

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

**Financial Statements
As of September 30, 2014**

Financial Statements as at September 30, 2014

Contents

| | <u>Page</u> |
|-------------------------------------|-------------|
| Auditor's Report | 3 |
| Balance Sheets | 4 |
| Statement of Operations | 5 |
| Statements of Changes in Net Assets | 6 |
| Statements of Cash Flow | 10 |
| Notes to Financial Statements | 12 |



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

We have audited the attached balance sheets of the Jerusalem College of Technology (Registered Amuta) (hereinafter "JCT") as of September 30, 2013 and 2014 and the related statements of operations and changes in net assets and cash flows for each of the years ended on those dates, and the related integrated statements of operations as of September 30, 2014. These financial statements are the responsibility of JCT's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have not audited the financial statements of the subsidiary JCTechnologies Ltd. which was consolidated and the assets of which consist of approximately 0.1% and approximately 0.1% of all consolidated assets as of 30 September 2013 and 2014 respectively and its income incorporated in the consolidation serve as approximately 0% and approximately 0% of all consolidated income for the years that end on those same dates. The company's financial statements were audited by another accountant. These statements were provided to us and our opinion, in all regards to the incorporated sums from the aforementioned company, are based on the report of an external accountant.

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

The financial statements are conducted in accordance with generally accepted accounting auditing standards for institutions of higher education in Israel (hereinafter – PBC guidelines), as detailed in note 2a.

In our opinion, based on the report of an external accountant, the financial statements referred to above present fairly, in all material respects, the financial position of JCT and its integrated state as of September 30, 2013 and 2014 and the results of its operations for each of the years ended on those dates in accordance with PBC guidelines.

Somekh Chaikin
Certified Public Accountants (Isr)

15th April, 2015

Balance Sheets as of September 30

| | Notes | Consolidated | | JCT | |
|--|-------|---------------|---------------|---------------|---------------|
| | | 2014 | 2013 | 2014 | 2013 |
| | | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| Assets | | | | | |
| Cash and cash equivalents | 3 | 15,752 | 16,381 | 15,484 | 16,335 |
| Marketable Securities | | 66,271 | 58,595 | 65,116 | 58,177 |
| Government bonds – current maturities | 5 | 1,946 | 2,583 | 1,946 | 2,583 |
| Accounts Receivable | 4 | 9,773 | 8,163 | 9,783 | 8,173 |
| Short-term deposits | | 496 | 496 | 496 | 496 |
| | | 94,238 | 86,218 | 92,825 | 85,764 |
| Long-term Investments and Funds | | | | | |
| Government bonds | 5 | = | <u>1,704</u> | <u>-</u> | 1,704 |
| Investments in companies | 6 | = | <u>44</u> | <u>1,343</u> | <u>396</u> |
| | | 94,238 | <u>87,966</u> | 94,168 | <u>87,864</u> |

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

Jerusalem College of Technology (Registered Nonprofit)

| Notes | Unified | | JCT | |
|--|-----------------|---------------|-----------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| Current Liabilities | | | | |
| Suppliers and service providers | 12,103 | 8,168 | 12,092 | 8,137 |
| Accounts payable | 20,431 | 21,576 | 20,426 | 21,559 |
| Liabilities for Employees' benefits– short term | 1,941 | 917 | 1,941 | 917 |
| | 34,475 | 30,661 | 34,459 | 30,613 |
| Capital Notes | 54 | 54 | - | - |
| Liabilities for Employees' benefits - long term | 28,607 | 27,698 | 28,607 | 27,698 |
| Contingent liabilities and commitments | | | | |
| Net Assets | | | | |
| Unrestricted net assets used for: | | | | |
| Operations Employee benefits | 10,481 | 8,617 | 10,481 | 8,617 |
| | (24,107) | (23,698) | (24,107) | (23,698) |
| Total net assets not earmarked by JCT | (13,626) | (15,081) | (13,626) | (15,081) |
| Earmarked by JCT | 11,320 | 10,650 | 11,320 | 10,650 |
| Total deficit of unrestricted net assets | (2,306) | (4,431) | (2,306) | (4,431) |
| Temporarily restricted net assets | | | | |
| For research and others | 6,157 | 4,303 | 6,157 | 4,303 |
| For development | 3,433 | 5,318 | 3,433 | 5,318 |
| Funds | 5,818 | 7,382 | 5,818 | 7,382 |
| | 15,408 | 17,003 | 15,408 | 17,003 |
| Permanently restricted net assets – funds | 18,000 | 16,981 | 18,000 | 16,981 |
| Total net assets | 31,102 | 29,553 | 31,102 | 29,553 |
| | 94,238 | 87,966 | 94,168 | 87,864 |

Jerusalem College of Technology (Registered Amuta)

