

Enosh - The Israeli Mental Health Association
Financial Statements
As at December 31, 2017

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Gai, Goffer, Yahav, Guilman, Udem & Co.
Certified Public Accountants (Isr.)

A member of HLB International

AUDITORS' REPORT
Members of To the
Enosh-The Israeli Mental Health Association

We have audited the accompanying statements of financial position of Enosh- The Israeli mental health association (hereinafter -the "Association") as of December 31, 2017 and 2016 , and the Statement of Activities, the Statement of Changes in Net Assets and the Cash Flow Statement for each of the years ending in those dates. These financial statements are the responsibility of the Association's Committee and its Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including standards 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 Committee and management of the Association, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2017 and 2016 and the results of its activities, the changes in its net assets and its cash flows of the years then ended in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

Gai Goffer Yahav Guilman Udem & Co.

Gai, Goffer, Yahav, Guilman, Udem & Co.
Certified Public Accountants (Isr.)

18 June 2018
Tel-Aviv, Israel

Enosh- The Israeli Mental Health Association
Balance Sheets

NIS thousands

	Note	As at December, 31	
		2017	* 2016
Current Assets			
Cash and cash equivalents	[3]	3,226	5,574
Earmarked cash and securities	[7]	8,761	4,014
Short term deposits	[4]	2,722	3,091
Income receivable	[5]	12,149	16,817
Other receivables and debit balances	[6]	615	589
		<u>27,473</u>	<u>30,085</u>
Non- Current Assets			
Earmarked cash and securities	[7]	18,177	10,517
Long-term receivables		286	230
Fixed Assets, net	[8]	43,380	35,425
Other assets, net	[9]	68	90
		<u>61,911</u>	<u>46,262</u>
		<u>89,384</u>	<u>76,347</u>
Current Liabilities			
Suppliers & Service providers	[10]	2,601	2,651
Other payables and credit balances	[11]	11,357	10,096
		<u>13,958</u>	<u>12,747</u>
Long-Term Liabilities			
Liability for severance payment, net	[12]	2,423	1,959
Contingent Liabilities, Commitments and Liens			
	[13]	-	-
Net Assets			
Unrestricted assets, net:			
Undesignated (applied to operations)		2,617	11,595
Earmarked by the Board	[15a]	21,090	10,104
Used for fixed assets		40,897	32,918
		<u>64,604</u>	<u>54,617</u>
Restricted assets, net:			
Temporarily restricted	[15b]	5,848	4,427
Permanently restricted	[15c]	2,551	2,597
		<u>8,399</u>	<u>7,024</u>
Total Net Assets		<u>73,003</u>	<u>61,641</u>
		<u>89,384</u>	<u>76,347</u>

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

Amos Sela - Chairman of the Board of Directors

Tomer Dan- Chairman of the Financial committee

Dr. Hila Hadas - CEO

• Reclassified

Date of approval of financial statements: 18 June 2018

Enosh- The Israeli Mental Health Association
Balance Sheets

NIS thousands

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Tomer Dan- Chairman of the Financial committee

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Dr. Hila Hadas - CEO

* Reclassified

Date of approval of financial statements: 18 June 2018

Enosh- The Israeli Mental Health Association
Statements of operations

NIS thousands

	Note	National headquarters and Branches	
		Year ended December, 31	
		2017	* 2016
Income from Operations:			
Mental health services	[16]	89,700	79,149
Participations, events, activities and other	[17]	10,331	9,564
Amounts released from restrictions		2,893	3,211
Donations		1,468	1,599
Allocations from municipalities		275	205
		<u>104,667</u>	<u>93,728</u>
Operational Expenditure:			
Payroll and related expenses	[18]	66,012	61,182
Operating expenses	[19]	20,127	18,454
Events and activities	[20]	4,182	4,219
Depreciation of fixed and other assets		3,688	3,672
		<u>94,009</u>	<u>87,527</u>
Net Income from Operations		<u>10,658</u>	<u>6,201</u>
Management & General Expenses	[21]	5,899	4,737
Fundraising Expenses	[22]	1,099	994
Public relations expenses	[23]	328	218
		<u>7,326</u>	<u>5,949</u>
Net income before financial income (expenses)		<u>3,332</u>	<u>252</u>
Financial income (expenses), net		<u>(40)</u>	<u>48</u>
Net income after financial income (expenses)		<u>3,292</u>	<u>300</u>
Other income		-	108
Net profit for the year		<u>3,292</u>	<u>408</u>

