

**The Hebrew University of
Jerusalem**

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

Financial Statements as of September 30, 2020

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**Auditors' Report to the Board of Governors of
The Hebrew University of Jerusalem**

We have audited the accompanying balance sheets of The Hebrew University of Jerusalem ("the University") (an institution Established by the Council for Higher Education Law, 1958) as of September 30, 2020 and 2019, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's board and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of equity accounted companies, whose investment amounted to NIS 72,558 thousand and NIS 66,464 thousand as of September 30, 2020 and 2019 respectively, and the University's share of its earnings amounted to NIS 5,406 and NIS 4,230 thousand for the years ended September 30, 2020 and 2019 respectively. The financial statements of these companies were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to amounts emanating from the financial statements of such companies, is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed by the Auditor's Regulations (Manner of Auditor's Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether 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 the University's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of September 30, 2020 and 2019 and the results of its operations, changes in net assets and cash flows for each of the years then ended, in accordance with generally accepted accounting principles in Israel (Israeli GAAP).

Without qualifying our opinion, we draw attention to Note 1 and Note 14B regarding the agreement between the University and the PBC in order to ensure a balanced budget and long-term financial stability for the University.

Other reporting required by Government Auditing Standards.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.



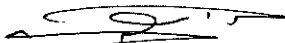
Somekh Chaikin
Certified Public Accountants (Isr.)
Member Firm of KPMG International

March 14, 2021

Balance Sheets

| | Note | September 30 | |
|---|------|------------------|------------------|
| | | 2020 | 2019 |
| | | NIS thousands | NIS thousands |
| Assets | 3A | | |
| Current assets | | | |
| Cash and cash equivalents | | 193,132 | 73,951 |
| Deposits and bank balances | | 323,235 | 308,928 |
| Friends organizations | | 72,854 | 113,581 |
| Receivables in respect of research and special projects | 6 | 165,938 | 146,432 |
| Planning and Budgeting Committee (PBC) | 8 | 22,849 | 43,438 |
| Receivables in respect of construction | | 28,041 | 27,648 |
| Accounts receivable | 7 | 204,663 | 164,042 |
| Inventories | | 1,268 | 2,287 |
| | | <u>1,011,980</u> | <u>880,307</u> |
| Long-term investments | | | |
| Investments in investees and others | 4 | 99,856 | 105,035 |
| Investments in securities and deposits | 5 | <u>1,372,514</u> | <u>1,466,174</u> |
| | | <u>1,472,370</u> | <u>1,571,209</u> |
| Fixed assets, net | 9 | <u>7,014,650</u> | <u>7,051,098</u> |
| Cash and investments designated for fixed assets | | <u>158,700</u> | <u>61,100</u> |
| Investment property, net | 10 | <u>336,767</u> | <u>329,471</u> |
| Total assets | | <u>9,994,467</u> | <u>9,893,185</u> |

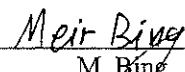
| | Note | September 30 | |
|---|------|------------------|------------------|
| | | 2020 | 2019 |
| | | NIS thousands | NIS thousands |
| Liabilities | 3A | | |
| Current liabilities | | | |
| Employees and related liabilities | 13A | 158,506 | 152,975 |
| Suppliers and service providers | | 75,564 | 23,693 |
| Accounts payable | 11 | 119,954 | 118,584 |
| Prepaid tuition | | 81,506 | 66,501 |
| Current maturities of budgetary pension, net | 13 | 263,446 | 273,382 |
| Other provisions | | 149,114 | 149,593 |
| | | <u>848,090</u> | <u>784,728</u> |
| Long-term liabilities | | | |
| Liabilities for employee rights | 13 | 4,962,383 | 5,282,668 |
| Deposits from friend organizations and others | | 145,931 | 147,261 |
| Liability for annuity payments | | 3,286 | 3,047 |
| | | <u>5,111,600</u> | <u>5,432,976</u> |
| Contingent liabilities and commitments | 14 | | |
| Net assets | | | |
| Unrestricted net assets: | | | |
| Accumulated deficit from activities | | (465,080) | (451,521) |
| Deficit in endowment funds* | 3B | (115,837) | (71,354) |
| Due to cover liabilities for employee rights | 13D | (5,301,753) | (5,631,974) |
| Used for fixed assets | | 7,014,650 | 7,051,098 |
| | | <u>1,131,980</u> | <u>896,249</u> |
| Temporarily restricted net assets: | | | |
| Research and special projects | 12B | 862,184 | 894,848 |
| Investments in fixed assets | | 158,700 | 61,100 |
| University's share in net assets of investees | | 3,459 | 2,771 |
| | | <u>1,024,343</u> | <u>958,719</u> |
| Permanently restricted net assets: | | | |
| Endowment funds | 3 | 1,821,712 | 1,766,883 |
| Other funds | | 56,742 | 53,630 |
| | | <u>1,878,454</u> | <u>1,820,513</u> |
| Total net assets | | <u>4,034,777</u> | <u>3,675,481</u> |
| Total liabilities and net assets | | <u>9,994,467</u> | <u>9,893,185</u> |


H. Beit-On
Chairman of the Board

Prof. A. Cohen
President

March 14, 2021

Date of approval of the
financial statements

Y. Fraenkel
Vice President and Chief Executive Officer

M. Bing
Chief Financial Officer

The accompanying notes are an integral part of the financial statements.

Statement of Operations

| | Note | For the Year ended September 30 | |
|---|------|---------------------------------|------------------|
| | | 2020 | 2019 |
| | | NIS thousands | NIS thousands |
| Income | | | |
| Planning and Budgeting Committee (PBC) allocations | 15 | 1,372,692 | 1,373,524 |
| Contributions from Friends organizations and others | 16 | 108,946 | 116,875 |
| Income from students | 17 | 280,458 | 278,532 |
| Income from royalties, licenses and research related services | | 3,340 | 822 |
| Other income | | 127,036 | 200,920 |
| Amounts released from restricted net assets | | 687,434 | 712,527 |
| | | 2,579,906 | 2,683,200 |
| Cost of operations | | | |
| Teaching, research and auxiliary services | 18 | 1,759,475 | 1,833,400 |
| Services to students | 19 | 201,679 | 208,126 |
| Change in budgetary pension obligation expense | 13 | 53,331 | (85,854) |
| Change in liabilities for employee benefits | 13 | 62,625 | 69,969 |
| Depreciation and amortization | 9,10 | 183,865 | 172,684 |
| Other direct expenses | 20 | 47,865 | 57,337 |
| | | 2,308,840 | 2,255,662 |
| Net income from operations | | 271,066 | 427,538 |
| General and administrative expenses | 22 | 100,672 | 113,086 |
| Fundraising expenses | | 32,363 | 34,074 |
| Advertising and marketing expenses | | 26,801 | 29,407 |
| | | 159,836 | 176,567 |
| Net income before finance | | 111,230 | 250,971 |
| Finance expenses, net | 23 | 143,844 | 156,008 |
| Net income (expenses) after finance | | (32,614) | 94,963 |
| Capital Gain from sale of assets | | 9,349 | - |
| University's share in net expenses of investees | | (5,867) | (4,339) |
| Surplus (deficit) for the year | | 29,132 | 90,624 |

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets (Deficit in Net Assets)

| | Temporarily restricted net assets | | | assets | | Investments in fixed assets | Share in investees | Permanently Restricted net Endowment funds (including other funds) | Total |
|--|---|---|---|--------------------------|-------------------------------------|-----------------------------------|-----------------------|--|------------------|
| | Accumulated deficit from activities | Accumulated deficit in endowment funds | Due to cover liabilities for employee rights | Used for fixed assets | Research and special projects | | | | |
| Balance as of October 1, 2019 | (451,521) | (71,354) | (5,631,974) | 7,051,098 | 894,848 | 61,100 | 2,771 | 1,820,513 | 3,675,481 |
| Additions during the academic year 2020 | | | | | | | | | |
| Donations | - | - | - | - | 144,610 | 76,073 | - | 52,346 | 273,029 |
| Planning and Budgeting Committee allocations | - | 6,775 | - | - | 9,244 | 5,844 | - | - | 21,863 |
| Other income and allocations | - | 23,460 | - | - | 443,422 | 67,101 | - | - | 533,983 |
| Income from endowment funds investments | - | (991) | - | - | - | - | - | - | (991) |
| Capital gain (loss) | - | (588) | - | - | 13,828 | - | - | - | 13,240 |
| Amounts allocated to fund rehabilitation | (14,860) | (2,405) | - | - | - | - | - | 17,265 | - |
| University share in net asset changes of investees | - | - | - | - | - | - | 688 | - | 688 |
| Re-measurement of net liability of defined benefit | - | - | 250,971 | - | - | - | - | - | 250,971 |
| Disposals during the academic year 2020 | | | | | | | | | |
| Deficit for the year | (29,132) | - | - | - | - | - | - | - | (29,132) |
| Amounts released from restrictions | - | (21,678) | - | - | (579,637) | - | - | - | (601,315) |
| Amounts released for overheads | - | (16,758) | - | - | (69,361) | - | - | - | (86,119) |
| Amounts released from restriction for fixed assets | - | - | - | 73,235 | (19,031) | (54,204) | - | - | - |
| Amounts transferred to cover depreciation | 174,419 | - | - | (174,419) | - | - | - | - | - |
| Amounts allocated to Friends and others | - | (10,164) | - | - | - | - | - | - | (10,164) |
| Amounts allocated to restricted net assets | - | (20,185) | - | - | 25,619 | 2,786 | - | (12,395) | (4,175) |
| Adjustments of annuity funds | - | - | - | - | - | - | - | (284) | (284) |
| Exchange differences and linkage, net | - | (1,949) | - | - | (1,358) | - | - | 1,009 | (2,298) |
| Transfers of unrestricted amounts: | | | | | | | | | |
| Amounts transferred to cover change in liabilities for employee rights | (79,250) | - | 79,250 | - | - | - | - | - | - |
| Amounts transferred to purchase of fixed assets | (64,736) | - | - | 64,736 | - | - | - | - | - |
| Balance as of September 30, 2020 | <u>(465,080)</u> | <u>(115,837)</u> | <u>(5,301,753)</u> | <u>7,014,650</u> | <u>862,184</u> | <u>158,700</u> | <u>3,459</u> | <u>1,878,454</u> | <u>4,034,777</u> |

