

**Enosh - The Israeli Mental Health Association**  
**Financial Statements**  
**As at December 31, 2018**

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**Table of contents:**

	<u>Page</u>
Auditor's Report	3
Financial Statements:	
Balance sheets	4
Statements of operations	5
Statements of changes in assets, net	6
Statements of cash flows	7
Notes to the financial statements	8



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

A member of HLB International

**AUDITOR'S REPORT**  
**To the Members of**  
**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, 2018 and 2017, 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, 2018 and 2017 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).

Without qualifying our opinion, we draw attention to Note 26 to the financial statements regarding restatement of the financial statements as of December 31, 2017 and for the year then ended in order to retroactively reflect the impact of recognizing net income from the Ministry of Health, actually received in 2018 in respect of tariff differentials for the years 2015 - 2017.

*Gai Goffer, Yahav, Guilman, Udem & Co.*

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

Ramat Gan, June 24, 2019

**Enosh - The Israeli Mental Health Association**  
**Balance Sheets**

NIS thousands

	Note	As at December, 31	
		2018	2017
<b>Current Assets</b>			
Cash and cash equivalents	[3]	3,611	3,226
Earmarked cash and securities	[7]	10,886	8,761
Short term deposits	[4]	3,467	2,722
Income receivable	[5]	12,476 *	14,945
Other receivables and debit balances	[6]	997	615
		<u>31,437</u>	<u>30,269</u>
<b>Non-Current Assets</b>			
Earmarked cash and securities	[7]	22,287	18,177
Long-term receivables		343	286
Fixed Assets, net	[8]	49,749	43,380
Other assets, net	[9]	217	68
		<u>72,596</u>	<u>61,911</u>
		<u>104,033</u>	<u>92,180</u>
<b>Current Liabilities</b>			
Suppliers & Service providers	[10]	2,746	2,601
Other payables and credit balances	[11]	14,172	11,357
		<u>16,918</u>	<u>13,958</u>
<b>Long-Term Liabilities</b>			
Employee benefits, net	[12]	2,820	2,423
<b>Contingent Liabilities, Commitments and Liens</b>			
	[13]	-	-
<b>Net Assets</b>			
Unrestricted assets, net:			
Undesignated (applied to operations)		1,156 *	5,413
Earmarked by the Board	[15a]	27,032	21,090
Used for fixed assets		45,033	40,897
		<u>73,221</u>	<u>67,400</u>
Restricted assets, net:			
Temporarily restricted	[15b]	6,141	5,848
Permanently restricted	[15c]	4,933	2,551
		<u>11,074</u>	<u>8,399</u>
<b>Total Net Assets</b>		<u>84,295</u>	<u>75,799</u>
		<u>104,033</u>	<u>92,180</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

\* Restated, see Note 26

Date of approval of financial statements: 24 June 2019

**Enosh- The Israeli Mental Health Association**  
**Balance Sheets**

NIS thousands

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Dr. Hila Hadas - CEO

\* Restated, see Note 26

Date of approval of financial statements: 24 June 2019

**Enosh- The Israeli Mental Health Association**  
**Statements of operations**

NIS thousands

	Note	National headquarters and Branches	
		Year ended December, 31	
		2018	2017
<b>Income from Operations:</b>			
Mental health services	[16]	98,314 *	92,496
Participations, events, activities and other	[17]	9,653	10,331
Amounts released from restrictions	[22]	2,037	2,893
Donations	[22]	1,289	1,468
Allocations from Municipalities		292	275
		<u>111,585</u>	<u>107,463</u>
<b>Operational Expenditure:</b>			
Payroll and related expenses	[18]	74,475	66,012
Operating expenses	[19]	20,626	20,127
Events and activities	[20]	3,867	4,182
Depreciation of fixed and other assets		3,414	3,688
		<u>102,382</u>	<u>94,009</u>
<b>Net Income from Operations</b>		<u>9,203</u>	<u>13,454</u>
Management & General Expenses	[21]	6,007	5,899
Fundraising Expenses	[22]	1,069	1,099
Public relations expenses	[23]	746	328
		<u>7,822</u>	<u>7,326</u>
<b>Net income before financial income (expenses)</b>		<u>1,381</u>	<u>6,128</u>
Financial income (expenses), net		<u>106</u>	<u>(40)</u>
<b>Net income after financial income (expenses)</b>		<u>1,487</u>	<u>6,088</u>
Other income		-	-
<b>Net profit for the year</b>		<u>1,487</u>	<u>6,088</u>

