

**Enosh - The Israeli Mental
Health Association**

**Financial Statements
As at December 31, 2021**

Financial Statements as at December 31, 2021

Contents

	<u>Page</u>
Auditors' Report	2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Changes in Net Assets	5
Statements of Cash Flows	7
Notes to the Financial Statements	8



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Auditors' Report to the Members of Enosh - The Israeli Mental Health Association

We have audited the accompanying statement of financial position of Enosh - The Israeli Mental Health Association (hereinafter - "the Association") as of December 31, 2021 and the related statement of activities, statement of changes in net assets, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Association's Executive Committee and Management. Our responsibility is to express an opinion on these financial statements based on our audit.

The Association's financial statements as of December 31, 2020 and for the year then ended were audited by other auditors whose report thereon dated June 16, 2021 was unqualified.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditors Regulations (Auditor's Mode of Performance), 1973. Such 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 Board and Management of the Association, as well as evaluating the overall financial statement 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, 2021 and the results of its activities, changes in net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

A handwritten signature in blue ink that reads 'Somekh Chaikin'.


Somekh Chaikin
Certified Public Accountants (Isr.)


June 26, 2022

Statements of Financial Position as at December 31

	Note	2021 NIS thousands	2020 NIS thousands
Current assets			
Cash and cash equivalents	4	5,053	11,782
Designated cash and marketable securities	8	10,565	4,372
Short-term investments	5	3,958	4,136
Income receivable	6	14,258	12,459
Other receivables and debit balances	7	1,352	554
		35,186	33,303
Non-current assets			
Designated cash and marketable securities	8	22,940	25,564
Long-term receivables		337	432
Fixed assets, net	9	60,347	58,785
Other assets	10	299	272
		83,923	85,053
		119,109	118,356
Current liabilities			
Suppliers and service providers	11	2,773	4,250
Other payables and credit balances	12	17,090	16,620
		19,863	20,870
Long-term liabilities			
Long-term credit		100	193
Employee benefits, net	13	4,541	3,942
		4,641	4,135
Guarantees, commitments and contingent liabilities	14		
Net assets			
Unrestricted net assets			
For use in activities		454	4,358
Designated by Management	16A	27,400	24,459
Used for fixed assets		55,998	54,295
		83,852	83,112
Restricted net assets	16B, 16C	10,753	10,239
Total net assets		94,605	93,351
		119,109	118,356


 Eli Assraf - Chairman of the
 Executive Committee


 Tomer Dan - Chairman of the
 Finance Committee


 Dr. Hila Hadas - CEO

Date of approval of the financial statements: June 26, 2022

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

Statements of Activities for the Year Ended December 31

		2021	2020
	Note	NIS thousands	NIS thousands
Income from activities			
Mental health services	17	124,017	113,318
Participations, events, activities and other	18	8,725	9,092
Amounts released from restricted net assets		2,872	2,674
Amounts released from restricted net assets for investing in fixed assets	2.A	1,067	-
Donations	23	2,127	1,020
Allocations from Municipalities	23	352	295
		139,160	126,399
Cost of activities			
Payroll and related expenses	19	94,847	86,237
Operating expenses	20	25,666	22,517
Events and activities	21	4,408	4,296
Depreciation and amortization		4,554	4,230
		129,475	117,280
Net income from activities		9,685	9,119
General and administrative expenses	22	7,469	6,961
Fundraising expenses	23	1,134	848
Raising awareness expenses	24	611	481
		9,214	8,290
Surplus before financing		471	829
Financing income (expenses), net	25	155	(433)
Surplus for the year		626	396

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

Statement of Changes in Net Assets

	Unrestricted net assets for use in activities			Restricted net assets	Total
	Not designated by management	Designated by management	Invested in fixed assets		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as at January 1, 2020	3,753	22,551	49,811	11,222	87,337
Additions during the year					
Donations and other	-	-	-	5,312	5,312
Allocations	-	-	-	2,980	2,980
Surplus for the year	396	-	-	-	396
Amounts designated by Management	(4,481)	4,481	-	-	-
Amounts designated in prior periods by Management and used as designated	816	(816)	-	-	-
Disposals during the year					
Amounts released from restricted net assets for use in activities	-	-	-	(2,674)	(2,674)
Amounts released from net assets designated by Management for fixed assets	-	(1,757)	1,757	-	-
Amounts released from Restricted net assets for acquisition of fixed assets	1,730	-	4,777	(6,507)	-
Transfer of amounts from unrestricted assets:					
For purchase of fixed assets	(2,085)	-	2,085	-	-
To cover depreciation	4,229	-	(4,135)	(94)	-
Balance as at December 31, 2020	4,358	24,459	54,295	10,239	93,351