Prof. Chaim Sukenik
President

Mr. Shay Gilboa
CEO

Mr. Uri Wurtzberger
Chairman, Amuta Committee

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

Statements of Changes in Net Assets

| | For the year ended October 1, 2013 | | | | | | | |
|---|---|-------------------------------------|---|--|----------------------|----------------------|-------------------|---------------|
| | <u>Net assets without restriction</u> | | <u>Designated by non-profit foundations</u> | <u>Net Assets Temporarily Restricted</u> | | | | <u>Total</u> |
| | <u>Not designated by non-profit foundations</u> | | | <u>For:</u> | | | <u>Net assets</u> | |
| | <u>Net assets used for operations</u> | <u>Reserves for employee rights</u> | <u>Projects</u> | <u>Development</u> | <u>Funds</u> | <u>Restricted</u> | <u>Total</u> | |
| <u>NIS thousands</u> | | <u>NIS thousands</u> | <u>NIS thousands</u> | <u>NIS thousands</u> | <u>NIS thousands</u> | <u>NIS thousands</u> | | |
| Balance at October 1, 2013 | 8,617 | (23,698) | 10,650 | 4,303 | 5,318 | 7,382 | 16,981 | 29,553 |
| Additions during the year: | | | | | | | | |
| Governmental authorities - Council for Higher Education | - | - | - | - | 1,489 | 157 | - | 1,646 |
| Other governmental institutions | - | - | - | 845 | - | - | - | 845 |
| <u>Total income from governmental institutions</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>845</u> | <u>1,489</u> | <u>157</u> | <u>-</u> | <u>2,491</u> |
| From other sources - Charitable contributions | - | - | - | 1,395 | 3,170 | 3,669 | 385 | 8,619 |
| Finance, net | - | - | - | - | - | 188 | 1,006 | 1,194 |
| Other revenues | - | - | - | 2,041 | - | 239 | - | 2,280 |
| Surplus for year | 2,335 | - | - | - | - | - | - | 2,335 |
| Transfers from net restricted assets | - | - | - | - | - | 372 | (372) | - |
| Matching sources for scholarships | - | - | (210) | - | - | 210 | - | - |
| Total revenue from other sources | 2,335 | - | (210) | 3,436 | 3,170 | 4,678 | 1,019 | 14,428 |
| Deficits during the year | | | | | | | | |

Jerusalem College of Technology (Registered Nonprofit)

| | | | | | | | | |
|---|----------------------|------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Amounts released from temporarily restricted net assets - | - | - | - | - | - | (6,399) | - | (6,399) |
| for Student Scholarship & Loan Funds | - | - | - | - | (6,544) | - | - | - |
| for development for research, education and misc. projects | - | - | - | (2,427) | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u>(2,427)</u> | <u>(6,544)</u> | <u>(6,399)</u> | <u> </u> | <u> </u> |
| Additional changes during the year | | | | | | | | |
| Designated for employee benefits | 909 | (909) | - | - | - | - | - | - |
| Designated by administration | (880) | - | 880 | - | - | - | - | - |
| Released for employee benefits due to updated obligations for employee rights | (500) | 500 | - | - | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total changes during the year | <u>1,864</u> | <u>(24,107)</u> | <u>11,320</u> | <u>6,157</u> | <u>3,433</u> | <u>5,818</u> | <u>18,000</u> | <u>31,102</u> |
| Surplus as of September 30, 2014 | <u>10,481</u> | <u>(24,107)</u> | <u>11,320</u> | <u>6,157</u> | <u>3,433</u> | <u>5,818</u> | <u>18,000</u> | <u>31,102</u> |

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

Statements of Changes in Net Assets

| | For the year ended October 1, 2012 | | | | | | | |
|--|---|-------------------------------------|---|--|----------------------|----------------------|--------------|--------------|
| | <u>Net assets without restriction</u> | | <u>Designated by non-profit foundations</u> | <u>Net Assets Temporarily Restricted</u> | | | | <u>Total</u> |
| | <u>Not designated by non-profit foundations</u> | | | <u>For:</u> | | <u>Net assets</u> | | |
| | <u>Net assets used for operations</u> | <u>Reserves for employee rights</u> | <u>Projects</u> | <u>Development</u> | <u>Funds</u> | <u>Restricted</u> | <u>Total</u> | |
| <u>NIS thousands</u> | | <u>NIS thousands</u> | <u>NIS thousands</u> | <u>NIS thousands</u> | <u>NIS thousands</u> | <u>NIS thousands</u> | | |
| Balance at October 1, 2012 | 10,367 | (26,005) | 8,750 | 5,104 | 8,721 | 5,771 | 18,351 | 31,059 |
| Additions during the year: | | | | | | | | |
| Governmental institutions - Council for Higher Education | - | - | - | 354 | 1,634 | 171 | - | 2,159 |
| Other governmental institutions | - | - | - | 488 | - | - | - | 488 |
| <u>Total revenue from governmental institutions</u> | - | - | - | 842 | 1,634 | 171 | - | 2,647 |
| From other sources - Charitable contributions | - | - | - | 729 | 5,330 | 4,146 | 254 | 10,459 |
| Finance, net | - | - | - | - | - | 267 | 181 | 448 |
| Other revenues | - | - | - | 1,001 | - | 1,513 | - | 2,514 |
| Surplus for year | 2,457 | - | - | - | - | - | - | 2,457 |
| Transfers from net restricted assets | - | - | - | - | - | 1,805 | (1,805) | - |
| Total revenue from other sources | 2,457 | - | - | 1,730 | 5,330 | 7,731 | (1,370) | 15,878 |
| Deficits during the year | | | | | | | | |

Jerusalem College of Technology (Registered Nonprofit)