\* Restated, see Note 26

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	Temporary	Permanent	
		assets	by the Association's Management			
<b>Year ended December 31, 2018:</b>						
Balance at the beginning of the year	5,413	40,897	21,090	5,848	2,551	75,799
<b>Additions during the year:</b>						
Donations	-	-	-	2,637	2,440	5,077
Amounts earmarked by the Association's Committee	(8,178)	-	8,178	-	-	-
Allocations and unilateral transfers	-	-	-	3,969	-	3,969
Net profit for the year	1,487	-	-	-	-	1,487
<b>Subtractions during the year:</b>						
Net assets released from restrictions	-	-	-	(2,037)	-	(2,037)
Release of assets earmarked by the Association's Committee to operations	838	-	(838)	-	-	-
Release of assets earmarked by the Association's Committee to assets applied to acquisition of fixed assets	-	1,398	(1,398)	-	-	-
Restricted assets used for fixed assets	-	4,276	-	(4,276)	-	-
Unrestricted assets used for fixed assets	(1,818)	1,818	-	-	-	-
Amounts transferred for depreciation coverage	3,414	(3,356)	-	-	(58)	-
Amounts arising from sale of fixed assets	-	-	-	-	-	-
	<u>1,156</u>	<u>45,033</u>	<u>27,032</u>	<u>6,141</u>	<u>4,933</u>	<u>84,295</u>
<b>Year ended 31 December, 2017:</b>						
Balance at the beginning of the year	11,595	32,918	10,104	4,427	2,597	61,641
<b>Additions during the year:</b>						
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	* 6,088	-	-	-	-	6,088
<b>Subtractions during the year:</b>						
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 applied to acquisition of 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>5,413</u>	<u>40,897</u>	<u>21,090</u>	<u>5,848</u>	<u>2,551</u>	<u>75,799</u>

\* Restated, see Note 26

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

**Enosh- The Israeli Mental Health Association**  
**Statements of Cash Flows**

NIS thousands

	<b>Year ended December, 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows generated by operating activities:</b>		
Net profit for the year	1,487 *	6,088
Adjustments required to present cash flows generated from operating activity - Appendix A	<u>6,764 *</u>	<u>2,081</u>
	<u>8,251</u>	<u>8,169</u>
<b>Cash flows - investing activities:</b>		
Acquisition of fixed assets	(7,492)	(11,618)
Decrease (increase) in earmarked cash and listed securities, net	<u>(6,980)</u>	<u>(12,038)</u>
	<u>(14,472)</u>	<u>(23,656)</u>
<b>Cash flows - financing activities:</b>		
Temporarily restricted allocations and unilateral transfers received	3,969	5,853
Temporarily restricted donations received	<u>2,637</u>	<u>7,286</u>
	<u>6,606</u>	<u>13,139</u>
Decrease in cash and cash equivalents	385	(2,348)
Cash and cash equivalents at beginning of the year	<u>3,226</u>	<u>5,574</u>
Cash and cash equivalents at end of the year	<u>3,611</u>	<u>3,226</u>
<b>Appendix A- Adjustments required to present cash flows generated from operating activities:</b>		
Income and expenditure not involving cash flows:		
Depreciation of fixed assets	3,414	3,686
Increase in liabilities from employee benefits	397	464
Restricted assets applied to activities	(2,037)	(2,893)
Provision for doubtful debts	<u>(170)</u>	<u>39</u>
	<u>1,604</u>	<u>1,296</u>
Changes in Assets & Liabilities:		
Decrease (increase) in receivables and debit balances	2,199	(426)
Increase in payables and credit balances	<u>2,961</u>	<u>1,211</u>
	<u>5,160</u>	<u>785</u>
	<u>6,764</u>	<u>2,081</u>
<b>Appendix B- Investing and financing activities not involving cash flows:</b>		
Apartment received by donation	<u>2,440</u>	<u>-</u>

