10,803	29,041	8,278	1,347	5,648	18,197	70,724
<b>Additions during the year:</b>									
Governmental authorities -									
Council for Higher Education	-	-	-	-	-	-	154	-	154
Other governmental institutions	-	-	-	-	78	-	260	-	338
<u>Total income from governmental institutions</u>	-	-	-	-	78	-	414	-	492
From other sources -									
Charitable contributions	-	-	-	-	2,202	-	4,474	37	6,713
Finance, net	-	-	-	-	-	-	144	(520)	(376)
Other revenues	-	-	-	-	3,607	-	-	-	3,607
Surplus for year	15,560	-	-	-	-	-	-	-	15,560
Unrestricted sources used for permanent assets	(3,910)	-	-	3,910	-	-	-	-	-
Transfers from net restricted assets	-	-	-	-	-	-	425	(425)	-
Amounts transferred to cover depreciation expenses:	2,208	-	-	(2,208)	-	-	-	-	-
Total revenue from other sources	13,858	-	-	1,702	5,809	-	5,043	(908)	25,504
<b>Deductions during the year:</b>									
Amounts released from temporarily restricted net assets -									
for investment in funds	-	-	-	-	-	-	(4,948)	-	(4,948)
for purchase of permanent assets	-	-	-	(107)	-	107	-	-	-
for research, education and misc. projects	-	-	-	-	(3,341)	-	-	-	(3,341)
	-	-	-	(107)	(3,341)	107	(4,948)	-	(8,289)
<b>Other changes during the year:</b>									
Designated by administration, net	(4,575)	-	4,575	-	-	-	-	-	-
Designated for employee benefits	(500)	500	-	-	-	-	-	-	-
Transferred to cover obligations for employee benefits	(209)	209	-	-	-	-	-	-	-
<b>Total changes during the year</b>	7,942	1,402	2,513	7,361	1,543	640	78	(773)	20,706
<b>Balance as of September 30, 2017</b>	<u>28,143</u>	<u>(21,450)</u>	<u>15,378</u>	<u>30,636</u>	<u>10,824</u>	<u>1,454</u>	<u>6,157</u>	<u>17,289</u>	<u>88,431</u>





## Statement of Cash Flow for the year ending on September 30

	JCT	
	2017	2018
	NIS thousands	NIS thousands
<b>Cash flows from operating activities</b>		
Net Surplus for the year	15,560	5,584
Adjustments to reconcile net surplus to cash flows from operating activities – see appendix A	(13,062)	6,673
Net cash used for operating activities	<u>2,498</u>	<u>12,257</u>
<b>Cash flows from investment activities</b>		
Investment in short- and long- term securities, net	(6,544)	(5,690)
Purchase of permanent assets	(3,803)	(4,118)
Net cash provided by investing activities	<u>(10,347)</u>	<u>(9,808)</u>
<b>Cash flows from financing activities</b>		
Temporarily restricted donations and finance income	10,775	19,377
Permanently restricted donations and finance income	37	16
Net cash provided by financing activities	<u>10,812</u>	<u>19,393</u>
<b>Increase in cash and cash equivalents</b>	<u>2,963</u>	<u>21,842</u>
<b>Balance of Cash and cash equivalents at beginning of year</b>	<u>18,297</u>	<u>21,260</u>
<b>Balance of Cash and cash equivalents at end of year</b>	<u><u>21,260</u></u>	<u><u>43,102</u></u>

### Appendix A - adjustments necessary to achieve cash flow from operating activities

	JCT	
	2017	2018
	NIS thousands	NIS thousands
<b>Expenses (income) not included in cash flow</b>		
Amounts released from temporary restricted net assets	(8,289)	(9,487)
Valuation of restricted net assets	(376)	532
Increase in net marketable securities value	(1,302)	(1,661)
Depreciation	2,208	2,634
<b>Changes in asset and liability items</b>		
(Increase) decrease in other receivables	(2,464)	1,018
Increase in accounts payable	(2,321)	11,339
Increase in obligations due to employee benefits	(567)	2,245
Stake of JCT in losses (gains) of subsidiary	49	53
	<u>(13,062)</u>	<u>6,673</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.

### 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.

In accordance with the transitional provisions of the Standard, three alternatives may be chosen: full or partial implementation prospectively, full or partial implementation by means of a retroactive amendment (registration of the fixed assets at the transition date at cost net of accumulated depreciation on that date) or recording of the fixed assets at their value Fair value on the transition date. JCT chose to present investments in fixed assets as of October 1, 2014 as an asset, except for investments in buildings which construction has not yet been completed as of October 1, 2014, in respect of which JCT chose to capitalize buildings as of October 1, 2013.