Amounts released from temporarily restricted net assets -

| | | | | | | | | |
|--|----------|----------|----------|----------------|-----------------|----------------|----------|-----------------|
| for Student Scholarship & Loan Funds | - | - | - | - | - | (6,291) | - | (6,291) |
| for development | - | - | - | - | (10,367) | - | - | (10,367) |
| for research, education and misc. projects | - | - | - | (3,373) | - | - | - | (3,373) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>(3,373)</u> | <u>(10,367)</u> | <u>(6,291)</u> | <u>-</u> | <u>(20,031)</u> |

Additional changes during the year

| | | | | | | | | |
|---|----------------|-----------------|---------------|--------------|----------------|--------------|----------------|----------------|
| Designated for employee benefits | (4,000) | 4,000 | - | - | - | - | - | - |
| Designated by administration | (1,900) | - | 1,900 | - | - | - | - | - |
| Released for employee benefits due to updated obligations for employee rights | 1,693 | (1,693) | - | - | - | - | - | - |
| Total changes during the year | <u>(1,750)</u> | <u>2,307</u> | <u>1,900</u> | <u>(801)</u> | <u>(3,403)</u> | <u>1,611</u> | <u>(1,370)</u> | <u>(1,506)</u> |
| Surplus as of September 30, 2013 | <u>8,617</u> | <u>(23,698)</u> | <u>10,650</u> | <u>4,303</u> | <u>5,318</u> | <u>7,382</u> | <u>16,981</u> | <u>29,553</u> |

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

Statement of Cash Flow for the year ending on September 30

| | Unified | | JCT | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2014 NIS thousands | 2013 NIS thousands | 2014 NIS thousands | 2013 NIS thousands |
| Cash flows from operating activities | | | | |
| Net Surplus for the year | 2,335 | 2,457 | 2,335 | 2,457 |
| Adjustments to reconcile net surplus to cash flows from operating activities – see appendix A | (12,844) | (18,274) | (13,804) | (18,213) |
| Net cash used for operating activities | <u>(10,509)</u> | <u>(15,817)</u> | <u>(11,468)</u> | <u>(15,756)</u> |
| Cash flows from investment activities | | | | |
| Purchase of marketable securities | (7,797) | (14,930) | (7,060) | (15,006) |
| Proceeds from sale of government bonds | 4,287 | 4,682 | 4,287 | 4,682 |
| Net cash provided by investing activities | <u>(3,510)</u> | <u>(10,248)</u> | <u>(2,773)</u> | <u>(10,324)</u> |
| Cash flows from financing activities | | | | |
| Temporarily restricted donations and finance income | 13,005 | 15,366 | 13,005 | 15,366 |
| Permanently restricted donations and finance income | 385 | 254 | 385 | 254 |
| Net cash provided by financing activities | <u>13,390</u> | <u>15,620</u> | <u>13,390</u> | <u>15,620</u> |
| Decrease in cash and cash equivalents | (629) | (10,445) | (851) | (10,460) |
| Cash and cash equivalents at beginning of year | <u>16,381</u> | <u>26,826</u> | <u>16,335</u> | <u>26,795</u> |
| Cash and cash equivalents at end of year | <u>15,752</u> | <u>16,381</u> | <u>15,484</u> | <u>16,335</u> |

Cash Flow Statements for the year ending on September 30

| | Unified | | JCT | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| | NIS thousands | NIS thousands | NIS thousands | NIS thousands |
| Appendix A - adjustments necessary to achieve cash flow from operating activities | | | | |
| Expenses (income) not included in cash flow | | | | |
| Amounts released from temporary restricted net assets | (15,370) | (20,031) | (15,370) | (20,031) |
| Valuation of restricted net assets | 1,194 | 448 | 1,194 | 448 |
| Increase in net marketable securities value | (1,825) | (1,642) | (1,825) | (1,619) |
| Changes in asset and liability items | | | | |
| (Increase) decrease in other receivables | (1,610) | 1,023 | (1,610) | 1,025 |
| Increase in accounts payable | 2,790 | 2,211 | 2,822 | 2,193 |
| Increase in obligations due to employee benefits | 1,933 | (283) | 1,933 | (283) |
| Stake of JCT in losses (gains) of subsidiary | 44 | - | (947) | 54 |
| | <u>(12,844)</u> | <u>(18,274)</u> | <u>(13,803)</u> | <u>(18,213)</u> |

Notes to the Financial Statements for the year ending on September 30, 2014

Note 1 – General

- A. The Jerusalem College of Technology (hereinafter – JCT) is a registered as a nonprofit under the provisions of the Law of “Amutot” – 1980. .
- B. JCT is an academic institution. Therefore, it is subject to the authority and supervision of the Planning and Budgeting Committee of the Council for Higher Education (hereinafter - PBC).
- C. JCT is a "public institution" and is subject to the provisions of Article 9 (2) of the Income Tax Ordinance. In addition JCT has approval under section 46 of the Income Tax Ordinance, which grants tax credit for contributions to JCT.
- D. JCT is aided to achieve its goals via, among others, the activity of the Friends of the Jerusalem College of Technology (Registered Nonprofit) and fundraising undertaken by the Friends of the Jerusalem College of Technology for various purposes, and JCT and its employees aid the of the Jerusalem College of Technology (Registered Nonprofit) in achieving its goals and providing various office operations services (see Note 27 below)
- E. JCT holds 100% of the shares of JCTechnologies Ltd.(hereinafter: The Subsidiary). See Note 6 below.
- F. In the month of April 2014, the name of the nonprofit was changed in Hebrew from Jerusalem College of Technology (Registered Nonprofit) to Lev Academic Center (Registered Nonprofit). In English the name remains the same.