* Reclassified

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

Enosh- The Israeli Mental Health Association
Statements of Changes in Net Assets

NIS thousands

	Unrestricted			Restricted		Total
	Undesignated	Used for fixed	Earmarked by the Association's Management	Temporary	Permanent	
		assets				
Year ended December 31, 2017:						
Balance at the beginning of the year	11,595	32,918	10,104	4,427 *	2,597	61,641
Additions during the year:						
Donations	-	-	-	5,110	-	5,110
Amounts earmarked by the Association's Committee	(12,498)	-	12,498	-	-	-
Allocations and unilateral transfers	-	-	-	5,853	-	5,853
Net profit for the year	3,292	-	-	-	-	3,292
Subtractions during the year:						
Net assets released from restrictions	-	-	-	(2,893)	-	(2,893)
Release of assets earmarked by the Association's Committee to operations	1,104	-	(1,104)	-	-	-
Release of assets earmarked by the Association's Committee to assets applied to acquisition of fixed assets	-	408	(408)	-	-	-
Restricted assets used for fixed assets	-	6,649	-	(6,649)	-	-
Unrestricted assets used for fixed assets	(4,563)	4,563	-	-	-	-
Amounts transferred for depreciation coverage	3,687	(3,641)	-	-	(46)	-
Amounts arising from sale of fixed assets	-	-	-	-	-	-
	<u>2,617</u>	<u>40,897</u>	<u>21,090</u>	<u>5,848</u>	<u>2,551</u>	<u>73,003</u>
Year ended 31 December, 2016:						
Balance at the beginning of the year	12,477 *	27,374	10,104	2,562 *	2,707	55,224
Additions during the year:						
Donations	-	-	-	5,191	-	5,191
Amounts earmarked by the Association's Committee	(1,032)	-	1,032	-	-	-
Allocations and unilateral transfers	-	-	-	4,029	-	4,029
Net profit for the year	408	-	-	-	-	408
Subtractions during the year:						
Net assets released from restrictions	-	-	-	(3,211)	-	(3,211)
Release of assets earmarked by the Association's Committee to operations	601	-	(601)	-	-	-
Release of assets earmarked by the Association's Committee to assets applied to acquisition of fixed assets	-	431	(431)	-	-	-
Restricted assets applied to acquisition of fixed assets	-	4,144	-	(4,144)	-	-
Unrestricted assets used for fixed assets	(4,594)	4,594	-	-	-	-
Amounts transferred for depreciation coverage	3,673 *	(3,563)	-	-	(110)	-
Amounts arising from sale of fixed assets	62	(62)	-	-	-	-
	<u>11,595</u>	<u>32,918</u>	<u>10,104</u>	<u>4,427</u>	<u>2,597</u>	<u>61,641</u>

* Reclassified

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

Enosh- The Israeli Mental Health Association
Statements of Cash Flows

NIS thousands

	Year ended December, 31	
	2017	2016
Cash flows generated by operating activities:		
Net profit for the year	3,292	408
Adjustments required to present cash flows generated from operating activity - Appendix A	4,877	(467)
	<u>8,169</u>	<u>(59)</u>
Cash flows - investing activities:		
Acquisition of fixed assets	(11,618)	(9,169)
Decrease (increase) in earmarked cash and listed securities, net	(12,038)	(11)
Income from indemnity of fixed assets that were damaged	-	170
	<u>(23,656)</u>	<u>(9,010)</u>
Cash flows - financing activities:		
Temporarily restricted allocations and unilateral transfers received	5,853	4,029
Temporarily restricted donations received	7,286	3,015
	<u>13,139</u>	<u>7,044</u>
Decrease in cash and cash equivalents	(2,348)	(2,026)
Cash and cash equivalents at beginning of the year	5,574	7,600
Cash and cash equivalents at end of the year	<u>3,226</u>	<u>5,574</u>
Appendix A- Adjustments required to present cash flows generated from operating activities:		
Income and expenditure not involving cash flows:		
Depreciation of fixed assets	3,686	3,673
Increase in severance	464	328
Restricted assets applied to activities	(2,893)	(3,211)
Provision for doubtful debts	39	14
Capital gain	-	(108)
	<u>1,296</u>	<u>696</u>
Changes in Assets & Liabilities:		
Decrease (increase) in receivables and debit balances	2,370	(2,365)
Increase in payables and credit balances	1,211	1,201
	<u>3,581</u>	<u>(1,164)</u>
	<u>4,877</u>	<u>(468)</u>
Appendix B- Investing and financing activities not involving cash flows:		
Temporarily restricted donations receivable	-	2,176

* Reclassified

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

Enosh- The Israeli Mental Health Association

Notes to the Financial Statements

Note 1 - General

- A. Enosh – The Israeli Mental Health Association (hereafter – the "Association") was founded as an Ottoman Society in 1978 and was registered in 1982 under section 61 of the Associations Law, 1980.

The Association was founded by a group of families, volunteers and professionals in order to work for the welfare and the rights of people coping with psychiatric disabilities. Over the years the Association led significant changes in the legislation, the rights and the development of services to this population . From the date of the enactment of the law of restoration for people coping with psychiatric disabilities in 2000, the Association deepens its main operations - Provision of services - hiring employees, and continues to operate on additional operations, mainly through volunteers. The goals of the Association include, among others, promoting the status and integration of people coping with psychiatric disabilities in all aspects of life, including social, housing, employment and health care as well as working to promote mental health of the individual and the family and eradicating the stigma against people with psychiatric disabilities.

The Association is a professional organization with well developed knowledge, which operates through 60 service centers which provide rehabilitation services in the community (housing, employment and leisure) and provides advice for families across the country, from Kiryat Shmona to Eilat, in the Arab sector, in development communities as well as in outlying areas. The Association's vision and goals are lead by the executive committee of the Association in conjunction with the senior professional staff. As of the reporting year, approximately 800 employees and 800 volunteers are responsible for the implementation of these goals. The target population of the Association is people coping with psychiatric disabilities and their families.