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Assets (Deficit in Net Assets)

| | Unrestricted net assets | | | | Temporarily restricted net assets | | | Permanently Restricted net assets | Total | |
|--|---|------------------------------------|--|---|-----------------------------------|-------------------------------------|-----------------------------------|---|-----------|---|
| | Accumulated deficit from activities | Designated by the University | Accumulated deficit in endowment funds* | Due to cover Liabilities for employee Rights | Used for fixed assets | Research and special projects | Investments in fixed assets | Share in investees | | Endowment funds (including other funds) |
| | | | | | | | | | | |
| | | | | | | | | | | |
| NIS thousands | | | | | | | | | | |
| Balance as of October 1, 2018 | (473,179) | 10,758 | (93,381) | (5,327,599) | 6,977,222 | 1,040,476 | 47,157 | 2,766 | 1,739,703 | 3,923,923 |
| Additions during the academic year 2019 | | | | | | | | | | |
| Donations | - | - | - | - | - | 169,594 | 49,092 | - | 96,913 | 315,599 |
| Planning and Budgeting Committee allocations | - | - | 7,072 | - | - | 7,709 | 5,507 | - | - | 20,288 |
| Other income and allocations | - | - | 30,805 | - | - | 513,854 | 17,689 | - | - | 562,348 |
| Income from endowment funds investments | - | - | 29,153 | - | - | - | - | - | 11,391 | 40,544 |
| Income from sale of restricted assets | - | - | 10,960 | - | - | - | - | - | - | 10,960 |
| University share in net asset changes of investees | - | - | - | - | - | - | - | 5 | - | 5 |
| Re-measurement of net liability of defined benefit | - | - | - | (498,610) | - | - | - | - | - | (498,610) |
| Disposals during the academic year 2019 | | | | | | | | | | |
| Surplus for the year | 90,624 | - | - | - | - | - | - | - | - | 90,624 |
| Amounts released from restrictions | - | - | (25,761) | - | - | (571,895) | - | - | - | (597,656) |
| Amounts released for overheads | - | - | (16,707) | - | - | (98,164) | - | - | - | (114,871) |
| Amounts released from restriction for fixed assets | - | - | - | - | 172,002 | (110,887) | (61,115) | - | - | - |
| Amounts released from restriction in respect of prior years (see note 12B) | 163,227 | - | - | - | (163,227) | - | - | - | - | - |
| Amounts transferred to cover depreciation | 63,650 | - | - | - | - | (63,650) | - | - | - | - |
| Amounts allocated to Friends and others | - | - | (6,883) | - | - | - | - | - | - | (6,883) |
| Amounts allocated to restricted net assets | - | - | (20,101) | - | - | 31,398 | 2,879 | - | (14,176) | - |
| Adjustments of annuity funds | - | - | - | - | - | - | - | - | (275) | (275) |
| Exchange differences and linkage, net | - | - | 13,489 | - | - | (23,587) | (109) | - | (13,043) | (23,250) |
| Transfers of unrestricted amounts: | | | | | | | | | | |
| Amounts transferred to cover change in liabilities for employee rights | (194,235) | - | - | 194,235 | - | - | - | - | - | - |
| Release of management designation from prior years | 10,758 | (10,758) | - | - | - | - | - | - | - | - |
| Amounts transferred to purchase of fixed assets | (65,101) | - | - | - | 65,101 | - | - | - | - | - |
| Cancellation of prior year receivables in respect of construction (see note 12B) | (47,265) | - | - | - | - | - | - | - | - | (47,265) |
| Balance as of September 30, 2019 | (451,521) | - | (71,354) | (5,631,974) | 7,051,098 | 894,848 | 61,100 | 2,771 | 1,820,513 | 3,675,481 |

* Reclassified

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

| | For the Year ended September 30 | |
|---|--|----------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Cash flows from operating activities | | |
| Surplus (deficit) for the year | (29,132) | 90,624 |
| Adjustments to reconcile cash flows from operating activities (A) | 204,367 | (8,147) |
| Net cash provided by operating activities | 175,235 | 82,477 |
| Cash flows from investing activities | | |
| Purchase of fixed assets | (137,971) | (237,103) |
| Proceeds from sale of investment property | 9,852 | - |
| Net investment property additions | (17,245) | (1,535) |
| Changes in cash and investments designated for fixed assets | (97,600) | (13,943) |
| Changes in investments in securities and deposits, net | 73,055 | (65,712) |
| Net cash used in investing activities | (169,909) | (318,293) |
| Cash flows from financing activities | | |
| Amounts allocated to temporarily restricted net assets, net | 61,554 | 92,480 |
| Amounts allocated to permanently restricted net assets, net | 52,346 | 96,913 |
| Changes in liability for annuity payments | (45) | (592) |
| Net cash provided by financing activities | 113,855 | 188,801 |
| Increase (decrease) in cash and cash equivalents | 119,181 | (47,015) |
| Cash and cash equivalents at the beginning of the year | 73,951 | 120,966 |
| Cash and cash equivalents at the end of the year | 193,132 | 73,951 |

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

| | For the Year ended September 30 | |
|---|--|----------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| A. Adjustments to reconcile cash from operating activities: | | |
| Income (expenses) not involving cash flows: | | |
| Depreciation and amortization | 183,865 | 172,684 |
| Capital gain from sale of assets | (9,349) | - |
| Exchange rate differences allocated to restricted net assets | (6,473) | (23,250) |
| The University's share in net ordinary expenses of investees | 5,867 | 4,339 |
| Changes in asset and liability items: | | |
| Decrease (increase) in balance of friends organizations | 40,727 | (36,113) |
| Decrease in balance of Planning and Budgeting Committee | 35,677 | 6,176 |
| Decrease (increase) in accounts receivable | (40,621) | 61,821 |
| Decrease (increase) in receivables in respect of construction | (393) | 1,609 |
| Decrease (increase) in inventories | 1,019 | (969) |
| Increase in employees and related liabilities | 5,531 | 6,664 |
| Decrease in suppliers and service providers | 51,871 | (45,540) |
| Increase in other accounts payable | 1,370 | 43,990 |
| Decrease in prepaid tuition | 15,005 | (4,086) |
| Increase in other provisions | (479) | 2,450 |
| Increase (decrease) in liability of employee rights | (79,250) | (197,922) |
| | 204,367 | (8,147) |
| B. Supplementary information on investing and financing activities not involving cash flows: | | |
| Accounts receivable in respect of sale of investment property | - | 10,960 |

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

Note 1 - General

- A.** The Hebrew University of Jerusalem (hereafter - the University) is an entity recognized according to the Council for Higher Education Law, 1958. The Hebrew University began its activity on April 1, 1925 on Mount Scopus, Jerusalem. The University is an institute of higher education, with both teaching and research activities, and has six campuses within and outside of Jerusalem.
- B.** The University is recognized under the Israeli Income Tax Ordinance (New Version) as a "public organization" and as a "not-for-profit organization" under the Value Added Tax Law - 1975. Contributions to the University are eligible for a tax credit to the donor under Israeli tax law.
- C.** During February 2018 an agreement was signed between the University and the Planning and Budgeting Committee (hereafter – PBC) in order to ensure a balanced budget which will lead to long-term financial stability. See Note 14B.
- D. Significant events during the period**

The Coronavirus (COVID-19) during 2020, had a significant impact on the University's activities including change in the teaching method to online teaching as well as on the research and work activities. Furthermore, COVID-19 had an impact on the Budget, including reduction in rental income (mainly dormitories) as well as income from international student tuition. The University's management took several measures in order to reduce its expenses and maintain financial stability. In addition, the capital markets have suffered significant fluctuations that have stabilized over the period.

The University's management is continuously monitoring the outcome of the spread of the Virus as well as changes in the Governments guidelines and restrictions and is maintaining a strict cash flow tracking in order to ensure continuous financial stability of the University.

Note 2 - Significant Reporting and Accounting Policies**A. Definitions**

Associate/Investee – An entity in which the University has control, as defined in Opinion 57 of the Institute of Certified Public Accountants in Israel, or has significant influence over financial and operational policy, and is presented using the equity method. From the academic year 2018, the University does not consolidate the financial statements of its investees due to immateriality.

B. Accounting for non-profit entities

Effective October 1, 2016 the University applies Accounting Standard No.9, "Financial Statements of Institutions of Higher Education" of the Israeli Accounting Standard Board (hereinafter: "Standard 9").

Note 2 - Significant Reporting and Accounting Policies (cont'd)**C. Net assets**

Net assets are classified based on their restriction.

Temporarily restricted net assets

Net assets regarding which a restriction exists (by an outside party) of a temporary nature. As amounts are released from temporarily restricted net assets for use for their designated purposes, they are reflected in the statement of operations. These net assets include specifically designated projects, including capital projects.

Restricted amounts received are recorded in the statement of operations in parallel with the recording of the expenses for which they were designated. Amounts recognized as income during the reporting period are presented as "Amounts released from restriction" in the statement of operations. The balance of the restricted donations to be utilized in the future is presented as "Temporarily restricted net assets".

Permanently restricted net assets

Includes endowment funds which were created primarily from donations and whose income may only be used according to the terms stipulated by the endowment. The investment gains are transferred to temporarily restricted net assets for the restricted purpose.

Unrestricted net assets

Net assets, regarding which, no restriction exists by an outside party. Amounts used for purchase of fixed assets and amounts due to cover liabilities for employee benefits were separated from these net assets.

Unrestricted net assets, designated by the University

Includes net assets which were not restricted by third parties, but were designated by the University for special purposes. During 2019 the balance of unrestricted net assets, designated by the University was released to operating activities.

D. Cash and cash equivalents

Cash equivalents comprise liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment.

E. Allowance for doubtful accounts

The allowance for doubtful debts is determined in respect of specific debts whose collection, in the opinion of the University's management, is doubtful.

Tuition receivable, Friends Organizations, grants and recoverable expenses, receivables in respect of construction, etc. are reflected in the accounts net of appropriate allowance for doubtful accounts.

Note 2 - Significant Reporting and Accounting Policies (cont'd)**F. Investments in deposits, securities and others**

1. Marketable securities
Marketable securities held as a current investment, are stated at their market value as of the balance sheet date. Changes in the value of these securities are fully recognized on a current basis in the statement of operations. Marketable securities held to maturity are stated at cost (debentures – including accrued interest), less a provision for impairment in value not of a temporary nature.
2. Non-marketable securities
Non-marketable securities are stated according to their fair value as of the balance sheet date. Marketable securities held to maturity are stated at cost (debentures – including accrued interest), less a provision for impairment in value not of a temporary nature.
3. Capital notes
Capital notes are presented at cost plus foreign exchange and gains or losses, or inflation linkage according to the terms of the note.
4. Investments which are part of portfolios designated by management or by donors to cover restricted net assets are not included in the current assets of the University and are presented as long-term investments.

G. Fixed assets**1. Recognition**

The University implements Accounting Standard 27 regarding fixed assets (hereinafter – "the standard") beginning October 1, 2016, which is the date of implementation of Standard 9. According to the standard, the University presents its fixed assets on a cost basis net of accumulated depreciation.

At initial implementation date, the University revalued its land and buildings from this date the fair value represents the assets cost and is depreciated over the estimated useful life of the assets.

Note 2 - Significant Reporting and Accounting Policies (cont'd)**G. Fixed assets (cont'd)****2. Depreciation**

The fixed assets are depreciated according to the straight-line method over the estimated useful life of the assets.