\* Restated, see Note 26

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

## **Enosh- The Israeli Mental Health Association**

### **Notes to the Financial Statements**

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#### **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, 2019.
- 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 Note 2P.
- 2) 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 transferor assured the transfer as at reporting date and it relates to the period of the report and the transfer was actually received by the association until the date of approval of the financial statements for publication, provided that the receipt is not conditional on a future event.
- 3) The Association did not disclose 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	Index (points) on an average basis in 2002	124.31	123.33	0.79%

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**

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**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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Exchange rate- US Dollar	3.748	3.467	8.10%	-9.83%

**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. Adoption of new Accounting Standards:**

Accounting Standard #39 - Employee Benefits

In August 2017, the Israel Accounting Standards Board published Accounting Standard # 39 regarding employee benefits ("the Standard"). The Standard is applicable to financial statements for annual periods beginning on or after January 1, 2018.

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**

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The Association measures 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 in the standard.

#### The shut-down

According to the shut-down method, the entity measures 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.

Management assessment is that the application of this method has no material effect on the financial statements of the Association.

#### 3. Other long-term employee benefits -

The Standard deals with other long-term employee benefits, such as compensated absences and benefits for a long period of undue employment that can be redeemed (such as long service vacations or sabbatical leave and unutilized sick leave), long service benefits, profit sharing plans and grant payments and deferred compensation.

The Association recognizes liabilities for other long-term employee benefits in the amount of the present value of the obligation for the benefit at the end of the reporting period less the fair value of the plan assets (if any) out of which the obligation is to be settled

Regarding the net change in the net liability from long-term employee benefits 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 except to the extent that another standard requires different treatment.

The Association assessed, under accepted assumptions, the amount of the liability for the redemption of unused sick leave days (see Note 12.b). In the opinion of the Association, the implementation of the standard has no material effect on the financial statements.

In addition, the Standard deals with 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.

#### **Q. New Accounting Standards:**

In March 2019, the Israel Accounting Standards Board published Accounting Standard # 10 - Provisions, Contingent Liabilities and Contingent Assets (hereinafter - the standard).

According to the standard, a provision must be recognized when an entity has a present obligation (legal or constructive) that has arisen as a result of a past event, is expected an outflow or resources that will be required to settle the obligation (more likely than not) and the amount can be estimated reliably. The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date (the amount that the entity would rationally pay to settle the obligation). When some or all of the expenditure is expected to be reimbursed to the entity by another party, the reimbursement will be recognized as a separate asset when and only when it is virtually certain that the reimbursement will be received. The expenditure will be recognized in profit and loss less the reimbursement.

When more likely that there is no a present obligation at the end of the reporting period, the entity will consider a contingent liability.

According to the standard, contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured. The entity shall not recognize a contingent liability but it will be disclosed.

This standard becomes operative for financial statements covering annual periods beginning on or after January 1, 2019.

Management assessment is that the standard will have 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**  
**2018**                      **\* 2017**

**Note 3 - Cash and Cash Equivalents**

Cash and current bank accounts:		
Headquarter- In Israeli currency	21,002	6,222
Headquarter- In foreign currency	217	29
Branches- In Israeli currency	2,941	2,231
Branches- In foreign currency	500	395
Bank deposits:		
Headquarter- In Israeli currency	544	13,305
Branches- In Israeli currency	30	208
Less- designated part	<u>(21,623)</u>	<u>(19,164)</u>
	<u>3,611</u>	<u>3,226</u>