#### B. Linkage principles

1. Balances in or linked to foreign currency are presented at the representative rates of exchange at the balance sheet date.
2. 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 2018</u>	<u>30 Sep 2017</u>	<u>% Change 2018</u>	<u>% Change 2017</u>
Consumer Price Index (In points)	<b>102.39</b>	101.18	<b>1.19</b>	0.1
Exchange rate of The US dollar (In NIS)	<b>3.627</b>	3.529	<b>2.78</b>	(6.1)

## 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	10
Equipment and furniture	7
Research equipment	10-25
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.

### 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.

Note 2 - Significant Accounting Policies (cont'd)

**I. Reclassification**

The center has a commitment to perpetual funds. Accordingly, as of this year, the amounts of assets transferred and the liability between current and long-term liabilities were sorted. Comparative numbers have been reclassified to match the current year's presentation.

The effect of the reclassification on the balance of JCT is:

	30 September 2017		
	As reported last year	Amendment	As reported now
Short-term deposits	9,715	9,715	-
Marketable securities	69,510	(69,510)	-
Long-term deposits	1,835	(1,835)	-
Short-term deposits and securities	-	63,798	63,798
Long-term tradable deposits and securities	-	17,262	17,262
	81,060	-	81,060

**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 3 - Cash and cash equivalents**

	30 September 2018 Thousands of NIS	30 September 2017 Thousands of NIS
<b>Composition</b>		
In unlinked Israeli currency	41,921	20,518
In foreign currency	1,181	742
	<u>43,102</u>	<u>21,260</u>

**Note 4 - Marketable securities**

	JCT	
	30 September 2018 Thousands of NIS	30 September 2017 Thousands of NIS
<b>Composition</b>		
• Bank Deposits	11,686	11,550
• Government bonds	8,804	9,376
• Corporate bonds	39,872	35,581
• Stock	6,478	5,414
• Basket certificates and mutual funds	21,571	19,139
Total	<u>61,398</u>	<u>63,798</u>
Presented as long term assets	<u>27,013</u>	<u>17,262</u>

## Note 5 - Accounts receivable and debit balances

	JCT	
	30 September 2018 Thousands of NIS	30 September 2017 Thousands of NIS
Composition governmental institutions	1,928	3,208
Council for Higher Education (a)	-	2,018
Different receivables and income receivable	6,707	4,336
Students - tuition fees and loans	1,780	1,951
Checks for collection	2,450	2,230
Friends of the Lev Academic Center (a related party)	3	148
Prepaid expenses	1,634	1,382
JC Technologies Ltd. (a related party)	24	12
Employees - Loans	110	269
	<u>14,636</u>	<u>15,554</u>
Less general provision for uncertain liabilities (A)	<u>(845)</u>	<u>(745)</u>
	<u><u>13,791</u></u>	<u><u>14,809</u></u>

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

	JCT	
	<u>2018</u> <u>Thousands of NIS</u>	<u>2017</u> <u>Thousands of NIS</u>
Balance for October 1st	745	789
Lost debts	(56)	(124)
Update of provision	156	80
Balance for 30 September	<u><u>845</u></u>	<u><u>745</u></u>

## Note 6 - Investments in Investee Company

	<b>JCT</b>	
	<b>30 September 2018</b>	30 September 2017
	<b>Thousands of NIS</b>	Thousands of NIS
JC Technologies Ltd - a subsidiary (A)	<b>1,102</b>	1,155
RAD Systems Ltd. (B)	-	-
PATIR Research and Development Ltd. (C)	-	-
Companies held by JCT (D)	-	-
	<b><u>1,102</u></b>	<b><u>1,155</u></b>

- 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:

	<b>2018</b>
	<b>Thousands of NIS</b>
Balance of investment as of October 1, 2017	<b>1,155</b>
JCT's part at a loss of one year	<b>(53)</b>
Balance of investment for September 30, 2018	<b><u>1,102</u></b>