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

Statement of Changes in Net Assets

	Unrestricted net assets for use in activities			Restricted net assets	Total
	Not designated by management	Designated by management	Invested in fixed assets		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as at January 1, 2021	4,358	24,459	54,295	10,239	93,351
Additions during the year					
Donations and other	-	-	-	3,500	3,500
Allocations	-	-	-	1,067	1,067
Surplus for the year	626				626
Amounts designated by Management	(4,195)	4,195	-	-	-
Amounts designated in prior periods by Management and used as designated	1,033	(1,033)	-	-	-
Disposals during the year					
Amounts released from restricted net assets for use in activities	-	-	-	(2,872)	(2,872)
Amounts released from net assets designated by Management for investing in fixed assets	-	(221)	221	-	-
Amounts released from restricted net assets for acquisition of fixed assets	(713)	-	713	(1,067)	(1,067)
Transfer of amounts from unrestricted assets:					
For purchase of fixed assets	(5,209)	-	5,209	-	-
To cover depreciation	4,554	-	(4,440)	(114)	-
Balance as at December 31, 2021	454	27,400	55,998	10,753	94,605

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

Statements of Cash Flows for the Year Ended December 31

	<u>2021</u>	<u>2020</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>
Cash flows from operating activities		
Surplus for the year	626	396
Adjustments necessary to reconcile surplus to net cash flows from operating activities - Annex A	<u>3,690</u>	<u>15,732</u>
Net cash provided by operating activities	<u>4,316</u>	<u>16,128</u>
Cash flows from investing activities		
Acquisition of fixed and other assets	(7,561)	(10,450)
Increase in designated cash and marketable securities, net	<u>(3,391)</u>	<u>(1,075)</u>
Net cash used in investing activities	<u>(10,952)</u>	<u>(11,525)</u>
Cash flows from financing activities		
Repayment of long-term credit, net	<u>(93)</u>	<u>(46)</u>
Net cash used in financing activities	<u>(93)</u>	<u>(46)</u>
Increase (decrease) in cash and cash equivalents	<u>(6,729)</u>	<u>4,557</u>
Cash and cash equivalents at beginning of year	<u>11,782</u>	<u>7,225</u>
Cash and cash equivalents at end of year	<u>5,053</u>	<u>11,782</u>
Annex A - Adjustment necessary to reconcile surplus to net cash flows from operating activities		
Income and expenses that do not involve cash flows:		
Depreciation and amortization	4,554	4,239
Increase in liability for employee benefits	599	539
Receipt of allocations and restricted donations	4,567	8,292
Amounts released from restrictions for acquiring fixed assets	(1,067)	-
Amounts released from restricted net assets to activities	<u>(2,872)</u>	<u>(2,674)</u>
	<u>5,781</u>	<u>10,396</u>
Changes in asset and liability items:		
Increase in income receivable and receivables and debit balances	(2,502)	(580)
Increase in suppliers and payables and credit balances	<u>411</u>	<u>5,916</u>
	<u>(2,091)</u>	<u>5,336</u>
	<u>3,690</u>	<u>15,732</u>
Annex B - Non-cash transactions		
Acquisition of fixed assets on credit	<u>403</u>	<u>1,821</u>

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

Notes to the Financial Statement as of December 31, 2021

Note 1 - General

- A.** Enosh - The Israeli Mental Health Association (R.A.) (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 act on behalf of the wellbeing and rights of people coping with mental disabilities. Over the years the Association has led significant changes in the legislation, rights and development of services for this population. From the date of enactment of The Rehabilitation in the Community of Persons with Mental Disabilities Law in 2000, the Association has been expanding its main line of operation – the provision of services – by means of paid employees, and it continues to operate in other areas, mainly through volunteers. The goals of the Association include, among others, promoting the status and integration of people coping with mental disabilities in all aspects of life, including social, housing, employment and health care as well as working to promote the mental health of individuals and families and eradicate the stigma against people with mental disabilities.

The Association is a knowledgeable professional organization that operates through 75 service centers which provide rehabilitation services in the community (in the domains of supportive housing, employment and recreation) and family counseling across the country, from Kiryat Shmona to Eilat, in the Arab sector, in development communities as well as in the periphery. The Association's vision and goals are led by the Association's Executive Committee in conjunction with the senior professional staff, while as of the reporting year, approximately 1,000 employees and 870 volunteers are responsible for their implementation. The target population of the Association is people dealing with mental disabilities and their family members. The Association operates in order to improve the functional capacities resulting from mental impairment and to help the person reach the highest possible level of independent functioning, to obtain a sense of confidence and competence and to promote their integration into the community while facing a 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 Ordinance. The approval is valid until December 31, 2023.
- D.** The Association has proper management certification from the Registrar of Associations in effect until December 31, 2022.
- E.** The Association reports that no donations were received from a foreign state entity in the year of this report.
- F.** In 2021, as a result of the coronavirus (COVID-19) outbreak continuing around the world, management of the Association adapted its method of operation according to the restrictions imposed by the government. As at the date of approval of these financial statements, the Association has resumed operating in its normal format and the effect of the virus on the Association's financial position and activities has been immaterial.

Notes to the Financial Statement as of December 31, 2021

Note 2 - Basis of Preparation

A. Application of accounting standards

Initial application of Accounting Standard No. 40, *Accounting Principles and Financial Reporting of Non-Profit Organizations*

The requirements of the publication

Accounting Standard No. 40, *Accounting Principles and Financial Reporting of Non-Profit Organizations* (hereinafter: "the Standard"), was published on August 13, 2020. The Standard replaces the provisions in the combined version of Opinion No. 69 and Accounting Standard No. 5 including its amendments, as well as Accounting Standard No. 9.

