

**Enosh - The Israeli Mental
Health Association**

**Financial Statements
As of December 31, 2023**

Financial Statements as of December 31, 2023

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Auditors' 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, 2023 and 2022 and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Association’s Board and Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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, 2023 and 2022 and the results of its activities, changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).


A handwritten signature in blue ink, reading 'Somekh Chaikin'.

Somekh Chaikin
Certified Public Accountants (Isr.)

June 26, 2024

Statements of Financial Position as of December 31

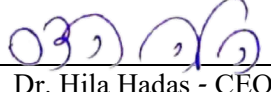
	Note	2023 NIS thousands	2022 NIS thousands
Current assets			
Cash and cash equivalents	4	8,927	10,185
Designated cash	8	5,731	9,352
Short-term investments	5	2,215	6,248
Income receivable	6	17,046	14,501
Other receivables and debit balances	7	1,463	2,226
		<u>35,382</u>	<u>42,512</u>
Non-current assets			
Designated cash and marketable securities	8	8,097	8,294
Long-term receivables		466	412
Fixed assets, net	9	59,378	60,558
Other assets	10	6,480	3,120
		<u>74,421</u>	<u>72,384</u>
		<u>109,803</u>	<u>114,896</u>
Current liabilities			
Suppliers and service providers	11	3,982	4,823
Other payables and credit balances	12	19,464	23,136
		<u>23,446</u>	<u>27,959</u>
Long-term liabilities			
Long-term credit		375	-
Employee benefits, net	13	6,156	5,429
		<u>6,531</u>	<u>5,429</u>
Guarantees, commitments and contingent liabilities	14		
Net assets			
Unrestricted net assets			
For use in activities		140	185
Designated by Management	15.A	7,950	13,800
Used for fixed assets		61,367	59,108
		<u>69,457</u>	<u>73,093</u>
Restricted net assets	15.B, 15.C	10,369	8,415
Total net assets		<u>79,826</u>	<u>81,508</u>
		<u>109,803</u>	<u>114,896</u>



Tomer Dan - Chairman of the
Board of Directors



Ofer Ophir - Chairman of the
Financial Committee



Dr. Hila Hadas - CEO

Date of approval of the financial statements: June 26, 2024

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

Statements of Activities for the Year Ended December 31

		2023	2022
	Note	NIS thousands	NIS thousands
Income from activities			
Mental health services	16	156,021	136,999
Participations, events, activities and other	17	12,344	9,416
Amounts released from restricted net assets		3,626	5,186
Amounts released from restricted net assets invested in fixed assets		515	545
Donations	22	1,830	1,407
Allocations from Municipalities	22	402	292
		174,738	153,845
Cost of activities			
Payroll and related expenses	18	122,729	111,563
Operating expenses	19	32,260	30,888
Events and activities	20	7,422	5,872
Depreciation and amortization		4,870	4,626
		167,281	152,949
Net income from activities		7,457	896
General and administrative expenses	21	8,990	8,502
Fundraising expenses		1,316	1,400
Raising awareness expenses		1,120	1,148
		11,426	11,050
Deficit before financing		(3,969)	(10,154)
Finance income (expenses), net	23	254	(683)
Deficit for the year		(3,715)	(10,837)

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

Statement of Changes in Net Assets

	Unrestricted net assets			Restricted net assets	Total
	For use in activities	Designated by management	Invested in fixed assets		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2022	454	27,400	55,998	10,753	94,605
Additions during the year					
Donations and other	-	-	-	2,926	2,926
Allocations	-	-	-	545	545
Amounts designated by management	(1,876)	1,876	-	-	-
Amounts designated in prior periods by management and used as designated	12,569	(12,569)	-	-	-
Disposals during the year					
Deficit for the year	(10,837)	-	-	-	(10,837)
Amounts released from restricted net assets for use in activities	-	-	-	(5,186)	(5,186)
Amounts released from net assets designated by management for investing in fixed assets	-	(2,907)	2,907	-	-
Amounts released from restricted assets for investing in fixed assets	(713)	-	713	(545)	(545)
Transfer of amounts from unrestricted assets:					
Amounts used for investment in fixed assets	(4,038)	-	4,038	-	-
Amounts transferred to cover depreciation and amortization	4,626	-	(4,548)	(78)	-
Balance as of December 31, 2022	185	13,800	59,108	8,415	81,508