The annual rates of depreciation are as follows:

| | <u>%</u> |
|------------------------------------|----------|
| Vehicles | 15-20 |
| Buildings and improvements | 2 |
| Computers and scientific equipment | 33 |
| Software | 4-14 |

Collections such as art pieces and historical assets are recognized at nominal value in these financial statements.

H. Investment property

Investment property is measured at cost. The cost of investment property includes their purchase price, and any expense that can be directly attributable to the acquisition of the asset.

Investment property includes land property and buildings of different types that is held for generating long-term return from rent and land appreciation, and is not used by the University for its ongoing activities.

I. Impairment in value of assets

The University applies Accounting Standard No. 15 - Impairment of Assets. Standard No. 15 sets out procedures which entities must follow in order to ensure that their assets, as reported in their financial statements, are not stated in an amount exceeding their fair value, which is the higher of the net selling price and the present value of the estimated future cash flows expected to be derived from the use and disposal of the asset. The Standard also lays down the rules of presentation and disclosure for assets whose value has been impaired.

J. Life income funds – annuities

The liability for payment of life income annuities reflects the actuarial liability, based on the expected annual payments and a discount rate in dollar terms.

The excess of donations received over the liability for payment of life income annuities is transferred to permanently restricted net assets. Changes in the actuarial liability are charged to permanently restricted net assets.

Upon termination of the liability, the balance of the fund is transferred to income or remains among Endowment Funds, in accordance with the donor's restrictions.

Note 2 - Significant Reporting and Accounting Policies (cont'd)**K. Employee benefits**

The University implements Accounting Standard No. 39, Employee Benefits (hereinafter: "Standard 39"). This Standard is based on IAS 19 Employee Benefits and replaces Opinions 19 and 20 of the Institute of Certified Public Accountants. The Standard prescribes the accounting treatment for four types of employee benefits: short-term employee benefits, post-employment benefits including severance pay benefits, long-term employee benefits and benefits in respect of termination under special circumstances. The main effect of the implementation of Standard 39 is that actuarial gains and losses are recognized directly in the statement of changes in net assets, and liabilities for redemption of sick leave and excess years grant are calculated according to an actuarial model.

1. Post-employment benefits

The University has a number of post-employment benefit plans. The plans are financed partly by deposits with insurance companies or with funds managed by a trustee, and are classified as defined contribution plans and as defined benefit plans.

a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the University pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

b) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The University's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is shown at its present value, and the fair value of any assets of the plan is deducted.

The discount rate is the yield at the reporting date for high quality shekel-denominated corporate debentures that have maturity dates approximating the terms of the University's obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Re-measurements of the net defined benefit liability comprise actuarial gains and losses, and the return on plan assets. From October 1, 2017, re-measurements are recognized immediately in unrestricted net assets due to liabilities for employee rights.

Note 2 - Significant Reporting and Accounting Policies (cont'd)**K. Employee benefits****1. Post-employment benefits (cont'd)****b) Defined benefit plans (cont'd)**

When the benefits of a plan are improved or curtailed, the portion of the increased benefit relating to past service by employees or the gain or loss on curtailment are recognized immediately in the statement of operations when the plan improvement or curtailment occurs.

The University recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs. Such gains or losses comprise the difference between the portion of the present value of the defined benefit obligation that is settled on the date of settlement, and the settlement price, including transferred plan assets.

Severance pay benefits are post-employment benefits that incurs during the service period of the employee in accordance with the severance law. This benefit is calculated based on the employees' salary or an agreed upon amount. The University chose to account for severance pay benefits according to the shutdown model in accordance with Standard 39 Employee Benefits.

2. Other long-term employee benefits

The University's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on high quality shekel-denominated corporate debentures that have maturity dates approximating the terms of the University's obligations. The calculation is performed using the projected unit credit method.

3. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided or upon the actual absence of the employee when the benefit is not accumulated (such as maternity leave).

The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the University expects the benefits to be wholly settled.

4. Sabbatical rights

The liability to pay sabbatical compensation to academic employees of the University is a contingent liability and not a vested liability since it is cancelled upon death or retirement of the employee. Since the main purpose of the sabbatical leave is to enhance the University's reputation or is otherwise beneficial to the employer, the expenses relating to the sabbatical leave are not accrued for and are expensed when paid.

Note 2 - Significant Reporting and Accounting Policies (cont'd)**L. Revenue recognition**

1. Income from all types of transfers which were promised but not yet received are recognized as income if all the following conditions are met:
 - (a) The existing information, as of the date that the financial statements are issued, indicates that there is an irrevocable obligation to transfer the funds and the amounts relate to the reporting period.
 - (b) The realization of the commitment is not contingent on the occurrence of a specific future event.
2. Tuition income - based on academic year
3. Rendering of services - Revenue from services is recognized over the period of the agreement or upon providing the services, if the probability of the flow of the economic benefits attributed to the service provided is certain.

M. Expenditures

Expenditures are recognized on an accrual basis. Regarding sabbatical rights. See K4 above.

N. Exchange rates and linkage basis

1. Balances in or linked to foreign currency are presented according to the representative exchange rates at the reporting date (the representative exchange rate of U.S. \$ 1 as of the reporting date was NIS 3.441; September 30, 2019 - NIS 3.482).
2. Balances linked to the Israeli CPI are presented according to the index published for the month ending on the reporting date (September 30, 2020 - 124.19 points; September 30, 2019 - 125.06 points).

O. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding transactions or matters whose effect on the financial statements cannot be accurately determined at the time of their preparation. Even though the estimates and assumptions are based on management's best judgment, the final effect of such transactions or matters may be different from the estimates and assumptions made in their respect.

Note 2 - Significant Reporting and Accounting Policies (cont'd)**P. New standard not yet adopted: Accounting Standard No. 40 - Accounting Principles and Financial Reporting of Non-Profit Organizations****The requirements of the publication**

Accounting Standard No. 40, Accounting Principles and Financial Reporting of Non-Profit Organizations (hereinafter: "the Standard"), was published on August 13, 2020. The Standard replaces the provisions in the combined version of Opinion No. 69 and Accounting Standard No. 5 including its amendments, as well as Accounting Standard No. 9. The Standard includes many changes compared to existing standards, mainly with respect to the principles for recognizing revenue of non-profit organizations including donations of fixed assets and of cash for investment and assets and services received for no consideration, the principles for recognizing and measuring works of art, historical assets and similar assets, the classification of items in the statement of cash flows, elimination of the distinction between temporarily restricted net assets and permanently restricted net assets, and more.

Effective date and transitional provisions

The Standard is applicable for annual periods beginning on or after January 1, 2021 with earlier application being permitted. The effect of applying the Standard's measurement provisions on the date of initial application will be reported as an adjustment to balances of net assets at the beginning of the period in which the Standard was initially applied.

Expected effects

The University has not yet examined the expected effects of applying the Standard on its financial statements nor the possibility of early application.

Note 3 - Permanently Restricted Net Assets - Endowment Funds (Including other funds)

- A.** The endowment funds of the University, while not having the status of a separate legal entity, are unavailable for purposes other than those agreed upon with the donors.

These Funds are under the supervision of the Funds Committee (hereinafter - "the Committee"). The Composition of the assets and liabilities of the Endowment Funds as included in the balance sheet of the University:

| | September 30 | |
|--|------------------|---------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Current assets | | |
| Deposits and bank balances | 268,481 | 137,450 |
| Accounts receivable | 14,572 | 15,895 |
| Long-term investments | | |
| Investments in securities and deposits | 1,372,514 | 1,466,174 |
| Investment property, net | 186,726 | 196,476 |
| Current liabilities | | |
| Accounts payable | 1,456 | 1,492 |
| Long-term liabilities - | | |
| Deposits with Friends and others | 145,931 | 147,261 |
| Liability for payment of annuities | 3,286 | 3,047 |

- B.** In accordance with a resolution by the Committee in 2011, the University may withdraw from the endowment funds up to a ceiling of NIS 425 million. This ceiling, which includes the current debt and the accumulated deficit of the endowment funds (hereinafter – "the weighted debt"), is gradually decreasing in accordance with an agreed upon plan between the Committee and the University. Should the University withdraw funds in excess of the said ceiling, the allocation to the University will be reduced by the excess amount. As of September 30, 2020, the weighted debt ceiling is NIS 222 million and the weighted debt balance is NIS 221 million (as of September 30, 2019, the weighted debt ceiling is NIS 239 million and the weighted debt balance is NIS 182 million).
- C.** Endowment funds include funds which a specific external restriction applying to them is not clear and therefore may not be restricted. Management of the University accompanied by its legal council is in midst of performing an in-depth review of these Funds and as a result the identified unrestricted funds will be released.

Note 4 - Investment in Investees and Others**List of affiliated corporations of the University:**

| The Corporation | Relationship |
|---|---|
| ▪ Yissum Research Development Company of the Hebrew University of Jerusalem Ltd. (1) | Wholly owned |
| ▪ Company for the Management of the Hebrew University's Assets Ltd.(1) | Wholly owned |
| ▪ The Hebrew University Magnes Press, Jerusalem (1978) Ltd. (1) | Wholly owned |
| ▪ The Magid Institute for Continuing Education Established by the Hebrew University of Jerusalem Ltd. (1) | Wholly owned |
| ▪ The University Veterinary Hospital Founded by the Hebrew University of Jerusalem (R.A) (1) | Wholly owned |
| ▪ SHARE (1) | Wholly owned |
| ▪ The Cosell Center for Physical Education, Leisure and Health Promotion (R.A) (1) | Wholly owned - super majority for articles amendments |
| ▪ Huji Tech (1) see Note 14C | Shared ownership - 80% |
| ▪ Agrinnovation L.P (1) | Shared ownership - 54% * |
| ▪ Academon Ltd. (2) | Shared ownership - 50% |
| ▪ Bloomfield Science Museum, Jerusalem (R.A) (3) | Representatives in Amuta |
| ▪ The Snunit Center for the Advancement of Web Based Learning (R.A) (3) | Representatives in Amuta |
| ▪ The Florence Melton Adult Mini-School corporation (3) | Representatives in Amuta |
| ▪ The National Library of Israel Ltd. (PBC) (3) | Shared ownership - 33% ** |
| ▪ The Center for Agricultural Economics Research (PBC) (3) | Shared ownership - 25% |
| ▪ The Lady Davis Fellowship Trust (3) | Representatives in Amuta |
| ▪ The Jerusalem Botanical Garden, Jerusalem (R.A) (3) | Representatives in Amuta |
| ▪ National Institute for Testing and Evaluation (R.A) (3) | Representatives in Amuta |
| ▪ The Inter-University Computation Center (R.A) (3) | Partially held - the University constitutes 1 of the 8 members of the association |
| ▪ The Israel Museum (PBC) (3) | The University holds 1/7 of founders' stocks |

Notes to the Financial Statements

Note 4 - Investment in Investees and Others (cont'd)

- (1) The University maintains control of these corporations and the investments in these corporations are presented using the equity method. The University does not consolidate the accounts of its investees in its financial statements due to immateriality.
- (2) The University's holdings in this corporation does not give it control. The investment in this corporation is presented using the equity method.
- (3) The University is affiliated, directly and indirectly, with non-profit organizations and public benefit companies of which the University does not have a share in their earnings.
- * The Fund ended its activities on December 31, 2020. The Fund's management is in the process of dissolution of the Fund.
- .
** In accordance with the National Library Law, 2007, the National Library Ltd (PBC) (hereinafter - the library) was fully owned by the University for an interim period of up to 3 years commencing August 1, 2008. At the end of the interim period, the composition of shareholders of the library was supposed to change such that its shares would be held by the State of Israel (50%), the University (25%) and other public institutions (25%). In 2011, shares were allocated to the State of Israel and the University. As of the date of approval of these financial statements, no shares have been allocated to other public institutions, and therefore, the University holds 33% of the library's share capital as of September 30, 2020.