**Note 4 - Short-Term Deposits**

Pledged cash	918	876
Deposits	4,263	3,165
Trust Funds	2,728	1,795
Marketable securities	7,108	4,660
Less- designated part	<u>(11,550)</u>	<u>(7,774)</u>
	<u>3,467</u>	<u>2,722</u>

Thereof:

Headquarters	2,944	2,272
Branches	<u>523</u>	<u>450</u>
	<u>3,467</u>	<u>2,722</u>

**Note 5 - Income receivable**

Government ministries	12,057	14,570
Debts from Participants (*)	163	298
Other (*)	<u>338</u>	<u>329</u>
	12,558	15,197
(*) Net of provision for doubtful debts.	<u>(82)</u>	<u>(252)</u>
	<u>12,476</u>	<u>14,945</u>

**Note 6 - Other Receivables and Debit Balances**

Prepaid rent	494	439
Cheques	4	-
Government institutions and others	396	77
Employees	<u>103</u>	<u>99</u>
	<u>997</u>	<u>615</u>

**Note 7 - Designated Cash and Marketable Securities**

Earmarked Cash and securities presented in:		
Current Assets	10,886	8,761
Non- Current Assets	<u>22,287</u>	<u>18,177</u>
	<u>33,173</u>	<u>26,938</u>
These balances relate to Net Assets:		
Restricted temporary - see Note 15.b	6,141	5,848
Earmarked by the Association's management - see Note 15.a	<u>27,032</u>	<u>21,090</u>
	<u>33,173</u>	<u>26,938</u>

**Note 8 - Fixed Assets**

Composition and movement for the year ended December 31, 2018, Headquarters and branches:

	<b>Buildings</b>	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Office furniture and equipment</b>	<b>Computers</b>	<b>Total</b>
Cost:						
Opening balance	22,073	31,792	123	20,551	3,765	78,304
Additions	6,473	1,000	-	2,058	214	9,745
Disposals	-	-	-	-	-	-
Closing Balance	<u>28,546</u>	<u>32,792</u>	<u>123</u>	<u>22,609</u>	<u>3,979</u>	<u>88,049</u>
Accumulated depreciation:						
Opening balance	1,995	18,992	107	10,653	3,177	34,924
Depreciation for the year	358	1,531	12	1,132	343	3,376
Disposals	-	-	-	-	-	-
Closing Balance	<u>2,354</u>	<u>20,523</u>	<u>119</u>	<u>11,785</u>	<u>3,520</u>	<u>38,300</u>
Depreciated cost as at December 31, 2018	<u>26,192</u>	<u>12,269</u>	<u>4</u>	<u>10,824</u>	<u>459</u>	<u>49,749</u>
Depreciated cost as at December 31, 2017	<u>20,078</u>	<u>12,800</u>	<u>16</u>	<u>9,898</u>	<u>588</u>	<u>43,380</u>

(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 registered in the Trust Registrar and one property received as a restricted donation. See Note 15C.

**Note 9 - Other Assets**

	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Depreciated cost</b>
Composition and movement for the year ended December 31, 2018, Headquarters and branches:			
Opening balance	390	322	68
Additions	<u>187</u>	<u>38</u>	<u>149</u>
Closing Balance	<u>577</u>	<u>360</u>	<u>217</u>

**Note 10 - Suppliers & Service providers**

	<b>National headquarters and Branches</b>	
	<b>December, 31</b>	
	<b>2018</b>	<b>2017</b>
Suppliers	2,530	2,515
Cheques payable	72	14
Payables in respect of rent	<u>144</u>	<u>72</u>
	<u>2,746</u>	<u>2,601</u>

**Note 11 - Other payables and credit balances**

Employees and wage-related liabilities	8,051	5,907
Provision for vacation	3,475	2,857
Provision for recovery	1,231	984
Expenses payable	835	833
Other Payables	<u>580</u>	<u>776</u>
	<u>14,172</u>	<u>11,357</u>

**Note 12 - Employee Benefits, Net**

**A. Post employment benefits plans**

1. 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
2. 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.
3. The total amounts recognized in profit or loss as expenses in respect of contributions paid by the Association during the reporting year is approximately NIS 3,103 thousand.

