

Tel-Aviv University

Financial Statements
September 30, 2022

Financial Statements as of September 30, 2022

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**Auditors' Report to the Board of Governors of
Tel-Aviv University**

We have audited the accompanying statements of financial position of Tel-Aviv University ("the University") (an institution Established by the Council for Higher Education Law, 1958) as of September 30, 2022 and 2021 and the related statements of operations, changes in net assets and cash flows for each of 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 an equity accounted company, the investment in which amounted to NIS 492,898 thousand and NIS 428,974 thousand as of September 30, 2022 and 2021 respectively, and the University's share of its earnings amounted to NIS 69,232 thousand and NIS 3,603 thousand for the years ended September 30, 2022 and 2021 respectively. The financial statements of the company 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 company, is based solely on the reports 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 (Auditor's Mode of 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 report 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, 2022 and 2021 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).

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

March 26, 2023

Statements of Financial Position


	Note	September 30		Convenience translation (Note 1b)
		2022	2021	September 30
		NIS thousands	NIS thousands	2022 US\$ thousands
Assets				
Current Assets				
Cash and cash equivalents		592,120	631,335	167,124
Investments in deposits and marketable securities	6	553,895	513,130	156,335
Tuition receivable, net	3	2,579	3,182	727
Accounts receivable	4	243,320	197,936	68,676
Inventories		3,570	2,757	1,007
		<u>1,395,484</u>	<u>1,348,340</u>	<u>393,869</u>
Long-term investments and receivables				
Investments in deposits and marketable securities	6	2,880,883	3,050,510	813,120
Investment in affiliated company	7a	492,898	428,974	139,119
Investment in wholly- owned companies	7a	54,631	32,461	15,419
Long-term receivables	8	12,605	9,966	3,558
		<u>3,441,017</u>	<u>3,521,911</u>	<u>971,216</u>
Service concession asset - BOT	9	<u>536,450</u>	<u>552,099</u>	<u>151,411</u>
Fixed assets, net	10			
Used in teaching and research activity, administration and services to students		2,955,137	2,868,288	834,078
Not used in teaching and research activity, administration and services to students - land designated for sale		4,421	6,121	1,248
		<u>2,959,558</u>	<u>2,874,409</u>	<u>835,326</u>
Total assets		<u><u>8,332,509</u></u>	<u><u>8,296,759</u></u>	<u><u>2,351,822</u></u>


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


Statements of Financial position

	Note	September 30		Convenience translation (Note 1b)
		2022	2021 *	September 30
		NIS thousands	NIS thousands	2022 US\$ thousands
Liabilities				
Current liabilities				
Suppliers and service providers		59,944	62,202	16,921
The Planning and Budgeting Committee (PBC)	5	101,596	168,868	28,675
Accounts payable	11	274,731	242,284	77,542
Advances for grants research		240,995	-	68,020
Salaries and related liabilities		145,965	142,749	41,198
Current maturities of budgetary pension, net	13	140,000	134,000	39,514
Deferred revenues	12	157,543	171,285	44,466
		<u>1,120,774</u>	<u>921,388</u>	<u>316,336</u>
Long-term liabilities				
Liabilities for employee rights	13c	740,475	749,931	208,997
Budgetary pension obligation, net	13a	1,874,515	2,359,100	529,076
Advances for grants research		77,975	-	22,008
Accrued expenses		39,256	49,955	11,079
Deferred taxes	17b	40,102	33,709	11,319
Deferred revenues in respect of Broadcom lease arrangement	14a(2)	97,172	101,221	27,425
Liability in respect of BOT arrangement	9	473,582	496,014	133,666
		<u>3,343,077</u>	<u>3,789,930</u>	<u>943,570</u>
Commitments and contingent liabilities				
	14			
Net assets				
Unrestricted:				
Accumulated deficit		(228,954)	(293,679)	(64,621)
Designated by the University	19	628,722	(*) 627,403	177,454
Used for fixed assets used in teaching and research activity		2,772,465	2,868,288	782,520
Due to cover liabilities for employee rights	13d	(2,754,990)	(3,243,031)	(777,587)
		<u>417,243</u>	<u>(41,019)</u>	<u>117,766</u>
Restricted:				
Research		291,781	498,316	82,353
Other purposes		732,297	571,616	206,688
Perpetual restricted		2,122,478	2,143,079	599,063
Balancing fund		304,859	(*) 413,449	86,046
		<u>3,451,415</u>	<u>3,626,460</u>	<u>974,150</u>
Total net assets		<u>3,868,658</u>	<u>3,585,441</u>	<u>1,091,916</u>
Total liabilities and net assets		<u>8,332,509</u>	<u>8,296,759</u>	<u>2,351,822</u>

March 26, 2023

Date of approval of the
financial statements

Eli Gelman
Chairman of the Executive Council


Prof. Ariel Porat
President


Gad Frank
Director-General


Neri Azogui
Vice Director-General, Finance

(*) Immaterial adjustment of comparative data. See note 2r.

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

Statement of Operations

	Note	Year ended September 30		Convenience translation (Note 1b)
		2022	*2021	Year ended September 30, 2022
		NIS thousands	NIS thousands	US\$ thousands
Income				
Allocations from the Planning and Budgeting Committee (PBC)	15a	1,402,663	1,360,270	395,897
Allocations from Government ministries and public institutions	15b	13,229	14,134	3,734
Ordinary tuition fees	15c	319,537	314,122	90,188
Special programs tuition fees	15d	108,362	108,680	30,585
Projects		107,358	100,114	30,301
Donations to ongoing budget (excluding projects, construction and research)		38,965	29,457	10,998
Other income	15e	70,218	55,566	19,819
Amounts released from restriction for investing				
In fixed assets		66,094	-	18,655
Amounts released from restriction		75,298	74,577	21,253
Amounts released from restriction – research		462,550	503,360	130,553
		2,664,274	2,560,280	751,983
Cost of operations				
Teaching, research and auxiliary services	16a	1,944,196	1,868,859	548,743
Scholarships and services to students	16b	297,480	287,810	83,963
Budgetary pension obligation expense	13a	114,969	90,034	32,450
Change in liabilities for employee benefits	13c	61,975	59,526	17,492
Depreciation expenses	10	76,483	108,874	21,587
		2,495,103	2,415,103	704,235
Net income from operations		169,171	145,177	47,748
General and administrative expenses	16e	80,819	78,214	22,811
Fundraising expenses through the Associations of Friends		25,809	22,006	7,285
Advertising and marketing expenses	16f	22,919	16,789	6,469
		129,547	117,009	36,565
Net income before financing		39,624	28,168	11,183
Finance (expense) income, net	15f	(241,885)	286,318	(68,271)
Less Finance income allocated to restricted net assets		203,824	(*) (242,250)	57,529
Finance (expense) income, net		(38,061)	44,068	(10,742)
Net income (expense) after financing		1,563	72,236	441
University's share of net income of affiliated entities	7b	90,529	25,443	25,552
Net income for the year		92,092	97,679	25,993

(*) Immaterial adjustment of comparative data. See note 2r.

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

Statements of Changes in Net Assets

	Unrestricted net assets				Restricted net assets				Total
	Used in operations				Research NIS thousands	Other purposes	Permanently restricted	Balancing fund	
	Accumulated deficit	Designated by the University (1)	Used for fixed assets	Due to cover Liabilities for employee rights					
Balance as of September 30, 2021	(293,679)	(*) 627,403	2,868,288	(3,243,031)	498,316	571,616	2,143,079	(*) 413,449	3,585,441
Effect of initial application of standard no. 40 (see Note 2r)	-	-	(94,670)	-	(279,665)	94,670	-	-	(279,665)
Corrected balance as of October 1, 2021	(293,679)	627,403	2,773,618	(3,243,031)	218,651	666,286	2,143,079	413,449	3,305,776
Additions during the year:									
Donations, allocations and other income	-	-	-	-	541,104	124,912	6,311	-	627,327
Financing and revaluation allocated to restricted net assets	-	-	-	-	17,121	11,366	(26,208)	(27,212)	(24,933)
Net income for the year	92,092	-	-	-	-	-	-	-	92,092
Spending rate	-	-	-	-	25,068	18,990	3,818	(81,378)	(33,502)
Disposals during the year:									
Amounts release for research	-	-	-	-	(462,550)	-	-	-	(462,550)
Amounts released from restrictions	-	-	-	-	-	(75,298)	-	-	(75,298)
Amounts used for purchase of fixed assets	(75,330)	-	75,330	-	-	-	-	-	-
Amounts released for purchase of fixed assets	-	-	-	-	(47,613)	(18,481)	-	-	(66,094)
Transfer of funds	-	-	-	-	-	4,522	(4,522)	-	-
Actuarial profit	-	-	-	460,840	-	-	-	-	460,840
Transfer of unrestricted amounts:									
Amount transferred to cover depreciation	76,483	-	(76,483)	-	-	-	-	-	-
Amounts designated by the University	(1,319)	1,319	-	-	-	-	-	-	-
Amounts transferred to cover change in liabilities for employee rights	(27,201)	-	-	27,201	-	-	-	-	-
Balance as of September 30, 2022	(228,954)	628,722	2,772,465	(2,754,990)	291,781	732,297	2,122,478	304,859	3,868,658

(1) See Note 19.

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

Statements of Changes in Net Assets

	Unrestricted net assets				Restricted net assets				Total
	Used in operations				Research	Other purposes	Permanently restricted	Balancing fund	
	Accumulated deficit	Designated by the University (1)	Used for fixed assets	Due to cover Liabilities for employee rights					
				NIS thousands					
Balance as of October 1, 2020	(357,662)	(*) 530,869	2,862,255	(3,028,360)	448,502	587,419	2,085,546	(*) 245,204	3,373,773
Additions during the year:									
Donations, allocations and other income	-	-	-	-	588,977	58,338	54,104	-	701,419
Funding attributable to net assets within the limitation	-	-	-	-	(14,758)	2,195	6,634	168,245	162,316
Net income for the year	97,679	-	-	-	-	-	-	-	97,679
Spending rate	-	-	-	-	18,077	49,808	6,120	-	74,005
Disposals during the year:									
Amounts release for research	-	-	-	-	(503,360)	-	-	-	(503,360)
Amounts released from restrictions	-	-	-	-	-	(74,577)	-	-	(74,577)
Amounts released for purchase of fixed assets	(14,893)	-	114,907	-	(36,696)	(63,318)	-	-	-
Transfer of funds	-	-	-	-	(2,426)	2,426	-	-	-
Transfer of funds	-	-	-	-	-	9,325	(9,325)	-	-
Actuarial loss	-	-	-	(245,814)	-	-	-	-	(245,814)
Transfer of unrestricted amounts:									
Amount transferred to cover depreciation	108,874	-	(108,874)	-	-	-	-	-	-
Amounts designated by the University	(96,534)	96,534	-	-	-	-	-	-	-
Amounts transferred to cover change in liabilities for employee rights	(31,143)	-	-	31,143	-	-	-	-	-
Balance as of September 30, 2021	<u>(293,679)</u>	<u>(*) 627,403</u>	<u>2,868,288</u>	<u>(3,243,031)</u>	<u>498,316</u>	<u>571,616</u>	<u>2,143,079</u>	<u>(*) 413,449</u>	<u>3,585,441</u>

(1) See Note 19.