Note 2 – Significant Reporting and Accounting Policies

- A. These financial statements have been prepared in accordance with the guidelines regarding accounting principles and financial reporting by institutions of higher education approved by the plenum of the Planning and Budgeting Committee on November 4, 2009 (hereinafter - Guidelines PBC). These guidelines are based on the criterion set out in the combined version of Opinion No. 69, Institute of Certified Public Accountants in Israel, and on the Statement of Accounting Standard No. 5 of the IASB which relate to non-profit entities, with exceptions on certain issues.

These guidelines apply to the financial statements of institutions of higher education in Israel from October 1, 2009. JCT will implement these guidelines starting October 1, 2007. See Note 2 XI (1) below regarding Accounting Standard No. 9.

Herein are some guidelines from the accounting principles applied in the PBC by JCT and which are not in accordance with accepted accounting standards:

1. Fixed Assets

All the buildings, real-estate, equipment and furniture owned by JCT, are utilized towards the enhancement of teaching, research, administration and student services. Purchases of furniture and equipment and investments in buildings are accounted for in the current expenses in the financial statements.

2. Liabilities for Employees' Benefits

In accordance with PBC guidelines, vacation days are presented in the long-term liabilities.

3. Impact of Changes in the General Purchasing Power of Israeli Currency

The financial statements have been prepared on a historical cost convention, irrespective of changes in the general purchasing power of Israeli currency.

Note 2 - Significant Reporting and Accounting Policies (continued)

B. Rates of Exchange

1. Assets and liabilities, in or linked to, foreign currencies are stated on the basis of the representative exchange rates at the balance sheet date.
2. Balances linked to the Consumer Price Index, are stated in accordance with the linkage terms.

Details of the Consumer Price Index and exchange rates:

| | <u>30 September</u> <u>2014</u> | <u>30 September</u> <u>2013</u> | <u>% modulation</u> <u>in 2014</u> | <u>% modulation</u> <u>in 2013</u> |
|--|------------------------------------|------------------------------------|---------------------------------------|---------------------------------------|
| Consumer Price Index (1993 basis) (In points) | 102 | 120.01 | (15) | 1.34 |
| US \$ = (in NIS) | 3.695 | 3.537 | 4.46 | (9.58) |

C. Consolidation of Financial Statements

The consolidated financial statements include the financial statements of the Jerusalem College of Technology and also the financial statements of J.C Technologies Ltd., which is held by 100%. The consolidation was carried out in accordance with the Memorandum of Opinion 57 of the Institute of Certified Public Accountants in Israel.

D. Marketable Securities

Marketable securities held as a current investment are represented at their fair value at balance sheet date. Changes in the value of marketable securities are fully recorded in the statement of activities.

E. Long-Term Investments

Investments in long-term deposits and bonds are presented in accordance with linkage terms in addition with accrued interest. According to JCT's assessments, the investment does not exceed the value of usage.

F. Restricted Net Assets

Net assets were classified into groups in accordance with their restricted usage.

1. Temporarily Restricted Net Assets –

Includes funds that can be used (both the funds and their income), for purposes for which they were established, as described below –

- Research and Other Funds - funds that have been created primarily from allocations and earmarked donations for the purposes of research and other projects.
- Development Fund - a fund that was created from allocations and donations earmarked for investments in buildings and other development programs.
- Loans and Scholarships Fund - a fund that was created from funds earmarked for granting loans and scholarships for JCT students.

All temporarily restricted net assets are closed upon completion of financing and fulfillment of intended objectives of the fund.

2. Permanently Restricted Net Assets –

Include permanent funds created primarily from donations and, under the terms of the donation, only the income of which can be used for the purpose operations.

According to the stipulations of donors, the balances of the restricted net assets are maintained as values linked to foreign currency or to the CPI. Therefore, financing income are recognized in the preservation value of the funds, according to the conditions and policies set forth by the bodies that contribute to JCT, while the surplus, if any, is transferred to fund the activities for which the funds were established.

Note 2 - Principal Accounting Policies (continued)

G. Overhead

JCT debits the funds for research and development (temporary restricted net assets) with overhead as applicable. The overhead is transferred to cover the costs of JCT's general activity expenses.

H. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities and the amounts of revenues and expenses during the reporting period. It is hereby clarified that actual results may differ from these estimates.

I. Provision for Doubtful Debts

The financial statements include general provisions and specific provisions for doubtful debts which, in accordance with the assessment of the management, expresses the loss inherent in debts which collection is doubtful. Doubtful debts, which in the opinion of the management of JCT are not collectible, are, in accordance with the management's decision, are removed from JCT's books.

J. Reclassification

Certain prior year figures have been reclassified to adapt to the current year's presentation.

K. New Standards Prior to their Implementation

1. In December 2011, the Israel Accounting Standards Board published Accounting Standard 9, Financial Statements of Higher Education Institutions (the "Standard"). The Standard stipulates that the financial statements of institutions of higher education will be in accordance with Opinion No. 69, General Accounting and Financial Reporting by NPOs and Standard No. 5, Amendments and Clarifications to Opinion No. 69 regarding accounting principles and financial reporting by nonprofit organizations. The Standard will be applied retroactively (the fixed assets have alternatives to the initial application). The Standard is effective for annual periods beginning on October 1, 2014. Earlier application is permitted subject to disclosure of this fact.