Note 5 - Investments in Securities and Deposits

| | September 30 | |
|--|------------------|------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Marketable securities | 730,781 | 809,676 |
| Bank deposits | 31,544 | 31,795 |
| State of Israel bonds | 79,918 | 80,264 |
| Bonds held to maturity | 275,116 | 313,873 |
| Investments of Canadian Friends and Lady Davis Trust | 144,672 | 143,405 |
| Investments in venture capital funds | 104,162 | 80,495 |
| Other investments | 6,321 | 6,666 |
| | 1,372,514 | 1,466,174 |

Notes to the Financial Statements

Note 6 - Receivables in Respect of Research and Special Projects

| | September 30 | |
|-------------------|----------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Research programs | 158,559 | 141,620 |
| Special projects | 7,379 | 4,812 |
| | <u>165,938</u> | <u>146,432</u> |

Note 7 - Accounts Receivable

| | September 30 | |
|--|----------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Companies and institutions (including related parties) | 95,600 | 57,768 |
| Prepaid expenses | 27,450 | 22,211 |
| Income receivable | 40,155 | 47,541 |
| Credit cards | 26,006 | 15,338 |
| Others | 15,452 | 21,184 |
| | <u>204,663</u> | <u>164,042</u> |

Note 8 - The Planning and Budgeting Committee (PBC)

| | September 30 | |
|--|--------------------|--------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Balance at the beginning of the year per PBC's approval | (28,401) | 17,398 |
| Allocations for current obligations (including amounts recognized directly in restricted net assets) | 1,465,981 | 1,426,437 |
| Allocations to cover budgetary pension payments | 353,137 | 353,286 |
| Less - amounts received during the year | <u>(1,843,722)</u> | <u>(1,825,522)</u> |
| Balance at the end of the year per PBC's approval | <u>(53,005)</u> | <u>(28,401)</u> |
| Allocations for prior year research component | 17,315 | 27,839 |
| Financial stability allocation according to an agreement | <u>58,539</u> | <u>44,000</u> |
| | <u>22,849</u> | <u>43,438</u> |

Notes to the Financial Statements

Note 9 - Fixed Assets, Net

A. Composition

| | Land | Buildings and improvements | Vehicles | Scientific equipment NIS thousands | Computers and software | Art and collections | Total |
|--|------------------|-------------------------------|------------|--|---------------------------|------------------------|------------------|
| Cost | | | | | | | |
| Balance as of September 30, 2019 | 1,260,192 | 6,016,928 | 887 | 142,748 | 51,480 | 1 | 7,472,236 |
| Additions for the year | - | 102,913 | - | 21,100 | 13,958 | - | 137,971 |
| Balance as of September 30, 2020 | 1,260,192 | 6,119,841 | 887 | 163,848 | 65,438 | 1 | 7,610,207 |
| Accumulated depreciation | | | | | | | |
| Balance as of September 30, 2019 | - | 346,824 | 237 | 67,094 | 6,983 | - | 421,138 |
| Depreciation for the year | - | 120,339 | 177 | 45,833 | 8,070 | - | 174,419 |
| Balance as of September 30, 2020 | - | 467,163 | 414 | 112,927 | 15,053 | - | 595,557 |
| Net book value as of September 30, 2020 | 1,260,192 | 5,652,678 | 473 | 50,921 | 50,385 | 1 | 7,014,650 |
| Net book value September 30, 2019 | 1,260,192 | 5,670,104 | 650 | 75,654 | 44,497 | 1 | 7,051,098 |

Notes to the Financial Statements

Note 10 - Investment Property, Net

| | Land | Real estate, real estate rights and orchards | Total |
|--|----------------|---|----------------|
| | NIS thousands | NIS thousands | NIS thousands |
| Cost | | | |
| Balance as of October 1, 2019 | 159,385 | 231,887 | 391,272 |
| Additions for the year | 17,196 | 49 | 17,245 |
| Deductions for the year | (503) | - | (503) |
| Balance as of September 30, 2020 | 176,078 | 231,936 | 408,014 |
| Accumulated Depreciation | | | |
| Balance as of October 1, 2019 | - | 61,801 | 61,801 |
| Depreciation for the year | - | 9,446 | 9,446 |
| Balance as of September 30, 2020 | - | 71,247 | 71,247 |
| Net book value as of September 30, 2020 | 176,078 | 160,689 | 336,767 |
| Net book value September 30, 2019 | 159,385 | 170,086 | 329,471 |

See Note 14C regarding the University's investment in a high-tech technological park.

Note 11 - Accounts Payable

| | September 30 | |
|--|----------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Scholarships | 19,662 | 19,558 |
| Companies and institutions (including related parties) | 27,298 | 8,992 |
| Prepaid income | 19,558 | 35,097 |
| Accrued expenses | 38,361 | 39,175 |
| Others | 15,075 | 15,762 |
| | 119,954 | 118,584 |

Notes to the Financial Statements

Note 12 - Net Assets

Temporarily restricted net assets balances for research and special projects

| | September 30 | |
|-------------------|----------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Research programs | 656,779 | 589,175 |
| Special projects | 205,405 | *305,673 |
| | 862,184 | 894,848 |

- * During 2019, the University conducted a thorough examination of the special projects, and found that an amount of NIS 64 million did not have external restriction. Accordingly, these amounts were released from restriction during the year, and were used for financing of a construction project.

Note 13 - Liabilities for Employee Rights

A. Composition of employee benefits

| | September 30, | |
|---|------------------|------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Presented under current liabilities | | |
| Employees and related liabilities | 158,506 | 152,975 |
| Absorption basket presented in other provisions (C below) | 75,924 | 75,924 |
| Current maturities of budgetary pension, net | 263,446 | 273,382 |
| Total | 497,876 | 502,281 |
| Presented under non-current liabilities | | |
| Liabilities for severance pay (C below) | 117,578 | 110,921 |
| Liabilities for other employee benefits (C below) | 504,738 | 493,993 |
| Liabilities for budgetary pension, net* | 4,340,067 | 4,677,754 |
| | 4,962,383 | 5,282,668 |

- * Includes liability for excess years grant.

Notes to the Financial Statements

Note 13 - Liabilities for Employee Rights (cont'd)

B. Liability for budgetary pension, net

1. Movement in budgetary pension, net

| | Budgetary pension obligation for the year ended September 30 | | Fair value of plan assets (B) for the year ended September 30 | | Reimbursement assets - PBC Commitment (A) for the year ended September 30 | | Defined benefit pension obligation, net for the year ended September 30 | |
|---|---|---------------|--|---------------|---|---------------|---|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| Balance at beginning of year | 11,385,381 | 10,639,310 | 59879 (1371) | 56,755 | 6374366 | 5,906,115 | 4,951,136 | 4,676,440 |
| Current and past service costs | 51,960 | *(82,730) | - | 3,124 | - | - | 53,331 | (85,854) |
| Interest cost | 306,960 | 378,930 | - | - | 164000 | 204,537 | 142,960 | 174,393 |
| Actuarial losses (gains) from changes of re-measurements | (461,350) | 1,085,770 | - | - | (208409) | 617,000 | (252,941) | 468,770 |
| Benefits paid | (644,110) | (635,899) | - | - | (353137) | (353,286) | (290,973) | (282,613) |
| Balance at end of year | 10,638,841 | 11,385,381 | 58508 | 59,879 | 5976820 | 6,374,366 | 4,603,513 | 4,951,136 |
| Less current maturities | | | | | | | (263,446) | (273,382) |
| Presented as long-term liabilities | | | | | | | 4,340,067 | 4,677,754 |

* Including a decrease of NIS 138,920 thousand in respect of past service cost. See E below.

Note 13 - Liabilities for Employee Rights (cont'd)**B. Pension and severance pay (cont'd)****1. Movement in budgetary pension, net (cont'd)****a. Discounted amounts receivable for PBC participation for budgetary pension (hereinafter: "PBC participation")**

During 2000/2001, the University reached agreements with the PBC and University employees regarding funding of the budgetary pension. Under these agreements, all employees hired from July 1, 2000 will join an external pension fund (instead of budgetary pensions) and certain other employment terms for new employees in the academic staff will differ from those of present employees. In addition, according to the agreement with the PBC, the PBC will partially fund the costs of budgetary pensions until the liability in respect thereof is fully settled. The expected amounts receivable as part of PBC participation for funding budgetary pension are discounted based on long-term interest rate vector that is identical to the one used for calculating the actuarial obligation for calculating the budgetary pension, and considering the long-term expected amounts receivable from PBC through the end of obligation by the University to pay budgetary pension to its employees and retirees.

The balance sheet presents the budgetary pension obligation of the University net of the expected amount receivable from PBC for participation in funding budgetary pension.

b. Assets designated for covering actuary pension obligation

As from 2004, under the provisions of the Israel Economic Recovery Plan Law, employees eligible for a budgetary pension are now required to make a contribution thereto. In 2004, the contribution was equivalent to 1% of the salary and in 2005 to 2%. The Arrangements Law for 2007 determined that, as from January 2007, these amounts will be accumulated in a separate account in the name of the employee and used for the purpose of paying pension to that employee. The University places the amounts deducted from employees' salaries in an external fund.