Since its founding, the Association continuously operates mental health rehabilitation services in the community, using volunteers and employees. This, in order to improve the functional capacity resulting from mental impairment and help the person function independently as much as possible, to get a sense of confidence and competence, and to promote the integration in the community and face the difficult stigma and social, personal and economic challenges.

- B. The number of the Association in the Registrar of Associations is 580019800.
- C. The Association is recognized as a Public Institution under Section 46 of the Income Tax Law, as per the Income Tax Authority approval from March 1, 1985 holding a certificate currently valid until December 31, 2020.
- D. The Association holds "proper management approval" issued by the Registrar of Associations currently valid until December 31, 2018.
- E. As required by section 36a of the Associations Law (added by amendment No. 11 thereto), we report that no donations from foreign government entities have been received during the year of this report.

Enosh- The Israeli Mental Health Association
Notes to the Financial Statements

Note 2 - Significant Accounting Policies

A. Basis of preparation:

The financial statements are presented based on the provisions of standard #69 of the Institute of Certified Public Accountants in Israel and of Accounting Standard #5 of the Israel Accounting Standards Board, regarding general practice of accountancy and financial reporting of non profit organizations and Accounting Standard #36 regarding the amendment of provision of standard #69 and Accounting Standard #5. According to the Accounting Standard, revenues and expenses are recognized on accrual basis. See also Note 2E as follows.

The Association used to present its financial statements at their nominal values. In accordance with standards issued by the Israel Accounting Standards Board, adjusted financial statements as at December 31, 2002 serve as a starting point for reporting from that date, which will be presented at "reported amounts" as defined in Standard No. 12 of the Israel Accounting Standards Board.

B. Cash & cash equivalents:

Cash & cash equivalents are accounted by the Association as prime liquidity investments, including short term bank deposits whose periods on deposit until maturity dates, on the date of investment, do not exceed 3 months.

C. Marketable Securities:

Marketable securities held for short term as a current investment are presented on the basis of their market value as at the balance sheet date. Changes in their value are fully allocated to the Statement of activities.

D. Fixed Assets:

1) Fixed assets are stated at their original cost, less accumulated depreciation.

2) The cost of fixed asset items, that have material monetary value, that were received without consideration is determined on the date of recognition at fair value at that date if it can be estimated at a reasonable level of reliability.

3) Fixed assets is depreciated according to the straight-line method, based on the estimated useful life of them. Principal annual rates of depreciation are as follows:

	%
Buildings	2
Improvements in assets in which the Association has the right of use	According to the allocation period
Other Leasehold improvements	10
Furniture and equipment	6-10
Computers	33
Motor vehicle	15

4) During this year, the management of the association conducted an examination and an up-to-date evaluation of the useful life of buildings and leasehold improvements . As a result of this examination, there is a change estimate and the calculation of the depreciation of these assets is now carried out in accordance with the adjusted remaining useful lives. The change in the estimate did not have a material impact on the current financial statements.

E. Recognition of income:

- 1) Revenues are recognized when they can be estimated reliably and there is certainty of their collection at the time of recognition. Revenues arising from mental health services, received from government agencies, are recognized on accrual basis. Revenues from participation fees in Association's activities and from donations are recognized upon receipt, or upon the receipt of a legally enforceable promise, whichever is earlier. In addition, regarding recognition of income in respect of unilateral allocations see e Note 2P.
- 2) The Association did not disclosure in the financial statements the value of the donation of services received without consideration.

F. Use of estimates in preparing the financial statements:

When preparing financial statements in accordance with accepted accounting principles, management is required to use appraisals and estimates which effect the reported values of assets and liabilities, and on data related to conditional assets and contingent liabilities which were disclosed in the financial statements, and also on income and expenditure data in the reported periods. Actual results may differ from these estimates and appraisals.

G. Linkage:

Details of the Consumer Price Index (CPI):

	<u>December, 31</u>		<u>Change in the year ended</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Index (points) on an average basis in 2002	123.33	122.84	0.40%	-0.10%

Balances linked to the index were presented in the financial statements according to the known index as at balance sheet date or according to the linkage terms of the balances.

Enosh- The Israeli Mental Health Association
Notes to the Financial Statements

Note 2 - Significant Accounting Policies (Cont.)

H. Foreign Currency:

Foreign currency balances are included according to the Bank of Israel's "representative rate" published as at the balance sheet date.
 Exchange rates:

	<u>December, 31</u>		<u>Change in the year ended</u>	
			<u>December, 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Exchange rate- US Dollar	3.467	3.845	-9.83%	0.33%

I. Marketable Securities:

1. Marketable securities held for short term as a current investment.
2. Marketable securities earmarked for restricted funds, are shown as long term assets.
3. These marketable securities are presented on the basis of their market value as at the balance sheet date. Changes in their value are fully allocated to the Statement of Activities.