(*) Immaterial adjustment of comparative data. See note 2r.

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

Statements of Changes in Net Assets

	Unrestricted net assets				Restricted net assets				Total
	Used in operations		Used for fixed assets	Due to cover Liabilities for employee rights	Research	Other purposes	Permanently restricted	Balancing fund	
	Accumulated deficit	Designated by the University (1)							
	Convenience translation into U.S. dollars thousands (Note 1b)								
Balance as of October 1, 2021	(82,890)	(*) 177,082	809,565	(915,335)	140,648	161,337	604,877	(*) 116,695	1,011,979
Effect of initial application of standard no. 40 (see Note 2r)	-	-	(26,720)	-	(78,935)	26,720	-	-	(78,935)
Updated balance as of October 1, 2021	(82,890)	177,082	782,845	(915,335)	61,713	188,057	604,877	116,695	933,044
Additions during the year:									
Donations, allocations and other income	-	-	-	-	152,725	35,256	1,781	-	189,762
Financing and revaluation allocated to restricted net assets	-	-	-	-	4,832	3,208	(7,397)	(7,680)	(7,037)
Net income for the year	25,993	-	-	-	-	-	-	-	25,993
Spending rate	-	-	-	-	7,075	5,360	1,078	(22,969)	(9,456)
Disposals during the year:									
Amounts released for research	-	-	-	-	(130,553)	-	-	-	(130,553)
Amounts released from restrictions	(21,262)	-	21,262	-	-	(21,253)	-	-	(21,253)
Amounts used for purchase of fixed assets	-	-	-	-	(13,439)	(5,216)	-	-	(18,655)
Amounts released for purchase of fixed assets	-	-	-	-	-	1,276	(1,276)	-	-
Transfer of funds	-	-	-	130,071	-	-	-	-	130,071
Actuarial profit	-	-	-	-	-	-	-	-	-
Transfer of unrestricted amounts:									
Amounts transferred to cover depreciation	21,587	-	(21,587)	-	-	-	-	-	-
Amounts designated by the University	(372)	372	-	-	-	-	-	-	-
Amounts transferred to cover change in liabilities for employee rights	(7,677)	-	-	7,677	-	-	-	-	-
Balance as of September 30, 2022	(64,621)	177,454	782,520	(777,587)	82,353	206,688	599,063	86,046	1,091,916

(1) See Note 19.

(*) Immaterial adjustment of comparative data. See note 2r.

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

Statements of Cash Flows

	Year ended September 30		Convenience translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	NIS thousands	NIS thousands	US\$ thousands
Cash flows from operating activities			
Net income for the year	92,092	97,679	25,993
Adjustments to reconcile cash From operating activities (a)	112,465	(*) 300,942	31,743
Net cash provided by operating activities	204,557	398,621	57,736
Cash flows from investing activities			
Net change in deposits, securities and loans	(69,954)	(337,714)	(19,744)
Repayment of loan to related party	381	1,168	108
Dividend from affiliated company, net of tax	11,700	9,900	3,302
Advance payments on investment in subsidiary shares	(873)	(600)	(246)
Sale of fixed assets	1,700	-	479
Purchase of fixed assets	(163,332)	(92,573)	(46,099)
Net cash used in investing activities	(220,378)	(419,819)	(62,200)
Cash flows from financing activities			
Amounts allocated to restricted net assets - Development funds	36,389	12,251	10,271
Amounts allocated to restricted net assets - endowment funds	6,311	54,104	1,781
Amounts released for purchase of fixed assets	(66,094)	-	(18,655)
Net cash provided by (used in) financing activities	(23,394)	66,355	(6,603)
Increase (decrease) in cash and cash equivalents	(39,215)	45,157	(11,067)
Cash and cash equivalents at the beginning of the year	631,335	586,178	178,191
Cash and cash equivalents at the end of the year	592,120	631,335	167,124

(*) Immaterial adjustment of comparative data. See note 2r.

Statements of Cash Flows

	Year ended September 30		Convenience translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	NIS thousands	NIS thousands	US\$ thousands
A. Adjustments to reconcile cash from operating activities:			
expenses (income) not involving cash flows:			
Depreciation	76,483	108,874	21,587
Net income from BOT arrangement	(6,783)	(6,550)	(1,914)
Net revaluation of investments in deposits and marketable securities, net	198,816	(206,524)	56,114
Receipt of restricted amounts - research and other purposes	630,237	635,065	177,882
Amounts released from restriction for research and other purposes	(537,847)	(577,935)	(151,806)
Finance income allocated to restricted net assets	(58,435)	(*) 236,320	(16,493)
University's share of earnings of investees	(90,528)	(25,443)	(25,551)
Increase (decrease) in liabilities for employee rights	(9,456)	5,795	(2,669)
Decrease in budgetary pension obligation, net	(17,745)	(36,938)	(5,008)
Changes in asset and liability items:			
Decrease (increase) in accounts receivable	(9,107)	1,930	(2,570)
Increase in inventories	(812)	(1,582)	(229)
Increase (decrease) in the Planning and Budgeting Committee balance (PBC)	(67,272)	111,026	(18,987)
Decrease in suppliers and service providers	(2,258)	(11,955)	(637)
Increase in accounts payable and salary related Liabilities	24,964	18,983	7,046
Increase (decrease) in revenue in advance of Broadcom	(4,049)	43,116	(1,143)
Increase (decrease) in revenue in advance	(13,742)	6,760	(3,879)
	112,466	300,942	31,743
B. Substantial non-cash financing or investment operations			
Additions to fixed assets as part of Broadcom lease arrangement	-	22,334	-

(*) Immaterial adjustment of comparative data. See note 2r.

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

Notes to the Financial Statements

Note 1 - General

A. The Tel-Aviv University ("the University") is an institution established by the Council for Higher Education Law - 1958 and its purpose is to carry out and develop education, teaching and research in all fields of science and culture.

B. Convenience translation

For the convenience of the reader, the financial statements as of September 30, 2022 and for the year then ended, have been translated to US\$ using the representative exchange rate prevailing at the balance sheet date, US\$ 1 = NIS 3.543. 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 2 - Significant Reporting and Accounting Policies

A. Initial application of 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.

Effective date and transitional provisions

The Standard is applicable for annual periods beginning on or after January 1, 2021.

The effect of applying the Standard's measurement provisions on the date of initial application was reported as an adjustment to balances of net assets at the beginning of the period.

Comparative information was not restated in respect of the measurement changes arising from the provisions of the Standard. The presentation provisions of the Standard have been applied retrospectively as from the effective date of the Standard.

See note 2r regarding the effect of initial application of the standard.

B. Use of estimates and judgment

The preparation of financial statements in conformity with Israeli GAAP requires management of the University to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of accounting estimates used in the preparation of the University's financial statements requires management of the Organization to make assumptions regarding circumstances and events that involve considerable uncertainty. Management of the University prepares the estimates on the basis of past experience, various facts, external circumstances, and reasonable assumptions according to the pertinent circumstances of each estimate.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**C. Accounting for non-profit entities**

As from October 1, 2021 the financial statements are prepared in the format prescribed in Accounting Standard No. 40, Accounting Principles and Financial Reporting of Non-Profit Organizations.

Pursuant to the provisions of that standard:

Conditional donation

A donation that includes a donor-imposed condition. The condition represents a barrier that must be overcome so that the University will be eligible for the transferred or promised assets. Failure to overcome the barrier gives the donor a right of return of the assets transferred or releases the promisor from its obligation.

Promise

A documented agreement that is legally enforceable to donate cash or other assets to the University.

Unrestricted net assets

That portion of net assets that their use has not been restricted by the donors.

The unrestricted net assets can be divided into the following categories:

1. Net assets for use in activities – designated by the University's management.
2. Net assets for use in activities – not designated by the University's management.
3. Net assets invested in fixed assets.

Transfers between the aforesaid categories will be presented in the statement of changes in net assets and not in the statement of operations.

Donor-imposed restrictions on the use of net assets

A restriction of a donor or external party on the use of the assets received from them as a donation, which are more specific than the nature of the university, the environment in which it operates, and the objectives specified in the university's articles of incorporation.

Restricted net assets

Donations that their use has been restricted by the donors will be presented as additions to restricted net assets.

When the restrictions are removed as a result of fulfilling their designated objectives, the amounts will be transferred from the restricted net assets and be presented as income in the statement of operations as amounts released from restrictions for activities.

The restricted net assets are characterized according to the groups as detailed below:

- Research Funds - funds that were established mainly from allocations and donations restricted for research activities.
- Development funds - funds which were established mainly from allocations and donations restricted for investments in buildings and other development projects.
- Funds for other purposes, which are not perpetual.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)

C. Accounting for non-profit entities (cont'd)

- Endowment funds for other purposes - Endowment funds that were established mainly from restricted donations which, according to the terms of the donations, the University can only use their finance profits for the purpose of the activities for which the funds were established. According to the donors conditions, these net asset linked to the foreign currency or to the consumer price index.
- Balancing fund – in February 2013, the University's board decided to establish a "balancing fund" in the University's accounts. This fund is computed on the excess return of investment portfolio compared to yields allocated to the funds based on the University's policy. The return on the capital market allocated to the balance fund is limited to the funds from which the yield came from. The balancing fund will enable the University's board and management to allocate yields during periods of low or negative return with a view of overcoming crisis relating to significant vulnerability of the capital market.

Donations of fixed assets and donations of cash for investing in fixed assets

These will be recognized as income in the statement of activities when the asset is ready for its designated use or over the restriction period stipulated by the donor. On that date the university can choose to present as a transfer from unrestricted net assets – for use in activities, to unrestricted net assets – invested in fixed assets, amounts corresponding to the income that was recognized in the statement of activities as amounts released from restriction and amounts equal to the depreciation expenses.