**B. Other long-term employee benefits- compensated unused sick leave**

The obligation to pay unused sick leave is recognized in the financial statements in accordance with the "Extension Order for Social Workers Employed in Accordance with the State's Arrangements 2017" (hereinafter - "the Extension Order"). In accordance with the Extension Order, social workers who meet the conditions specified therein are entitle to compensation for the accumulation of unused sick leave days. This liability, compensation for unused of sick leave, is measured at the present value of the obligation at the reporting date. Also, on the basis of the calculation are certain assumptions assumed by the association.

As at December 31, 2018, the balance of the obligation for unused sick leave is NIS 98 thousand.

**Note 13 - Contingent Liabilities, Commitments and Liens**

**A. Guarantees**

- 1) The Association has issued bank guarantees of a total of NIS 918 thousand, (31.12.17: NIS 876 thousand), of which a total of approximately NIS 515 thousand (31.12.17: NIS 527 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 2018 the Association rents about 84 apartments and 13 buildings used as hostels and the rent amounts to NIS 3,737 thousand and NIS 2,361 thousand per year, respectively.

In addition the Association rents 24 buildings used as branches with rent amounting to NIS 2,444 thousand per year and 8 buildings used as centers for families counseling at rents amounting to NIS 494 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 86.6% of its revenues (about 84.2% 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 publishment of a new tender.

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

- 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 December 31, 2019.
  - 2) In Jerusalem, Karmiel and Haifa, contractual agreement valid until July 1, 2019.
  - 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) The Association has entered into an agreement for the provision of services with the Ministry of Defense, which was signed on July 17, 2018 in respect of Hostel's services and Rehabilitative housing which is valid until August 31, 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.
- 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 woman who commanded them to the Association after her mother's death. Relatives of the deceased filed an appeal against the court's decision. On August 23, 2018, the court accepted the appeal of the opponents and ruled that the will was null and void. The beneficiaries of the will, including the Association, filed an application to appeal this ruling to the Supreme Court, which was rejected on January 16, 2019.
  - 8) The Association did not recorded income in the amount of NIS 700 thousand relate to payment requests submitted in previous years to the Ministry of Health that have not yet been approved by it due to disagreements regarding the validity of the entitlement on those payment requests.
- C. **Contingent liabilities**  
The management of the association estimates that the financial statements fairly reflect the amounts that the Association may be required to pay in respect of benefits to social workers as a result of the extension order and the amounts that it is expected to receive from the Ministry of Health to cover these additional expenses, in light of, inter alia, the discussions being conducted as of the date of approval of these financial statements, with the Ministry of Health.

**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, 2018 and 2017, 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 31.12.2017	Amounts earmarked	Amounts released from restrictions	Balance at 31.12.2018
<b>Earmarked for activities:</b>				
Anchor Fund for Financial Stability	12,000	-	-	12,000
Infrastructure, Computer and Communications Improvement Fund	1,500	714	(214)	2,000
Special Project and Professional Development Fund	2,000	2,838	(838)	4,000
	<u>15,500</u>	<u>3,552</u>	<u>(1,052)</u>	<u>18,000</u>
<b>Earmarked for acquisition of fixed assets:</b>				
<b>The headquarters</b>				
Enosh House Construction Fund	1,858	3,142	-	5,000
<b>Branches</b>				
Fund for the construction of Enosh branches and hostels	3,700	1,484	(1,184)	4,000
Fund for the establishment of Enosh House - Hertzeliya	32	-	-	32
	<u>3,732</u>	<u>1,484</u>	<u>(1,184)</u>	<u>4,032</u>
	<u>5,590</u>	<u>4,626</u>	<u>(1,184)</u>	<u>9,032</u>
	<u>21,090</u>	<u>8,178</u>	<u>(2,236)</u>	<u>27,032</u>