J. Doubtful Debts:

The Association records provisions in respect of specific debts, which the probability of their collection, in management's opinion, is regarded as significantly doubtful.

K. Intangible assets:

The Association applies Accounting Standard #30 - Intangible Assets (hereinafter: the "Standard") of the Israel Accounting Standards Board which prescribes the accounting treatment for intangible assets, stipulates how to measure the carrying amount of such assets, and prescribes extensive disclosure requirements in respect thereof.
 Depreciation is provided by the straight-line method, on basis of the estimated useful life of the assets.

L. Income in advance:

Cut-off test for the purpose of spreading the income is implemented according to the straight line method.

M. Taxes levied on the Association:

Employment tax, as levied by Value Added Tax (VAT) Law is included in salary expenses. VAT paid on transactions that is not deductible, is included under expenditure, or under the assets for which the tax was levied.

N. Financial Instruments:

Financial instruments are reported in accordance with Accounting Standard #22 of the Israel Accounting Standards Board.
 The book value of cash and cash equivalents, deposits, marketable securities, other receivables, other current assets, most of long term liabilities, suppliers and other creditors is close to the fair value of those financial instruments.

O. Impairment in Asset Value:

In accordance with Accounting Standard #36, impairment of assets will be in accordance with Accounting Standard #15, with the necessary adjustments to non-profit organizations. Inter alia, indications of impairment in value regarding an intention to stop the use of an asset if it is damaged or does not contribute to the ability of the non-profit organization to provide services or the intention to purchase another asset in its place or that the utilization of the asset will be lower than the norm. In order to recognize "impairment of assets", the Association annually examines whether an impairment loss should be recognized at the time the carrying amount of the asset exceeds its recoverable amount, The recoverable amount of an asset is the greater of its value in use or its net selling price. The recognition of the impairment of the assets will be reflected in the statement of changes in net assets according to the classification of their restriction.

P. New Accounting Standards:

1. Accounting Standard #39 - Employee Benefits

In August 2017, the Israel Accounting Standards Board published Accounting Standard # 39 regarding employee benefits ("the Standard").

This Standard will apply to financial statements for annual periods beginning on or after January 1, 2018. Earlier application of the standard is permitted.

The Standard will be applied retroactively when the cumulative effect of initial adoption of the Standard is recognized as an adjustment to the opening balance of the retained earnings at the beginning of the annual reporting period in which an entity applies this Standard for the first time. Comparative information will not be reclassified.

According to the Standard, employee benefits are all forms of benefits paid by the employer in return for service provided by employees, including members of the board of directors. The Standard deals with, among others, the following employee benefits:

1. Short-term employee benefits -

Short-term employee benefits are benefits whose principal amount is expected to be settled 12 months after the end of the annual reporting period in which the employees provide the related services and include a) monetary benefits and non-monetary benefits such as housing and vehicles that are recognized as an expense upon provision of the services; B) profit-sharing and bonus payments recognized when the association has a legal or constructive obligation in the present to pay such payments for services rendered by the employee in the past and the obligation can be reliably estimated.

Enosh- The Israeli Mental Health Association

Notes to the Financial Statements

The Association shall measure short-term employee on an undiscounted basis according to amounts that are expected to be paid in exchange for the service provided by the employee.

2. Post-employment benefits -

Post-employment benefits include retirement benefits (such as pensions and one-time payments upon retirement), as well as other benefits such as life insurance and post-employment medical treatment.

The arrangements according to which an entity provides these benefits are benefit plans, classified as defined contribution plans or as defined benefit plans.

A. A defined contribution plan

During the employment period, the Association pays regular payments to a separate entity (fund) without any legal or implied obligation to pay additional payments to the fund or directly to the employees after the termination of the employment.

Deposits to the plan for defined deposits in respect of severance pay or for benefits are recognized as an expense at the time of deposit in the plan simultaneously with receiving the employee's services.

B. A defined benefit plan

The Association is committed to providing the agreed benefits to current and former employees and actuarial risk and investment risk fall, in substance, on the Association. The entity shall treat the severance pay benefits according to the shut-down method unless it chooses to apply the actuarial model as described below.

The shut-down

According to the shut-down method, the entity will measure the net liability in respect of severance pay as follows:

1. The entity's liability for severance pay retirement benefits under the assumption that at the reporting date, all employees will retire under conditions that will entitle them to severance pay due to employees upon dismissal under the Compensation Law or under contractual or other agreements with the employees due upon their voluntary retirement, less
2. The redemption values of assets plan from which the obligation should be eliminated directly.

A net change in the net liability in respect of severance pay during the period, other than a change attributable to the benefits paid to employees during the period or to the employer's deposits, will be fully recognized in profit or loss.

The Actuarial model

According to an actuarial valuation method, at each balance sheet date, the Association will recognize a liability for the present value of its liabilities under the defined benefit plan less the fair value of the assets plan from which the obligation should be settled directly - as a net defined benefit liability. Regarding change in the amount of the net liability, the entity may choose between recording these changes to profit or loss or to other comprehensive income in the period in which they arise.

