

President's Report

to the Board of Governors 2013



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From the President

Prof. Menahem Ben-Sasson



Dear Governors and Friends,

On June 11, 2009 the Hebrew University Board of Governors and the entire University community entrusted me with the colossal task of leading the Hebrew University during a very challenging period. Upon accepting this challenge, I remarked at the time that we must change ourselves in order to bring about change, and that we must do so in order to enable the University – our home – to exist in a stable, well-balanced manner; in a manner befitting Israel's leading institution of higher education and one of the most prominent in the world.

These past four years have been both stimulating and demanding in many ways.

Leading a university is no easy feat, and leading the Hebrew University is likely even more complicated than leading any other. With six campuses, seven faculties and even more schools, more than 150 disciplines, well over 1500 faculty and administrative staff, and over 23,000 students from across Israel and around the world, along with intricate funding relationships with government bodies themselves in flux and crisis – ensuring the smooth running and advancement of the Hebrew University is most certainly a great challenge. One has only to be a fly on the wall of one of our weekly President Forum meetings where the top University administration gathers to deal with the pressing issues of the day, or at the Management Committee or Senate meetings to understand the vastness of the task.

The past twelve years have been difficult for higher education in Israel. Decreased governmental funding for higher education has adversely affected all of the major research institutions. The Hebrew University began a series of cutbacks in order to balance the budget. However, such cutbacks were not enough. The burden of the budgetary pension was and still is the major factor that cripples the annual budget. To meet such pension obligations, the University has sold many treasures bequeathed to it – property after property has been sold over the last 10 years in order to balance the budget. To be clear – the budgetary gaps were not created by mismanagement, but rather by shortfalls in government funding: specifically, the Planning & Budget Committee (PBC) not fulfilling its commitment to help relieve budgetary pensions. Meanwhile, the University has also made great strides towards budgetary stability by settling the historical issue of municipal property taxes owed, as well as back taxes.

The University is committed to dealing with these financial issues over the next few years. It is to the credit of our wonderful and amazing faculty that these ongoing struggles have not harmed the academic

achievement of the Hebrew University. Throughout these difficult years, and despite constant cuts in all realms, the University has continued to produce world class scholarship in multiple disciplines – driving its national and international ranking higher and higher, continuing to lead Israeli academia: from 94th place in 2003 to 64th in 2009 to 53rd place in 2012.

We are obliged to keep doing what we do best: research and teaching. Good science brings a better world and in order to do good science, we need a stable and nurturing system, one where a scholar can do his or her work without background noises and threats. We depend upon good science for our existence – now and into the future. That is why, even in the midst of instability and in an atmosphere of economic crisis and uncertainty, we have embarked on one of the most significant university strategic planning efforts ever – a forward looking "Renewal Plan." Here we are not looking at next year or even a five year plan but we are planning for 2020 and beyond. Our Friends are raising more, our Campaign is growing, and we hope that the Renewal Plan alongside of these efforts will ensure the stability we need for scholarship not only to survive but to flourish.

Almost every member of the Hebrew University community has been involved in one way or another in this seminal strategic project. Hundreds of committee hours have been devoted to this cause: the Management Committee, the Standing Committee, the Senate, Executive Committee and Board of Governors. This is a comprehensive process – there is not an area at the University that has not been subject to evaluation and revision. Together with faculty and staff, we are collectively shaping a map to follow in the coming years.

The goals have not surprised anyone. We wish to continue to be Israel's leading research university, and among the best in the world. We want to create innovative & cutting edge research that pushes the frontiers of science, we want to ensure quality teaching that prepares our future leaders in all walks of life, we want to nurture cross-disciplinary discovery, and to be active members of the international academic community. We wish to ensure a pluralistic community, to contribute to the wellbeing of Jerusalem and to Israel, and all this while maintaining a balanced budget.

This is not an easy mission and in order to succeed, we must be united as a community: students, faculty, staff, lay leaders, alumni, and friends must all support the process. The commitment of the entire community cannot be taken for granted – misconceptions exist regarding our work. In order to change such attitudes and bring everyone on board, we as a university and a public entity must be transparent. My first step in encouraging such transparency has been to issue regular communications about what has been happening at the University to members of the community – from students and staff to friends. In these letters, I have reported on the strategic process as it unfolds as well as on some of our challenges with governmental funding.