Effective date and transitional provisions

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

The effect of applying the Standard's measurement provisions on the date of initial application was reported as an adjustment to balances of net assets at the beginning of the period. Comparative information was not restated in respect of the measurement changes arising from the provisions of the Standard. The presentation provisions of the Standard have been applied retrospectively as from the effective date of the Standard.

Application of the Standard had an effect on the recognition of income from donations restricted for investment in fixed assets (NIS 1,067 thousand in the reporting year).

B. Functional and presentation currency

These financial statements are presented in NIS, which is the Association's functional currency, and have been rounded to the nearest thousand, except when otherwise indicated. The NIS is the currency that represents the principal economic environment in which the Association operates.

C. Use of estimates and judgments

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

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

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

Notes to the Financial Statement as of December 31, 2021

Note 3 - Significant Accounting Policies

A. Accounting of non-profit organization

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

Pursuant to the provisions of that standard:

Conditional donation

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

Promise

A documented agreement that is legally enforceable to donate cash or other assets to a non-profit organization.

Donor-imposed restrictions on the use of net assets

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

Unrestricted net assets

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

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

1. Net assets for use in activities – designated by the bodies of the non-profit organization.
2. Net assets for use in activities – not designated by the bodies of the non-profit organization.
3. Net assets invested in fixed assets.

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

Restricted net assets

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

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

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

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

Notes to the Financial Statement as of December 31, 2021

Note 3 - Significant Accounting Policies (cont'd)**A. Accounting of non-profit organization (cont'd)****Classification of restricted donations in the statement of cash flows**

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

B. Cash and cash equivalents

Cash and cash equivalents include short-term bank deposits and marketable government bonds with an original maturity not exceeding three months. The item does not include cash and deposits managed in separate accounts, that their use was restricted by donors for certain purposes or were designated by Management or were pledged as security for repayment of a liability.

C. Investment in securities

Marketable securities held as a current investment are stated at their market value as at the date of the financial statements less expenses for their disposal. Changes in the value of securities are fully recognized in the statement of income.

The Association's investments that constitute a part of investment portfolios designated by management to restricted funds are presented as long-term investments.

D. Provision for doubtful debts

The financial statements include specific provisions for doubtful debts, which, in management's opinion, adequately reflect the loss inherent in those debts the collection of which is doubtful. Management's determination of the adequacy of the provisions is based, inter alia, on an evaluation of the risk, by considering the available information on the financial position of the debtors, the volume of their business and an evaluation of the security received from them. Doubtful debts, which, according to the opinion of management of the Association, are unlikely to be collected, are written-off the Association's books, based on a management resolution.

E. Fixed assets**Recognition and measurement**

The Association applies Accounting Standard 27 *Fixed Assets*, which prescribes rules for the recognition and measurement of fixed asset items and for the disclosure required in respect thereto. Fixed asset items are measured at cost less accumulated depreciation and accumulated impairment losses. Gains and losses on disposal of a fixed asset item are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are recognized net within "other income" or "other expenses", as relevant, in the statement of activities.

Depreciation

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

Notes to the Financial Statement as of December 31, 2021

Note 3 - Significant Accounting Policies (cont'd)**E. Fixed assets (cont'd)****Depreciation (cont'd)**

Leased assets under finance lease agreements including lands are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Association will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

	%
Buildings	2
Assets and improvements in assets in which the Association has usage rights	According to the allocation period
Other leasehold improvements	Over the lease term
Furniture and equipment	6-33
Computers	33
Vehicles	15

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting year and adjusted if appropriate.

F. Intangible assets

The Association applies Accounting Standard 30 *Intangible Assets* (hereinafter – the Standard) of the Israel Accounting Standards Board. The Standard prescribes the accounting treatment of intangible assets and defines how to measure the carrying amount of these assets, while indicating the required disclosures.

The intangible assets are measured at cost and amortized on a straight-line basis, based on their estimated useful life.

G. Impairment of assets

The Association applies Accounting Standard No. 15 (Revised), *Impairment in Value of Assets* (hereinafter - “the Standard”). The Standard provides procedures which the Association must apply in order to ensure that its assets in the balance sheet, to which the Standard applies, are not presented at an amount which is in excess of their recoverable amount, which is the higher of the net selling price and the value in use (the present value of the estimated future cash flows expected to be derived from use and disposal of the asset). In addition, the Standard provides rules for presentation and disclosure with respect to assets whose value has been impaired. When the value of an asset in the statement of financial position is higher than its recoverable amount, the Association recognizes a loss from the impairment in value in the amount of the difference between the carrying amount of the asset and its recoverable amount. The loss thus recognized will be cancelled only in the event of changes occurring in the estimates that were used to determine the recoverable amount of the asset since the date on which the most recent loss from the impairment in value was recognized.