In addition, the Standard deals with other long-term employee benefits, for example: unpaid absences and benefits due to long work period and profit-sharing plans and payment of bonuses and extra benefits with respect to termination of employment under special circumstances that relate to payments that the entity may make upon dismissal of employees in addition to payment for severance pay. The Association estimated that the Standard does not have a material effect on the financial statements.

2. Improvement of existing standards - 2017 (a) and (b)

In October 2017, the Israel Accounting Standards Board (hereinafter - the Board) published improvements to existing standards - 2017 (a), which included a number of non-inclusive amendments, among others, the following:

Amendment to the consolidated version of opinion 69 of the Israeli Institute of Certified Public Accountants and Accounting Standard No. 5 of the Board regarding Non-profit Financial Accounting and Reporting - according to the amendment, income from unilateral transfers not yet received at reporting date will be recognized as income or as an addition to restricted net assets only if there is information as of the date of approval of the financial statements for publication, according to which the grantor's guarantee was created as of the date of the report and relates to the period of the report and the transfer was actually received by the non-profit organization by the date of approval of the financial statements for publication, provided that the receipt is not conditional on a future event.

This amendment will be applied prospectively for annual periods beginning on or after January 1, 2017.

Management assessment is that the amendment has no material effect on the financial statements of the Association.

In December 2017, the Israel Accounting Standards Board (hereinafter - the Board) published improvements to existing standards - 2017 (b), which included amendments, limited in scope, to a number of existing standards in order to adapt them to international standards, inter alia the following:

1. Amendment to Accounting Standard # 27 Fixed Assets. The main amendments relate to (a) methods for the revaluation of a fixed asset; (B) to the amortization method of a fixed asset; (C) for determining the useful life of a fixed asset.
2. Amendment to Accounting Standard # 30 Intangible Assets. The main amendments relate to (a) the identification, recognition and measurement of intangible assets; (B) methods for re-evaluation of an intangible asset; (C) determining the useful life of an intangible asset; (D) the amortization method of an intangible asset.

Management assessment is that the amendment has no material effect on the financial statements of the Association.

Enosh- The Israeli Mental Health Association
Notes to the Financial Statements

**National headquarters
and Branches**
December, 31
2017 *** 2016**

Note 3 - Cash and Cash Equivalents

Cash in banks and in funds:		
Headquarter- In Israeli currency	6,222	5,616
Headquarter- In foreign currency	29	77
Branches- In Israeli currency	2,231	3,295
Branches- In foreign currency	395	403
Bank deposits:		
Headquarter- In Israeli currency	13,305	5,397
Headquarter- In foreign currency	2,774	-
Branches- In Israeli currency	208	817
Less- designated part	<u>(21,938)</u>	<u>(10,031)</u>
	<u>3,226</u>	<u>5,574</u>

Note 4 - Short-Term Deposits

Pledged cash	876	784
Deposits	391	46
Trust Funds	1,795	2,076
Marketable securities	4,660	4,685
Less- designated part	<u>(5,000)</u>	<u>(4,500)</u>
	<u>2,722</u>	<u>3,091</u>

Thereof:

Headquarters	2,272	2,641
Branches	450	450
	<u>2,722</u>	<u>3,091</u>

Note 5 - Income receivable

Government ministries	11,774	13,308
Debts from Participants (*)	298	726
Other (*)	329	2,996
(*) Net of provision for doubtful debts.	<u>(252)</u>	<u>(213)</u>
	<u>12,149</u>	<u>16,817</u>

Note 6 - Other Receivables and Debit Balances

Prepaid rent	439	360
Cheques	-	60
Government institutions and others	77	74
Employees	99	95
	<u>615</u>	<u>589</u>

Note 7 - Designated Cash and Marketable Securities

Earmarked Cash and securities presented in:		
Current Assets	8,761	4,014
Non- Current Assets	<u>18,177</u>	<u>10,517</u>
	<u>26,938</u>	<u>14,531</u>

These balances relate to Net Assets:

Temporarily restricted	5,848	4,427
Earmarked by the Association's management	<u>21,090</u>	<u>10,104</u>
	<u>26,938</u>	<u>14,531</u>

Note 8 - Fixed Assets

Composition and movement for the year ended December 31, 2017, Headquarters and branches:

	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Motor vehicles</u>	<u>Office furniture and equipment</u>	<u>Computers</u>	<u>Total</u>
Cost:						
Opening balance	* 14,728 *	30,899	123	18,706	3,357	67,813
Additions	7,345	1,965	-	1,845	408	11,563
Disposals	-	(1,072)	-	-	-	(1,072)
Closing Balance	<u>22,073</u>	<u>31,792</u>	<u>123</u>	<u>20,551</u>	<u>3,765</u>	<u>78,304</u>
Accumulated depreciation:						
Opening balance	* 1,896 *	17,988	89	9,599	2,816	32,388
Depreciation for the year	99	2,076	18	1,054	361	3,608
Disposals	-	(1,072)	-	-	-	(1,072)
Closing Balance	<u>1,996</u>	<u>18,992</u>	<u>107</u>	<u>10,653</u>	<u>3,177</u>	<u>34,924</u>
Depreciated cost as at December 31, 2017	<u>20,077</u>	<u>12,800</u>	<u>16</u>	<u>9,898</u>	<u>588</u>	<u>43,380</u>
Depreciated cost as at December 31, 2016	<u>12,832</u>	<u>12,911</u>	<u>34</u>	<u>9,107</u>	<u>541</u>	<u>35,425</u>

* Reclassified

(A) The Association owns eight apartments, two buildings used as hostels and three buildings used as branches all of them registered its name in the Israeli Land Registry.