Classification of restricted donations in the statement of cash flows

Cash flows from financing activities will include amounts received in respect of donations that are subject to a long-term restriction of the donor whereas cash flows from operating activities will include amounts received in respect of donations that their use is restricted, other than donations that are subject to a long-term restriction of the donor.

D. Cash and cash equivalents

Cash equivalents comprise short-term deposits in bank whose original maturity not exceeding three months.

This balance does not include cash and cash equivalents which restricted by donors for certain uses or designated by management for specific purposes.

E. Allowance for doubtful accounts

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

F. Inventories

Inventories include books, tools, spare parts and chemicals. The inventory items are valued using the weighted average method while taking into account the provision for slow-moving inventories.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**G. Investments in securities and loans**1. Marketable securities

Marketable securities held as a current investment are stated at their stock market value as at the date of the financial statements less expenses for their disposal. Changes in the value of securities are fully recognized in the statement of operations. Marketable securities held as a permanent investment 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 at cost (debentures - including accrued interest), which in the opinion of University's management is not in excess of their realizable value.

3. Impairment in value of investments

From time to time the University examines whether there has been an impairment not of a temporary nature in the value of its permanent investments in other companies. This examination is performed when there are signs that may indicate that there has been an impairment in value of permanent investments, including a drop in the prices on the stock exchange, the business of the investee and additional parameters. Write-downs to adjust the value of these investments, which, in accordance with the opinion of management, is based on an examination of the overall relevant aspects and the significance of each, and which are not of a temporary nature, are charged to the statement of operations.

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.

H. Investments in investees

Investments in investees (companies over which the University exercises control as defined by Opinion 57 of the Institute of Certified Public Accountants in Israel) are presented in the financial statements based on the equity method.

The University does not consolidate the accounts of its investees in its financial statements due to immateriality.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**I. Build Operate Transfer arrangements (BOT)**

The University has an arrangement with an operator for the planning, building and operation of student dormitories (hereinafter – the Arrangement). The accounting treatment of this arrangement is according to Generally Accepted Accounting Principles for such arrangements. Accordingly, a grantor shall recognize an asset constructed by an operator if: a) the grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and b) the grantor controls through ownership, beneficial entitlement or any significant residual interest in the asset at the end of the term of the arrangement.

The asset is initially measured at fair value which represents the cost of the constructed asset and is amortized over the estimated useful life of the asset.

In addition, the University recognizes a liability (representing the University's commitment to allow access and use of the said property) which is initially measured at the same amount as the above-mentioned asset. The liability is amortized over the period of the arrangement.

J. Fixed assets

1. The following principles apply to fixed assets used in teaching and research activities, administration and services to students:

Investments in the development of the campus area, buildings and equipment

- a) The University has revalued its buildings as of October 1, 2009 (the date of transition to reporting based on the PBC guidelines). Depreciation is calculated as of that date. For details regarding the valuation, see Note 10A(7).
The addition from the revaluation of fixed assets on the date of transition was recorded in the statement of net assets as unrestricted net assets used for fixed assets.
Investments in buildings after this date are recorded based on their cost at date of the investment.
- b) The University has revalued its lands rights as of September 30, 2016, in accordance with Accounting Standard No. 9. For details regarding the valuation, see Note 10A(6). The additional value from the revaluation of lands rights was recorded in the statement of net assets as unrestricted net assets used in fixed assets.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)

J. Fixed assets (cont'd)

- c) The University applies Accounting Standard 27 *fixed assets*, which prescribes rules for the recognition and measurement of fixed asset items and for the disclosure required in respect thereto. Fixed asset items are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized in the statement of operations on a straight-line basis over the estimated useful lives of each part of the fixed asset item, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

	%
Lands and buildings	1-6
Research Equipment	33

2. The following principles apply to fixed assets that are not used in teaching and research activity, administration and services to students:
- a) Fixed assets, including land, that were received at no consideration are presented in the financial statements at fair value at the date of receipt.
 - b) No depreciation was charged for real estate properties that were not used in the University's activity because they are classified as held for sale.
 - c) Collections such as art pieces and historical assets are recognized at nominal value in these financial statements.

K. Impairment

The University applies Accounting Standard No. 15, *Impairment in Value of Assets* (hereinafter – “the Standard”). The Standard provides procedures which the University must apply in order to ensure that its assets in the balance sheet, to which the Standard applies, are not presented at an amount which is in excess of their recoverable amount, which is the higher of the net selling price and the value in use (the present value of the estimated future cash flows expected to be derived from use and disposal of the asset). In addition, the Standard provides rules for presentation and disclosure with respect to assets whose value has been impaired.

When the value of an asset in the statement of financial position is higher than its recoverable amount, the University recognizes a loss from the impairment in value in the amount of the difference between the carrying amount of the asset and its recoverable amount. The loss thus recognized will be cancelled only in the event of changes occurring in the estimates that were used to determine the recoverable amount of the asset since the date on which the most recent loss from the impairment in value was recognized.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**L. Employee benefits****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. The University's regular deposits with pension funds and insurance companies in respect of severance pay that are subject to Section 14 of the Severance Pay Law release it from any further liability to the employees for whom such deposits are made. Therefore, these deposits constitute a defined contribution plan and are recognized as an expense at the time of their deposit in the plan concurrently with receipt of the work services from the employee.

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 discounted to determine its present value, and the fair value of any plan assets is deducted. The University determines the interest on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability.

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, the return on plan assets. Re-measurements are recognized immediately directly in unrestricted net assets due to liabilities for employee rights.

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 liability is measured according to the shutdown model in accordance with accounting standard No. 39 Employee Benefits.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**L. Employee benefits (cont'd)****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). A liability is recognized for the amount expected to be paid within a short-term window if the University has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**M. Revenue recognition**1. Recognition of donations and promises

Donations that were received are recognized as income or as additions to restricted net assets in the period they were received.

A conditional donation is not recognized until it becomes non-conditional. A transfer of assets that is a conditional donation is accounted for as a refundable advance payment (within the University's liabilities). When the conditions are met and the restriction removed, the amount of the donation will be recognized in the statement of financial position according to its designation as either income or within restricted net assets.

A non-conditional promise will be recognized as income or as an addition to restricted net assets in the period in which the promise was received providing that there is sufficient evidence that a promise has been made and the promise is legally enforceable.

2. Tuition income - based on academic year.3. Financing income

Financing income or expenses are presented in the statement of operations net of amounts carried to restricted net assets in order to maintain the value of the restricted net assets according to the instructions of the donor or the university's decision.

4. Services received for no consideration

Goods and services that were received for no consideration are financially reflected when the following conditions are met:

1. The services have an overall material financial value compared to the University's volume of activity.
2. The fair value of those services can be reliably estimated.
3. The services are of the kind that require professional skills and expertise or are essential for the University's activity.

The University's policy is not to recognize services received for no consideration in the statement of operations.

5. Assets received for no consideration

Fixed assets, investment property and assets designated for current use that were received for no consideration will be included in the financial statements according to their fair value on the date they are received, if they have a material financial value compared to the University's volume of activity and their fair value can be reliably estimated. From that date on their fair value will be deemed the cost of the asset.

6. Rental income - on Accumulated basis.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**N. Expenditures**

Expenditures are recognized on an accrual basis.

O. 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 3.543; September 30, 2021 - NIS 3.229 and the representative exchange rate of Euro € 1 as of the reporting date was NIS 3.486; September 30, 2021 - NIS 3.736).
2. Balances linked to the Israeli CPI are presented according to the index published for the month ending on the reporting date (September 2022 - 133.15 points; September 2021 - 127.3 points).

p. Reclassification

certain prior year amounts have been reclassified in order to conform to current year presentation.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)

Q. Effect of initial application of standard No. 40

	Unrestricted net assets				Restricted net assets				Total
	Used in operations				Research NIS thousands	Other purposes	Endowments	Balancing fund	
	Accumulated deficit	Designated by the University	Used for fixed assets	Due to cover Liabilities for employee rights					
Balance as of September 30, 2021	(293,679)	627,403	2,868,288	(3,243,031)	498,316	571,616	2,143,079	413,449	3,585,441
Effect of initial application of standard No. 40	-	-	(A) (94,670)	-	(B) (279,665)	94,670	-	-	(279,665)
Updated balance as of October 1, 2021	(293,679)	627,403	2,773,618	(3,243,031)	218,651	666,286	2,143,079	413,449	3,305,776

	Unrestricted net assets				Restricted net assets				Total
	Used in operations				Research	Other purposes	Permanently restricted	Balancing fund	
	Accumulated deficit	Designated by the University	Used for fixed assets	Due to cover Liabilities for employee rights					
	Convenience translation into U.S. dollars thousands (Note 1b)								
Balance as of September 30, 2021	(82,890)	177,082	809,565	(915,335)	140,648	161,337	604,877	116,695	1,011,979
Effect of initial application of standard No. 40	-	-	(A) (26,720)	-	(B) (78,935)	26,720	-	-	(78,935)
Updated balance as of October 1, 2021	(82,890)	177,082	782,845	(915,335)	61,713	188,057	604,877	116,695	933,044

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**Q. Effect of initial application of standard No. 40 (cont'd)**

- A. Until September 30, 2021 the university received donations totaling NIS 94,670 thousand designated for development, which were used for building construction, whose construction has yet to complete. In respect of these construction costs, the university presented in previous years a transfer from restricted net assets to unrestricted net assets used for fixed assets. In accordance with the Standard's provisions and since those assets are not yet ready for use, these transfers were canceled and the amounts were reclassified to restricted net assets, until the construction will complete.
- B. In accordance with the Standard's provisions, a conditional donation that represents a barrier that must be overcome before the University will be entitled to the assets transferred or pledged, will be recognized as a liability in the financial statement until the condition is met. Accordingly, beginning October 1, 2021 the University presents advances for grants research in its liabilities in the financial statement since these donations include a donor-condition. As of October 1, 2021 these liabilities amounted to NIS 279,665 thousand.

R. Immaterial adjustment of comparative data

As part of the initial application of standard No. 40, the University re-examined the restrictions applicable to the balancing fund. The examination emphasized that the accumulated amounts in the balancing fund are restricted for use according to the donor's designation and therefore the balancing fund should be presented under restricted net assets instead of unrestricted net assets designated by the University. The University examined the nature of the change in relation to the relevant reporting periods and concluded, after examining quantitative and qualitative parameters, that the change has no effect on the way economic decisions made and/or the analysis of financial statements by the financial statement's users. Therefore, it is not a material error that requires republishing of the University's financial statements as of September 30, 2021 and for the year that ended.