Transparency cannot be accomplished by reporting alone, but also must enable those both within and outside to see and understand what is happening within this massive "machine" called the Hebrew University. Upon my taking office, we began to revise the model for budgeting academic units, as the model established in 1999 became less relevant. The proposed new model was then shared with all of the units, allowing them to provide constructive criticism and suggestions for change. Once complete, we allowed units to view not only their own unit's "performance" in this model, but to view the entire system. Thus, each Dean can now see not only his own budget but that of his colleagues.

The Hebrew University is Israel's leading university, and as such it is the main training ground for Israel's leaders. On our own and in collaboration with different government bodies, we have enhanced our capacity for creating leaders with the skills and knowledge needed today in their respective fields and overall. In 2009, together with the Ministry of Defense and the IDF, we embarked on a major undertaking: to create an elite teaching and research framework to train physicians for the military. Some two hundred medical students are already enrolled in this important initiative, and a smaller initiative is underway to train military dentists.

We are also training Israel's future civil servants: our Federmann School of Public Policy and Government has until now trained some 1500 cadets for civil service. New academic programs are continuously being added to our curriculum. On a much smaller scale we recently created, within the Federmann School, a management program to train Hebrew University administrative staff, and will soon launch a similar program for the future academic leadership of the University. This is to ensure that we will always be innovating, evaluating, and revising in all realms of University life.

Staying competitive is not easy in today's economy, given that less funding is available to support research. We have thus chosen to focus on this area for the past four years. Vice-President for Research and Development Shy Arkin, together with our deans, implemented a thorough review of our potential, and as a result we have managed to surpass our own previous success. Our research funding has grown from \$100 million dollars in 2008/2009 to almost \$120 million dollars in 2010/2011, reaching \$136 million in 2011/2012 and we hope to reach \$170 million by the end of 2013.

The Hebrew University has enjoyed enormous success in terms of prestigious prizes. In 2012, seven out of ten Israel Prizes were attributed to the Hebrew University. In 2012, four out of five EMET prizes were attributed to the Hebrew University. Similarly, four out of five Rothschild prizes were given to Hebrew University faculty. We have also enjoyed great accomplishments in the international arena in recent years, as our scholars have won prestigious international awards such as the Humboldt prize (former University President Menachem Magidor), the Wolf Prize (Prof. Jacob Bekenstein), and the prestigious Fields Medal (Eilon Lindenstrauss).

We are changing our environment, creating a different kind of science, increased interdisciplinary inquiry, and driving new and ambitious projects. The Harvey M. Krueger Family Center for Nanoscience and Nanotechnology entered the second part of the government matching challenge and received top reviews from the national steering committee. We are entering the fourth year of our ambitious brain sciences endeavor; new faculty have been absorbed, new academic collaboration agreements have been reached, new research units established, and we have raised significant funds faster than we could have hoped. Construction will begin this summer on the new Suzanne and Charles Goodman Brain Sciences Building which will house the Edmond and Lily Safra Center for Brain Sciences. This will significantly enhance our ability to advance our understanding of the brain. Construction is also underway for the Jack, Joseph and Morton Mandel School for Advanced Studies in the Humanities, which has already begun to revolutionize our approach to the Humanities and to graduate education.

These projects are just a few examples of our overall success in forging ahead with new scientific initiatives despite the complicated times in which we live. On behalf of Hebrew University faculty, staff and students,

I thank our many supporters and friends who have been so instrumental in making such projects possible, and who have led us to new heights in garnering philanthropic support for our common mission.

Our achievements as a University would not be possible without the hard work and collegiality of many in our community, and I'd like to take this opportunity to convey a few words of appreciation. I thank all of our academic and administrative staff, and our student leaders, for their hard work every day. I thank the Management Committee, the Executive Committee, and the leadership of our Friends Associations for their true partnership and support. I commend our deans and academic program heads, led by our Rector, for their willingness to revise and evaluate and plan and invest for an even brighter future for our University. I would also like to express my deepest appreciation to my staff who work tirelessly in the President's Office. Finally, I thank my colleagues in the University Administration ("President's Forum") – the Rector and our Vice Presidents – with whom I evaluate, deliberate, and dream on a daily basis.