(B) The Association has leasing rights in registration process regarding 2 real estate assets on Hahalutz Street in Haifa of 70% of the leasing rights in these assets.

(C) Buildings include four properties held in trust that are registered in the Trust Registrar. See Note 15C.

Note 9 - Other Assets

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciated cost</u>
Composition and movement for the year ended December 31, 2017, Headquarters and branches:			
Opening balance	333	243	90
Additions	57	79	(22)
Closing Balance	<u>390</u>	<u>322</u>	<u>68</u>

Note 10 - Suppliers & Service providers

	<u>National headquarters and Branches</u>	
	<u>December, 31 2017</u>	<u>2016</u>
Suppliers	2,515	2,574
Cheques payable	14	54
Payables in respect of rent	72	23
	<u>2,601</u>	<u>2,651</u>

Note 11 - Other payables and credit balances

Employees and wage-related liabilities	5,907	5,271
Provision for vacation	2,857	2,400
Provision for recovery	984	895
Expenses payable	833	288
Other Payables	776	1,242
	<u>11,357</u>	<u>10,096</u>

Note 12 - Employees Severance Pay, Net

- A. The liability for severance payment of the Association are presented net of the part covered by current deposits in the name of employees in comprehensive pension funds and provident funds. The aforementioned amounts are not included in the balance sheet since they are not under the control and ownership of the Association. In accordance with the Mandatory Pension Law from January 2008, the Association deposits pension funds in respect of per hour employees and instructors in accordance with the law. The amounts provided in the balance sheet for employees severance pay cover the balance of the Association for these severance benefits
- B. Part of the Association's employees signed special agreements according to Art. 14 of the Severance Law, therefore the Association has in their respect no additional severance debts, in excess of those already deposited starting with the date of the special agreements signing. In respect of periods previous to the agreement, the corresponding provision is shown in the financial statements.

Note 13 - Contingent Liabilities, Commitments and Liens

A. Guarantees

- 1) The Association has issued bank guarantees of a total of NIS 876 thousand, (31.12.16: NIS 784 thousand), of which a total of approximately NIS 527 thousand (31.12.16: NIS 324 thousand) are performance guarantees to the Ministry of Health.
- 2) The Association provided the Ministry of Health guarantees amounting to NIS 2,465 thousand to ensure the provision of services.

B. Commitments

1) Rental of apartments and buildings

The Association contracts with private landlords in order to rent apartments to people coping with psychiatric disabilities who receive services of assisted living from the Association (including personal accompaniment in apartments and hostels). The contracts are signed between the property owners and the Association, therefore the Association is responsible for the payment of rent to the property owner. On the other hand the Association signs a rental contract with the people coping with psychiatric disabilities who intended to settle there, and they pay their rent either directly to the Association, or depending on their eligibility, indirectly through the Ministry of Housing. As of 31 December 2017 the Association rents about 93 apartments and 12 buildings used as hostels and the rent amounts to NIS 3,695 thousand and NIS 2,210 thousand per year, respectively.

In addition the Association rents 20 buildings used as branches with rent amounting to NIS 2,292 thousand per year and 8 buildings used as centers for families counseling at rents amounting to NIS 463 thousand per year.

2) Usage rights free of charge

The Association has received rights to use land and buildings for its operations. The right to use 17 buildings of branches and social clubs and one hostel are regulated by lease agreements and by agreements of free of charge usage for a period of up to 25 years from the signing of the agreements. In 18 more branches and social clubs, where no agreements have been settled yet, the Association has received the right of usage with no time allocation.

3) Ministry of Health

- a) The Ministry of Health is the main customer of the Association and at the year of these financial statements the services in respect thereof amount approximately to 83.6% of its revenues (about 82% last year).
- b) The Association gives the Ministry of Health rehabilitation services to people coping with psychiatric disabilities and supports their families in accordance with tender 186/9 of the Ministry of Health since 2008 and with the agreement derived thereof including services such as assisted living, hostels, social club, vocational club, supported employment and sheltered workshops. These services are provided to people coping with psychiatric disabilities approved by the Ministry of Health and in accordance with a fixed fee for each service type per person, also the Association is committed to provide services in accordance with the procedures of the Ministry of Health for each type of service.
The validity of the tender ended in 2011 and is extended in practice till the publication of a new tender.
- c) In addition, the Association has specific contracts and agreements which have not yet been expressed in a signed contract, for the provision of services as follows:
In respect to Hostel services Hadera and Ramla valid until December 31, 2018.
In respect to Family counseling centers:
1) In Tel Aviv and Netanya, valid until September 30, 2018.
2) In Jerusalem, Karmiel and Haifa, contractual agreement valid until July 1, 2018.
3) According to the results of a tender made by the Ministry of Health, the activity in the centers in Ashdod, Hadera and Kfar Sava was terminated on June 30, 2016.
- 4) As at the date of approval of these financial statements the Association has an agreement for the provision of services with the Ministry of Defense, which was signed on May 1, 2018 for a period of one year. The Ministry has the option to extend the term of the agreement for an additional period of one year or part thereof until 2023.
- 5) According to the results of a tender by the Ministry of Social Affairs, the activities of assistance centers for bereaved families were discontinued on October 31, 2017.