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

Statement of Changes in Net Assets

	Unrestricted net assets			Restricted net assets	Total
	For use in activities	Designated by management	Invested in fixed assets		
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Balance as of January 1, 2023	185	13,800	59,108	8,415	81,508
Additions during the year					
Donations	-	-	-	6,174	6,174
Amounts designated by management	4,599	(4,599)	-	-	-
Amounts designated in prior periods by management and used as designated	600	(600)	-	-	-
Disposals during the year					
Deficit for the year	(3,715)	-	-	-	(3,715)
Amounts released from restricted net assets for use in activities	-	-	-	(3,626)	(3,626)
Amounts released from net assets designated by management for investing in fixed assets	-	(651)	651	-	-
Amounts released from restricted assets for investing in fixed assets	(515)	-	515	(515)	(515)
Transfer of amounts from unrestricted assets:					
Amounts used for investment in fixed assets	(5,884)	-	5,884	-	-
Amounts transferred to cover depreciation and amortization	4,870	-	(4,791)	(79)	-
Balance as of December 31, 2023	140	7,950	61,367	10,369	79,826

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

Statements of Cash Flows for the Year Ended December 31

	<u>2023</u>	<u>2022</u>
	<u>NIS thousands</u>	<u>NIS thousands</u>
Cash flows from operating activities		
Deficit for the year	(3,715)	(10,837)
Adjustments necessary to reconcile surplus to net cash flows from operating activities - Appendix A	<u>1,358</u>	<u>10,202</u>
Net cash used in operating activities	<u>(2,357)</u>	<u>(635)</u>
Getting credit for a long time		
Acquisition of fixed assets and other assets	(7,127)	(7,702)
Decrease in designated cash and marketable securities, net	<u>7,851</u>	<u>13,569</u>
Net cash provided by investing activities	<u>724</u>	<u>5,867</u>
Cash flows from financing activities		
Receipt of long-term credit	375	-
Repayment of long-term credit, net	<u>-</u>	<u>(100)</u>
Net cash provided by (used in) financing activities	<u>375</u>	<u>(100)</u>
Increase (decrease) in cash and cash equivalents	<u>(1,258)</u>	<u>5,132</u>
Cash and cash equivalents at beginning of year	<u>10,185</u>	<u>5,053</u>
Cash and cash equivalents at end of year	<u><u>8,927</u></u>	<u><u>10,185</u></u>
Appendix 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	4,870	4,626
Receipt of allocations and restricted designated donations	6,174	3,471
Amounts released from restrictions for investment in fixed assets	(515)	(545)
Amounts released from restricted net assets to activities	<u>(3,626)</u>	<u>(5,186)</u>
	<u>6,903</u>	<u>2,366</u>
Changes in asset and liability items:		
Increase in income receivable and in other receivables and debit balances	(1,836)	(1,192)
Increase (decrease) in suppliers and in other payables and credit balances	(4,436)	8,140
Increase in liability for employee benefits	<u>727</u>	<u>888</u>
	<u>(5,545)</u>	<u>7,836</u>
	<u><u>1,358</u></u>	<u><u>10,202</u></u>
Appendix B - Investing and financing activities that do not involve cash flows:		
Acquisition of fixed assets on credit	<u><u>282</u></u>	<u><u>359</u></u>

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

Notes to the Financial Statement as of December 31, 2023

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 salaried 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 approximately 65 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 Board in conjunction with the senior professional staff, while as of the reporting year, approximately 1,160 employees and 706 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, as per the Income Tax Authority approval from March 1, 1985. The approval is valid until December 31, 2026.
- D.** The Association has proper management certification from the Registrar of Associations in effect until December 31, 2025.
- E.** The Association reports that no donations were received from a foreign state entity in the year of this report.

Notes to the Financial Statement as of December 31, 2023

Note 1 - General (cont'd)

- F.** On October 7, 2023, the Swords of Iron War broke out in Israel, causing a significant rise in trauma and mental health needs, impacting both individuals with pre-existing conditions and the general population. In response, the organization made substantial efforts to adjust its services to the wartime conditions, including establishing support lines for clients and staff, while working diligently to maintain the continuity of its existing services. Additionally, the organization invested in developing new solutions necessitated by the war's effects, funded by emergency grants and donations.