Notes to the Financial Statement as of December 31, 2021

Note 3 - Significant Accounting Policies (cont'd)**H. Provision for claims**

A provision for claims is recognized if, as a result of a past event, the Association has a present legal or constructive obligation and it is likely that the Association will be required to pay amounts to the other party. The provision will be recognized according to the estimate of the amount the entity will be required to pay.

I. Revenue recognition**1. Recognition of donations and promises**

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

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

A non-conditional promise will be recognized as income or as an addition to restricted net assets in the period in which the promise was received providing that there is sufficient evidence that a promise has been made and the promise is legally enforceable. Non-conditional promises with maturities in future periods will be recognized as an addition to restricted net assets and be recognized as income in those future periods unless explicit conditions of the donor or the circumstances of receiving the promise clearly show that the donor had intended that the donation be used to support current period activities.

2. Revenue from services

Revenues from services are recognized proportionately over the period of the agreement or upon performance of the services if it is certain that the economic benefits attributed to performance of the services will be received.
Rental income is recognized over the rental period on a straight-line basis.

3. Financing income

Financing income (or expenses) are presented in the statement of activities net of amounts carried to restricted net assets in order to maintain the value of the restricted net assets according to the instructions of the donor or the provisions of the law.

Notes to the Financial Statement as of December 31, 2021

Note 3 - Significant Accounting Policies (cont'd)**I. Revenue recognition (cont'd)****4. Services received for no consideration**

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

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

5. Agency transactions

In order to decide whether to report the revenue on a gross basis (donation to the Association) or on a net basis (agency transactions), the Association examines whether it is acting as an agent, trustee or intermediary. When the Association is able to control the benefit expected from the donation, the Association is not an agent, trustee or intermediary and in such a case the revenue is presented on a gross basis. Conversely, if the donor conditioned the donation on it being transferred to a third party and not being used by the Association, and the Association has no or little discretion as to how the transferred assets will be used, the transfer of the assets is not considered a donation and the Association is an agent, trustee or intermediary.

Revenue from agency transactions are recognized in the statement of activities on a net basis (amounts received from third parties net of amounts the Association is required to transfer to third parties).

In the receipt of cash and financial assets for transfer to others, a liability is recognized upon recognition of the received assets according to the fair value of the assets that were received.

J. Exchange rates and linkage basis

1. Balances in foreign currency, or linked thereto, are stated on the basis of the representative exchange rates published by Bank of Israel and in effect at balance sheet date.
2. Presented hereunder is information regarding the Consumer Price Index (CPI) and exchange rates of principal currencies:

	December 31 2021	December 31 2020
CPI (in points)	102.6	100.1
US dollar (in NIS per \$1)	3.11	3.215

Notes to the Financial Statement as of December 31, 2021**Note 3 - Significant Accounting Policies (cont'd)****J. Exchange rates and linkage basis (cont'd)**

	% of change in year ended December 31	
	2021	2020
CPI	2%	(1%)
US dollar	(3%)	(7%)

K. Taxes levied on the Association

Payroll taxes levied pursuant to the Value Added Tax (VAT) Law are included in salary expenses. VAT paid on inputs that is not deductible, is included under expenditure, or under the assets for which the tax was levied.

L. Employee benefits**Post-employment benefits - defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an expense in the statement of activities in the periods during which related services are rendered by employees. The Association's regular deposits with pension funds and insurance companies in respect of severance pay that are subject to Section 14 of the Severance Pay Law release it from any further liability to the employees for whom such deposits are made. Therefore, these deposits constitute a defined contribution plan and are recognized as an expense at the time of their deposit in the plan concurrently with receipt of the work services from the employee.

Defined benefit plans - severance benefits

Severance benefits are post-employment benefits according to the Severance Pay Law or severance pay agreement that are created over the period of the employee's service and are based on the salaries of the employee or a defined amount.

The Association has chosen to account for severance benefits according to the shut down model. Accordingly, the net liabilities for severance pay are measured at the net amount of the Association's obligation to pay severance benefits assuming that on the reporting date all the employees will retire at terms entitling them to severance pay, less the redemption values of the plan assets from which the obligation should be directly settled.

In the event that the redemption values of the plan assets exceed the Association's obligation, the Association presents an asset in the statement of financial position only if the advance payment results in a decrease in future payments or a refund of money. A net change in the liability, other than a change attributable to benefits that were paid to employees during the period or the deposits of the Association, will be fully recognized in the statement of activities.

M. Reclassification

Certain prior year information has been reclassified in order to conform with its presentation in the current year.