- 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

	<b>Computers</b>	<b>Improvements in Rented Property</b>	<b>Equipment &amp; Furniture</b>	<b>Equipment &amp; Research</b>	<b>Buildings (A)</b>	<b>Total</b>
<b>Cost</b>	<b>K NIS</b>	<b>K NIS</b>	<b>K NIS</b>	<b>K NIS</b>	<b>K NIS</b>	<b>K NIS</b>
Balance at beginning of year	2,429	39	6,634	833	20,587	30,522
Additions	<b><u>1,467</u></b>	<b><u>12</u></b>	<b><u>1,705</u></b>	<b><u>141</u></b>	<b><u>478</u></b>	<b><u>3,803</u></b>
Balance for Sep 30, 2017	<b><u>3,896</u></b>	<b><u>51</u></b>	<b><u>8,339</u></b>	<b><u>974</u></b>	<b><u>21,065</u></b>	<b><u>34,325</u></b>
<b>Accumulated depreciation</b>						
Balance at beginning of year	790	4	274	42	371	1,481
Depreciation per year	<b><u>1,182</u></b>	<b><u>5</u></b>	<b><u>527</u></b>	<b><u>96</u></b>	<b><u>398</u></b>	<b><u>2,208</u></b>
Balance for September 30, 2017	<b><u>1,972</u></b>	<b><u>9</u></b>	<b><u>801</u></b>	<b><u>138</u></b>	<b><u>769</u></b>	<b><u>3,689</u></b>
Reduced balance for Sep 30, 2017	<b><u>1,924</u></b>	<b><u>42</u></b>	<b><u>7,538</u></b>	<b><u>836</u></b>	<b><u>20,296</u></b>	<b><u>30,636</u></b>
Reduced balance For Sep 30, 2016	<b><u>1,639</u></b>	<b><u>35</u></b>	<b><u>6,360</u></b>	<b><u>791</u></b>	<b><u>20,216</u></b>	<b><u>29,041</u></b>

- (A) JCT leases from the Israel Lands Administration an area of 41 dunams, 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 30,000 square meters and is used entirely for teaching, research, administration and student service activities. Investments in development were recorded until 2014 as a current expense as they arose, and as of October 1, 2013, these investments are restated under fixed assets.

## Note 8 - Other payables and credit balances

	JCT	
	30 Sep 2018 Thousands NIS	30 Sep 2017 Thousands NIS
Advance income from students (advance payments For the next school year)	10,212	9,600
Employees in respect of salary	7,978	8,428
Institutions and others	9,786	2,637
Council of Higher Education (A)	3,612	-
	<b>31,588</b>	<b>20,665</b>

(A) The following is the balance of the Council of Higher Education account:

	30 Sep 2018 Thousands NIS	30 Sep 2017 Thousands NIS
Beginning of year balance	2,018	1,181
Allotments for the year:		
To user for misc. activities	101,496	99,583
For net assets with temporary restriction	4,474	154
	105,970	99,737
Subtracting payments received during the year	(111,600)	(98,900)
Total of activities during the year	(5,630)	837
End of year balance	(3,612)	2,018

## Note 9 - Liabilities in respect of employee rights

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

	30 September 2018 Total Liabilities Thousands of NIS	30 September 2017 Total Liabilities Thousands of NIS
Provision for vacation	1,960	1,984
Liability for severance pay and severance pay, net (a)	8,130	7,359
Science Relations Foundation (b)	5,180	5,130
Adaptation (c)	4,146	3,923
Provision for redemption of sick leave (d)	9,563	9,054
Academic staff multi-year training (e)	556	
	29,535	27,450

### A. Severance Pay and Severance Pay

(1) Composition:

	30 Sep 2018 Thousands of NIS	30 Sep 2017 Thousands NIS
Liability for severance pay	12,453	11,671
Less: earmarked - Central severance pay fund	(4,323)	(4,312)
Liabilities for severance pay and severance pay, net	8,130	7,359



- (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. JCT submitted a statement of defense and the plaintiff submitted a response, which was combined in the case together with the aforementioned trustee's claim against a number of individuals on similar grounds. JCT, together with some of the defendants, petitioned to delete the plaintiff's answer letter, the application was rejected during November 2017, on this decision, an appeal was filed with the Supreme Court, this application was accepted, heard as an appeal, and the ruling was reversed to the district court for a reasoned decision.

In a re-decision, the court returned the application. The additional decision was filed with an application for permission to appeal and the hearing was partially allowed to court, for a renewed hearing. No final decision has been made in this regard. In the opinion of the management based on the opinion of its legal counsel, the chances of the claim being accepted are not high.

- B. Subsequent to the reporting period in February 2018, a claim was filed with the Jerusalem District Court by a former lecturer whose employment was terminated due to cuts in manpower within the framework of which the plaintiff demanded the amount of NIS 907,685. The legal council estimates that the chances of the claim being accepted are low, and even if there will be a monetary charge, it is not expected to be within the scope of the relief sought.