As of the date of approval of the financial statements, the war has not had a material impact on the organization's financial position. However, management expects that ongoing conflict will further increase demand for mental health services, though the full impact on future operations remains uncertain. Management continues to monitor developments closely and assess the need for adjustments to the organization's activities and assets.

Note 2 - Basis of Preparation

A. 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.

B. 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, 2023

Note 3 - Significant Accounting Policies

A. Accounting of non-profit organization

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, 2023

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 stock market value as of 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, 2023

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	2-4
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, 2023

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.

The cutoff for spreading income from rent over the rent period is made 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, 2023

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.

Starting from 2023, the organization has met the criteria for recognizing voluntary services received, and these have been reflected in the statement of activities.

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 2023	December 31 2022
CPI (in points)	111.19	108
US dollar (in NIS per \$1)	3.63	3.52

Notes to the Financial Statement as of December 31, 2023**Note 3 - Significant Accounting Policies (cont'd)****J. Exchange rates and linkage basis (cont'd)**

	% of change in year ended December 31	
	2023	2022
CPI	2.95%	5%
US dollar	3.12%	13%

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.

Notes to the Financial Statement as of December 31, 2023**Note 4 - Cash and Cash Equivalents**

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Cash in hand and in current bank accounts:		
In Israeli currency - Headquarters	13,596	17,450
In foreign currency - Headquarters	18	38
In Israeli currency - Branches	1,044	2,049
	14,658	19,537
Less designated cash	(5,731)	(9,352)
	8,927	10,185

Note 5 - Short-Term Investments

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Pledged cash	1,437	1,254
Deposits	1,307	1,334
Mutual funds	2,293	4,797
Marketable securities	5,275	7,157
	10,312	14,542
Less designated investments	(8,097)	(8,294)
	2,215	6,248
Thereof:		
Headquarters	1,974	6,011
Branches	241	237
	2,215	6,248

Notes to the Financial Statement as of December 31, 2023**Note 6 - Income Receivable**

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Government ministries	15,099	12,957
From debts of participants	340	308
From others	1,623	1,252
	17,062	14,517
Net of provision for doubtful debts	(16)	(16)
	17,046	14,501

Note 7 - Other Receivables and Debit Balances

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Prepaid rent	493	864
Postdated checks	181	46
Government institutions and others	743	1,275
Employees	46	41
	1,463	2,226

Note 8 - Designated Cash and Marketable Securities

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Designated cash and marketable securities presented in:		
Current assets	5,731	9,352
Non-current assets	8,097	8,294
	13,828	17,646
These balances relate to net assets:		
Restricted - see Note 15.B	5,878	3,846
Designated by management - see Note 15.A	7,950	13,800
	13,828	17,646

Notes to the Financial Statement as of December 31, 2023

Note 9 - Fixed Assets, net

	Buildings	Leasehold	Vehicles	Furniture	Computers	Total
	NIS thousands	improvements	NIS thousands	and	NIS thousands	NIS thousands
		NIS thousands		equipment		
			NIS thousands	NIS thousands		
Cost						
Balance at beginning of year	42,842	34,439	76	22,607	3,742	103,706
Additions	465	1,300	-	1,059	748	3,572
Balance at end of year	43,307	35,739	76	23,666	4,490	107,278
Accumulated depreciation						
Balance at beginning of year	4,968	26,355	46	9,495	2,284	43,148
Current year depreciation	832	1,574	10	1,515	821	4,752
Balance at end of year	5,800	27,929	56	11,010	3,105	47,900
Carrying amount as of December 31, 2023	37,507	7,810	20	12,656	1,385	59,378
Carrying amount as of December 31, 2022	37,874	8,084	30	13,112	1,458	60,558

- A.** The Association owns eight 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 subdivisions 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 15.C.
- D.** See also Note 14.B.2 regarding usage rights free of charge.