Notes to the Financial Statements

Note 2 - Significant Reporting and Accounting Policies (cont'd)**R. Immaterial adjustment of comparative data (cont'd)**

(1) Impact on the financial statements as of September 30, 2021:

	<u>As previously reported NIS thousands</u>	<u>The effect of the amendment NIS thousands</u>	<u>As reported in these Financial statements NIS thousands</u>
Unrestricted net assets designated by the University	1,040,852	(413,449)	627,403
Restricted net assets - balancing fund	-	413,449	413,449

(2) Impact on the statement of Operation:

	<u>For the year ended on September 30 2021 NIS thousands</u>
Net income for the year as previously reported	265,924
Effect of the amendment:	
Financing income (expenses), net	(168,245)
Net income for the year as reported in these financial statements	97,679

Notes to the Financial Statements

Note 3 - Tuition Receivable, Net

	September 30		Convenience Translation (Note 1b)
	2022	2021	September 30
	NIS thousands	NIS thousands	2022 US\$ thousands
Receivables for tuition fees - students	6,187	6,604	1,745
Less - allowance for doubtful accounts	(3,608)	(3,422)	(1,018)
	2,579	3,182	727

Note 4 - Accounts Receivable

	September 30		Convenience Translation (Note 1b)
	2022	2021	September 30
	NIS thousands	NIS thousands	2022 US\$ thousands
Checks receivable	4,557	4,077	1,286
Government ministries and public institutions	4,189	2,515	1,182
Prepaid expenses	3,024	1,895	854
Receivables in respect of research	100,440	102,252	28,349
Investees, net (1)	20,568	16,419	5,805
Income receivable	22,233	15,308	6,275
Credit cards	43,140	27,250	12,176
Other	46,405	29,777	13,098
	244,556	199,493	69,025
Less - allowance for doubtful accounts	(1,236)	(1,557)	(349)
	243,320	197,936	68,676

(1) The balances are unlinked and interest free.

Notes to the Financial Statements

Note 5 - The Planning and Budgeting Committee (PBC)

	September 30		Convenience translation (Note 1b)
	2022	2021	September 30
	NIS thousands	NIS thousands	2022 US\$ thousands
Balance at the beginning of the year	(168,868)	(57,842)	(47,662)
Allocations for current obligations	1,402,663	1,360,270	395,897
Allocation to cover budgetary pension payments	175,024	171,907	49,400
Allocations for research and projects	6,585	29,797	1,859
Total Allocation for year	1,584,272	1,561,974	447,156
Less - amounts received during the year	(1,517,000)	(1,673,000)	(428,169)
Balance at the end of the year	(101,596)	(168,868)	(28,675)

Notes to the Financial Statements

Note 6 - Investments in deposits and marketable securities

	Average Holding Period until Redemption Years	Interest rate 2022 %	September 30		Convenience translation (Note 1b)
			2022	2021	September 30 2022
			NIS thousands	NIS thousands	US\$ thousands
Cash					
Cash in banks designated for investments - foreign Currency			26,248	65,818	7,408
Cash in banks designated for investments - NIS			251,865	24,539	71,087
			<u>278,113</u>	<u>90,357</u>	<u>78,495</u>
Deposits					
Unlinked bank deposits	0.01	1.19	439,072	824,282	123,927
Bank deposits in, or linked to foreign currency	0.73	3.91	35,289	25,542	9,960
Bank deposits linked to the Israeli CPI	0.21	0.15	108,644	104,238	30,664
			<u>583,005</u>	<u>954,062</u>	<u>164,551</u>
Marketable securities					
Debentures traded in Israel			778,688	858,745	219,782
Debentures denominated in or linked to foreign currency			502	12,723	142
Shares traded in Israel			54,853	35,505	15,482
Short-term loans and CPI linked debentures			292,030	243,788	82,424
Foreign traded shares			663,306	701,729	187,216
Foreign traded debentures			269,301	274,497	76,010
			<u>2,058,680</u>	<u>2,126,987</u>	<u>581,056</u>
Non-marketable debentures					
Capital notes linked to the Israeli CPI	2.32	6.6	1,139	1,452	321
Debentures linked to the Israeli CPI - permanent Investment	18.62	4.31	32,986	41,913	9,311
			<u>34,125</u>	<u>43,365</u>	<u>9,632</u>
Hedge funds and private Equity					
			480,855	348,869	135,721
Total			<u>3,434,778</u>	<u>3,563,640</u>	<u>969,455</u>
Presented in current assets			<u>553,895</u>	<u>513,130</u>	<u>156,335</u>
Presented in long-term assets			<u>2,880,883</u>	<u>3,050,510</u>	<u>813,120</u>

Notes to the Financial Statements

Note 7 - Investments in Investees

A. Details pertaining to the investments:

	September 30		Convenience translation (Note 1b)
	2022	2021	September 30
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
<u>Atidim, Company for Science – Based Industries Ltd. (c):</u>			
Share capital and capital reserves	91,885	91,885	25,934
Retained earnings, after dividend distribution	401,013	337,089	113,185
	<u>492,898</u>	<u>428,974</u>	<u>139,119</u>
See Note 7(C)			
<u>The Economic Company of Tel-Aviv University Ltd. (d)</u>			
Share capital and capital reserves	12,226	12,226	3,451
Advance payments on investment	3,284	2,411	927
Capital note	26,334	26,334	7,433
Residual profit (loss)	5,223	(15,258)	1,474
	<u>47,067</u>	<u>25,713</u>	<u>13,285</u>
See Note 7(D)			
<u>Sports Center of Tel-Aviv University Ltd. (e):</u>			
Share capital and capital reserves	34,798	34,798	9,822
Accumulated deficit	(27,234)	(28,050)	(7,688)
See note 7(E)	<u>7,564</u>	<u>6,748</u>	<u>2,134</u>
	<u>547,529</u>	<u>461,435</u>	<u>154,538</u>
<u>The investments in investees are presented in the balance sheet as follows:</u>			
In "Investment in affiliated company"	492,898	428,974	139,119
In "Investment in wholly-owned investee"	54,631	32,461	15,419

Notes to the Financial Statements

Note 7 - Investments in Investees (cont'd)

B. Details of the University's share of net income (expenses) of affiliated entities presented at equity:

	September 30		Convenience translation (Note 1b)
	2022	2021	September 30
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>2022</u> <u>US\$ thousands</u>
Atidim, Company for Science - Based Industries Ltd. net of taxes (see note 17B)	69,232	3,603	19,541
The Economic Company of Tel-Aviv University Ltd.	19,608	22,292	5,534
Sports Center of Tel-Aviv University Ltd.	1,689	(452)	477
	<u>90,529</u>	<u>25,443</u>	<u>25,552</u>

C. Atidim, Company for Science - Based Industries Ltd. ("Atidim"):

- Atidim is owned in equal parts by the University and Tel-Aviv-Jaffa Municipality ("the Municipality"). The investment in "Atidim" is presented based on the equity method.
- Atidim received an approval from the Tax Authorities, which stipulated that a 10% tax will be withheld from any dividends distributed in the tax year 2002 and thereafter, including from retained earnings from previous years. In view of the above, the University created a deferred tax liability for its share in Atidim's earnings at the rate of 10% (see Note 17B).
- In the reporting year, a dividend of 13 million was distributed to the University, from which tax at the rate of 10% was withheld.

D. The Economic Company of Tel-Aviv University Ltd. ("the Economic Company"):

- The Economic Company is a wholly - owned subsidiary of the University. The financial statements of the Economic Company include, the wholly - owned subsidiary: Ramot at Tel-Aviv University Ltd. and: The Haim Rubin Tel-Aviv University Press Ltd. and Gaudmos Production Ltd., presented on an equity basis. As of September 2020, the Economic Company signed an agreement for establishment a partnership with Electra Ltd. for the purpose of establishment and operation of Corona Laboratory. The limited partnership was established and began operations in October 2020.
- The Capital Note does not bear interest or linkage and will not repaid before September 30, 2023.
- During 2020, the University transferred to the Economic Corporation a total of NIS 631 thousand as an advance payments on investment in shares.

Notes to the Financial Statements

Note 7 - Investments in Investees (cont'd)

D. The Economic Company of Tel-Aviv University Ltd. ("the Economic Company") (cont'd)

4. During 2021, the University transferred to the Economic Corporation a total of NIS 1,780 thousand as an advance payments on investment in shares.
5. During 2022, the University transferred to the Economic Corporation a total of NIS 873 thousand as an advance payments on investment in shares.

E. Sports Center of Tel-Aviv University Ltd. ("Sports Center"):

The university owns 100% of the shares of Sports Center.

In May 2014, the Sports Center Issued a Capital Note to the University in the amount of NIS 14,406 thousand. The capital note does not bear interest and linkage, with repayment date is not before January 1, 2018. In April 2019, the University converted the capital note into advance payment on investment in Sports Center shares. In May 2021 the sports center issued ordinary shares at NIS 1 par value to the university for a total amount of 14,406 thousand NIS.

F. Other corporations:

In addition, The University is related, directly and indirectly, to 10 associations and institutes and 9 companies (including public benefit companies)

Note 8 - Long-Term Receivables

	September 30		Convenience translation (Note 1b)
	2022	2021	September 30
	NIS thousands	NIS thousands	2022 US\$ thousands
Post-dated checks from students	2,530	3,234	714
Loan to Beit Hatfutsot	5,215	6,732	1,472
Financial asset to receive - Broadcom (see also 14a)	4,860	-	1,372
	12,605	9,966	3,558

Notes to the Financial Statements

Note 9 - Build operator transfer Arrangements (BOT)

1. In 2008, the University signed an agreement for developing, building, operating and management of student dormitories with Shikun & Binui Nadlan Ltd. ("the operator") in the Broshim complex and for renovating the existing dormitories on Einstein Street Ramat Aviv using the BOT method.

During the construction, the total number of rooms available to students have increased and the accommodation conditions were improved. The operator is entitled to carry out renovation works in the existing commercial areas and entitled to build additional commercial areas. In return, the operator received the right to operate both dormitories' complexes as well as the commercial areas for a period of 24 years and six months ("the concession period").

At the end of the operation and management period of each complex or building, the operator will hand over the complex or building to the University, including the entire construction, equipment, furniture and fixtures therein.

The operator will allow students to reside in the dormitories in return for payment and will also lease the commercial spaces and claim the revenues from their operation.

The operator will be able to offer the students additional paid services such as internet access, cleaning services, laundry services etc.

The operator will pay the University each month until the end of the concession period, a fixed amount to cover the University's expenditures, such as consultants fees, supervisors and planners on its behalf.