Notes to the Financial Statement as of December 31, 2021**Note 4 - Cash and Cash Equivalents**

	December 31 2021	December 31 2020
	<u>NIS thousands</u>	<u>NIS thousands</u>
Cash in hand and in current bank accounts:		
In Israeli currency – Headquarters	21,029	27,263
In foreign currency – Headquarters	3,412	3,517
In Israeli currency – Branches	3,032	2,396
In foreign currency – Branches	585	542
	<u>28,058</u>	<u>33,718</u>
Less designated cash	<u>(23,005)</u>	<u>(21,936)</u>
	<u>5,053</u>	<u>11,782</u>

Note 5 - Short-Term Investments

	December 31 2021	December 31 2020
	<u>NIS thousands</u>	<u>NIS thousands</u>
Pledged cash	1,042	968
Deposits	1,424	950
Mutual funds	4,578	2,902
Marketable securities	7,414	7,316
	<u>14,458</u>	<u>12,136</u>
Less designated investments	<u>(10,500)</u>	<u>(8,000)</u>
	<u>3,958</u>	<u>4,136</u>
Headquarters	3,530	3,586
Branches	428	550
	<u>3,958</u>	<u>4,136</u>

Notes to the Financial Statement as of December 31, 2021**Note 6 - Income Receivable**

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Government ministries	12,437	11,445
Participants receivable	181	67
Others	1,656	1,013
	14,274	12,525
Net of provision for doubtful debts	(16)	(66)
	14,258	12,459

Note 7 - Other Receivables and Debit Balances

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Prepaid rent	712	454
Postdated checks	151	3
Government institutions and others	374	66
Employees	115	31
	1,352	554

Note 8 - Designated Cash and Marketable Securities

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Designated cash and marketable securities presented in:		
Current assets	10,565	4,372
Non-current assets	22,940	25,564
	33,505	29,936
These balances relate to net assets:		
Restricted - see Note 16.B	6,105	5,477
Designated by management – see Note 16.A	27,400	24,459
	33,505	29,936

Notes to the Financial Statement as of December 31, 2021

Note 9 - Fixed Assets

	Buildings	Leasehold	Motor	Office	Computers	Total
	NIS thousands	improvements	vehicles	furniture and	NIS thousands	NIS thousands
		NIS thousands	NIS thousands	equipment		
				NIS thousands		
Cost						
Balance at beginning of year	39,733	32,441	76	26,651	5,922	104,823
Additions	<u>2,660</u>	<u>637</u>	<u>-</u>	<u>1,841</u>	<u>768</u>	<u>5,906</u>
Balance at end of year	<u>42,393</u>	<u>33,078</u>	<u>76</u>	<u>28,492</u>	<u>6,690</u>	<u>110,729</u>
Accumulated depreciation						
Balance at beginning of year	3,403	23,651	26	14,291	4,667	46,038
Current year depreciation	<u>749</u>	<u>1,499</u>	<u>10</u>	<u>1,349</u>	<u>737</u>	<u>4,344</u>
Balance at end of year	<u>4,152</u>	<u>25,150</u>	<u>36</u>	<u>15,640</u>	<u>5,404</u>	<u>50,382</u>
Carrying amount as at December 31, 2021	<u>38,241</u>	<u>7,928</u>	<u>40</u>	<u>12,852</u>	<u>1,286</u>	<u>60,347</u>
Carrying amount as at December 31, 2020	<u>36,330</u>	<u>8,790</u>	<u>50</u>	<u>12,360</u>	<u>1,255</u>	<u>58,785</u>

- A. The Association owns nine apartments, two buildings used as hostels and two buildings used as branches all of which are registered in its name in the Israeli Land Registry.
- B. The Association has lease rights in the process of registration regarding 2 real estate assets on Hahalutz Street in Haifa that constitute 70% of the lease rights in those assets.
- C. The buildings include four properties registered in an endowment at the Registrar of Endowments and one restricted donation. See Note 16.C.
- D. See also Note 14.B.2 regarding usage rights free of charge.

Notes to the Financial Statement as of December 31, 2021**Note 10 - Other Assets**

	<u>Softwares</u> <u>NIS thousands</u>
Cost	
Balance at beginning of year	925
Additions	<u>237</u>
Balance at end of year	<u>1,162</u>
Accumulated amortization	
Balance at beginning of year	653
Current year amortization	<u>210</u>
Balance at end of year	<u>863</u>
Carrying amount as at December 31, 2021	<u>299</u>
Carrying amount as at December 31, 2020	<u><u>272</u></u>

Note 11 - Suppliers and Service Providers

	<u>December 31</u> <u>2021</u> <u>NIS thousands</u>	<u>December 31</u> <u>2020</u> <u>NIS thousands</u>
Suppliers	2,162	3,947
Checks payable	468	123
Payables in respect of rent and related expenses	<u>143</u>	<u>180</u>
	<u>2,773</u>	<u>4,250</u>

Notes to the Financial Statement as of December 31, 2021**Note 12 - Other Payables and Credit Balances**

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Employees and wage-related liabilities	10,363	9,414
Current maturities of long-term credit	104	114
Provision for vacation	4,586	4,670
Provision for convalescence	1,236	1,358
Accrued expenses	286	405
Other payables	515	659
	17,090	16,620

Note 13 - Employee Benefits, Net**A. Composition**

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Liability for severance pay	4,278	3,714
Liability for redemption of sick leave	263	228
	4,541	3,942

B. Post-employment benefits - severance benefits

- The Association's liability for severance pay represents the portion that is not covered by current deposits in the name of employees in comprehensive pension funds and provident funds. The amounts deposited as aforesaid are not included in the statement of financial position since they are not under the control and management of the Association. In accordance with the Mandatory Pension Law that came into effect in January 2008, the Association deposits amounts in a pension fund in respect of hourly employees and instructors in accordance with the law. The balance of the liability for severance pay is provided for in these financial statements.
- Part of the Association's employees signed special agreements according to Section 14 of the Severance Pay Law, and therefore the Association does not provide for any additional obligation to pay severance pay beyond the amounts deposited for them as from the date they signed the special agreements. In respect of periods prior to the agreement, a provision was made as mentioned in paragraph A above.
- The total amounts recognized in the statement of activities as expenses in respect of current contributions made during the reporting years is approximately NIS 4,292 thousand (2020 - NIS 3,720 thousand).