Notes to the Financial Statement as of December 31, 2023**Note 10 - Other Assets**

	<u>Software</u> <u>NIS thousands</u>
Cost	
Balance at beginning of year	4,130
Additions	<u>3,478</u>
Balance at end of year	<u>7,608</u>
Accumulated amortization	
Balance at beginning of year	1,010
Current year amortization	<u>118</u>
Balance at end of year	<u>1,128</u>
Carrying amount as of December 31, 2023	<u>6,480</u>
Carrying amount as of December 31, 2022	<u>3,120</u>

Note 11 - Suppliers and Service Providers

	<u>December 31</u> <u>2023</u> <u>NIS thousands</u>	<u>December 31</u> <u>2022</u> <u>NIS thousands</u>
Suppliers	3,366	4,605
Checks payable	338	109
Payables in respect of rent and related expenses	<u>278</u>	<u>109</u>
	<u>3,982</u>	<u>4,823</u>

Notes to the Financial Statement as of December 31, 2023**Note 12 - Other Payables and Credit Balances**

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Employees and wage-related liabilities	11,023	15,618
Current maturities of long-term credit	133	102
Provision for vacation	4,661	4,633
Provision for recreation	1,656	1,457
Accrued expenses	1,396	289
Other payables	595	1,037
	19,464	23,136

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

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Liability for severance pay	5,718	5,048
Liability for redemption of sick leave	438	381
	6,156	5,429

B. Post-employment benefits - severance benefits

- The Association's liabilities for severance pay represent the portion of such liabilities 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 the Association's books.
- 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 5,445 thousand (2021 - NIS 4,802 thousand).

Notes to the Financial Statement as of December 31, 2023

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 1,437 thousand, (2022: NIS 1,254 thousand), of which approximately NIS 407 thousand are performance guarantees to the Ministry of Health, and approximately NIS 210 thousand to the Ministry of Defense (2022: NIS 200 thousand to the Ministry of Health, 2022: NIS 203 thousand to the ministry of Defense).
2. The Association provided the Ministry of Health a security check amounting to NIS 2,540 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, 2023, the Association rents about 43 apartments and 16 buildings used as hostels and the rent amounts NIS 3,697 thousand and NIS 2,785 thousand per year, respectively. In addition, the Association rents 26 buildings used as branches for amounts totaling NIS 3,112 thousand per year and 11 buildings used as counseling centers for families for amounts totaling NIS 1,155 thousand per year.

2. Usage rights free of charge

As of December 31, 2023, the Association has usage rights to buildings and land used by it in its operations. In respect of 15 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 10 additional branches and social clubs for which no agreements have as yet been formalized. The value of these rights is not reflected in the financial statements because the association's management does not have a reliable estimate of the leasehold rights' value.

Notes to the Financial Statement as of December 31, 2023

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 83% of its revenues (2022 - about 86%).
- 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, 2024. 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, 2023. Due to the results of a new tender, these centers are expected to be transferred to a different operator during 2024.

4. Ministry of Defense

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

- a. In respect of hostel services and supportive housing which is valid until August 31, 2028.
- 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. On December 26, 2022 the Association signed an extension contract which is valid until April 30, 2028.
- c. Dated July 11, 2022 in respect of the establishment of a Balanced House center for the disabled IDF personnel, which is valid until June 30, 2027.

Notes to the Financial Statement as of December 31, 2023

Note 14 - Guarantees, Commitments and Contingent Liabilities (cont'd)**B. Commitments (cont'd)**5. National Insurance Institute

- a. Headspace Project - A partnership with the Children and Youth at Risk Fund to operate a digital platform providing online therapeutic services for teenagers and young adults, and to make mental health promotion content more accessible on social media.
 - b. Municipal Support Program - A joint initiative providing guidance, assistance, support, and treatment for teenagers aged 12-18 experiencing mental health crises, as well as their families. The program will be introduced in approximately 15 municipalities between 2024 and 2027.
 - c. Trauma Treatment Unit - An agreement with National Insurance and the Fund for Special Projects, under the Iron Swords initiative, to establish, operate, and train a regional center specializing in trauma, grief, and bereavement treatment for youth and young adults aged 10-25.
6. The Balanced House Project - The Association operates two Balanced House centers as an alternative to psychiatric hospitalization, within the framework of agreements signed between the Association and all of the health maintenance organizations 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. Emergency Shelter - A service provided by the Ministry of Welfare, offering immediate support and assistance to young adults aged 18-25 who lack family support or housing. These individuals have left the supportive environments they were living in due to various forms of abuse, including sexual or physical violence, neglect, or complex trauma. The facility is available for admissions 24/7, and the support is offered for up to six months.

- C. On July 1, 2019, the Association, along with the Mental Health Entrepreneurs Forum, filed a petition with the Haifa District Court seeking, among other things, a declaration that the Ministry of Health is obligated to update the housing rates paid to these service providers following the publication of the extension order for social workers employed through state contracts, effective from March 1, 2017.