The concession fees in respect of the project are all under supervision and the operator is unable to raise the concession fees beyond a certain maximum determined in the business plan that was attached to the agreement.

In order to encourage students from peripheral areas to reside in the dormitories, the operator will allocate a predetermined portion of the revenues for discounts to students residing in the dorms.

The University has agreed to grant the operator a "safety net" and assure it 50% of anticipated revenues based on the business plan from the actually built areas starting from the date of initial operation through the date of verifying eligibility as discussed above. If the receipts generated for the operator on a triennial average will be lower than anticipated revenue, as mentioned, the University will pay the operator the difference between the actual receipts and the anticipated revenue. The examination will be performed every three years at the end of the third year, the sixth year and so on, from the date of first operating the Einstein complex. The University will pay for the "safety net" within 180 days from the termination of the parties' examination. As of balance sheet date, the University was not required to pay the operator payments as part of the "Safety net".

Broshim complex comprises eight buildings. As part of the project, the University and the operator initiated a process of elevating three of the buildings from 11 floors to 15 floors under a procedure for amending the town planning scheme.

Notes to the Financial Statements

Note 9 - Build operator transfer Arrangements (BOT) (cont'd)

In December 2018, the University signed an amendment to the agreement with Shikun and Binui Nadlan Ltd., for the construction of three additional dormitory buildings, including guest housing, and construction of underground parking lot within the Broshim complex. In accordance with the extension to the agreement, the operating period was extended to 24 years and 11 months starting October 1, 2018, both for the existing buildings and for three additional buildings. The construction of the new dormitory buildings was completed and the populate began during the year ended September 2021.

In addition, according to the extension to the agreement, Shikun and Binui was obliged to reduce the student rent fees in relation to the original agreement, in exchange for compensation from the University in amount of approximately NIS 29 million.

2. See Note 14a(2) for information relating to the agreement with Broadcom Semiconductors.

Notes to the Financial Statements

Note 9 - Build operator transfer Arrangements (BOT) (cont'd)

Composition:

Service concession asset- BOT

	<u>Cost</u> <u>NIS thousand</u>	<u>Accumulated</u> <u>depreciation</u> <u>NIS thousand</u>	<u>Net book value</u> <u>NIS thousand</u>	<u>Convenience</u> <u>translation</u> <u>(Note 1b)</u> <u>US\$ thousand</u>
Balance at September 30, 2020	627,966	(81,790)	546,176	154,156
Additions	<u>21,520</u>	<u>(15,597)</u>	<u>5,923</u>	<u>1,672</u>
Balance at September 30, 2021	649,486	(97,387)	552,099	155,828
Additions	<u>212</u>	<u>(15,861)</u>	<u>(15,649)</u>	<u>(4,417)</u>
Balance at September 30, 2022	<u>649,698</u>	<u>(113,248)</u>	<u>536,450</u>	<u>151,411</u>

Liability in respect of BOT arrangement

	<u>NIS thousand</u>	<u>Convenience</u> <u>translation</u> <u>(Note 1b)</u> <u>US\$ thousand</u>
Balance at September 30, 2020	496,641	140,175
Additions	21,520	6,073
Revenue recognition	<u>(22,147)</u>	<u>(6,251)</u>
Balance at September 30, 2021	496,014	139,997
Additions	212	60
Revenue recognition	<u>(22,644)</u>	<u>(6,391)</u>
Balance at September 30, 2022	<u>473,582</u>	<u>133,666</u>

Notes to the Financial Statements

Note 10 - Fixed Assets, net

A. Fixed assets used in teaching and research activity, administration and services to students

Composition:

	<u>Lands rights</u> NIS thousands	<u>Buildings and Leasehold improvements</u> NIS thousands	<u>Research equipment</u> NIS thousands	<u>Net book value</u> NIS thousands	<u>Convenience Translation (Note 1b)</u> US\$ thousand
Cost					
Balance as of September 30, 2021	1,481,925	1,834,585	208,409	3,524,919	994,898
Additions for the Year	-	115,719	47,613	163,332	46,099
Balance as of September 30, 2022	1,481,925	1,950,304	256,022	3,688,251	1,040,997
Accumulated Depreciation					
Balance as of September 30, 2021	321	472,789	183,521	656,631	185,332
Depreciation for the year	1,122	46,836	28,525	76,483	21,587
Balance as of September 30, 2022	1,443	519,625	212,046	733,114	206,919
Carrying Amount as of September 30, 2022	1,480,482	1,430,679	43,976	2,955,137	834,078
Carrying amount as of September 30, 2021	1,481,604	1,361,796	24,888	2,868,288	809,566

Following are further details:

- The University has a lease agreement with the Tel-Aviv Municipality regarding land covering a total of about 654 acres until March 31, 2062. The lease fees detailed in the agreement are a token value of NIS 1 for the entire lease period. The University is working to regulate land registration. The University signed a lease agreement with the Tel Aviv Municipality on November 2019 regarding land of approximately 4.5 acres, for a period of 25 years beginning in 2012, for the Natural History building area.
- The University has a lease agreement with the Israel Lands Administration regarding land covering a total of about 16 acres until 2018. The lease agreement included a renewal option for additional 49 years. In December 2017, the University applied to Israel Land Authority to exercise the extension option. As of the balance sheet date, the extension agreement has not been signed.
- In 2005, an agreement was signed with the Municipality for the lease of a complex covering a total of 5,482 acres on which there is a multi-level building and other buildings for a period ending on March 31, 2052 to be used as a permanent asset for the University's activity.

Notes to the Financial Statements

Note 10 - Fixed Assets (cont'd)

A. Fixed assets used in teaching and research activity, administration and services to students (cont'd)

4. The University has a parking fund in cooperation with the Tel Aviv Municipality, which is operated by Achuzot Hahof Ltd. in accordance with the agreement between the parties. The Fund is not an independent entity but constitutes the operational channel of the University and the Municipality in parking matters. The purpose of the Fund is to set up parking areas and to develop areas and roads around the Ramat Aviv Campus. The Fund's management is comprised, on an equal basis, of representatives of the Municipality and the University. The right to use the parking areas as a management company was conferred to Achuzot Hahof Ltd. (a subsidiary of the Municipality). The amounts received from the operators of the parking areas constitute the Fund's revenues and are deposited by the management company in a trust account. The net excess of assets of the Fund as of September 30, 2022 amount to NIS 34,297 thousand (\$9,680 thousand) (September 30, 2021 - NIS 11,270 thousand).

5. The University's management elected to revalue the buildings (excluding land) as of October 1, 2009 (the date of transition to reporting pursuant to the PBC guidelines).

The physical value of the buildings (excluding land) as of October 1, 2009 and the assessment of the remaining economic life of the buildings that belong to the University have been determined based on valuations performed by an independent external assessor. The physical value was measured for each building separately with reference to the physical facts of the buildings, the scope of the built area, the building standard, building level and etc. In addition to the above, additions, building expansions and internal renovations were taken into account in determining the physical value of the buildings. The remaining economic life of the buildings was determined based on the first date of operation of each building; while the economic life for a building ranges between 60 and 80 years.

Also, in determining the economic life of buildings, renovation and upgrading works performed were taken into account and they add between 20 and 25 years to the economic life of the buildings, dependent on the level of planning and investment.

Since October 1, 2009, investments in buildings have been recorded based on the cost of the building at the investment date.

6. The University's management elected to value the lands rights (675 acres) to their fair market value as of September 30, 2016 in accordance with transitional provisions of Accounting Standard No. 9. The value was determined based on a valuation performed by an independent external assessor. The value of the lands was established based on comparative valuations in according to the principles used for public property outlined by the Land Appraisal Department. Among other variables, the following were considered as part of the assessment: the size of the area, legal rights, the planned usage for the land, and building rights. The valuation was performed under the assumption that the University's lands rights will not change after the assessment date. The addition from the revaluation of fixed assets on the date of transition was recorded in the statement of net assets as unrestricted net assets used in fixed assets in the amount of NIS 1,280 million.

Notes to the Financial Statements

Note 10 - Fixed Assets (cont'd)

A. Fixed assets used in teaching and research activity, administration and services to students (cont'd)

7. Agreements with suppliers of fixed assets:

As of September 30, 2022, the University has contractual commitments with contractors and suppliers to construct buildings used for teaching and research. Below are the outstanding commitments in respect of the significant projects in respect of which there are commitments:

	<u>NIS thousands</u>	<u>Convenience translation (Note 1b) US\$ thousands</u>
Adams - Central Building	7,277	2,054
Lori Loki Building	4,282	1,209
Engineering Research Building - Broadcom	3,745	1,057
Broadcom Building 2	3,143	887
Nano-Technology Building	2,789	787
Renovation of public paths - botanical gardens	1,741	491
Adams - Hypoxia rooms	1,358	383
Law Building - Addition entrance wing to Buchman building	1,208	341
Energetic efficiency	575	162
The Miriam and Moshe Shuster Center for Trauma and Resilience Building	465	131
Information systems building - Ziskind	347	98
Refurbishment of research sub-project greenhouses	177	50
Azrieli Architecture Building - 2017	162	46
Renovation of botanical gardens 2019	106	30
Check Point building	81	23
various projects	215	61
	<u>27,671</u>	<u>7,810</u>

Notes to the Financial Statements

Note 10 - Fixed Assets (cont'd)

B. Fixed assets that are not used in teaching and research activity, administration and services to students - designated for realization

	September 30, 2022	September 30, 2021	Convenience translation (Note 1b) September 30 2022
	NIS thousands	NIS thousands	US\$ thousands
Residential apartments	1,475	3,175	416
Plots	2,946	2,946	832
	<u>4,421</u>	<u>6,121</u>	<u>1,248</u>

Note 11 - Accounts Payable

	September 30 2022	September 30 2021	Convenience translation (Note 1b) September 30 2022
	NIS thousands	NIS thousands	US\$ thousands
Deferred revenues in respect of projects	53,805	29,383	15,186
Accrued expenses	192,612	180,107	54,364
Other creditors and accounts payable	19,868	24,438	5,607
Students in respect of tuition fees	8,446	8,356	2,385
	<u>274,731</u>	<u>242,284</u>	<u>77,542</u>

Note 12 - Deferred Revenues

	September 30 2022	September 30 2021	Convenience translation (Note 1b) September 30 2022
	NIS thousands	NIS thousands	US\$ thousands
Tuition fees	133,070	135,386	37,559
Other	24,473	35,899	6,907
	<u>157,543</u>	<u>171,285</u>	<u>44,466</u>

Notes to the Financial Statements

Note 13 - employee benefits

Composition of employee benefits

	September 30, 2022	September 30, 2021	Convenience translation (Note 1b) September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Presented under current liabilities			
Salaries and related liabilities	145,965	142,749	41,198
Current maturities for budgetary pension, net	<u>140,000</u>	<u>134,000</u>	<u>39,514</u>
Total	<u>285,965</u>	<u>276,749</u>	<u>80,712</u>
Presented under non-current liabilities			
Liabilities for severance pay and retirement grants	282,902	280,694	79,848
Liabilities for other long-term benefits	457,573	469,237	129,149
Liabilities for budgetary pension obligation, net	<u>1,874,515</u>	<u>2,359,100</u>	<u>529,076</u>
Total	<u>2,614,990</u>	<u>3,109,031</u>	<u>738,073</u>

Notes to the Financial Statements

Note 13 - employee benefits (cont'd)**A. Pension and severance pay**

1. The University has a liability to pay pension and severance payments to three groups of employees:
 - a. To the academic staff under budgetary pension agreements (who generally commenced employment before September 30, 2003) - regular budgetary pension fund.
 - b. To the existing academic staff as part of cumulative pension (who generally commenced employment after October 1, 2003) - obligation to a retirement grant of 28% of latest salary multiplied by years of employment in the University.
 - c. To the administrative staff - obligation to a retirement grant of 52% of latest salary multiplied by years of employment in the University.