Note 13- Contingent Liabilities, Commitments and Liens (Cont.)

- 6) National Insurance Institute
- a) The fund for the Development of Services for Disabled people of the National Insurance Institute transfers funds to the Association which are designed to improve the conditions of facilities across the country in which rehabilitation activities are held and to improve the living conditions and quality of life of people coping with psychiatric disabilities.
- b) Headspace center- According to an agreement with the National Insurance Institute, the Association runs centers which provide treatment of prevention and early intervention for young people with emotional difficulties from mild to moderate range.
- 7) According to an inheritance order approved on July 8, 2015 by a court of law , the Association will be entitled to 40% of the possessions of a deceased lady who commanded them to the Association after her mother's death. Relatives of the deceased filed an appeal against the court's decision. As at the date of approval of these financial statements, it is not possible to estimate the final results of this legal proceeding, nor can the Association at this stage estimate the value of the expected donation.
- 8) In previous years, revenues of NIS 700 thousand were not recognized in respect of payment requests submitted to the Ministry of Health and have not yet been approved by the Ministry due to disagreements that have not yet been settled regarding the validity of the related entitlement.

Note 14 - Financial Instruments and risk management

A. Credit risks

Cash and cash equivalents and earmarked funds for Association's projects as of December 31, 2017 and 2016, are deposited in Israeli banks. The Association estimates that Credit risk in their respect is remote.

Most of the Association's income receivables for the services rendered by it are from government institutions and a negligible part of them are from participants and their families. The management regularly examines the quality of these debts. The management estimates that the credit risks deriving from these debts are low.

B. Fair value of financial instruments

The financial instruments of the Association include non - derivative assets and liabilities such as: cash and cash equivalents, short term deposits, receivables, suppliers, and other creditors. The fair value of these financial instruments is close or equal to their value in the financial statements.

C. Foreign currency risks

The Association is exposed to changes in exchange rates of foreign currencies against the shekel at balance sheet date in respect of foreign currency deposits.

Note 15- Net Assets

A- Unrestricted Net Assets earmarked by the Association's management

	Balance at 31.12.2016	Amounts earmarked	Amounts released from restrictions	Balance at 31.12.2017
Earmarked for activities:				
Anchor Fund for Financial Stability	5,475	6,525	-	12,000
Infrastructure, Computer and Communications Improvement Fund	999	909	(408)	1,500
Special Project and Professional Development Fund	1,740	520	(260)	2,000
	<u>8,214</u>	<u>7,954</u>	<u>(668)</u>	<u>15,500</u>
Earmarked for acquisition of fixed assets:				
The headquarters				
Enosh House Construction Fund	1,858	-	-	1,858
Branches				
Fund for the construction of Enosh branches and hostels	-	4,544	(844)	3,700
Fund for the establishment of Enosh House - Hertzeliya	32	-	-	32
	<u>1,890</u>	<u>4,544</u>	<u>(844)</u>	<u>5,590</u>
	<u>10,104</u>	<u>12,498</u>	<u>(1,512)</u>	<u>21,090</u>

B- Net Assets with temporarily restriction

	Balance at 31.12.2016	amounts received and restricted	amounts released from restrictions	Balance at 31.12.2017
Temporarily restricted:				
The headquarters:				
Fund for Maintenance of the Enosh House in Haifa	207	-	(34)	173
Mind & Fitness Fund *	-	244	(244)	-
Headspace center (see Note 13b (6) (b))	1,420	1,476	(2,024)	872
English Speaking social Club Foundation Jerusalem *	-	115	(115)	-
Sukka Project Fund	181	-	(29)	152
Project "Bicycle Shop"	-	348	(116)	232
The Starter Project Fund	-	106	-	106
The Enosh Kiryat Ono Branch Maintenance Fund	553	-	(21)	532
Fund for financing the activities of the Afula Enosh home	1,488	657	-	2,145
Fund for maintenance Beit Shemesh Enosh home	-	1,440	(1,008)	432
Fund for the renovation of the Tel Aviv branch	-	155	-	155
Other Funds **	384	569	(345)	608
	<u>4,233</u>	<u>5,110</u>	<u>(3,936)</u>	<u>5,407</u>

* Surplus activity paid from current budget

** Including a number of funds whose surplus activity was funded from the current budget

The amount of the ongoing budget for financing the operations is NIS 362 thousand, of which NIS 152 thousand of it is for Mind and Fitness Fund.