On March 10, 2022, the District Court ruled entirely against the petition. As a result, an appeal was submitted to the Supreme Court. The Supreme Court's decision on the appeal was to return the case to the District Court for a review of the appeal's arguments. Subsequently, on July 19, 2023, the District Court ruled in favor of our appeal, declaring that the Ministry of Health must comply with the extension order and pay additional components.

In December 2023, the Ministry of Health filed an appeal with the Supreme Court requesting a stay of execution of the July 19, 2023, ruling. The Supreme Court ruled that the Ministry of Health must immediately update the rates in accordance with the judgment and pay 50% of the amounts owed to service providers following the rate update, effective from July 19, 2023, onward.

Notes to the Financial Statement as of December 31, 2023**Note 14 - Guarantees, Commitments and Contingent Liabilities (cont'd)****C. (cont'd)**

A hearing on the appeal is scheduled for November 25, 2024.

On June 19, 2024, a payment of NIS 5.4 million was received from the Ministry of Health for the period from July 2023 to February 2024, in accordance with the Supreme Court's decision (in March 2024 the current rate was updated).

Note 15 - Net Assets**A. Unrestricted net assets designated by management**

	Balance at January 1, 2023	Amounts designated (cancellation of designation)	Amounts released from designation	Balance at December 31, 2023
	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>	<u>NIS thousands</u>
Designated for activities:				
Anchor fund for financial stability	9,500	(4,150)	-	5,350
Infrastructure, computer and communications improvement fund	2,000	(449)	(551)	1,000
Special project and professional development fund	1,000	600	(600)	1,000
	<u>12,500</u>	<u>(3,999)</u>	<u>(1,151)</u>	<u>7,350</u>
Designated for acquisition of fixed assets:				
The headquarters				
Enosh House construction fund	500	(500)	-	-
Branches				
Fund for the construction of Enosh branches and hostels	800	(100)	(100)	600
	<u>1,300</u>	<u>(600)</u>	<u>(100)</u>	<u>600</u>
	<u>13,800</u>	<u>(4,599)</u>	<u>(1,251)</u>	<u>7,950</u>

Notes to the Financial Statement as of December 31, 2023

Note 15 - Net Assets (cont'd)

B. Temporarily restricted net assets

	Balance at January 1, 2023 NIS thousands	Amounts received during the year NIS thousands	Amounts released from restriction NIS thousands	Balance at December 31, 2023 NIS thousands
The headquarters				
Headspace project (*)	1,925	528	1,653	800
Digital orientation fund (*)	178	-	178	
Fund for maintenance of the Enosh House in Kiryat Ono (*)	363	-	60	303
Navigate fund (*)	-	200	200	-
Eitan Center Fund (*)	-	1,506	96	1,410
House in Kiryat Gat	325	-	120	205
Fund for building the Beer Sheva branch	327	-	20	307
Assistance for the needy fund (*)	101	-	101	-
Balanced House for youth	-	96	96	-
Emergency Fund (*)	-	3,350	993	2,357
Sundry funds (*)	387	200	295	292
	<u>3,606</u>	<u>5,880</u>	<u>3,812</u>	<u>5,674</u>
Branches				
Jerusalem branch fund (estate of the late Lior Ori)	174	-	28	146
Fund for upgrading Kiryat Shmona branch	-	140	82	58
Fund for upgrading Tel Aviv branch	-	27	27	-
Karmiel kitchen training fund	61	-	61	-
Bicycle shop and kitchen training	4	-	4	-
Jerusalem Headquarters Fund (*)	-	36	36	-
	<u>3,845</u>	<u>6,083</u>	<u>4,050</u>	<u>5,878</u>
Fund arising from properties of endowments and an apartment received as donation	-	91	91	-
	<u>3,845</u>	<u>6,174</u>	<u>4,141</u>	<u>5,878</u>

(*) Funds relating to activities financed in part also by the Association's current funds (hereinafter - "the current budget"). The current budget amounted to NIS 3,536 thousand in 2023.

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.