In 2007, the University and the senior academic staff union signed an agreement to transition to a cumulative pension plan. This agreement applies to members of the senior academic staff union who started to work at the University on October 1, 2003 and thereafter.

The University contributes regularly to provident funds and pension funds. The contributions do not cover the University's entire obligation for retirement conditions, pension and severance pay.

Employees who are members of the first group are entitled at retirement age to a pension from the University and to their share in the pension fund and the University is entitled to the remaining employer's share in the pension fund.

If the employees retire before their eligibility to budgetary pension, they will be entitled to the entire balance of the pension fund.

Notes to the Financial Statements

Note 13 - employee benefits (cont'd)

A. Pension and severance pay (cont'd)

2. The movement in the obligation for budget pension, net:

	budgetary pension obligation For the year ended September 30		Fair value of plan assets For the year ended September 30		Reimbursement asset - PBC commitment (A) For the year ended September 30		The total liability for pension budgetary, net For the year ended September 30		Convenience Translation (Note 1b) For the year ended September 30
	2022	2021	2022	2021	2022	2021	2022	2021	2022
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands	US\$ thousands
Balance as at beginning of year	5,690,536	5,216,626	67,641	63,258	3,129,795	2,869,144	2,493,100	2,284,224	703,669
Current service cost	69,085	61,980	-	-	37,997	34,089	31,088	27,891	8,775
Interest cost	184,104	147,835	(4,007)	1,115	101,257	81,309	86,854	65,411	24,514
Actuarial losses (gains) from Changes of financial assumptions	(1,011,271)	562,974	-	-	(550,431)	317,160	(460,840)	245,814	(130,071)
Benefits paid	(307,738)	(298,879)	-	-	(175,024)	(171,907)	(132,714)	(126,972)	(37,458)
Contributions made	-	-	2,973	3,268	-	-	(2,973)	(3,268)	(839)
Balance as at year end	4,624,716	5,690,536	66,607	67,641	2,543,594	3,129,795	2,014,515	2,493,100	568,590
Less current maturities							(140,000)	(134,000)	(39,514)
Presented as long-term liabilities							1,874,515	2,359,100	529,076

(A) In accordance with a letter received by the Chairman of the PBC, the participation of PBC in recent years in payments of defined benefit pension of the University at a rate of 55% is expected to continue in a similar fashion for the foreseeable future.

Notes to the Financial Statements

Note 13 - employee benefits (cont'd)

A. Pension and severance pay (cont'd)

3. Details of expenses included in statement of operations

	<u>2022</u>	<u>2021</u>	<u>Convenience Translation (Note 1b) 2022</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Current service cost	31,088	27,891	8,775
Interest cost	86,854	65,411	24,514
Contributions made	<u>(2,973)</u>	<u>(3,268)</u>	<u>(839)</u>
	<u>114,969</u>	<u>90,034</u>	<u>32,450</u>

4. Actuarial assumptions

Below are the main actuarial assumptions regarding defined benefit plans as of the balance sheet date:

- a. The mortality rates are based on the rates that were published in the insurance circulars of the Ministry of Finance which were published in June 2022.
- b. The rate of termination was determined based on historical trends observed by the University for various types of employees in accordance with seniority levels.
- c. Until 2021, the rate of salary increases, in accordance with various existing agreements between the University and its employees, for various types of employees in accordance with seniority levels is between 0.25% and 1.5%. as of October, 2021, the annual nominal wage increase will move up to 2.5%.
- d. The (nominal) 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

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2022</u>	<u>2021</u>
Discount rate on September 30	<u>5.27%</u>	<u>3.30%</u>

5. Impact of actuarial assumptions on commitment for defined benefit plans:

The decrease in the obligation for budget pension is mainly due to an increase in the discount rate compared to previous year.

Notes to the Financial Statements

Note 13 - employee benefits (cont'd)

A. Pension and severance pay (cont'd)

6. Based on the actuarial report, the projected annual pension payments before participation of the Planning and Budgeting Committee (including future obligation) in current values are as follows:

<u>period</u>	<u>Total</u>	<u>Convenience translation</u>
	<u>NIS thousands</u>	<u>(Note 1b)</u>
	<u>Total</u>	<u>Total</u>
	<u>US\$ thousands</u>	<u>US\$ thousands</u>
2022- 2023	309,183	87,266
2023 - 2031	2,994,135	845,085
2032 - 2041	3,133,557	884,436
2042 - 2051	1,898,204	535,762
2052 - 2061	684,445	193,182
2062 – 2071	100,516	28,370
2072 – 2081	5,858	1,653
2081 and thereafter	344	97

B. Post-employment benefit plans – defined contribution plan

The University has a defined contribution plan in respect of the University's liability to pay the savings component of provident funds and in respect of those of its employees who are subject to Section 14 of the Severance Pay Law – 1963.

	<u>September 30</u>	<u>September 30</u>	<u>Convenience translation</u>
	<u>2022</u>	<u>2021</u>	<u>(Note 1b)</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>September 30</u>
			<u>2022</u>
			<u>US\$ thousands</u>
Expense recognized for defined contribution plan	<u>178,390</u>	<u>172,574</u>	<u>50,350</u>

Notes to the Financial Statements

Note 13 - employee benefits (cont'd)

C. Reserves for severance pay and retirement grants and for other employee rights

	Balance of Reserves as of October 1, 2021	Payments during the year	Updating the reserves	Balance of Reserves as of September 30, 2022	Convenience translation (Note 1b)
					Balance of reserves as of September 30, 2022
	NIS thousands				US\$ thousands
Severance pay and retirement grants (1)	280,694	(29,205)	31,413	282,902	79,849
Redemption of vacation days	29,063	(1,886)	2,891	30,068	8,487
Redemption of sick leave days (2)	202,691	(23,634)	(23,220)	155,837	43,984
Rights in scientific liaison fund (3)	237,483	(16,706)	50,891	271,668	76,677
	<u>749,931</u>	<u>(71,431)</u>	<u>61,975</u>	<u>740,475</u>	<u>208,997</u>

- (1) The severance pay is determined based on the closing model.
- (2) Pursuant to salary agreements, all employees of the University employed under these agreements, who have reached the age of 55, are entitled to a scaled grant for unused sick leave for the period during which they were employed by the University. This grant is given upon retirement, and only when having reached the age of retirement and, under certain conditions, upon death. The grant is to be given only in instances where the employees, during their tenure with the University, used not more than 65% of total sick leave to which they were entitled. The liability is calculated based on 6 or 8 days per 30 annual accrued days in accordance with the University labor agreements and subject to utilization of days during employment. The calculation is based on an actuarial calculation.
- (3) The academic staff are entitled to rights in scientific liaison funds. The amounts can be redeemed upon retirement by the employee or its descendants. The outstanding liability is linked to the US Dollar.

Notes to the Financial Statements

Note 13 - employee benefits (cont'd)
D. Unrestricted net assets obligation for employee rights

	<u>NIS thousands</u>	<u>Convenience translation (Note 1b) US\$ thousands</u>
Balance as of September 30, 2021	3,243,031	915,335
Add:		
Updating budgetary pension, net	114,969	32,450
Updating reserves for severance pay and employee rights	61,975	17,492
Actuarial loss respect of budgetary pension	<u>(460,840)</u>	<u>(130,071)</u>
	<u>(283,896)</u>	<u>(80,129)</u>
Less:		
Payments budgetary pension, net	(132,714)	(37,458)
Payments for severance pay and employee rights	<u>(71,431)</u>	<u>(20,161)</u>
	<u>(204,145)</u>	<u>(57,619)</u>
Balance as of September 30, 2022	<u>2,754,990</u>	<u>777,587</u>

E. Sabbatical leave

During the reporting year, the University paid sabbatical grants in the amount of NIS 12,315 thousand (for the year ended September 30, 2021 - NIS 5,520 thousand).

F. Compensation Agreements

1. In August 2016 a collective framework agreement was signed, which amended the original framework agreement between the University and the New General Workers Union. This agreement settled wage increases for administrative staff for the period 1.1.2013 until 31.12.2017, that implemented gradually from 2016 to 2019 and thereafter.
2. During December 2016 a wage agreement was signed between the Institutions of Higher Education in Israel, represented by the Council of Heads of Universities, including Tel-Aviv University, with senior academic unions. According to the agreement, a wage increase of 9% for the period from 1.1.2014 until 31.12.2019 was approved to be paid gradually during the period 1.1.2017 until 1.9.2021 and thereafter. In accordance with the agreement, it was agreed that as of 2017, the budgetary pension payments to eligible retirees are not linked to salary increases but to the CPI.

Notes to the Financial Statements

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

1. In 2008 the University signed an agreement for developing, building and operating student dormitories with Shikun & Binui Nadlan Ltd. (the Operator). In addition, the University signed an update to this agreement during 2018 under which 3 additional buildings (buildings 9,10,11) and an underground parking lot will be constructed in Broshim complex. See Note 9.
2. In August 2017, the University signed an agreement with Broadcom Semiconductors Inc. ("the Company" or "Broadcom") for the planning and building of a 15,000 square meter building and a parking lot with approx. 350 parking slots on university's grounds. In exchange for the construction, Broadcom Semiconductors will be able to use a portion of the building (10,500 square meters) and have access to the parking lot, both for a period of 24 years and 11 months. The remaining 4,500 meters of the building (a rate of 30% of the building surface) will be available for use by the University upon the completion of the building project.