In October 2014, the CEO of the PBC published guidelines for implementing Standard 9, based on the accepted legal opinion, according to which pension liabilities are defined as contingent liabilities and therefore are not reflected in the balance sheets of reported institutions and fixed asset items used for research will be recorded as an operating expense.

In December 2014, the IASB published a position paper by which the PBC's interpretation, as detailed in the aforementioned letter from the Director General of the PBC, is incompatible with the rules set out in Accounting Standard No. 9 and therefore, annual financial statements prepared in accordance with these guidelines cannot be regarded as financial statements prepared in accordance with The Accepted Accounting Regulations in Israel.

The implication of this standard on the financial statements of JCT is mainly in the recording of fixed assets as an asset in the balance sheet.

2. In June 2014, the IASB published the Accounting Standard No. 36 - "Revised communique No. 69 regarding the principles of accounting and reporting by nonprofit organizations and Accounting Standard No. 5 concerning amendments and clarifications to communique No. 69". The Accounting

Standard stipulates inter alia that cash received from donors stating that its use is designated for investment in fixed assets only, will not be included as part of cash and cash equivalents, but as a separate clause in fixed assets that will be called "cash intended for investment in fixed assets".

The Standard is effective for annual periods beginning on, or after January 1, 2014 retrospectively.

It is the Jerusalem College of Technology estimate that the implementation of the standard is not expected to have a significant effect on the financial statements.

Note 3 – Cash and Cash Equivalents

| Composition | Consolidated | | Jerusalem College of Technology | |
|------------------------------|-------------------|-------------------|---------------------------------|-------------------|
| | 30 September 2014 | 30 September 2013 | 30 September 2014 | 30 September 2013 |
| | Thousands NIS | Thousands NIS | Thousands NIS | Thousands NIS |
| In Unlinked Israeli currency | 14,811 | 16,001 | 14,543 | 15,955 |
| In Foreign Currency | 941 | 380 | 941 | 380 |
| | 15,752 | 16,381 | 15,484 | 16,335 |

Note 4 – Accounts Receivable

| Composition | Consolidated | | Jerusalem College of Technology | |
|--|-------------------|-------------------|---------------------------------|-------------------|
| | 30 September 2014 | 30 September 2013 | 30 September 2014 | 30 September 2013 |
| | Thousands NIS | Thousands NIS | Thousands NIS | Thousands NIS |
| Governmental Institutions | 2,331 | 1,052 | 2,331 | 1,052 |
| Higher Education Council (a) | 1,448 | - | 1,448 | - |
| Accounts receivable and accrued income | 1,568 | 1,387 | 1,566 | 1,387 |
| Students - Tuition and loans | 1,918 | 2,603 | 1,918 | 2,603 |
| Checks for collection | 751 | 669 | 751 | 669 |
| Friends of JCT | 251 | 1,644 | 251 | 1,644 |
| Advance Expenses | 1,541 | 1,372 | 1,541 | 1,372 |
| J.C.Technologies Ltd. | - | - | 12 | 10 |
| | 744 | 398 | 744 | 398 |
| | 10,552 | 9,125 | 10,562 | 9,135 |
| Less general provision to payables (b) | (779) | (962) | (779) | (962) |
| | 9,773 | 8,163 | 9,783 | 8,173 |

Jerusalem College of Technology (Registered Nonprofit)

(a) Higher Education Council Balance

| | Consolidated and The Jerusalem College of Technology | |
|--|--|----------------|
| | 2014 | 2013 |
| | Thousands NIS | Thousands NIS |
| Debit balance beginning of year | (1,181) | 1,411 |
| Current year allocations: | | |
| For activities use | 79,683 | 78,349 |
| For net assets with time limitation | 1,646 | 2,159 |
| | 81,329 | 80,508 |
| Less payments received during the year | (78,700) | (83,100) |
| Total activities during the year | 2,629 | (2,592) |
| Debit balance year end | 1,448 | (1,181) |

(b) Movements in the provision to payables

| | <u>Thousands of NIS</u> |
|--------------------------------|-------------------------|
| Balance on October 1, 2013 | 962 |
| Hopeless debts | (120) |
| Updated provisions | <u>(63)</u> |
| Balance for September 30, 2014 | 779 |

Note 5 – Long term investments

| | Consolidated and The Jerusalem College of Technology | |
|--|--|--------------------------|
| | <u>30 September 2014</u> | <u>30 September 2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Government Bonds (a) | 1,946 | 4,287 |
| Less – Bonds to be repayed during 2014 | (1,946) | (2,583) |
| | <u>-</u> | <u>1,704</u> |

(a) Israeli Government Bonds, set in US Dollars and bearing annual interest of 5.5%-6.4%. It is JCT's intention to keep the bonds until redemption

Note 6 – Investments in Companies

| | Consolidated | | JCT | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>30 September 2014</u> | <u>30 September 2013</u> | <u>30 September 2014</u> | <u>30 September 2013</u> |
| | Thousands of NIS | Thousands of NIS | Thousands of NIS | Thousands of NIS |
| JCTechnologies – Subsidiary Company (a) | - | - | 1,343 | 396 |
| Code Red Systems Ltd (b) | - | - | - | - |
| Patir R&D Ltd (c) | - | - | - | - |
| Other companies held by JCTechnologies Ltd (d) | - | 44 | - | - |
| Other companies held by JCT (e) | - | - | - | - |
| | <u>-</u> | <u>44</u> | <u>1,343</u> | <u>396</u> |

- (a) JC Technologies Ltd invested, supported and provided services to R&D companies that develop industrial products with innovative technologies. Most of the companies are related to the Technologies Entrepreneurship Centre – “Technological Absorption Centre next to JCT” and to the technological Incubator that it owns – “Patir R&D Ltd”, that as abovesaid, initiated developments that were developed in the framework of research in JCT and in other places.