- C. After the reporting period, during December 2018, a demand was received from the Jerusalem City Center for a cumulative fee of NIS 15.2 million for a paving levy and a cumulative fee. This preliminary stage is difficult to estimate the prosecution's chances. The matter is for measuring this requirement at this preliminary stage, and based on the opinions of the legal advisers.
- D. JCT has a number of lease agreements for buildings used by it for educational activities and student dormitories. The significant engagements relate to four different factors and the end of the contractual period is as follows:  
The first - the month of July 2019 with an option of extending for another year, the second - the month of July 2021 with an option of extending for another two years, the third - the month of July 2019, the fourth - July 2020. The annual rental fees are linked to the CPI. The annual rent for all the agreements is approximately NIS 8,200,000.
- E. In January 2019 after the balance sheet date, an agreement was signed with the senior academic staff, the agreement is effective March 1, 2018. As a result of this agreement, management has been estimated and proper provisions have been included in the financial statements.

### Note 11 - Net assets designated by JCT

	<u>30 Sep 2018</u> <u>Thousands</u> <u>NIS</u>	<u>30 Sep 2017</u> <u>Thousands</u> <u>NIS</u>
Establishing a new website	150	150
Construction of new dormitories	7,515	5,874
Construction of the new Tal Campus	6,914	5,100
Establishment of technological teaching laboratories	378	379
Development of the existing Tal Campus	490	500
Simulation laboratories	200	200
Renovation and adjustment of consulting center	200	200
E-learning	200	200
Academic development	340	351
Transfer of mobile homes with the approval of management	84	84
Fund for the preservation of currency value	1,540	1,540
Retirement programs for the staff of Beit Midrash	-	-
Designed for compliance with fire extinguishing standards	659	700
Day Care Tal Campus	100	100
Shidduchim project	100	-
	<u>18,825</u>	<u>15,378</u>
Coverage of liabilities in respect of employee rights	<u>6,500</u>	<u>6,000</u>

### Note 12 - Net assets with a permanent restriction – funds

	<u>30 Sep 2018</u> <u>Thousands NIS</u>	<u>30 Sep 2017</u> <u>Thousands NIS</u>
A. Net composition of assets by purpose		
For ongoing operation	2,466	2,400
Scholarships and assistance to students	15,243	14,889
	<u>17,709</u>	<u>17,289</u>
B. Net composition of assets by indexation type		
Linked to foreign currency	15,494	15,494
Linked to the CPI	1,795	1,795
	<u>17,709</u>	<u>17,289</u>

### Note 13 - Income from the Council for Higher Education

	<u>30 Sep 2018</u> <u>Thousands NIS</u>	<u>30 Sep 2017</u> <u>Thousands NIS</u>
Direct participation	97,748	94,732
Preparatory courses	2,413	3,016
Infrastructure improvement	893	1,571
Amulet program	165	264
Parallel allowances	154	154
Physical Development	4,320	-
Total income for the year	<u>105,693</u>	<u>99,737</u>
Less amounts recognized directly in the net assets that are restricted	<u>(4,474)</u>	<u>(154)</u>
	<u>101,219</u>	<u>99,583</u>

### Note 14 - Income from students

	<u>30 Sep 2018</u> <u>Thousands NIS</u>	<u>30 Sep 2017</u> <u>Thousands NIS</u>
Tuition fees for first degree	37,285	39,012
Tuition fees for second degree	1,923	1,304
Dormitory	4,578	4,705
Economics and others	5,006	3,855
A preparatory program	1,804	2,395
Supported religious studies	1,113	1,189
Unsupported religious studies	715	962
	<u>52,424</u>	<u>53,422</u>

### Note 15 - Donations

JCT received no donations from a foreign state entity in the years ended September 30, 2018 and 2017.

### Note 16 - Amounts released from the restriction on activity

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Release from funds of a temporary nature	5,210	4,948
Release from research projects and others	4,277	3,341
	<u>9,487</u>	<u>8,289</u>

### Note 17 - Academic expenses

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages and benefits	75,740	77,698
Equipment and other	149	222
Management and organization	7,280	6,713
Depreciation	597	482
	<u>83,766</u>	<u>85,115</u>

### Note 18 - Beit Midrash expenses and Torah activities

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages and related activities	3,090	3,278
Wages & accompanying activities not supported	541	703
Management and organization	17	15
	<u>3,648</u>	<u>3,996</u>

**Note 19 - Pre-academic preparatory courses and external studies**

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages and benefits	3,799	4,000
Management and organization	35	37
	<u>3,834</u>	<u>4,037</u>

**Note 20 - Student services**

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages and benefits	10,117	9,999
Scholarships & assistance to students	6,942	6,221
Management & organization	5,417	4,421
Depreciation	491	455
	<u>22,967</u>	<u>21,096</u>