In accordance with the addendum to the agreement signed in August 2020, and update to the agreement as of July 2021, the division was changed so that the building area that will be used by Broadcom throughout the operational period will be 12,000 square meters and the university area that will remain in its hands after construction completion will be 3,000 square meters. Following this change, the agreement stipulates that Broadcom will reimburse the University in the amount of NIS 8.4 million in respect of costs incurred to the University follow this change, and additional amount of approximately NIS 43.5 million instead of building supposed to build for the University by Broadcom. These amounts were received during the year 2021.

The Company is entitled to use its portion of the building for the purposes of conducting scientific and engineering research and for administration needs in order to oversee the research and development activities.

Additionally, the Company is obligated to participate in cooperation with the University on a number of academic matters. These include, among other things: support of the Company at University conferences, educational programs that integrate the community and students from the University, seminars and/or joint studies in cooperation with senior researchers from various faculties of the University.

Upon the completion of its usage period, the Company will return its rights to the building and the parking lot to the University. Until this date, the university is required to register in the library a financial asset for installments according to the fair value expected to be received at the end of the authorization period. Accordingly, in 2015 the university recognized for the first time a financial asset in the amount of NIS 4,860 thousand.

In 2021, the University recognized construction cost of fixed assets approximately NIS 58.1 million, reflecting its share in the construction, as stated above, against a liability that reflects the University's commitment to allow Broadcom the right to use the land throughout the operating lease period.

In March 2021, "Form 4" has received and as of this date the operating period began in accordance to the agreement

Notes to the Financial Statements

Note 14 - Commitments and Contingent Liabilities (cont'd)

B. Contingent liabilities

1. In 1983, the Municipality and the University signed an agreement for the establishment of a joint fund designated to evict areas and buildings near the campus at Sheikh-Munis ("the eviction fund"). The Municipality's portion of the cost has been donated by way of the waiver of municipal taxes for the University, and the University has committed to transfer an equal amount each year to the eviction fund.

In 2007, in view of the parties' agreement that the scope of the eviction fund is sufficient to carry out the evictions planned in Sheikh-Munis, it was decided to revise the agreement from 1983, as follows:

- a) The value of the eviction fund as of January 1, 2007 is placed at NIS 111,442 thousand, including linkage and interest (at the rate of 4%) up to that date. As of that date no additional funding will be deposited and the fund will bear linkage differences only.
- b) Beginning January 1, 2007 the University is liable to pay municipal taxes. The amounts and payment terms will be agreed upon by both parties.
- c) According to an agreement signed in 2012, the balance of the eviction fund, after financing the evictions, will be used for other purposes as will be agreed by both parties.
- d) The balance of the eviction fund is recorded in temporarily restricted net assets for other purposes.
- e) Composition:

	September 30		Convenience translation (Note 1b) September 30
	2022	2021	2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Eviction fund, balance at beginning of year	27,677	42,898	7,812
Revaluation of the eviction fund	576	420	163
Payments agreed by both Parties	<u>(3,508)</u>	<u>(15,641)</u>	<u>(990)</u>
Balance as of year end	<u>24,745</u>	<u>27,677</u>	<u>6,985</u>

2. As for the contingent liability for sabbatical leave, see Note 2L (4).

Notes to the Financial Statements

Note 14 - Commitments and Contingent Liabilities (cont'd)

B. Contingent liabilities (cont'd)

3. pending against the University are claims totaling approximately NIS 242 million (which includes a request to recognize a class action lawsuit regarding security fees of NIS 70 million which has been rejected in court subsequent to the balance sheet date, a demand for payment levies in the amount of NIS 13 million, a demand for payment in respect of water and sewage levies in the amount of approximately NIS 117 million as detailed in section 4 below, and a request to return a donation totaling NIS 23 million as detailed in section 5 below.
4. The Mei Avivim water and sewage corporation has submitted to the University a demand for payment of water and sewage levies in respect of 2015. Negotiations were conducted between the parties regarding the nature and scope of the demand. After the reporting period, they parties reached a compromise agreement for the payment of approximately NIS 7 million.
5. In December 2015, a monetary claim was submitted against several institutions including the University and its subsidiary, Ramot, by the trustee of the Bernard L. Madoff Assets Company, requesting to return donations which according to the trustee, originate from fraud actions conducted by the donor. The claim amount attributed to the University and Ramot totals approximately US\$ 6.5 million. Management of the University estimates that the chances of the claim to be accepted are low.
6. The financial statements include provisions in accordance with the management's assessment, which is based, inter alia, on the opinion of its legal advisors.
7. Internal commitment for refunding researches

The University has an internal commitment relating to balances from research activities financed by outside entities until January 2005. This surplus balance is designated to the research activity of researchers. It is emphasized that this commitment is only an internal commitment, and the University is not required to pay it at all, and is therefore not included within liabilities.

The PBC determined principles which deal with the manner of forming refund budgets (originating from research funds financed by outside entities), the manner of using the refund budget, as well as the procedures for control and oversight.

As of balance sheet date, the abovementioned surplus balances totaled approximately NIS 13 million (\$3.7 million). These balances may be withdrawn by the researchers for research purposes only, at the decision of the University's management, up to 20% of the balance each year.

Surplus balances accrued after January 2005 are under the responsibility of the Research Authority, like any other internal research funds. At September 30, 2022, the balance of internal funds relating to surpluses from research activities totaled NIS 148,524 thousand and is included in unrestricted net assets designated by management (see Note 19(2)).

Notes to the Financial Statements

Note 15 - Details of Revenues

A. Allocations from the Planning and Budgeting Committee (PBC)

	Year ended September 30		Convenience translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	NIS thousands	NIS thousands	US\$ thousands
Direct participation	1,310,847	1,267,086	369,982
Matching allocations	25,604	25,595	7,227
Scholarships	10,575	10,241	2,985
Absorption of immigrant scientists - AIS	3,179	3,646	897
Other	52,458	53,702	14,806
	<u>1,402,663</u>	<u>1,360,270</u>	<u>395,897</u>

B. Allocations from Government ministries and public institutions

	Year ended September 30		Convenience translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	NIS thousands	NIS thousands	US\$ thousands
Participation of the Ministry of Absorption in AIS Project	9,419	10,460	2,659
"Clalit" - Health Services - Felsenstein Medical Research Center	3,810	3,674	1,075
	<u>13,229</u>	<u>14,134</u>	<u>3,734</u>

C. Ordinary tuition fees

	Year ended September 30		Convenience translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	NIS thousands	NIS thousands	US\$ thousands
Ordinary tuition fees	311,626	303,749	87,955
Registration fees (including forms and registration booklets)	7,911	10,373	2,233
	<u>319,537</u>	<u>314,122</u>	<u>90,188</u>

Notes to the Financial Statements

Note 15 - Details of Revenues (cont'd)

D. Special programs tuition fees

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Examination fees - English placement and courses	1,122	1,285	317
American Medical Program (1)	21,411	25,690	6,043
Overseas Students Program	17,149	11,608	4,840
Extra budgetary programs	68,680	70,097	19,385
	<u>108,362</u>	<u>108,680</u>	<u>30,585</u>

- (1) During 2022, a decision was made by the Higher Education Council regarding freezing the american medical programs. The American medical programs are 4-year programs. Hence, the closing of registration for the 1st year in 2024, will lead to the full closure of the programs in 2027. On November 9, 2022, a decision was made by the PBC to approve a support model for the purpose of proper compensation for the process, as long as there is an increase in the number of Israeli students in the institutions.

E. Other income

	Year ended September 30		Convenience translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Royalties and other income from subsidiaries	7,645	6,183	2,158
Rental income	27,734	17,446	7,828
Income from faculties and others	28,056	25,387	7,919
Income from BOT arrangement	6,783	6,550	1,914
	<u>70,218</u>	<u>55,566</u>	<u>19,819</u>

Notes to the Financial Statements

Note 15 - Details of Revenues (cont'd)

F. Finance income (expenses), net

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	NIS thousands	NIS thousands	US\$ thousands
Revenues from dividend and interest on securities and deposits	101,936	84,875	28,771
Gain (loss) from marketable securities (including unrealized gain)	(192,025)	214,318	(54,198)
Exchange differences - current accounts, bank charges and commissions, net	(6,407)	(18,804)	(1,808)
Exchange differences allocated to restricted net assets	(145,389)	5,929	(41,036)
	<u>(241,885)</u>	<u>286,318</u>	<u>(68,271)</u>

Note 16 - Details of Expenditures

A. Teaching, research and auxiliary services

	Year ended September 30, 2022			Convenience Translation (Note 1b)
	Salaries and employee benefits	Current expenses	Total	Total
		NIS thousands		US\$ thousands
Ordinary budget *)	1,224,623	326,548	1,551,171	437,813
Research budget	143,996	249,029	393,025	110,930
	<u>1,368,619</u>	<u>575,577</u>	<u>1,944,196</u>	<u>548,743</u>
*) Including - Project budgets	<u>132,185</u>	<u>175,074</u>	<u>307,259</u>	<u>86,723</u>
	Year ended September 30, 2021			Convenience Translation (Note 1b)
	Salaries and employee benefits	Current expenses	Total	Total
		NIS thousands		US\$ thousands
Ordinary budget *)	1,193,433	290,695	1,484,128	459,625
Research budget	140,867	243,864	384,731	119,148
	<u>1,334,300</u>	<u>534,559</u>	<u>1,868,859</u>	<u>578,773</u>
*) Including - Project budgets	<u>126,151</u>	<u>160,166</u>	<u>286,317</u>	<u>88,670</u>

Notes to the Financial Statements

Note 16 - Details of Expenditures (cont'd)

B. Scholarships and services to students

	Year ended September 30, 2022			Convenience
	Salaries and Employee Benefits	Current expenses	Total	translation
				(Note 1b)
		NIS thousands		Total
			US\$ thousands	
Scholarships	-	288,511	288,511	81,432
Dean of students	8,026	943	8,969	2,531
	<u>8,026</u>	<u>289,454</u>	<u>297,480</u>	<u>83,963</u>
	Year ended September 30, 2021			Convenience
	Salaries and Employee Benefits	Current expenses	Total	translation
				(Note 1b)
	NIS thousands		Total	
			US\$ thousands	
Scholarships	-	279,046	279,046	86,419
Dean of students	7,735	1,029	8,764	2,714
	<u>7,735</u>	<u>280,075</u>	<u>287,810</u>	<u>89,133</u>