Notes to the Financial Statement as of December 31, 2021

Note 13 - Employee Benefits, Net (cont'd)**C. Other long-term employee benefits – redemption of unused sick leave**

The liability for redemption of 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 entitled to compensation for accumulated unused sick leave.

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

1. The Association provided bank guarantees for a total of NIS 1,042 thousand, (last year: NIS 968 thousand), of which approximately NIS 299 thousand (2020: NIS 561 thousand) are performance guarantees to the Ministry of Health.
2. The Association provided the Ministry of Health a security check amounting to NIS 2,465 thousand to ensure the provision of services.

B. Commitments**1. Rental of apartments and buildings**

The Association contracts with owners of private apartments in order to rent them out to people coping with mental disabilities who receive supportive housing services from the Association (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 rental contracts in respect of the apartments with the people that are planned to live in them. These people pay the rent either directly to the Association, or depending on their eligibility, indirectly through the Ministry of Housing. As of December 31, 2021, the Association rents about 71 apartments and 11 buildings used as hostels and the rent amounts NIS 3,570 thousand and NIS 2,463 thousand per year, respectively.

In addition the Association rents 26 buildings used as branches for rent totaling NIS 2,541 thousand per year and 10 buildings used as counseling centers for families for rent totaling NIS 879 thousand per year.

2. Usage rights free of charge

As of December 31, 2021, the Association has usage rights to buildings and land used by it in its operations. In respect of 14 buildings of branches, social clubs and a hostel the rights are governed by lease agreements and by use agreements free of charge for periods of up to 25 years. Also, the Association has received usage rights with no time limit for 15 additional branches and social clubs for which no agreements have as yet been formalized.

Notes to the Financial Statement as of December 31, 2021

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

B. Commitments (cont'd)

3. Ministry of Health

- a. The Ministry of Health is the main customer of the Association and in the reporting period the services to it constitute approximately 86% of its revenues (2020 - about 87.9%).
- b. The Association gives the Ministry of Health rehabilitation services for people coping with mental disabilities and supports their families in accordance with an agreement with the Ministry of Health from 2009 that came into effect on January 1, 2010, including services such as supportive housing, hostels, social club, vocational club, supported employment and sheltered workshops. These services are provided to people coping with mental disabilities that were approved by the Ministry of Health and in accordance with a fixed fee for each service type per person. Furthermore, 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 agreement ended in 2011 but in reality continues to be executed until the date of approval of these financial statements. In respect of certain services under this agreement there is an extension that was approved by the Association and the Ministry of Health.
- c. In addition, the Association has specific contracts and agreements which have not yet been set forth in a signed contract, for the provision of services as follows:
 - 1) Tel Aviv, Netanya and Eilat - valid until June 30, 2022. This extension has been approved by the Association but has not yet been signed by the Ministry of Health.
 - 2) In Jerusalem, Karmiel and Haifa, contractual agreement valid until December 31, 2022.

4. Ministry of Defense

The Association has agreements with the Ministry of Defense for the provision of services:

- a. Dated July 17, 2018 in respect of hostel services and supportive housing which is valid until August 31, 2023.
- b. Dated April 10, 2018 in respect of supported employment services, vocational club services and sheltered workshop services which is valid until April 30, 2023.

Notes to the Financial Statement as of December 31, 2021

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

B. Commitments (cont'd)

5. National Insurance Institute

- a. The Fund for the Development of Services for People with Disabilities of the National Insurance Institute transfers funds to the Association which are used to improve the conditions in facilities in which rehabilitation activities are held and to improve the living conditions and quality of life of people coping with mental disabilities.
 - b. Headspace project - According to an agreement with the National Insurance Institute, the Association runs centers that provide treatment of prevention and early intervention for young people that suffer from mild to moderate emotional difficulties. In the framework of the project, agreements to supply services were signed between the Association and the health maintenance organizations Maccabi Healthcare Services, Leumit Health Services and Meuhedet Health Services.
6. The "Bait Meazen" Project - The Association operates a "Bait Meazen" center as an alternative to psychiatric hospitalization, within the framework of agreements signed between the Association and the health maintenance organizations Maccabi Healthcare Services and Clalit Health Services for the provision of services within the framework of the project. The Association undertook to provide the services relating to the required treatment in exchange for monetary payment as stipulated in the agreements that were signed.
7. In February 2021, indictments were filed against the Association and senior officers in the Labor Court for contracting and receiving cleaning services, in one branch and for a short period, from a service provider that did not hold a license to operate as a cleaning services contractor. In January 2022 the State dropped all the charges in the case and closed it with a conditional arrangement.