Following is the balance in the investment account:

| | <u>JCT</u> <u>2014</u> Thousands of NIS |
|--|---|
| Investment balance for Oct 1, 2013 | 396 |
| JCT’s part in the annual profit | <u>947</u> |
| Balance of investment on Sept 30, 2014 | <u><u>1,343</u></u> |

- (b) The subsidiary holds a company by the name of Code Red Systems Ltd. In the year 2012 a provision was made to the devaluation resulting in the value of the displayed to be zero.
- (c) Patir R&D Ltd (a related party to the subsidiary) served until the year 2003 as a technological incubator. In this date the incubator permit was cancelled thus the activity of the company was reduced. In February 2010 JCTechnologies purchased 100% of the company’s shares.
- (d) During the year 2014 the subsidiary sold its אחזקותיה in the Medisim Ltd company, including companies held by JCTechnologies for the amount of NIS 44,000. The profit from this deal amounted to NIS 994,000.
- (e) Companies held by The Jerusalem College of Technology:
1. The Jerusalem College of Technology holds 1% of the shares of JBE Software Services Ltd, an Israeli company that provides software services. The company is not active.
 2. The Jerusalem College of Technology holds 10% of the shares of Grades 101 Inc. This company is not active.

Note 7 – Suppliers and Services Providers

| | Consolidated | | JCT | |
|--|--|--|--|--|
| | <u>30 September 2014</u> Thousands of NIS | <u>30 September 2013</u> Thousands of NIS | <u>30 September 2014</u> Thousands of NIS | <u>30 September 2013</u> Thousands of NIS |
| Council for Higher Education – see Note 4(a) | - | 1,181 | - | 1,181 |
| Loans to Students | 233 | 227 | 233 | 227 |
| Advance Revenue from students (down payments for next school year) | 10,925 | 10,949 | 10,925 | 10,949 |
| Employees' salaries | 7,195 | 7,222 | 7,190 | 7,205 |
| Institutions and others | 2,078 | 1,997 | 2,078 | 1,997 |
| | <u>20,431</u> | <u>21,576</u> | <u>20,426</u> | <u>21,559</u> |

Note 8 – Capital Notes

Subordinated capital of JC Technologies Ltd.

The capital notes were issued in the year 1997, they are not linked, do not bear interest and were issued for a period not less than one year.

The capital notes will be repaid in accordance to joint agreement of both parties.

Note 9 – Liabilities for employees' benefits

Details of liabilities academic center for employee benefits:

| | Consolidated and The Jerusalem College of Technology | |
|-------------------------------------|---|---|
| | <u>30 September 2014</u> Thousands of NIS Total commitment | <u>30 September 2013</u> Thousands of NIS Total commitment |
| Provision for vacation | 1,819 | 1,786 |
| Pledge severance pay, net (a) | 9,463 | 8,763 |
| Fund for Scientific Relations (b) | 6,704 | 6,553 |
| Adaptation (c) | 3,711 | 3,342 |
| Provision for unused sick leave (d) | 6,910 | 7,254 |
| | <u>28,607</u> | <u>27,698</u> |

a. Severance Pay

Composition:

(1)

| | Consolidated and The Jerusalem College of Technology | |
|---|--|--------------------------|
| | <u>30 September 2014</u> | <u>30 September 2013</u> |
| | Thousands of NIS | Thousands of NIS |
| | <u>Total commitment</u> | <u>Total commitment</u> |
| Commitment to severance pay | 13,616 | 12,713 |
| Less severance - a central compensation fund | (4,153) | (3,950) |
| Commitment to net severance and dismissal pay | <u>9,463</u> | <u>8,763</u> |

- (2) The Jerusalem College of Technology regularly deposits money in the name of its employees in pension funds, insurance companies, and provident funds, to secure the pension and retirement rights of its employees. The amounts deposited are not included in the balance sheet since they are not under the control and management of JCT.

The commitment included in the balance sheet represents the balance of commitment that is not covered by the deposits made to severances in the name of the employees. This commitment is partially covered by a reserve charge of JCT in a compensation fund.

- (3) Based on the 1998 general approval of the Minister of Labour and Social Affairs according to the Severance Pay Law, JCT's policy from January 1999 to present is ongoing deposits to provident compensation for employees who began working from this date and are within the framework of such approval and shall replace the severance pay to the employee while JCT waives in advance any right of reimbursement to these payments.

In this context the liability for compensation for these employees and the amounts deposited in respect thereof cannot be expressed in the balance sheet.

b. Fund for Scientific Relations

Some employees of the academic staff are entitled to an annual accumulation fund for scientific relations that is redeemable upon retirement. The amount accrued annually in this fund and the balance, are linked to the US dollar.