I'd especially like to take this opportunity to thank some very special people, who are finishing their terms of office, for all of their hard work. To Dr. Bezalel – Tzali – Mutsafi, guardian of our finances, who has been at the forefront of the tireless efforts to reach and maintain a balanced budget under extremely difficult circumstances. His professionalism and good counsel shall be missed. To the outgoing Presidents of our Friends Associations – Marty Karlinsky (USA), Nathan Lindenberg (Canada), Nilly Sikorsky (Europe), Roberto Nul (Argentina), Fernando Rosenberg (Mexico), and to outgoing AFHU chair George Schieren, who have inspired others to follow their lead and made it possible, together, to ensure the University's – and Israel's – tomorrow. And finally, to the member of the President's Forum who is responsible for our entire friend and fundraising mechanism, Vice-President for External Relations Carmi Gillon, for his six years of contributions to the welfare and wellbeing of Hebrew University. Carmi is stepping down as Vice-President this June, and during his tenure we have enjoyed great success in philanthropic fundraising despite the difficult economy. Carmi has been a wonderful partner and advisor, and I am pleased to note that he is not leaving Hebrew University altogether, but only this position, as we hope that he will remain with us as a friend and advocate in the years to come. Prof. Ronnie Friedman, outgoing Dean of the Robert H. Smith Faculty of Agriculture, Food and Environment, will begin his term as Vice-President for External Relations as of July 1, and I know that you all join me in wishing him success in his new position, and in offering our assistance in the vital task of engendering support for this great institution.



Prof. Menahem Ben-Sasson
President
The Hebrew University of Jerusalem

Financial Report

2011/2012

The Hebrew University ended the 2011/2012 financial year within the set framework of a NIS 23 million deficit. The administration accomplished this by cutting expenditures by NIS 40 million and by selling one of the University's assets.

The reduced deficit was achieved despite a shortfall in two major sources of anticipated income that were included in the original 2011/12 budget:

- 1 Income from Friends Associations: A shortfall of NIS 20 million;
- 2 Income from Yisum: A shortfall of NIS 20 million that originated from the termination of two main drug patents that provided royalties.

A revaluation of balance sheet items includes provisions for outstanding debts to Israel's Income Tax Authority and the Municipality of Jerusalem in the amount of NIS 86 million. This amount was recorded 'below the line' because it does not reflect the current year's expenses.

The University's administration was required to reduce expenses and to increase income in order to balance the budget. This was accomplished by tightly controlling and limiting expenditures. This resulted in a savings of NIS 40 million. The deficit was also covered by income earned from the sale of an asset. These steps enabled the University to close the year with the approved deficit of NIS 23 million.

It should be noted that the measures taken are in addition to ongoing government cuts in income, which has reduced funding for higher education by almost 30% since the first cuts were implemented in the year 2002. University administration has strived to ensure that these cuts do not affect the quality of teaching by implementing budget cuts in other areas.

The Planning and Budgeting Committee (PBC) and the Ministry of Finance have concluded a multi-year plan for allocating additional resources to institutions of higher education in the amount of approximately \$2.2 billion, to be allocated over six years. This substantial sum is expected to help reduce the damage caused to the system by the ongoing cuts, and will enable the PBC to set priorities in developing higher education as well as support issues of national importance. In addition, the PBC has built a model for allocating its budget between the various institutions, which will reflect the set priorities. Therefore, over the next several years, the University will need to continue its policy of restraint in order to meet the approved budget structures.

Compared to other universities, the Hebrew University has a unique issue with the budgetary pension. Until the year 2000, both academic and administrative staffs were eligible for budgetary pension. The yearly expense on pension payments is approximately \$142 million. An agreement was signed with the

PBC to partially fund this expenditure. Employees who joined the University after the year 2000 are covered by an external pension fund.

The University has set for itself a goal to build a multi-year strategic plan to redefine its goals and priorities within its budgetary framework and to determine its course for the coming years. A world leading consultancy firm, with experience in building plans for academic institutions, was selected for this purpose. In order to achieve its goal, the University requires additional finances to bridge the gap between the current budget and its needs.

In reviewing the University's financial activity on these pages, we relate to its operating results. The figures presented cover all University operations and budgets. Budgets are divided into two categories: annual budgets comprising the regular budget (see Table 3 for details of regular budget implementation), and the closed budget of several specific operations such as the Rothberg International School and the Saltiel Center for Pre-Academic Studies. Multi-year budgets include the Research, Development and Special budgets.

Financial reports for these multi-year budgets are generally represented on the basis of cash flow for one year.

Table 1: Expenditure & Income 2010/2011 – 2011/2012 (in US \$ millions)

	2011/2012		2010/2011	
Expenditure				
Salaries & Pension	443	62%	442	(64%)
Acquisitions	39	5%	34	(5%)
Scholarships	51	7%	51	(7%)
Other	182	26%	164	(24%)
Total Expenditure *	715	100%	691	(100%)
Income				
Government (PBC)	339	50%	339	49%
Student Fees	69	10%	69	10%
Friends of HU	23	3%	19	3%
Yissum	6	1%	9	1%
Other	249	36%	255	37%
Total Income *	687	100%	691	691

The cause of the changes between the years is due to:

- (1) An increase of 5.36% in the dollar exchange rate between September 30, 2011 (3.713) and September 30, 2012 (3.912).
- (2) A decrease in Yissum royalties and in property values. The Avraham Rosenman Orchard was sold for NIS 64 million in 2010/2011, while the Badihi Orchard and other properties were sold for NIS 26 million in 2011/2012.