**Note 21 - Computers and Information**

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages and benefits	4,159	4,121
Management and organization	1,505	1,530
Depreciation	1,405	1,163
	<u>7,069</u>	<u>6,814</u>

**Note 22 - Rental and maintenance of buildings**

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages and benefits	3,280	3,152
Maintenance of campus and buildings	16,316	8,671
Rent	8,383	7,554
Insurance	480	458
Depreciation	56	41
	<u>28,515</u>	<u>19,876</u>
Less rental income	<u>(3,006)</u>	<u>(2,916)</u>
	<u>25,509</u>	<u>16,960</u>

**Note 23 - General and administrative expenses****Administrative**

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages & Benefits	8,197	8,290
Management and organization	1,048	1,223
Public relations and fundraising	346	389
Professional services	1,024	1,255
phones	244	251
depreciation	85	67
	<u>10,944</u>	<u>11,475</u>
Less participation in expenses		
Research projects and others - overhead	(421)	(356)
JC Technologies Ltd. (related party)	(48)	(48)
Friends of the Lev Academic Center (related party)	(60)	(60)
	<u>(529)</u>	<u>(464)</u>
	<u>10,415</u>	<u>11,011</u>

## Note 24 - Investments in research projects and others

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Wages and benefits	1,618	1,618
Management and organization	962	962
Research Equipment exhaustible	344	344
Overheads	254	254
Scholarships	163	163
	<u>3,341</u>	<u>3,341</u>

## Note 25 - Financing income (expenses)

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Interest income and revaluation of deposits and securities	1,829	1,367
Exchange rate differences *	(151)	(28)
Banking expenses	(175)	(181)
	<u>1,503</u>	<u>1,158</u>

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

## Note 26 - Taxes

The tax assessments of JCT up to and including 2013 are considered final.

## Note 27 - Related parties

### Support from Friends of JCT

	<u>30 Sep 2018</u> <u>Thousands of NIS</u>	<u>30 Sep 2017</u> <u>Thousands of NIS</u>
Net assets for which there is no restriction	100	600
Net assets with a temporary restriction		
For Research and others	904	1,883
For Development	2,943	-
To Funds	2,549	2,609
	<u>6,396</u>	<u>4,492</u>
Net assets with a permanent restriction	11	-
	<u>6,507</u>	<u>5,092</u>

See also Note 6 & 23

## Note 28 - Comparison to the budget (unaudited)

<b>Revenue</b>	<b><u>Performance</u></b>	<b><u>Budget</u></b>
	<b><u>Thousands of</u></b>	<b><u>Thousands of NIS</u></b>
	<b><u>NIS</u></b>	
Government budgets - CHE		100,352
	<b>101,373</b>	
Government budgets - Ministry of Education and miscellaneous	<b>2,702</b>	2,604
Pupils	<b>53,158</b>	52,633
Donations	<b>2,975</b>	2,855
Miscellaneous income	<b>6,847</b>	4,920
<b>Total income</b>	<b>167,055</b>	163,364
<b>Expenses</b>		
Salaries and Accompaniment - Academic	<b>70,497</b>	74,167
Salaries and accompanying - Administration	<b>31,349</b>	32,372
Salaries and accompanying – programs	<b>9,475</b>	9,858
Management and organization	<b>16,842</b>	16,924
Computers and equipment and infrastructure improvement	<b>1,675</b>	1,832
Scholarships and social activities	<b>4,894</b>	5,137
Rental of buildings	<b>7,890</b>	8,295
Maintenance of buildings	<b>17,410</b>	10,971
Development of JCT campuses	<b>362</b>	809
Frozen expenses	<b>-</b>	1,000
<b>Total expenditure</b>	<b>160,394</b>	161,364
Total income less expenses	<b>6,661</b>	2,000
<b>Designation of funds</b>		
Designation of funds - construction of dormitories and Tal Campus	<b>(1,641)</b>	(1,500)
Depreciation	<b>(1,116)</b>	
Designation of funds - to reduce the deficit in respect of commitments to end	<b>(500)</b>	(500)
Execution of designated funds - General	<b>(109)</b>	
<b>Net changes in capital in the budget year</b>	<b>3,295</b>	-
Surplus in accordance with the audited Duchess	<b>5,584</b>	
<b><u>Adjustments for profit according to budget and profit in reports:</u></b>		
Designation of funds to construction	<b>(1,641)</b>	
Amounts designated by nonprofit organizations for employee rights	<b>(500)</b>	
Other adjustments	<b>(39)</b>	
Total matches:	<b>(2,289)</b>	
<b>Total net adjustments in the budget year</b>	<b>3,295</b>	