C. Change in liabilities for employee benefits

	Year ended September 30		Convenience
	2022	2021	translation
			(Note 1b)
	NIS thousands	NIS thousands	Year ended
			September 30,
			2022
			US\$ thousands
Rights upon retirement	11,084	38,824	3,128
Rights in scientific liaison fund	50,891	20,702	14,364
	<u>61,975</u>	<u>59,526</u>	<u>17,492</u>

Notes to the Financial Statements

Note 16 - Details of Expenditures (cont'd)

D. Summary of research expenses

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Salaries and employee benefits	143,996	140,867	40,641
Scholarship	142,236	136,004	40,146
Other	249,029	243,864	70,288
	<u>535,261</u>	<u>520,735</u>	<u>151,075</u>

E. General and administrative expenses

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Salaries and employee benefits	66,637	65,704	18,808
Post and communication	4,968	5,637	1,401
Office expenses	3,993	2,718	1,127
Professional consulting	5,221	4,155	1,475
Ordinary budget	<u>80,819</u>	<u>78,214</u>	<u>22,811</u>
Including closed budgets	<u>11,307</u>	<u>11,648</u>	<u>3,191</u>

F. Advertising and marketing expenses

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Salaries and employee benefits	4,109	3,126	1,160
Other	18,810	13,663	5,309
	<u>22,919</u>	<u>16,789</u>	<u>6,469</u>

Notes to the Financial Statements

Note 16 - Details of Expenditures (cont'd)

G. Summary of salary expenses

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Current salary:			
Gross salary	1,099,012	1,069,995	310,192
Employer's taxes (payroll tax, employer's social security contributions)	148,689	146,295	41,967
Social benefits	199,689	194,575	56,362
Change in liabilities for employee benefit	61,975	59,526	17,492
	<u>1,509,365</u>	<u>1,470,391</u>	<u>426,013</u>

Notes to the Financial Statements

Note 17 - Taxes on Income

A. deductions assessments

In December 2022, subsequent event, the university signed an agreement for deductions assessment with the tax authorities for the years 2017-2018.

B. Deferred tax liability

The deferred tax liability was created for the University's investment in Atidim and the University's share in Atidim's earnings (see Note 7c(2)). The expenses relating to the deferred taxes are carried against the University's share in Atidim's earnings.

Composition and movement in deferred taxes as presented in the balance sheet are as follows:

	<u>Total</u>	<u>Convenience translation (Note 1b)</u>
	<u>NIS thousands</u>	<u>Total US\$ thousands</u>
Balance as of September 30, 2020	34,409	9,712
Movement in respect of Atidim's earnings	400	112
Movement in respect of dividend distribution by Atidim	<u>(1,100)</u>	<u>(310)</u>
Balance as of September 30, 2021	33,709	9,514
Movement in respect of Atidim's earnings	7,693	2,171
Movement in respect of dividend distribution by Atidim	<u>(1,300)</u>	<u>(366)</u>
Balance as of September 30, 2022	<u>40,102</u>	<u>11,319</u>

Notes to the Financial Statements

Note 18 - Balances and Transactions with Related Parties

A. As for balances with related parties, see Notes 4 and 7.

B. Transactions with related parties

	Year ended September 30		Convenience translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Royalties and other income from investees	<u>7,645</u>	<u>6,183</u>	<u>2,158</u>

C. Key management personal compensation

The total key management personal compensation for the years ended September 30, 2022 and 2021 was approximately NIS 2,970 thousand and NIS 2,922 thousand, respectively.

Notes to the Financial Statements

Note 19 - Unrestricted Net Assets - Designated by the University

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>US\$ thousands</u>
Chairs for which there is no undertaking to maintain as a perpetual fund (1)	21,637	26,515	6,107
Technological Development Fund	75,067	74,236	21,187
Internal research funds (2)	281,221	294,704	79,374
Project surpluses (3)	250,797	231,948	70,786
	<u>628,722</u>	<u>627,403</u>	<u>177,454</u>

- (1) The use of these chairs requires the approval of the University's Executive Council. The balance includes funds designated for academic and infrastructure development designated to finance activities of the chairs for a period of ten years beginning in 2015.
- (2) Internal and other funds which were designated by the University for research.
- (3) Surpluses from special budget activities, designated by management.

Notes to the Financial Statements

Note 20 – Classification of Expenses by Nature

	Year ended September 30		Convenience Translation (Note 1b)
	2022	2021	Year ended September 30, 2022
	NIS thousands	NIS thousands	US\$ thousands
Salary and related expenses - employee benefits	1,509,365	1,470,391	426,013
Scholarships	289,454	280,075	81,697
Teaching, research and auxiliary services	575,577	534,559	162,455
Fundraising expenses	25,809	22,006	7,285
Depreciation	76,483	108,873	21,587
Professional consulting	5,221	4,155	1,474
Advertising and marketing	18,810	13,663	5,309
Office and communication	8,962	8,355	2,529
Other	114,969	90,033	32,450
Total	2,624,650	2,532,110	740,799

Appendix to the Financial Statement

Appendix A - Budget Comparison (Unaudited)

A. Composition:

	Year ended September 30, 2022			
	Budgetary Performance	Financial Performance	Budgetary performance	Financial performance
	NIS thousands		US\$ thousands	
Income				
Allocations from the Planning and Budgeting Committee (PBC)	1,593,272	1,402,663	449,696	395,897
Allocations from Government ministries and public institutions	13,228	13,229	3,734	3,734
Ordinary tuition fees	319,537	319,537	90,188	90,188
Special programs tuition fees	78,829	108,362	22,249	30,585
Projects	-	107,358	-	30,301
Donations to ongoing budget (excluding projects, construction and research)	194,282	38,965	54,835	10,998
Other income	267,286	70,218	75,441	19,819
Amounts released from net assets designated by the institution	12,815	-	3,617	-
Amounts released for purchase of fixed assets	-	66,094	-	18,655
Amounts released from net assets for which there is a restriction	51,773	75,298	14,613	21,253
Amounts released from temporary restriction - research	-	462,550	-	130,553
Dividend withdrawal "Atidim"	11,700	-	3,302	-
	<u>2,542,722</u>	<u>2,664,274</u>	<u>717,675</u>	<u>751,983</u>
Cost of operations				
Teaching, research and auxiliary services	1,748,348	1,944,196	493,465	548,743
Scholarships and services to students	267,232	297,480	75,425	83,963
Budgetary pension	307,738	114,969	86,858	32,450
Change in liabilities for employee benefits	73,053	61,975	20,619	17,492
Depreciation expenses	-	76,483	-	21,587
	<u>2,396,371</u>	<u>2,495,103</u>	<u>676,367</u>	<u>704,235</u>
Net income from operations				
General and administrative expenses	80,819	80,819	22,811	22,811
Fundraising expenses through the Associations of Friends	25,809	25,809	7,285	7,285
Advertising and marketing expenses	21,919	22,919	6,186	6,469
	<u>128,547</u>	<u>129,547</u>	<u>36,282</u>	<u>36,565</u>
Net income before financing	17,804	39,624	5,026	11,183
Finance expenses, net	(241,884)	(241,885)	(68,271)	(68,271)
Less Finance expenses allocated to restricted net	203,824	203,824	57,529	57,529
Financial expenses, net	(38,060)	(38,061)	(10,742)	(10,742)
Net income (expense) after financing	(20,256)	1,563	(5,716)	441
University's share of net income of affiliated entities	-	90,529	-	25,552
Net Income (expenses)	(20,256)	92,092	(5,716)	25,993
Neutralization of financing expenses	38,060	-	10,742	-
Total	<u>17,804</u>	<u>92,092</u>	<u>5,026</u>	<u>25,993</u>

B. The Executive Council approved the budget on October 3, 2021.

Appendix to the Financial Statement

Appendix A - Budget Comparison (Unaudited) (cont'd)

C. Composition:

	Year ended September 30, 2021			
	Budgetary Performance	Financial Performance	Budgetary performance	Financial performance
	NIS thousands		US\$ thousands	
Income				
Allocations from the Planning and Budgeting Committee (PBC)	1,570,642	1,360,270	486,417	421,267
Allocations from Government ministries and public institutions	14,134	14,134	4,377	4,377
Ordinary tuition fees	314,122	314,122	97,282	97,282
Special programs tuition fees	80,721	108,680	24,999	33,657
Projects	-	100,114	-	31,005
Donations	138,896	29,457	43,015	9,123
Other income	260,191	55,566	80,579	17,208
Amounts released from restricted net assets designated by the university	10,872	74,577	3,367	23,096
Amounts released from restriction	66,313	-	20,537	-
Amounts released from temporary restriction - research	-	503,360	-	155,887
Dividend withdrawal "Atidim"	9,900	-	3,066	-
	<u>2,465,791</u>	<u>2,560,280</u>	<u>763,639</u>	<u>792,902</u>
Cost of operations				
Teaching, research and auxiliary services	1,696,198	1,868,859	525,301	578,773
Scholarships and services to students	259,628	287,810	80,405	89,133
Budgetary pension	297,977	90,034	92,282	27,883
Change in liabilities for employee benefits	56,127	59,526	17,382	18,435
Depreciation expenses	-	108,874	-	33,718
	<u>2,309,930</u>	<u>2,415,103</u>	<u>715,370</u>	<u>747,942</u>
Net income from operations				
General and administrative expenses	78,214	78,214	24,222	24,222
Fundraising expenses through the Associations of Friends	22,006	22,006	6,815	6,815
Advertising and marketing expenses	16,789	16,789	5,200	5,200
	<u>117,009</u>	<u>117,009</u>	<u>36,237</u>	<u>36,237</u>
Net income before financing	38,852	28,168	12,032	8,723
Finance income, net	286,328	286,318	88,674	88,671
Less Finance income allocated to restricted net	(242,250)	(242,250)	(75,023)	(75,023)
Financial income, net	44,078	44,068	13,651	13,648
Net income after financing	82,930	72,236	25,683	22,371
University's share of net income of affiliated entities	-	25,443	-	7,880
Net Income	<u>82,930</u>	<u>97,679</u>	<u>25,683</u>	<u>30,251</u>
Neutralization of financing income	<u>(44,078)</u>	<u>-</u>	<u>(13,651)</u>	<u>-</u>
Total	<u>38,852</u>	<u>97,679</u>	<u>12,032</u>	<u>30,251</u>

D. The Executive Council approved the budget on September 13, 2020.