Note 13 - Liabilities for Employee Rights (cont'd)**B. Pension and severance pay (cont'd)****2. Actuarial assumptions**

Below are the main actuarial assumptions concerning the employment benefit plan as of the balance sheet date:

- a. The mortality rates are based on the rates published by the treasury department on 3-6-2017 and future improvements to life expectancy in insurance circular 10-1-2019.
- b. The rate of termination was determined based on historical trends of the University at a rate of 0%.
- c. The rate of salary increases is in accordance with various existing agreements of the University, including a distinction for various types of employees and in accordance with seniority levels.
- d. The discount rate is based on the yield at the reporting date on high quality shekel-denominated corporate debentures that have a similar life span for the life of the gross liability

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Discount rate (real) as of September 30 | 1.3594% | 1.1090% |

3. Based on the actuarial report, the projected annual pension payments (including future obligation) before PBC participation, in current values are as follows:

| | <u>Total</u> |
|-------------|--------------------|
| | <u>NIS million</u> |
| 2021 | 647 |
| 2022 - 2029 | 4,707 |
| 2030 - 2039 | 4,260 |
| 2040 - 2049 | 2,102 |
| 2050 - 2094 | 797 |

Notes to the Financial Statements

Note 13 - Liabilities for Employee Rights (cont'd)

C. Reserves in respect of other employee rights

| | Balance of reserves as of October 1, 2019 | Payments during the year | Updating the reserves | Balance of reserves as of September 30, 2020 |
|---|---|--------------------------------|--------------------------|--|
| | NIS thousands | | | |
| Liability for severance pay (1) | 110,921 | (8,345) | 15,002 | 117,578 |
| Redemption of vacation days (2) | 24,963 | (1,396) | (1,265) | 22,302 |
| Redemption of sick leave days (3) | 250,240 | (15,470) | 17,150 | 251,920 |
| Rights in scientific liaison fund (4) | 218,790 | (12,758) | 24,484 | 230,516 |
| Absorption basket (5) | 75,924 | (16,004) | 16,004 | 75,924 |
| | <u>680,838</u> | <u>(53,973)</u> | <u>71,375</u> | <u>698,240</u> |
| Less: | | | | |
| Increase in liability of redemption of sick leave days is respect of re-measurement recognized in net assets | | | (1,970) | |
| Interest costs recognized in finance expenses | | | <u>(6,780)</u> | |
| | | | <u>62,625</u> | |

- (1) The severance pay is determined based on the shutdown model.

Effective January 1, 1983, the University deposits partial pension and severance pay coverage with recognized pension and severance pay funds or insurance policies in respect of academic and administrative staffs not having permanent status. In addition, for the benefit of employees in certain levels, the University deposits amounts equivalent to 1.25% of the pensionable salary of employees who commenced their employment prior to 2004.

Under the terms of its agreements, the University is to contribute to pension and severance pay funds or insurance policies, on a current basis, 6% or 8.33% of the employees' salaries on account of its severance pay liability. Contributions at a rate lower than 8.33% only partially cover the University's severance pay liability. The financial statements include a suitable provision in respect of the completion of the unfunded obligation.

- (2) The liability for redemption of vacation days is recorded based on the shutdown model up to a maximum accumulation of 60 days per year.

Note 13 - Liabilities for Employee Rights (cont'd)**C. Reserves in respect of other employee rights (cont'd)**

- (3) Pursuant to existing wage agreements, employees who retire after the age of 55 or as a result of passing away, their remnants are entitled to partial compensation for unused sick days. The liability is computed in accordance with a key of 6 or 8 days per each 30 accumulated days and subject to utilization of sick leave in the course of the period of employment. This liability is recognized as a post-employment benefit.
- (4) Fund for International Scientific Liaison designed to advance scientific relationships of active academic staff members and to expand their scientific knowledge. These rights are conferred rights, linked to the U.S. dollar, which may be transferred to the employees' inheritors after their passing.
- (5) The absorption basket is intended to fund various expenses associated with the admission of new faculty members in the University. This item is presented in the balance sheet as part of other provisions.

D. Unrestricted net assets obligation for employee rights

| | <u>NIS thousands</u> |
|---|-------------------------|
| Balance as of September 30, 2019 | 5,631,974 |
| Add: | |
| Actuarial gain due to budgetary pension obligation, net | (252,941) |
| Updating budgetary pension obligation, net | 196,291 |
| Updating reserves for severance pay and employee rights | <u>71,375</u> |
| | <u>14,725</u> |
| Less: | |
| Payments for budgetary pension, net | 290,973 |
| Payments for employee rights | <u>53,973</u> |
| | <u>344,946</u> |
| Balance as of September 30, 2020 | <u>5,301,753</u> |

Note 13 - Liabilities for Employee Rights (cont'd)**E. Compensation Agreement****Academic staff -**

In December 2016, a collective salary agreement was signed between Heads of Universities and senior academic staff organizations in which it was agreed to perform changes in budgetary pension terms for retired senior academic staff. The changes mainly include a transition to CPI-linked pension instead of linkage to salary increases of an employee's rank prior to retirement. Close to the signing of the above agreement, a special collective agreement was signed between the University and the Senior Academic Staff Association of the University according to which it was agreed to change the pension terms for senior academic staff that will retire after December 31, 2016. The most significant change is linking the provision of the cost-of-living adjustment B at the accrual rate for budgetary pension, and the reduction of the excess years grant. The excess year grant that will be paid to the academic staff will be 65% of their monthly salary for every year between 30 and 35 years of seniority and 100% of the monthly salary for seniority above 35 years.

In addition, the pension was reduced for pensioners who retired until December 31, 2016, by 2.75% in return for a full cost-of-living B adjustment.

Administrative Staff -

Following the directive of the Treasury Ministry Wages Director in May 2016 to link the cost-of-living adjustment B to employees to the accrual rate for budgetary pension, the Treasury Ministry Wages Director and the Administrative Staff Union reached an understanding whereby employees who retired from January 1, 2017 are not entitled to an increment beyond the accrual rate.

In August 2019, a collective agreement was signed with the Administrative Staff, by which it was agreed on certain changes in the pension conditions from January 2019. According to the agreement, accrual for pension rights has been reduced so that full accrual will be only upon fulfilling 35 years of employment and additionally, reduction in the rights for excess years grant. Regarding pensioners, there will be a reduction of 2.75%-6% gradually over the years 2019-2024 in the monthly grant to pensioners who retired up to December 31, 2016 and receive full cost of living adjustment.

Note 14 - Contingent Liabilities and Commitments**A. Contingent liabilities**

- 1) A dispute has arisen between the University and the Israel Lands Authority (hereinafter - "ILA") regarding the value of the Mount Scopus campus for purposes of determining leasehold payments. The parties have set a mechanism for determining the aforementioned land values subsequent to September 30, 2003 but final calculations have not yet been made. The University paid the lease fees for the years 2013-2020 based on its calculations. The debt requests received by the University up until the year 2020 in respect of the lease fees amounts to approximately NIS 4.8 million. The parties agreed to enter into an arbitration procedure to settle the aforementioned dispute. This procedure has not yet commenced.
- 2) There is currently a dispute between the University and the Jerusalem municipality regarding the municipality's demands to pay municipal tax for the period from January 1, 2012. The University pays the undisputed amount on an ongoing basis.
- 3) The trustee overseeing the liquidation of the assets of Bernard L. Madoff (hereinafter – "the plaintiff") lodged a lawsuit against several institutions, including the University and a subsidiary thereof; the plaintiff claims that the University and the subsidiary received funds amounting \$ 36 million that were received through the Yeshaya Horowitz Association (hereinafter- the "Association"). According to the plaintiff also the association, the Hebrew University and its subsidiary were aware, or should have been aware of the fact that the funds were not donated legally and should therefore refund them. Based on the opinion of its legal counsels, the chance of the claim being accepted is low and therefore no provision was included in the financial statements in connection with this claim.
- 4) From the year 2018, there is a demand for construction and development charges totaling NIS 128 million was received from the Jerusalem Municipality in respect of the University campus assets. As the demand is at its preliminary stage, the chances cannot be estimated at this stage. Nevertheless, Management is of the opinion that the demand amount is baseless.
- 5) During the year 2015, a request was received from the Rehovot municipality to pay development fees in the amount of NIS 15 million. The demand will be discussed in normal court order. Since the requirement is in the preliminary stage, the chances of the requirement cannot be estimated at this stage.
- 6) In 2019 a class action in the amount of NIS 18 Million was submitted against several Higher Education institutions, including the University regarding reimbursement of tuition and related payments collected from the students during the period in which studies were remote as a result of COVID-19. As the claim is at its initial stage, the chances cannot be estimated at this stage.
- 7) Further to C below regarding HUJI- Tech, in January 2020, the University submitted a tax assessment according to which betterment tax on the transaction totaled NIS 10.6 Million. In August 2020 the assessment was rejected by the Real Estate Tax Authority and was replaced by a tax assessment totaling NIS 30 million. The University submitted an objection on November 2020 and as of approval date of these financial statements, the University has not received a response from the Real Estate Tax Authority.

Note 14 - Contingent Liabilities and Commitments (Cont'd)**A. Contingent liabilities (Cont'd)**

- 8) The University management, based on the opinion of its legal counsel, included a provision in these financial statements which sufficiently covers the aforementioned claims and various other claims arising in the ordinary course of its operations.

B. Agreement with the Planning and Budgeting Committee ("PBC")

On February 28, 2018, an agreement was signed between the University and PBC (hereinafter – "the agreement") to ensure a balanced budget that will reinforce academic and administrative excellence of the University, and allow long-term financial stability. The expected Government support to the current budget of the University resulting from this agreement will be an average of NIS 100 million per year over 10 years, which represent additional NIS 70 million relative to the baseline year, and in total approximately NIS 700 million in additional support. This will be accompanied by efficiency, savings and growth measures by the University. The purpose of the plan is that the University will be able to have a balanced current budget without any special support by the end of the period.

The following are key principles of the recovery plan as contemplated by the agreement (hereinafter – "the plan"):

1. Eliminating the current structural deficit -
The University committed to take steps that include savings in salary increases and procurement and increasing sources of income that in every budgeted year of the plan, the actual performance of the current budget approved by the house committee will be balanced and without deficit.
2. Eliminating the accumulated deficit -
The "accumulated deficit", as defined by the agreement, comprises obligations to external entities, including payroll, obligations to internal sources, and additional obligations that are not reflected in the financial statements of the University.
The University committed to close within a decade the accumulated deficit that amounted to NIS 1.8 billion as of September 30, 2016, including through disposal of assets that are not used for academic activities. In addition, the University committed to provide collateral from other resources to secure its liabilities. The accumulated deficit totals approximately NIS 1.03 billion as of September 30, 2020. As of approval date of these financial statements, the University has deposits in designated bank accounts amounting to approximately NIS 170 million and an additional amount of NIS 36 Million in short-term deposits designated to cover the deficit as required by the agreement. These deposits are included as part of the balance of deposits and bank balances. In addition, the University established an internal real-estate fund amounting to NIS 26 million due to the commitment in the agreement to establish a fund.
3. Meeting national objectives for the Israeli higher education system-
As part of national objectives that have been set for the Israeli higher education system, the University committed to make intensive effort to meet national objectives, such as increasing the number of students majoring in knowledge related professions and increasing the number of students from minority and ultra-orthodox population.
4. Corporate restructuring-
The University has taken steps for corporate restructuring of the University, in order to strengthen the effectiveness of oversight by the Executive Committee over management of the University.