Table 2: Allocation of Overall Budgetary Expenditure & Income 2010/11 - 2011/12 (in US \$ millions)

	2011/2012		2010/2011	
Expenditure				
Regular & Closed Budgets	532	74%	531	(77%)
Other Budgets	183	26%	160	(23%)
Total Expenditure	715	100%	691	(100%)
Income				
Regular & Closed Budgets	526	77%	531	(77%)
Other Budgets	160	23%	160	(23%)
Total Income	687	100%	691	(100%)

Table 3: Hebrew University Implementation of Regular Budget (in US \$ millions)

Table 3A: General Budget & Closed Budgets

Units	Experimental Units	Non-Experimental Units	Academic Support Units	Central Costs & Administrative Units*	Closed Budgets	Total Implementation
Salaries	96.6	73.7	10.0	35.7	16.4	232.4
Pensions & Severance Payments	-	-	-	152.6	-	152.6
Acquisitions	2.9	0.5	0.2	5.0	3.3	11.9
Scholarships	2.5	1.8	0.5	1.4	1.1	7.3
Other	5.4	2.6	15.0	69.7	35.4	128.1
Total Expenditures	107.4	78.6	25.7	264.4	56.2	532.3
Percentage of Total Expenditures	20.0%	15.0%	4.5%	49.5%	11.0%	100.0%

*Including central expenses such as pension costs and maintenance

Table 3B: Experimental Units

	Medicine	Dental Medicine	Pharmacy	Sciences, Engineering & Computers	Applied Sciences	Agriculture	Total
Salaries	17.7	2.8	4.9	49.5	0.3	21.4	96.6
Pensions & Severance Payments	-	-	-	-	-	-	-
Acquisitions	0.3	0.1	0.1	1.7	-	0.7	2.9
Scholarships	0.8	0.2	0.3	0.6	-	0.6	2.5
Other	1.3	0.1	0.2	1.4	-	2.4	5.4
Total Expenditures	20.1	3.2	5.5	53.2	0.3	25.1	107.4

Table 3C: Non-Experimental Units

	Humanities	Education	Social Work	Social Sciences	Law	Total
Salaries	29.0	6.0	4.9	27.6	6.2	73.7
Pensions & Severance Payments	-	-	-	-	-	-
Acquisitions	0.1	0.1	-	0.2	0.1	0.5
Scholarships	1.1	0.2	-	0.5	-	1.8
Other	0.6	0.3	0.1	1.4	0.2	2.6
Total Expenditures	30.8	6.6	5.0	29.7	6.5	78.6

Table 4: Research Budget According to Groups (in US \$ thousands)*

	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
Group 1: Faculty of Science, School of Engineering & Computer Science	58,307	53,987	52,602	44,859	41,447
Group 2: Faculty of Medicine, School of Pharmacy, Faculty of Dental Medicine	32,475	28,117	30,132	27,987	29,733
Group 3: Faculty of Humanities, School of Education, School of Business Administration	16,601	14,319	13,348	12,626	12,192
Group 4: Faculty of Agriculture, Food & Environment	17,505	16,278	15,621	13,153	13,564
Group 5: Faculty of Social Sciences, School of Social Work & Social Welfare	10,313	10,295	10,185	7,897	7,741
Group 6: Faculty of Law	1,487	1,481	1,823	1,699	1,239
Total	136,688	124,477	123,711	108,221	105,916

*Based on signed research grants; figures calculated at rate of exchange on September 30, 2012