Notes to the Financial Statement as of December 31, 2023**Note 15 - Net Assets (cont'd)****C. Restricted endowments and 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 2023	December 31 2022
	NIS thousands	NIS thousands
Apartment on 5 Feinberg Street, Givatayim (a)	1,378	1,396
Apartment on 1 Snapir Street, Tel Aviv (b)	170	175
Apartment on 6 Shitrit Street, Netanya (b)	95	100
Apartment on Benbenishti Street (c)	583	600
	<u>2,226</u>	<u>2,271</u>

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) Other restricted assets:

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

	December 31 2023	December 31 2022
	NIS thousands	NIS thousands
Apartment on 6 Shmuel Hanagid St., Jerusalem	<u>2,265</u>	<u>2,299</u>

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 2023	December 31 2022
	NIS thousands	NIS thousands
Total permanently restricted net assets	<u>4,491</u>	<u>4,570</u>

Notes to the Financial Statement as of December 31, 2023**Note 16 - Mental Health Services**

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Composition of income according to customer in respect of mental health services:		
Ministry of Health	145,148	131,655
Ministry of Defense	2,446	1,697
Other	8,427	3,647
	156,021	136,999

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Composition of income according to types of services in accordance with rehabilitation basket		
Supportive housing	78,449	74,572
Hostel	15,737	15,722
Vocational rehabilitation	38,402	32,035
Social and recreation centers	6,691	4,099
Family counseling center	8,313	6,924
Other projects	8,429	3,647
	156,021	136,999

Note 17 - Participations, Events, Activities and Other

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Participation fees - recreation of persons under the care of the Association	751	26
Tenants' participation in rent (including Ministry of Housing)	5,736	5,173
Events and activities	923	557
Rehabilitation employment	3,451	3,490
Voluntary services value- in kind.	1,302	-
Other	181	170
	12,344	9,416

Notes to the Financial Statement as of December 31, 2023**Note 18 - Payroll and Related Expenses**

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Social clubs	11,999	11,817
Vocational rehabilitation	21,681	19,224
Supportive housing	67,799	59,411
Hostels	13,014	12,304
Family counseling center	5,255	5,424
Other projects	2,981	3,383
	122,729	111,563

Note 19 - Operating Expenses

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Rent of branches	4,268	3,966
Rent of apartments	6,526	6,548
Maintenance and operation	9,070	8,790
Office maintenance	1,569	1,278
Vehicles	1,698	1,476
Training and activities	8,581	7,626
Travel, food and lodging and other	548	1,204
	32,260	30,888

Note 20 - Events and Activities

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Social clubs and activities	2,433	2,127
Vocational rehabilitation	3,055	3,481
Voluntary services value- in kind	1,302	-
Recreation of persons under the care of the Association (excluding salary cost of escorts)	632	264
	7,422	5,872

Notes to the Financial Statement as of December 31, 2023**Note 21 - General and Administrative Expenses**

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Salaries and related expenses	6,508	6,120
Office rent and maintenance	620	751
Legal and professional services	892	807
Office, communication and other expenses	33	49
Payroll services	545	404
Refreshments and events	140	133
Insurance	32	44
Foreign travel and food and lodging	4	5
Vehicles	216	189
	8,990	8,502

Note 22 - Donations, Allocations and Fundraising Expenses

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

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
A. Statement of activities:		
Donations	1,830	1,407
Allocations from municipalities	402	292
	2,232	1,699
B. Statement of changes in net assets:		
Restricted donations	6,174	2,927
Allocations	-	545
	6,174	3,472
Total donations	8,406	5,171

Notes to the Financial Statement as of December 31, 2023**Note 23 - Finance Income (Expenses), Net**

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
Financing expenses		
Bank expenses	(97)	(75)
Interest to others	-	(10)
Losses from securities	-	(845)
Exchange rate differences	-	-
	<u>(97)</u>	<u>(930)</u>
Financing income		
Interest on deposits	22	10
Interest and gains from securities	321	-
Exchange rate differences	8	237
	<u>351</u>	<u>247</u>
Finance income (expenses), net	<u><u>254</u></u>	<u><u>(683)</u></u>

Note 24 - Related Parties

	For the year ended December 31	
	2023	2022
	NIS thousands	NIS thousands
A. Salary and related expenses of senior officers	3,151	2,975
Number of senior officers	6	6
B. Transactions with government offices - See Note 16 and Note 14 regarding commitments.		
C. Transactions with the National Insurance Institute - See Note 15.B (equipment and construction fund).		

Note 25 - 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 2018, inclusive.