Notes to the Financial Statement as of December 31, 2021

Note 15 - Financial Instruments and Risk Management**Foreign currency risks**

The Association is exposed to changes in exchange rates of a number of foreign currencies compared to the NIS in respect of foreign currency bank deposits, including mainly US dollar deposits.

The following table lists the sensitivity to a 1% increase or decrease in the exchange rate of the US dollar. The sensitivity analysis includes balances of monetary items denominated in the US dollar and adjusts their translation at the end of the year to a change in the US dollar exchange rate as stated above. This change represents management's assessments of the reasonably possible change in the US dollar exchange rate.

Assuming other parameters remain unchanged, the effect of a 1% increase/decrease in the US dollar compared to the NIS was as follows:

	Year ended December 31, 2021	
	+1%	-1%
Statements of activities - income (deficit)		
1% change in the exchange rate of the US dollar	38	(38)

Notes to the Financial Statement as of December 31, 2021

Note 16 - Net Assets

A. Unrestricted net assets designated by management

	Balance at January 1, 2021 NIS thousands	Amounts designated (cancellation of designation) NIS thousands	Amounts released from designation NIS thousands	Balance at December 31, 2021 NIS thousands
Designated for activities:				
Fund for financial stability	20,000	-	-	20,000
Infrastructure, computer and communications improvement fund	221	2,500	(221)	2,500
Special project and professional development fund	1,184	1,849	(1,033)	2,000
	<u>21,405</u>	<u>4,349</u>	<u>(1,254)</u>	<u>24,500</u>
Designated for acquisition of fixed assets:				
The headquarters				
Enosh House construction fund	3,000	(2,100)	-	900
Branches				
Fund for the construction of Enosh branches and hostels	22	1,978	-	2,000
Enosh House construction fund - Herzliya	32	(32)	-	-
	<u>54</u>	<u>1,946</u>	<u>-</u>	<u>2,000</u>
	<u>3,054</u>	<u>(154)</u>	<u>-</u>	<u>2,900</u>
	<u>24,459</u>	<u>4,195</u>	<u>(1,254)</u>	<u>27,400</u>

Notes to the Financial Statement as of December 31, 2021

Note 16 - Net Assets (cont'd)

B. Temporarily restricted net assets

	Balance at January 1, 2021 NIS thousands	Amounts received during the year NIS thousands	Amounts released from restriction NIS thousands	Balance at December 31, 2021 NIS thousands
The headquarters				
Fund for maintenance of the Enosh House in Haifa	90	-	(21)	69
HeadSpace project (see also Note 14.B.5(b))	2,114	1,937	(938)	3,113
Digital orientation fund	433	143	(161)	415
Fund for operation of Enosh apartments*	50	-	(50)	-
Fund for maintenance of the Enosh House in Kiryat Ono	443	-	(7)	436
Employment fund	220	-	(10)	210
Fund for maintenance of the Enosh House in Beit Shemesh*	159	200	(359)	-
Navigate fund*	-	124	(124)	-
Fund for maintenance of the Enosh House in Kiryat Gat	432	-	(67)	365
RUOK project fund	242	-	-	242
Fund for Beer Sheva branch construction	-	220	(17)	203
Other funds*	665	601	(843)	423
	<u>4,848</u>	<u>3,225</u>	<u>(2,597)</u>	<u>5,476</u>
Branches				
Jerusalem branch fund (estate of the late Lior Ori)	182	-	-	182
Karmiel kitchen training fund	251	-	-	251
Bicycle shop and kitchen training	148	-	-	148
"Hasuka" project fund	48	-	-	48
	<u>629</u>	<u>-</u>	<u>-</u>	<u>629</u>
Fund arising from properties of endowments and an apartment received as donation	-	275	(275)	-
Fund for equipment and construction (see also Note 14.B(5)(a))	-	1,067	(1,067)	-
	<u>5,477</u>	<u>4,567</u>	<u>(3,939)</u>	<u>6,105</u>

Notes to the Financial Statement as of December 31, 2021**Note 16 - Net Assets (cont'd)****B. Temporarily restricted net assets (cont'd)**

- * Funds relating to activities financed in part also by the Association's current funds (hereinafter - "the current budget"). The current budget amounted to NIS 2,521 thousand in 2021.

The balances and the movement in them represent donations designated by the donors for specific projects being executed by the Association and the use of the donations during the reporting years.

C. Endowments and restricted fixed assets

1) Endowments

The Association has four apartments registered as an endowment at the Registrar of Endowments that their carrying amount is as follows:

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Apartment on 5 Feinberg Street, Givatayim (a)	1,416	1,476
Apartment on 1 Snapir Street, Tel Aviv (b)	181	187
Apartment on 6 Shitrit Street, Netanya (b)	104	108
Apartment on Benbenishti Street	616	627
	2,317	2,398

The objectives of the endowments:

- a) The endowment is for the housing needs of people under the care of the Association.
- b) For the establishment of a hostel in the framework of the Netanya and Tel Aviv branches of the Association.
- c) The apartment will be used to expand and increase the Enosh activity at the Tel Aviv branch.