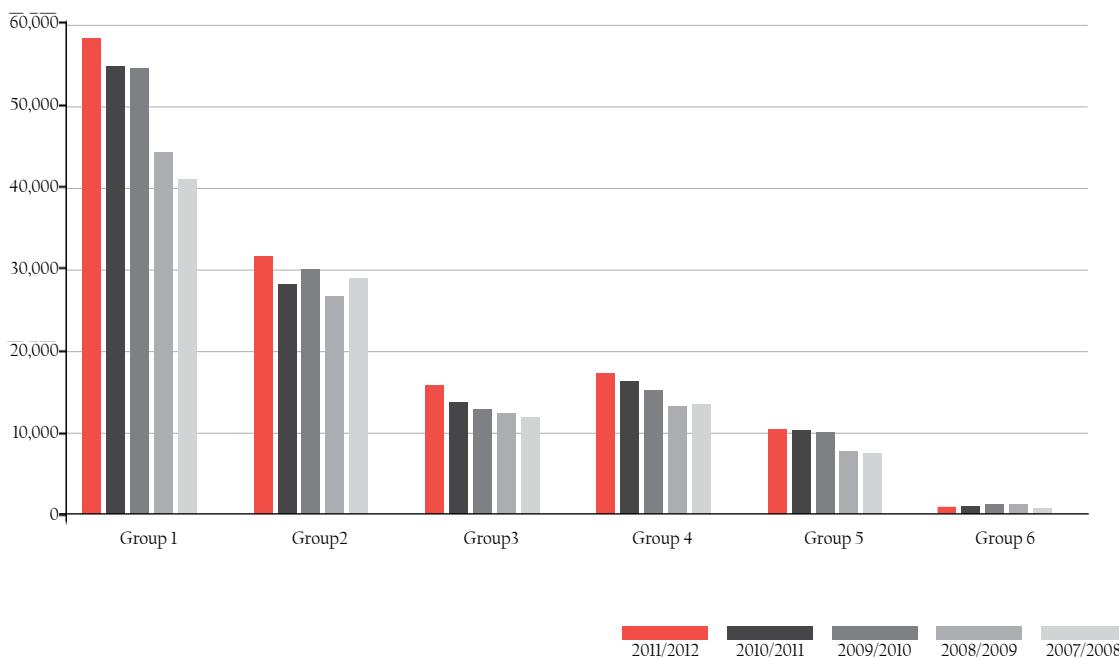


Table 5: University Endowment Funds, Growth and Income (in US \$ millions)

From 2001/2002 until today, the assets of the University's Endowment Funds have grown by \$139.5 million, from \$280.7 million at the end of 2001/2002 to \$420.2 million at the end of 2011/2012, with an average growth of \$13.9 million per year. During 2011/2012, Endowment Funds' asset increased by \$10.1 million. Net income from Endowment Funds during 2010/2011 amounted to \$ 32.14 million, a yield of nearly 7.6%. The income shown in the financial statements for 2011/2012 is due to profits from investments. In accordance with the policy of the Endowment Funds Committee, 25% of the funds' investments are linked to the US dollar and the remaining 75% are linked to shekel channels. Starting in 2003/2004, Endowment Funds Committee financial statements are prepared and presented in nominal shekels (NIS), instead of in dollars (US \$) as in previous years. The figures for 2011/2012 were calculated according to the rate of exchange at 30 September 2012. It should be noted that due to the increase of the dollar exchange of approximately 5.4%, the presentation of total assets in dollar terms — rather than in shekels — hides the true increase in value of the Endowment Funds and the profits that occurred in shekel terms.

Year	Total Assets of Endowment Funds	Net Profit	Net Profit (as %)
2001/2002	280.7	-0.9	-0.3
2002/2003	294.3	30.4	10.3
2003/2004	308.6	23.6	7.6
2004/2005	328.0	26.6	8.1
2005/2006	347.8	22.7	6.5
2006/2007	394.3	32.9	8.3
2007/2008	391.2	-37.2	-9.5
2008/2009	390.7	16.4	4.2
2009/2010	429.9	34.3	8.0
2010/2011	410.1	-1.2	-0.3
2011/2012	420.2	32.1	7.6

Table 6: Amounts Received from Friends Organizations 2011/2012 (in US \$ thousands)*

Source of Income	Regular Budget	Special & Research Budgets	Development & Other Budgets	Endowment Funds in Israel	Total Income	As Percentage of Total
USA	10,253	36,683	5,685	451	53,072	51.5%
Europe	163	16,289	720	5,453	22,625	22.0%
UK	325	6,461	500	48	7,334	7.1%
Australia	44	738	3,030	2,221	6,033	5.9%
Canada	2,974	2,582	102	5	5,663	5.5%
Israel	638	3,198	512	1,004	5,352	5.2%
Other Countries	154	2,550	201	0	2,905	2.8%
Total	14,551	68,501	10,750	9,182	102,984	100.0%
Total 2010/2011					88,053	
Total 2009/2010					90,729	
Total 2008/2009					72,137	
Total 2007/2008					87,589	

*The dollar values above are translated from the amount shown in the University's books in New Israeli Shekels at the rate of exchange on the day of transaction



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