**B- Net Assets with temporarily restriction**

	Balance at 31.12.2017	amounts received and restricted	amounts released from restrictions	Balance at 31.12.2018
<b>Temporarily restricted:</b>				
<b>The headquarters:</b>				
Fund for Maintenance of the Enosh House in Haifa	173	-	(29)	144
Mind & Fitness Fund *	-	278	(228)	50
Headspace center (see Note 13b (6) (b)) *	872	1,066	(914)	1,024
Sukka Project Fund	152	95	(77)	170
Project "Bicycle Shop"	232	147	(81)	298
Fund for operation of Enosh homes	78	60	-	138
The Starter Project Fund	106	146	-	252
The Enosh Kiryat Ono Branch Maintenance Fund	532	-	(12)	520
Fund for financing the activities of the Afula Enosh home	2,145	-	-	2,145
Fund for maintenance Beit Shemesh Enosh home	432	-	(13)	419
Carmiel Kitchen Training Fund	67	220	(37)	250
Fund for the renovation of the Tel Aviv branch *	155	-	(155)	-
Other Funds *	463	625	(640)	448
	<u>5,407</u>	<u>2,637</u>	<u>(2,186)</u>	<u>5,858</u>

\* Funds relate to activities financed also by the Association current funds (Hereinafter - "The ongoing budget").

The amount of the ongoing budget for financing the operations amounted NIS 2,641 thousand, of which NIS 1,371 thousand of it relates to Headspace center.

**Branches**

Jerusalem Branch Fund (Estate of the late Lior Ori)	<u>182</u>	-	-	<u>182</u>
<b>Fund for equipment and construction (see Note 13b (6) (a))</b>	<u>259</u>	<u>3,969</u>	<u>(4,127)</u>	<u>101</u>
<b>Total</b>	<u>5,848</u>	<u>6,606</u>	<u>(6,313)</u>	<u>6,141</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**

1) Trusts:

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

	<b>December, 31</b>	
	<b>2018</b>	<b>2017</b>
Apartment on Feinberg Street 5, Givatayim (a)	1,517	1,537
Apartment on Snapir Street 1, Tel Aviv (b)	198	204
Apartment on Shitrit Street 16, Netanya (b)	115	119
Apartment on Benbenishti Street 6, Tel Aviv (c)	675	691
	<u>2,505</u>	<u>2,551</u>

The goals of these trusts:

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

2) Other Assets restricted permanent:

The Association has an apartment with permanent restriction, whose net book value is as follow:

Apartment on Hanagid Street 6, Jerusalem	<u>2,428</u>	-
	<u>2,428</u>	<u>-</u>

In 2018, the Association received an inheritance on 6 Shmuel HaNagid St. in Jerusalem, which yields rent. According the will, this apartment will remain owned by the Association and will serve as a source of income for the maintenance and operation of a certain project.

Total Net Assets with permanent restriction	<u>4,933</u>	<u>2,551</u>
---------------------------------------------	--------------	--------------

<b>Note 16 - Mental Health Services</b>	<b>National headquarters and Branches</b>	
	<b>Year ended December, 31</b>	
	<b>2018</b>	<b>2017</b>
Composition:		
Ministry of Health (*)	96,737	90,282
Ministry of Defense	1,252	990
Ministry of Social Affairs and Social Services	-	1,159
Other	325	65
	<u>98,314</u>	<u>92,496</u>

(\*) Out of this NIS 581 thousand refer to differentials rates relates to previous years.