Note 14 - Contingent Liabilities and Commitments (cont'd)**B. Agreement with the Planning and Budgeting Committee ("PBC") (Cont'd)****5. Oversight and enforcement-**

A committee has been set up by PBC with the purpose of overseeing the compliance of this plan through meetings with the University's management. In addition, the University appointed an internal committee on behalf of the executive committee to accompany the implementation of the plan. The support of the government, as mentioned above, is conditional of the University fulfilling the milestones listed in the plan.

During January 2021, the University's management reported to the PBC committee regarding compliance with the agreement for the year ended September 30, 2020.

C. Agreement for establishing and operating a high-tech technological park

During 2018, the University, together with the Jerusalem Development Authority (hereinafter the JDA), acquired additional shares in HUJI tech, which was intended to establish a high-tech technological park in the E. Safra Campus.

The University and JDA (the "Parties") decided to operate the project of the technological park within the University.

The parties agreed that they would be entitled to proceeds from the project according to their holding rate in HUJI- Tech. In light of this, the cost of investing in the Company has been recognized as a non-cash dividend by the conceptual distribution of land rights to the parties. In proportion to their holding. The University's share of land rights is included in the cost of Investment Property in these financial statements. In addition, betterment tax paid as a result of the transaction were capitalized to investment property. The University published a tender for the establishment and operation of a high-tech technological park and In December 2019, the University signed a contract for the construction and operation of the high-tech technological park with Gav Yam Ltd. (the "Company") In accordance with the agreement, the Company will set up the entire project and in exchange for this the University will sub-lease to the Company their share of the project according to the combination transaction rate, for the duration of the sub-lease. In addition, the Company will operate the entire project, including the University's portion, and pay the University amounts from the project receipts according to its part of the combination. The University will transfer to JDA the amounts from the proceeds of the project in accordance with its investment ratio in the purchase of the Company's shares.

The expected date for completion of the first stage of the project which includes approximately 90, 0000 Meters is in year 2024.

In September 2020, a dipping and excavation permit was received and construction has begun. In December 2020 a first significant rental agreement was signed for the rental of 16,500 Meters in the first building of the Project.

Notes to the Financial Statements

Note 15 - Allocations from the Planning and Budgeting Committee (PBC)

| | For the Year ended September 30 | |
|---|--|----------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Direct participation | 1,117,621 | 1,094,439 |
| Matching allocations | 41,932 | 42,143 |
| Scholarships and others | 49,639 | 34,714 |
| Special participation | 35,976 | 37,827 |
| Research grants | 8,137 | 6,284 |
| Various allocations | 89,732 | 91,469 |
| Participation in budgetary pension | 353,137 | 353,286 |
| Recovery and efficiency (see note 14B) | 122,944 | 119,561 |
| | 1,819,118 | 1,779,723 |
| Add- | | |
| Allocations for research prior years | - | 27,839 |
| Financial stability according to the agreement | 14,539 | 25,000 |
| | 14,539 | 52,839 |
| Less- | | |
| Participation in budgetary pension | 353,137 | 353,286 |
| Participation recorded in the previous year | 10,524 | - |
| Transfer of parallel allocations to third parties | 12,694 | 13,510 |
| Transfer to third parties | 75,522 | 74,091 |
| Transfer to research and special projects | 9,244 | 7,709 |
| Transfer to development project | 5,844 | 5,507 |
| Prepaid income | (6,000) | 4,935 |
| | 460,965 | 459,038 |
| | 1,372,692 | 1,373,524 |

Note 16 - Contributions from Friends Organizations and Others

| | For the Year ended September 30 | |
|-----------------------|--|----------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Donations from Israel | 175 | 5,407 |
| Donations from abroad | 108,771 | 111,468 |
| | 108,946 | 116,875 |

Notes to the Financial Statements

Note 17 - Income from Students

A. Composition

| | For the Year ended September 30 | |
|--------------------------------|---------------------------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Regular tuition (B) | 209,540 | 192,531 |
| Tuition from overseas students | 15,869 | 14,539 |
| Registration fee | 5,294 | 4,654 |
| Dormitories | 34,295 | 51,872 |
| Pre-academic program | 3,422 | 3,605 |
| Other | 12,038 | 11,331 |
| | 280,458 | 278,532 |

B. Income from regular tuition

| | For the Year ended September 30 | |
|-------------------|---------------------------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Bachelor's degree | 119,407 | 108,966 |
| Master's degree | 59,611 | 53,001 |
| Other | 30,522 | 30,564 |
| | 209,540 | 192,531 |

Note 18 - Teaching, Research and Auxiliary Services

| | For the Year ended September 30, 2020 | | | | For the Year ended September 30, 2019 |
|------------------|---------------------------------------|---------------------|--------------------------------------|------------------|--|
| | Salaries and employee benefits | Current expenses | Equipment, furniture and books | Total | Total |
| | NIS thousands | | | | NIS thousands |
| Ordinary budget | 948,460 | 291,175 | 74,708 | 1,314,343 | 1,362,937 |
| Research budgets | 124,954 | 232,681 | 38,409 | 396,044 | 410,358 |
| Other budgets | 23,315 | 19,095 | 6,678 | 49,088 | 60,105 |
| | 1,096,729 | 542,951 | 119,795 | 1,759,475 | 1,833,400 |

Notes to the Financial Statements

Note 19 - Services to Students

| | For the Year ended September 30, 2020 | | | For the Year ended September 30, 2019 |
|---------------------------------|---------------------------------------|---------------------|----------------|--|
| | Salaries and employee benefits | Current expenses | Total | Total |
| | NIS thousands | | | NIS thousands |
| Tuition exemptions | - | 12,438 | 12,438 | 28,425 |
| Scholarships, grants and awards | - | 126,864 | 126,864 | 114,717 |
| Dean of Students | 22,203 | 27,221 | 49,424 | 42,413 |
| Other | 9,233 | 3,720 | 12,953 | 22,571 |
| | <u>31,436</u> | <u>170,243</u> | <u>201,679</u> | <u>208,126</u> |

Note 20 - Other Direct Expenses

| | For the Year ended September 30, 2020 | | | For the Year ended September 30, 2019 |
|-----------------|---------------------------------------|---------------------|---------------|--|
| | Salaries and employee benefits | Current expenses | Total | Total |
| | NIS thousands | | | NIS thousands |
| Ordinary budget | 34,097 | 7,112 | 41,209 | 50,783 |
| Other budgets | - | 6,656 | 6,656 | 6,554 |
| | <u>34,097</u> | <u>13,768</u> | <u>47,865</u> | <u>57,337</u> |

Note 21 - Summary of Salary Expenses

| | For the Year ended September 30 | |
|--|---------------------------------|------------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Gross salary | 943,666 | 927,833 |
| Employer taxes | 128,765 | 126,494 |
| Social benefit expenses | 177,767 | 170,303 |
| Change in provisions for retirement benefit obligation | 46,621 | 52,896 |
| Other provisions | 16,004 | 17,073 |
| | <u>1,312,823</u> | <u>1,294,599</u> |

Notes to the Financial Statements

Note 22 - General and Administrative Expenses

| | For the Year ended September 30 | |
|---------------------------------|---------------------------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Salaries and related expenses | 65,653 | 65,396 |
| Rent and maintenance | 14,179 | 13,762 |
| Car rentals and maintenance | 638 | 1,175 |
| Postage and telephone | 1,487 | 610 |
| Office maintenance and printing | 2,599 | 4,232 |
| Travel expenses and refreshment | 990 | 811 |
| Professional services | 4,185 | 5,674 |
| Taxes and levies | 537 | 1,694 |
| Doubtful accounts | - | 8,098 |
| Other | 10,404 | 11,634 |
| | 100,672 | 113,086 |

Note 23 - Finance Expenses, Net

| | For the Year ended September 30 | |
|--|---------------------------------|----------------|
| | 2020 | 2019 |
| | NIS thousands | NIS thousands |
| Losses (gains) from foreign exchange hedge transactions, net | (823) | 1,147 |
| Interest income from deposits | (1,285) | (2,043) |
| Foreign exchange differences on balances linked to the CPI or foreign currency | (4,678) | (26,846) |
| Bank expenses | 890 | 1,387 |
| Interest cost of actuary obligation, net | 149,740 | 182,363 |
| | 143,844 | 156,008 |

Note 24 - Transactions with Related parties

The University has transactions with its subsidiaries and other related parties, primarily representing University charges for overhead on account of research and special projects, rental of facilities, payroll reimbursement, interest and sundry other charges.

Notes to the Financial Statements

Note 25 - Budget Comparison (Unaudited)**A. Composition:**

| | For the Year ended September 30, 2020 | |
|---|--|------------------|
| | Budget | Budget |
| | NIS thousands | Execution |
| | | NIS thousands |
| Income | | |
| Planning and Budgeting Committee allocations | 1,575,521 | 1,587,823 |
| Contributions from Friends organizations and others | 130,868 | 108,901 |
| Income from students | 234,378 | 246,162 |
| Income from royalties, licenses, research projects and rendering services | 10,774 | 4,651 |
| Income from special programs | 719,994 | 583,104 |
| Amounts released from restricted net assets | 649,518 | 649,518 |
| | 3,321,053 | 3,180,159 |
| Cost of operations | | |
| Teaching, research and auxiliary services | 1,973,233 | 1,920,593 |
| Services to students | 155,318 | 131,485 |
| Budgetary pension obligation expense | 633,352 | 643,838 |
| Change in liabilities for employee and other provisions | 68,777 | 64,604 |
| Depreciation and amortization expenses | - | - |
| Other direct expenses | 145,951 | 131,372 |
| | 2,976,631 | 2,891,892 |
| Net income from operations | 344,422 | 288,267 |
| General and administrative expenses | 285,910 | 209,931 |
| Fundraising expenses | 28,921 | 23,192 |
| Advertising and marketing expenses | 27,159 | 26,157 |
| | 341,990 | 259,280 |
| Net Surplus (Deficit) before finance | 2,432 | 28,987 |
| Finance expenses, net | 2,432 | 2,863 |
| Income for the year | - | 26,124 |

B. The Executive Council approved the budget on November 11, 2019.

C. The annual approved budget is derived out of multi-annual budget as to net assets that are temporarily restricted.

Notes to the Financial Statements

Note 26 - Comparison to Performance Report (Unaudited)

| | September 30, 2020 | September 30, 2019 |
|---|-----------------------|-----------------------|
| | <u>NIS thousands</u> | <u>NIS thousands</u> |
| Surplus (deficit) for the year - as presented in statement of activities | (29,132) | 90,624 |
| Cancellation of transactions with Endowment Funds | (7,652) | (6,075) |
| Revaluation differences on linked balance sheet items | (4,678) | (26,846) |
| Increase in researchers savings, net | 24,710 | (2,748) |
| Depreciation and amortization | 174,434 | 163,254 |
| Change in provision for pension, net | (94,681) | (190,941) |
| Unbudgeted change of salary provisions | 3,706 | 6,905 |
| Savings of pensioners who passed away | 21,955 | - |
| Release of internal designation for maintenance of students village | - | 10,758 |
| Cancellation of temporary restricted income | (3,669) | - |
| Cancellation of share in net losses from ordinary operations of investees | 5,867 | 4,339 |
| Amounts used for acquisition of fixed assets | (64,736) | (48,715) |
| Current operating surplus in the ordinary budget, according to performance report | 26,124 | 555 |