Branches

Jerusalem Branch Fund (Estate of the late Lior Ori)	182	-	-	182
Fund for equipment and construction (see Note 13b (6) (a))	<u>12</u>	<u>5,853</u>	<u>(5,606)</u>	<u>259</u>
Total	<u>4,427</u>	<u>10,963</u>	<u>(9,542)</u>	<u>5,848</u>

Balances and transactions represent contributions earmarked by donors for specific projects undertaken by the Association and the use of the donations during the financial years of the statements.

C- Net Assets with permanent restriction

The Association has four apartments held in trust registered in the Trust register, whose book value is as follow:

	December, 31	
	2017	2016
Apartment on Feinberg Street 5, Givatayim (1)	1,537	1,557
Apartment on Snapir Street 1, Tel Aviv (2)	204	210
Apartment on Shitrit Street 16, Netanya (2)	119	123
Apartment on Benbenishti Street 6, Tel Aviv (3)	691	707
	<u>2,551</u>	<u>2,597</u>

The goals of these trusts:

- (1) The trust is for housing people with psychiatric disabilities from the Enosh association.
- (2) For the establishment of a hostel in the context of Netanya and the Tel Aviv branches of Enosh Association.
- (3) The apartment will be used to expand and increase the Enosh activity at the Tel Aviv branch.

Note 16 - Mental Health Services	National headquarters and Branches	
	Year ended December, 31	
	2017	2016
Composition:		
Ministry of Health (*)	87,486	76,978
Ministry of Defense	990	1,028
Ministry of Social Affairs and Social Services	1,159	1,143
Other	65	-
	<u>89,700</u>	<u>79,149</u>

(*) Out of this NIS 1,786 thousand refer to differentials rates relates to previous years.

Composition of income according to types of services in accordance to the rehabilitation basket:	2017	2016
Rehabilitative housing	45,964	39,830
Hostel	12,368	10,761
Vocational rehabilitation	21,641	19,426
Social and recreation centers	4,081	4,052
Family counseling center	4,422	3,937
Other projects	1,224	1,143
	<u>89,700</u>	<u>79,149</u>

Note 17 - Participations, events, activities and other

Composition:		
Participation fee - vacation of beneficiaries.	1,028	953
Tenants' participation in rent (including Ministry of Housing)	5,755	5,472
Events and activities	653	448
Rehabilitation employment	2,850	2,505
Other	45	186
	<u>10,331</u>	<u>9,564</u>

Note 18 - Payroll and related expenses

Composition:		
Social clubs	7,931	7,545
Vocational rehabilitation	13,959	12,487
Supported housing	31,834	30,790
Hostels	7,127	6,290
Family counseling center	2,440	2,726
Other projects	2,721	1,344
	<u>66,012</u>	<u>61,182</u>

National headquarters and Branches	
Year ended December, 31	
2017	2016

Note 19 - Operating expenses

Rent of Branches	2,755	2,906
Rent of apartments	5,905	5,836
Maintenance and operation	5,931	4,599
Office maintenance	742	706
Vehicles	1,095	1,061
Training and activities	2,762	2,341
Travel and other	937	1,005
	<u>20,127</u>	<u>18,454</u>

Note 20 - Events and activities

Social clubs	660	704
Vacation of beneficiaries (excluding cost of hired escorts)	1,009	953
Vocational rehabilitation	2,513	2,562
	<u>4,182</u>	<u>4,219</u>

Note 21 - General and Administrative expenses

Salaries & Related expenses	3,824	3,196
Office maintenance	696	564
Legal and Professional Services	677	547
Office, communication and other expenses	66	62
Payroll services	304	204
Food and events	67	39
Insurances	22	33
Business travel abroad	23	3
Motor vehicle	77	75
Provision for doubtful debts	143	14
	<u>5,899</u>	<u>4,737</u>

Note 22 - Fundraising Expenses

Donations received during this year amounted NIS 6,578 thousand (last year - NIS 6,790 thousand). Fundraising costs relate to both, unrestricted donations presented in the Statement of operations as well as restricted donations presented in the Statement of changes in net assets.

Note 23 - Raising social awareness costs

Supplementary training and seminars	17	6
Marketing, advertising and public relations	311	212
	<u>328</u>	<u>218</u>

Note 24 - Transactions and Balances with Related Parties

National headquarters and Branches	
Year ended December, 31	
2017	2016

A. Salary and related expenses of the CEO	738	733
Provision for payment upon termination of the employment relationship in accordance with the employment contract	164	-
B. Transactions with government institutions: See Note 16 and Note 13 Commitments.		
C. Transactions with National Insurance Institute, see Note 15b (Construction fund)		

Note 25 - Income Tax

Income Tax included in the Profit & Loss reports - Advance payments on exceeding expenses, are currently allocated as Income Tax expenses.

The Association has final assessments in respect of taxes deducted at source until the year 2012, included.

Note 26 - Subsequent Events

On March 29, 2018, an existence of will and the appointment of an estate manager were given to the will of the the late Miriam Gumpel. In her will, the deceased left for the Jerusalem branch of Enosh an apartment on Shmuel HaNagid St. 6, in Jerusalem. According to the will of the deceased, the apartment will remain owned by the association, to the extent possible, and will serve as a source of income for the maintenance of the "Anat Art Center" commemorating the memory of the daughter of the deceased.