Composition of income according to types of services in accordance to the rehabilitation basket:		
Rehabilitative housing	51,634	47,524
Hostel	13,255	12,704
Vocational rehabilitation	23,787	22,389
Social and recreation centers	4,067	4,233
Family counseling center	5,245	4,422
Other projects	326	1,224
	<u>98,314</u>	<u>92,496</u>

**Note 17 - Participations, events, activities and other**

Composition:		
Participation fee - vacation of beneficiaries.	741	1,028
Tenants' participation in rent (including Ministry of Housing)	5,653	5,755
Events and activities	584	653
Rehabilitation employment	2,608	2,850
Other	67	45
	<u>9,653</u>	<u>10,331</u>

**Note 18 - Payroll and related expenses**

Composition:		
Social clubs	7,951	7,931
Vocational rehabilitation	15,218	13,959
Supported housing	37,248	31,834
Hostels	8,816	7,127
Family counseling center	2,915	2,440
Other projects	2,327	2,721
	<u>74,475</u>	<u>66,012</u>

**National headquarters  
and Branches**

**Year ended December, 31**

	2018	2017
--	------	------

**Note 19 - Operating expenses**

Rent of Branches	2,938	2,755
Rent of apartments	6,098	5,905
Maintenance and operation	5,949	5,931
Office maintenance	691	742
Vehicles	1,142	1,095
Training and activities	2,939	2,762
Travel and other	869	937
	20,626	20,127

**Note 20 - Events and activities**

Social clubs	637	660
Vacation of beneficiaries (excluding cost of hired escorts)	635	1,009
Vocational rehabilitation	2,595	2,513
	3,867	4,182

**Note 21 - General and Administrative expenses**

Salaries & Related expenses	4,060	3,824
Office maintenance	724	696
Legal and Professional Services	620	677
Office, communication and other expenses	102	66
Payroll services	290	304
Food and events	67	67
Insurances	37	22
Business travel abroad	13	23
Motor vehicle	75	77
Provision for doubtful debts	19	143
	6,007	5,899

**Note 22 - Donations, Allocations and its Fundraising Expenses**

Fundraising costs relate to both, restricted and unrestricted donations and allocations presented as follow:

1) Statement of operations:		
Donations	1,289	1,468
Allocations from Municipalities	292	275
	1,581	1,743
2) Statements of changes in net assets:		
Donations restricted temporary	2,637	5,110
Donations restricted permanent	2,440	-
	5,077	5,110
Total donations	6,658	6,853
Fundraising expenses	1,069	1,099

**Note 23 - Raising social awareness costs**

Supplementary training and seminars	80	17
Marketing, advertising and public relations	666	311
	746	328

**Note 24 - Transactions and Balances with Related Parties**

National headquarters and Branches	
Year ended December, 31	
2018	2017

A. Salary and related expenses of the CEO	736	738
Expenses in respect of a provision for payment upon termination of labor relations in accordance with the employment contract	-	164
B. Transactions with government institutions: See Note 16 and Note 13b 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 2013, included.

**Note 26 - Restatement of the financial statements as of December 31, 2017 and for the year then ended**

A. The Association retroactively adjusted the financial statements as at December 31, 2017 and for the year then ended by way of restatement in order to reflect the recognition of revenues from the Ministry of Health actually received in 2018, but relate to tariff differentials for the years 2015 through 2017, less amounts that do not meet the revenue recognition policy as detailed in Note 2.E.1).

B. The following is a summary of the effect of the adjustments relating to the financial data as of December 31, 2017 and for the year then ended:

	December, 31 2017		
	Before restatement	Restatement	After restatement
<b>Balance Sheets:</b>			
Current assets - Income receivable	12,149	2,796	14,945
Total current assets	27,473	2,796	30,269
Net unrestricted assets, undesignated (applied to operations)	2,617	2,796	5,413
Total net assets	73,003	2,796	75,799
	Year ended December, 31 2017		
	Before restatement	Restatement	After restatement
<b>Statements of operations:</b>			
Income from operation - mental health services	89,700	2,796	92,496
Total income from operations	104,667	2,796	107,463
Net profit for the year	3,292	2,796	6,088
<b>Statements of cash flows:</b>			
Cash flows generated by operating activities			
Net profit for the year	3,292	2,796	6,088
Adjustment required to present cash flows generated from operating activity - appendix A	4,877	(2,796)	2,081
	8,169	-	8,169