2) Restricted fixed assets:

The Association has a restricted apartment the carrying amount of which is as follows:

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Apartment on 6 Shmuel Hanagid St., Jerusalem	2,331	2,364
	2,331	2,364

Notes to the Financial Statement as of December 31, 2021**Note 16 - Net Assets (cont'd)****C. Endowments and restricted fixed assets (cont'd)**

The apartment on 6 Shmuel Hanagid St. in Jerusalem yields rent. According to 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.

	December 31 2021	December 31 2020
	NIS thousands	NIS thousands
Total permanently restricted net assets	<u>4,648</u>	<u>4,762</u>

Note 17 - Mental Health Services

	Year ended December 31 2021	2020
	NIS thousands	NIS thousands
Composition of income according to customer in respect of mental health services:		
Ministry of Health	119,655	111,091
Ministry of Defense	1,445	1,320
Other	2,917	907
	<u>124,017</u>	<u>113,318</u>

	Year ended December 31 2021	2020
	NIS thousands	NIS thousands
Composition of income according to types of services in accordance with rehabilitation Basket:		
Supportive housing	63,864	57,633
Hostel	16,169	13,819
Vocational rehabilitation	30,289	29,295
Social and recreation centers	4,604	5,932
Family counseling center	6,174	5,733
Other projects	2,917	906
	<u>124,017</u>	<u>113,318</u>

Notes to the Financial Statement as of December 31, 2021**Note 18 - Participations, Events, Activities and Other**

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
Composition		
Participation fees - recreation of persons under the care of the Association	253	48
Tenants' participation in rent (including Ministry of Housing)	5,207	5,299
Events and activities	516	707
Rehabilitation employment	2,615	2,677
Others	134	361
	8,725	9,092

Note 19 - Payroll and Related Expenses

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
Composition		
Social clubs	10,727	9,724
Vocational rehabilitation	17,288	16,469
Supportive housing	48,731	44,344
Hostels	9,977	8,861
Family counseling center	5,134	3,894
Other projects	2,990	2,945
	94,847	86,237

Notes to the Financial Statement as of December 31, 2021**Note 20 - Operating Expenses**

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
Rent of branches	3,420	2,909
Rent of apartments	6,032	6,140
Maintenance and operation	7,225	5,779
Office maintenance	778	713
Vehicles	1,190	1,182
Training and activities	5,928	4,952
Travel, food and lodging and other	1,093	842
	25,666	22,517

Note 21 - Events and Activities

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
Social clubs and activities	1,868	1,685
Vocational rehabilitation	2,311	2,611
Recreation of persons under the care of the Association (excluding salary cost of escorts)	229	-
	4,408	4,296

Note 22 - General and Administrative Expenses

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
Salaries and related expenses	5,265	4,822
Office rent and maintenance	818	746
Legal and professional services	661	732
Office, communication and other expenses	58	56
Payroll services	394	356
Refreshments and events	124	49
Insurance	41	43
Foreign travel and food and lodging	9	11
Vehicles	147	115
Provision for doubtful debts	(48)	31
	7,469	6,961

Notes to the Financial Statement as of December 31, 2021**Note 23 - Donations, Allocations and Fundraising Expenses**

Fundraising costs served to raise both restricted and unrestricted donations and allocations as indicated hereunder:

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
A. Statement of activities:		
Donations	2,127	1,020
Allocations from municipalities	352	295
	2,479	1,315
B. Statement of changes in net assets:		
Restricted donations	3,500	5,312
Allocations	1,067	2,980
	4,567	8,292
Total donations	7,046	9,607
Fundraising salaries	700	684
Other fundraising expenses	434	164
	1,134	848

Note 24 - Raising Awareness Expenses

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
Supplementary training, seminars and conventions	29	86
Raising awareness, advertising and public relations	582	395
	611	481

Notes to the Financial Statement as of December 31, 2021**Note 25 - Financing Income (Expenses), Net**

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
Financing expenses		
Bank expenses	(91)	(93)
Interest to others	(10)	(14)
Losses from securities	-	(24)
Exchange differences	(95)	(302)
	<u>(196)</u>	<u>(433)</u>
Financing income		
Interest and gains from securities	351	-
	<u>351</u>	<u>-</u>
Financing income (expenses), net	<u>155</u>	<u>(433)</u>

Note 26 - Related Parties

	Year ended December 31	
	2021	2020
	NIS thousands	NIS thousands
A. Salary and related expenses of senior officers	2,649	2,055
Number of senior officers	6	4
B. Transactions with government offices - See Note 17 and Note 14 regarding commitments.		
C. Transactions with the National Insurance Institute - See Note 16.B (equipment and construction fund).		

Note 27 - Income Tax

Income taxes included in the statements of activities - advance payments in respect of disallowed expenses paid by the Association are recognized as operating expenses on a current basis.

The Association has final tax assessments up to 2015, inclusive.

מספר מסמך 7517162

Enosh – The Israeli Mental
Health Association – FS
December 31, 2021

מספר חברה 146231

להחזיר לציפורה