Notes to the Financial Statements

FINANCIAL DATA IN U.S DOLLARS
(Unaudited)

For the convenience of the reader, the financial statements as of September 30, 2020 and 2019 and for the years then ended, have been translated to US\$ using the representative exchange rate prevailing at the balance sheet date, 2020 -US\$ 1 = NIS 3.441 (2018 - US\$ 1 = NIS 3.482). The US\$ amounts presented in these financial statements should not be construed to represent amounts receivable, payable or convertible into US\$ unless otherwise indicated in these statements.

| | Note | September 30 | |
|---|------|-------------------------|-------------------------|
| | | 2020 | 2019 |
| | | USD thousands | USD thousands |
| Assets | 3A | | |
| Current assets | | | |
| Cash and cash equivalents | | 56,125 | 21,238 |
| Deposits and bank balances | | 93,936 | 88,721 |
| Friends organizations | | 21,172 | 32,619 |
| Receivables in respect of research and special projects | 6 | 48,224 | 42,054 |
| Planning and Budgeting Committee (PBC) | 8 | 6,640 | 12,475 |
| Receivables in respect of construction | | 8,149 | 7,940 |
| Accounts receivable | 7 | 59,481 | 47,111 |
| Inventories | | 368 | 657 |
| | | <u>294,095</u> | <u>252,815</u> |
| Long-term investments | | | |
| Investments in investees and others | 4 | 29,019 | 30,165 |
| Investments in securities and deposits | 5 | 398,871 | 421,072 |
| | | <u>427,890</u> | <u>451,237</u> |
| Fixed assets, net | 9 | <u>2,038,550</u> | <u>2,025,014</u> |
| Cash and investments designated for fixed assets | | <u>46,122</u> | <u>17,547</u> |
| Investment property, net | 10 | <u>97,867</u> | <u>94,622</u> |
| Total assets | | <u><u>2,904,524</u></u> | <u><u>2,841,235</u></u> |

Notes to the Financial Statements

| | September 30 | |
|---|------------------|------------------|
| | 2020 | 2019 |
| | USD thousands | USD thousands |
| Liabilities | | |
| Current liabilities | | |
| Employees and related liabilities | 46,064 | 43,933 |
| Suppliers and service providers | 21,960 | 6,804 |
| Accounts payable | 34,860 | 34,056 |
| Prepaid tuition | 23,687 | 19,099 |
| Current maturities of budgetary pension, net | 76,561 | 78,513 |
| Other provisions | 43,334 | 42,962 |
| | <u>246,466</u> | <u>225,367</u> |
| Long-term liabilities | | |
| Liabilities for employee rights | 1,442,134 | 1,517,136 |
| Deposits from friend organizations and others | 42,409 | 42,292 |
| Liability for annuity payments | 955 | 875 |
| | <u>1,485,498</u> | <u>1,560,303</u> |
| Contingent liabilities and commitments | | |
| Net assets | | |
| Unrestricted net assets | | |
| Accumulated deficit from activities | (135,158) | (129,673) |
| Deficit in endowment funds | (33,664) | (20,492) |
| Due to cover liabilities for employee rights | (1,540,759) | (1,617,454) |
| Used for fixed assets | 2,038,550 | 2,025,014 |
| | <u>328,969</u> | <u>257,395</u> |
| Temporarily restricted net assets: | | |
| Research and special projects | 250,563 | 256,993 |
| Investments in fixed assets | 46,120 | 17,547 |
| University's share in net assets of investees | 1,005 | 795 |
| | <u>297,688</u> | <u>275,335</u> |
| Permanently restricted net assets: | | |
| Endowment funds | 528,963 | 507,433 |
| Other funds | 16,940 | 15,402 |
| | <u>545,903</u> | <u>522,835</u> |
| Total net assets | <u>1,172,560</u> | <u>1,055,565</u> |
| Total liabilities and net assets | <u>2,904,524</u> | <u>2,841,235</u> |

Notes to the Financial Statements

| | Note | For the Year ended September 30 | |
|--|------|---------------------------------|---------------|
| | | 2020 | 2019 |
| | | USD thousands | USD thousands |
| Income | | | |
| Planning and Budgeting Committee (PBC) allocations | | 398,922 | 394,463 |
| Contributions from Friends organizations and others | | 31,668 | 33,564 |
| Income from students | | 81,505 | 79,992 |
| Income from royalties, licenses and research related | | | |
| Services | | 971 | 236 |
| Other income | | 36,918 | 57,702 |
| Amounts released from restricted net assets | | 199,777 | 204,632 |
| | | 749,761 | 770,592 |
| Cost of operations | | | |
| Teaching, research and auxiliary services | | 511,327 | 526,536 |
| Services to students | | 58,611 | 59,772 |
| Change in budgetary pension obligation expense | | 15,499 | (24,657) |
| Change in liabilities for employee benefits | | 18,200 | 20,094 |
| Depreciation and amortization | | 53,434 | 49,593 |
| Other direct expenses | | 13,910 | 16,467 |
| | | 670,981 | 647,806 |
| Net income from operations | | 78,780 | 122,784 |
| General and administrative expenses | | 29,257 | 32,477 |
| Fundraising expenses | | 9,405 | 9,786 |
| Advertising and marketing expenses | | 7,788 | 8,445 |
| | | 46,450 | 50,708 |
| Net income before finance | | 32,330 | 72,076 |
| Finance expenses, net | | 41,808 | 44,804 |
| Net income (expenses) after finance | | (9,478) | 27,272 |
| Capital gain from sale of assets | | 2,717 | - |
| University's share in net expenses of investees | | (1,705) | (1,246) |
| Surplus (deficit) for the year | | (8,466) | 26,026 |

Notes to the Financial Statements

| | Unrestricted net assets | | | | Temporarily restricted net assets | | | Permanently Restricted net assets | |
|---|---|--|---|--------------------------|-------------------------------------|-----------------------------------|-----------------------|---|------------------|
| | Accumulated deficit from activities | Accumulated deficit in endowment funds* | Due to cover liabilities for employee rights | Used for fixed assets | Research and special projects | Investments in fixed assets | Share in investees | Endowment funds (including other funds) | Total |
| | | | | | USD thousands | | | | |
| Balance as of October 1, 2019 | (129,673) | (20,492) | (1,617,454) | 2,025,014 | 256,993 | 17,547 | 795 | 522,835 | 1,055,565 |
| Additions during the academic year 2020 | | | | | | | | | |
| Donations | - | - | - | - | 42,026 | 22,108 | - | 15,211 | 79,345 |
| Planning and Budgeting Committee allocations | - | 1,969 | - | - | 2,686 | 1,698 | - | - | 6,353 |
| Other income and allocations | - | 6,818 | - | - | 128,354 | 19,550 | - | - | 154,722 |
| Income from endowment funds investments | - | (288) | - | - | - | - | - | - | (288) |
| Capital gain (loss) | - | (171) | - | - | 4,019 | - | - | - | 3,848 |
| Amounts allocated to fund rehabilitation | (4,319) | (699) | - | - | - | - | - | 5,018 | - |
| University share in net asset changes of investees | - | - | - | - | - | - | 200 | - | 200 |
| Re-measurement of net liability of defined Benefit | - | - | 72,935 | - | - | - | - | - | 72,935 |
| Disposals during the academic year 2020 | | | | | | | | | |
| Deficit for the year | (8,466) | - | - | - | - | - | - | - | (8,466) |
| Amounts released from restrictions | - | (6,300) | - | - | (168,450) | - | - | - | (174,750) |
| Amounts released for overheads | - | (4,870) | - | - | (20,157) | - | - | - | (25,027) |
| Amounts released from restriction for fixed assets | - | - | - | 21,283 | (5,531) | (15,752) | - | - | - |
| Amounts transferred to cover depreciation | 50,688 | - | - | (50,688) | - | - | - | - | - |
| Amounts allocated to Friends and others | - | (2,954) | - | - | - | - | - | - | (2,954) |
| Amounts allocated to restricted net assets | - | (5,866) | - | - | 7,455 | 810 | - | (3,602) | (1,203) |
| Adjustments of annuity funds | - | - | - | - | - | - | - | (83) | (83) |
| Exchange differences and linkage, net | - | (566) | - | - | (395) | - | - | 293 | (668) |
| Transfers of unrestricted amounts: | | | | | | | | | |
| Amounts transferred to cover change in liabilities for employee rights | (23,031) | - | 23,031 | - | - | - | - | - | - |
| Amounts transferred to purchase of fixed assets | (18,813) | - | - | 18,813 | - | - | - | - | - |
| Translation differences | (1,544) | (245) | (19,271) | 24,128 | 3,563 | 159 | 10 | 6,231 | 13,031 |
| Balance as of September 30, 2020 | (135,158) | (33,664) | (1,540,759) | 2,038,550 | 250,563 | 46,120 | 1,005 | 545,903 | 1,172,560 |



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Report of Independent Auditors on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in accordance with Government Auditing Standards

**Board of Governors of
The Hebrew University of Jerusalem**

We have audited, in accordance with the auditing standards generally accepted in Israel and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Hebrew University of Jerusalem, which comprise the statement of financial position as of September 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. Due to our location outside of the U.S., we do not have a continuing education program which conforms to Paragraphs 3.6 through 3.9 of *Government Auditing Standards*. We do have a continuing education program which conforms to requirements applicable in Israel. Also, we do not have an external quality control review by an unaffiliated audit organization which conforms to Paragraphs 3.33 through 3.36 of *Government Auditing Standards*, because no such program is operated in Israel with respect to Universities.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Hebrew University of Jerusalem's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Hebrew University of Jerusalem's internal controls. Accordingly, we do not express an opinion on the effectiveness of The Hebrew University of Jerusalem's internal controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Hebrew University of Jerusalem's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance. Other matters are disclosed in the attached schedule of findings as required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the The Hebrew University of Jerusalem's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the The Hebrew University of Jerusalem internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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March 14, 2021



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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**To the Board of Governors of
The Hebrew University of Jerusalem**

Report on Compliance for Each Major Federal Program

We have audited The Hebrew University of Jerusalem (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended September 30, 2020. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in Israel; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Due to our location outside of the U.S., we do not have a continuing education program which conforms to Paragraphs 3.6 through 3.9 of Government Auditing Standards. We do have a continuing education program which conforms to requirements applicable in Israel. Also, we do not have an external quality control review by an unaffiliated audit organization which conforms to Paragraphs 3.33 through 3.36 of Government Auditing Standards, because no such program is operated in Israel.