As part of a control sample conducted by the Supervisor of Wages in the Ministry of Financy during the year of the report, there was a question about the legality of the practice of repayment of principal of the scientific relations fund at retirement. The subject is being discussed with the Supervisor of Wages together with the Academic Staff Committee for the purpose of reaching a settlement.

c. Adaptation

Some employees of the academic staff are entitled to adaptation fees upon retirement.

d. Redemption of unused sick leave

The provision for redemption of sick days is calculated in respect of employees who have reached the age of 55 in the date of this report.

Note 10 – Contingent liabilities and commitments

- a. During the year 2012 a lawsuit was filed in the Jerusalem District Labor Court against JCT by a former employee for payment of a sum of NIS 275,000 plus compensation for withholding wages. On 10 October 2012 a statement of defense was filed. A mediation meeting was held in February 2015 which results have not yet been determined. According to JCT's management estimate, based on the opinion of its legal counsel, the chances that JCT is expected to be obligated to the full amount of the claim are very slim.
- b. During the year, a request was filed by the Faculty Association and a number of senior lecturers as part of the request of a party to a collective dispute, for declaratory relief concerning the eligibility of senior staff lecturers for a sabbatical under certain conditions. The relief claimed is not financial, but its acceptance will probably have financial implications which value is difficult to assess. JCT's response was filed in December 2014. A preliminary discussion was held in January 2015.

In this early phase it is difficult to assess the chances of the request, but according to JCT's management assessment, based on the opinion of its legal counsel, the chances for the relief request to be accepted is not high.

Note 11 – Unrestricted Net assets designated by JCT

Designation of net assets according to their purposes

| | Consolidated and The Jerusalem College of Technology | |
|---|--|-------------------------|
| | 30 September 2014 | 30 September 2013 |
| | Thousands of NIS | Thousands of NIS |
| | <u>Total Commitment</u> | <u>Total Commitment</u> |
| Building the married students dorms in the Lev Campus | 6,000 | 4,500 |
| Retirement plan for the administrative staff as part of efficiency measures | - | 850 |
| Establishment of Technological Teaching Labs | 1,450 | 1,850 |
| Engineering infrastructure to encourage placement | - | 300 |
| Campus Infrastructure Development | 400 | 400 |
| Academic Development | 1,430 | - |
| Fund for the Preservation of the currency * | 1,540 | 1,750 |
| Beit Midrash Staff retirement plans | 500 | 1,000 |
| Construction of the married students dormitories in Lev Campus | 11,320 | 10,650 |
| | <u>4,500</u> | <u>4,000</u> |

* This fund was reclassified from net assets temporarily restricted to net assets designated by management

Note 12 – Permanently Restricted Net assets – Funds

| | Consolidated and The Jerusalem College of Technology | |
|---|--|--------------------------|
| | <u>30 September 2014</u> | <u>30 September 2013</u> |
| | Thousands of NIS | Thousands of NIS |
| A. Composition of net assets according to their purpose | | |
| For ongoing operations | 2,513 | 2,402 |
| For scholarships and assistance to students | 15,487 | 14,579 |
| | 18,000 | 16,981 |
| B. Composition of net assets by linkage type | | |
| Linked to foreign currency | 16,260 | 15,240 |
| Linked to the index | 1,740 | 1,741 |
| | 18,000 | 16,981 |

Note 13 – Council for Higher Education

| | Consolidated and The Jerusalem College of Technology | |
|---|--|------------------|
| | <u>For the year that ended on 30 September</u> | |
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Direct Participation | 75,545 | 74,155 |
| Pre-academic Program | 2,568 | 3,146 |
| Infrastructure improvement | 1,157 | 1,048 |
| Development | 1,489 | 1,634 |
| KEMAH program | 413 | 354 |
| Parallel Allocations | 157 | 171 |
| Total income | 81,329 | 80,508 |
| Less amounts recognized directly in net assets that have restrictions over them | (1,646) | (2,159) |
| | 79,683 | 78,349 |

Note 14 – Tuition

| | Consolidated and The Jerusalem College of Technology | |
|----------------------------------|--|------------------|
| | <u>For the year that ended on 30 September</u> | |
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Undergraduate Tuition fees | 37,593 | 35,992 |
| Graduates tuition fees | 2,310 | 2,324 |
| Dorms | 4,181 | 4,204 |
| Living Expenses and others | 3,623 | 2,882 |
| Pre-Academic Preparatory Program | 1,568 | 1,226 |
| Judaic Studies | 1,647 | 1,981 |
| | 50,922 | 48,609 |

Note 15 – Amounts released from restriction

| | Consolidated and The Jerusalem College of Technology For the year that ended on 30 September | |
|--|---|------------------|
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Release from funds of a temporary nature | 6,399 | 6,291 |
| Release of research projects and others | 2,427 | 3,373 |
| Release from Development Fund | 6,544 | 10,367 |
| | 15,370 | 20,031 |

Note 16 – Academic Expenses

| | Consolidated and The Jerusalem College of Technology For the year that ended on 30 September | |
|-----------------------------|---|------------------|
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Wages and benefits | 67,162 | 64,112 |
| Academic Equipment | 3,313 | 3,267 |
| Management and Organization | 4,220 | 4,143 |
| | 74,695 | 71,522 |