Opinion on the Major Federal Program

In our opinion, The Hebrew University of Jerusalem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-003. Our opinion on the major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an



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opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2020-001 to 2020-003, that we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.


The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of The Hebrew University of Jerusalem as of and for the year ended September 30, 2020, and have issued our report thereon dated March 14, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in Israel. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.


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Member Firm of KPMG International

January 16, 2022

The Hebrew University of Jerusalem

Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2020

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Federal CFDA | Pass - Through Entity | Total Federal | Amount provided to |
|---|-------------------------|----------------------------------|--------------------------|-------------------------------|
| | Number | Identifying Number | Expenditures | subrecipients |
| National Institute of Health Programs | | | | |
| NIH/Dana-Farber Cancer I/Preprocessing and Analysis Tools for High-Throughput Technologies | 93.859 | 1260004 | 14,148 | |
| NIH/New York University/Statistical Methods for Censored and Dependently Truncated Data | 93.853 | 114512-5104768 | 2,454 | |
| NIH/UC Davis/Development of IM Formulation of (2S,3S)-SPD for Nerve Agent Seizures | 93.853 | A20-0138-S001 | 89,235 | |
| NIH/University of Southern California/Transposable elements as drivers of normal and accelerated aging in Vertebrates | 93.866 | 125525652 | 80,365 | |
| NIH/ University of Southern California/Using Subjective Well-Being Data to Monitor Changes in Health and Well-Being | 93.866 | 125706372 | 71,470 | |
| NIH/Hadassah Medical Organization/Assessing IQOS Marketing Influences and Consumer Behavior in Israel: Implications for the US | 93.077 | | 28,982 | |
| NIH/Measuring Well-Being and Its Multidimensional Determinants Across Individuals and the Life Course | 93.866 | | 75,140 | 62,287 |
| NIH/University of Florida/Non-invasive detection of cell death in Type 1 diabetes | 93.847 | UFDSP00011939 | 170,463 | |
| NIH/University of Pennsylvania/Drivers and consequences of beta cell DNA damage in type 1 diabetes | 93.847 | 573037 | 130,287 | |
| NIH/The Regents of the University of California/Structural dynamics of RNAP-promoter complex in late transcription initiation | 93.859 | 481G WC 0518 | 14,303 | |
| NIH/Washington University/Integrated placenta imaging: Novel methods for probing function and metabolism | 93.865 | WU-16-165 | 68,468 | |
| NIH/University of Indiana/Multimode Observation of Virus Capsid Assembly | 93.855 | BL-4647307-HU | 69,751 | |
| NIH/Broad Institute/Center for cell circuits | 93.172 | 5000337-5500000890 | 92,544 | |
| NIH/Allen Institute/A multimodal atlas of human brain cell type | 93.242 | 2017-0561 | 141,573 | |
| NIH/President and Fellows of Harvard College/Sensorimotor - Processing, decision making, and internal states: towards a realistic multiscale circuit model | 93.853 | 138078-5108803 | 106,159 | |

Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2020

| | | | | |
|---|--------|-----------------|------------------|---------------|
| NIH/Brandeis University/Computational modeling of viral capsid and bacterial microcompartment assembly | 93.859 | 403635 | 16,723 | |
| NIH/Rockefeller University/Motor Compositionality in the Control of Facial Movements | 93.853 | 1R01NS110901-01 | 100,597 | |
| NIH/Massachusetts Institute of Technology/Identification of adaptive response mechanisms in breast cancer by information theory and proteomics | 93.396 | S4837 | 80,711 | |
| | | | 1,353,373 | 62,287 |
| Total National Institute of Health Programs | | | | |
| Defense Advanced Research Projects Agency | | | | |
| DARPA/ Testing And Modeling of Brandeis Artifacts | 12.000 | 2015-018 | 78,078 | |
| DARPA/ Autonomous biosensor network: module design & concept validation | 12.910 | | 564,092 | |
| US Air Force/The University of British Columbia/Hasty: A Generative Model Complier | 12.910 | M19-00772 | 9,302 | |
| Total Defense Advanced Research Projects Agency | | | 651,472 | 0 |
| Department of Energy Programs | | | | |
| DOE/ARM shortwave spectrometers to study the clear-cloud transition zone and mixing processes | 81.049 | | 64,133 | |
| DOE/University of Oklahoma/High concentrations of Ice: Investigations using polarimetric radar observations combined with in situ measurements and cloud modeling | 81.049 | 2019-25 | 32,459 | |
| Total Department of Energy Programs | | | 96,592 | 0 |
| US Agency for International Development | | | | |
| USAID/Irrigation of agricultural crops with reclaimed wastewater: effects on soil, plant environment, yield and quality | 19.700 | | 12,416 | |
| USAID/Irrigation of agricultural crops with reclaimed wastewater: effects on soil, plant environment, yield and quality | 19.700 | | 47,626 | |
| USAID/WheatME: Improve Wheat Production under Climate Changes in the Middle East Region | 19.700 | | 91,138 | |
| USAID/Alleviation of deleterious effects of extreme heat on tomato cultures by inoculation with virus: bio | 19.700 | | 5,567 | |
| Total US Agency for International Development | | | 156,747 | 0 |
| U.S. Department of Defense | | | | |
| U.S.AMRAA/Broad spectrum host oriented therapy for wound infection | 12.420 | | 281,325 | |

The Hebrew University of Jerusalem

Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2020

| | | | | |
|--|--------|------------------|------------------|---------------|
| U.S.AMRAA/Critically of the Phosphate Carrier SLC25A3 for Mitochondrial Inorganic Phosphate Uptake to Sustain Striated Muscle Function | 12.420 | 080-27000-X16001 | 61,065 | |
| AFOSR/Technion Research & Development Foundation/Advances in Metamaterial | 12.800 | 2026194-1 | 61,332 | |
| ONR-AFOSR/Massachusetts Institute of Technology /Realistic models of cortical pyramidal neurons based on accurate whole-cell synaptic mapping: Implications for biologically-inspired AI models | 12.300 | S4782 | 116,112 | |
| Total Department of Defense | | | 519,834 | 0 |
| National Science Foundation | | | | |
| National Science Foundation/Board of Trustees of the Leland Stanford Junior University/Influencing conflict- related emotional dynamics | 47.075 | 62344337-134570 | 11,617 | |
| Total National Science Foundation | | | 11,617 | 0 |
| Total Expenditures of Federal Awards | | | 2,789,635 | 62,287 |

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Hebrew University of Jerusalem (the University) under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Hebrew University of Jerusalem has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The Hebrew University of Jerusalem

Schedule of Findings and Questioned Costs

Year ended September 30, 2020

(1) Summary of Auditors' Results

- a. Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- b. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **None Reported**
- c. Noncompliance material to the financial statements: **No**
- d. Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **Yes**
- e. Type of report issued on compliance for major programs: **Unqualified**
- f. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- g. Major programs:
 - Research and Development Cluster – various CFDA numbers
- h. Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- i. Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

None

(3) Findings and Questioned Costs Relating to Federal Awards

2020-001 Effort Reporting

Various Award CFDA Numbers
Allowable Costs / Cost Principals

Criteria

2 CFR part 200, states that compensation for personal services covers all amounts paid currently or accrued by the institution for services of employees rendered during the period of performance under sponsored agreements. Such amounts include salaries, wages, and fringe benefits. These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements and for other work allocable as F&A costs are determined and supported.

There is no single best method for documenting the distribution of charges for personal services. Methods for apportioning salaries and wages, however, must meet certain criteria specified, among which are:

- The method must recognize the principle of after-the-fact confirmation or determination so that costs distributed represent actual costs, unless a mutually satisfactory alternative agreement is reached.
- A payroll distribution system that allows confirmation of activity allocable to each sponsored agreement and each of the categories of activity needed to identify F&A costs and the functions to which they are allocable.

Condition / Cause

Expenses for personal services, salaries and wages are distributed based on the planned level of effort and not based on the actual time spent on the federal research project. In one of the sampled items, the actual time spent on the federal research was lower than the level effort initially planned.

Effect

Costs associated with personal services, salaries and wages might be distributed or charged inadequately across research programs.

Questioned Costs

Cannot be determined

Recommendation

The University should implement a control to ensure that allocation of costs is based on actual time and cost allocations instead of allocation based on planned level of effort.

Management's Views and Planned Corrective Action Plan

The University maintains time-sheets that are completed by the staff employed in each of the grants. However, the actual personnel expenses are charged to the grants according to the amounts reported in the Human Resources salary systems. The specific case noted was a unique case that in normal practices shouldn't happen. The University will take the necessary actions to make sure that the charges made against the federal awards will reflect the percentage of effort as declared in effort reports. The University has a process to ensure that the actual time spent is higher than the planned level of effort which was allocated to the project.

2020-002 Segregation of Duties

Various Award CFDA Numbers
Allowable Costs / Cost Principals

Criteria

2 CFR part 220 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Among common internal control practices, adequate segregation of duties should be in place between performance, review, and recordkeeping of tasks, and adequate access controls should be in place to ensure that employees do not have access to process transactions that they are not authorized to.

Condition / Cause

Procurement employees, who have access to create suppliers in the financial system, also have the ability to input supplier invoices and approve them for payment.

Effect

A combined access to create suppliers and to approve payments, increases the risk of fraudulent and / or erroneous transactions with respect to payments issued against federal awards.

Recommendation

The University should take action in order to ensure segregation of duties between supplier setup, invoice processing and invoice approval.

Management's Views and Planned Corrective Action Plan

The University has replaced its computer system to an ERP system from the beginning of the year. The Financial department has taken the necessary actions to ensure the segregation of duties regarding supplier setup, invoice processing and invoice approval in the new system. Controls were added during the year and access permissions were removed in the year 2021.

2020-003 Management Requirements of equipment

Various Award CFDA Numbers
Allowable Costs / Cost Principals

Criteria

2 CFR part 220 requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Among common internal control practices, a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. 2 CFR part 220, Cost Principles for Educational Institutions, states that the institution's financial management system shall ensure that no one person has complete control over all aspects of a financial transaction.

Condition / Cause

- The University has no sufficient data of the location, use and condition of the equipment.
- A physical inventory of the property is not being taken and the results are not being reconciled with the property records at least once every 2 years.

Effect

Insufficient data of the location, use and condition of the equipment, may increase the risk of misplacement of equipment or theft, and increase the risk of the equipment to be damaged.

Recommendation

The University should take action in order to ensure a control system which will provide sufficient data of the location, use and condition of the equipment.

Management's Views and Planned Corrective Action Plan

The University is in the process of implementing a process and controls which will allow for identifying the equipment information and location and enable periodic physical inventory counts