Note 17 – Beit Midrash and Judaic Activities Expenses

| | Consolidated and The Jerusalem College of Technology For the year that ended on 30 September | |
|-----------------------------|---|------------------|
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Wages and benefits | 5,235 | 5,174 |
| Management and Organization | 35 | 44 |
| | 5,270 | 5,218 |

Note 18 – Pre-Academic and External Studies Expenses

| | Consolidated and The Jerusalem College of Technology For the year that ended on 30 September | |
|-----------------------------|---|------------------|
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Wages and benefits | 3,918 | 2,801 |
| Management and Organization | 47 | 299 |
| | 3,965 | 3,100 |

Note 19 – Services to the Students

| | Consolidated and The Jerusalem College of Technology For the year that ended on 30 September | |
|---|---|------------------|
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Scholarships and assistance to students | 6,176 | 8,296 |
| Wages and benefits | 7,692 | 7,157 |
| Management and Organization | 3,542 | 2,786 |
| Equipment | 89 | 8 |
| | 17,499 | 18,247 |
| Less participation in projects | (15) | (978) |
| | 17,484 | 17,269 |

Note 20 – Computing and knowledge

| | Consolidated and The Jerusalem College of Technology For the year that ended on 30 September | |
|-----------------------------|---|------------------|
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Wages and benefits | 4,742 | 4,935 |
| Equipment | 574 | 1,119 |
| Management and Organization | 1,687 | 1,230 |
| | 7,003 | 7,284 |

Note 21 – Rent and Maintenance

| | Consolidated and The Jerusalem College of Technology For the year that ended on 30 September | |
|----------------------------------|---|------------------|
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Wages and benefits | 3,576 | 3,305 |
| Campus and buildings maintenance | 8,818 | 9,897 |
| Rent | 8,181 | 7,250 |
| Insurances | 346 | 330 |
| | 20,921 | 20,782 |
| Net rental income | (1,943) | (1,621) |
| | 18,978 | 19,161 |

Note 22 – General and Administrative

| | Consolidated | | The Jerusalem College of Technology | |
|--|---|------------------|---|------------------|
| | For the year that ended on 30 September | | For the year that ended on 30 September | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS | Thousands of NIS | Thousands of NIS |
| Wages and benefits | 7,568 | 7,607 | 7,568 | 7,607 |
| Management and Organization | 1,026 | 988 | 1,016 | 971 |
| PR and Fundraising | 724 | 755 | 724 | 755 |
| Professional Services | 1,277 | 973 | 1,241 | 956 |
| Telephones | 213 | 198 | 213 | 198 |
| | 10,808 | 10,521 | 10,762 | 10,487 |
| Less participation in expenses | | | | |
| Other research projects Overhead | (133) | (297) | (133) | (297) |
| JC Technologies (related party) | - | - | (48) | (48) |
| Israeli Friends of JCT (related party) | (82) | (100) | (82) | (100) |
| | (215) | (397) | (263) | (445) |
| | 10,593 | 10,124 | 10,499 | 10,042 |

Note 23 – Development

JCT leases from the Israel Lands Administration an area of approximately 37 hectares, for a term until 2031 with an option to extend for another 49 years. The built area of JCT covers about 27,000 square meters and serves entirely for teaching, research, administration and service to students activities. Investments in development are shown as ongoing expenditures when incurred, in accordance with the instructions of the PBC.

Note 24 – Research and others

| | Consolidated and The Jerusalem College of Technology | |
|-----------------------------|--|------------------|
| | For the year that ended on 30 September | |
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Wages and benefits | 1,102 | 1,626 |
| Management and Organization | 781 | 755 |
| Equipment | 417 | 337 |
| Overhead | 127 | 655 |
| | 2,427 | 3,373 |

Note 25 – Financial Income, Net

| | Consolidated | | The Jerusalem College of Technology | |
|---|---|------------------|---|------------------|
| | For the year that ended on 30 September | | For the year that ended on 30 September | |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS | Thousands of NIS | Thousands of NIS |
| Interest income and revaluation of deposits | 3,481 | 2,513 | 2,440 | 2,485 |
| Securities | 22 | (72) | 22 | (72) |
| Exchange rate differences | (182) | (55) | (182) | (55) |
| | 3,321 | 2,386 | 2,280 | 2,358 |

Note 26 – Taxes

JCT has final income tax, VAT and national insurance assessments.

The amounts corresponding to these assessments were paid in full and JCT has no pending income tax, VAT or real estate tax.

Note 27 – Related Parties

Aids provided by Israeli Friends of JCT

| | The Jerusalem College of Technology | |
|-----------------------------------|--|------------------|
| | <u>For the year that ended on 30 September</u> | |
| | <u>2014</u> | <u>2013</u> |
| | Thousands of NIS | Thousands of NIS |
| Unrestricted Net assets | <u>334</u> | <u>400</u> |
| Temporarily restricted net assets | | |
| Research and others | 861 | 393 |
| Development | 1,767 | 4,885 |
| Funds | 2,717 | 3,354 |
| | 5,345 | 8,632 |
| Permanently restricted net assets | 9 | 112 |
| | 5,688 | 9,144 |

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

**Financial Statements
As of September 30, 2014**