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ISRAEL ELWYN

Registered Amuta

Financial Statements

at December 31, 2017

Jerusalem & Southern Israel Branch
Haifa & Northern Israel Branch
Sharon & Central Israel Branch
Residential Centers and Community Residential Services
The Dvora Agmon Preschool Development Center and
Roizman Early Intervention Center
Elwyn El Quds

David B. Marcu
Chief Executive Officer
Sarah Sadvnik
Chief Operating Officer

Marvin S. Kivitz, Ph.D. z"l
Founding President

ISRAEL ELWYN

Registered Amuta

Financial Statements

at December 31, 2017

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Aboulafia Avital Shrensky & Co.
Incorporating Feldman Brody & Co.
Certified Public Accountants

אבולעפיה אביטל את שרנסקי ושות'
בשיתוף פלדמן ברודי ושות'
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AUDITORS' REPORT

TO THE MEMBERS OF THE GENERAL ASSEMBLY OF

ISRAEL ELWYN (Registered Amuta)

We have audited the accompanying balance sheets of Israel Elwyn (Hereafter - the "Amuta") at December 31, 2017 and 2016 and the statements of operations and statements of changes in net assets and cash flows for the years ended on those dates. These financial statements are the responsibility of the Amuta's committee 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, including those prescribed under the Auditors' Regulations (Auditor's Mode of Performance) - 1973. Those standards require that we plan and perform our audit to obtain reasonable assurance as to 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 Amuta's committee and management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 2.1 the following financial statements are presented in nominal shekel values, rather than the reportable amounts as required by the Accounting Standards of the Israeli Accounting Standards Board.

In our opinion, subject to the exclusion of the information mentioned in the previous paragraph, the financial statements present fairly, in all material respects, the financial position of the Amuta at December 31, 2017 and 2016 and the results of its operations and changes in net assets and cash flows for the years ended on those dates, in conformity with generally accepted accounting principles in Israel (Israeli GAAP).

ABOULAFIA AVITAL SHRENSKY & CO.
Certified Public Accountants

Date: 12/6/17

ISRAEL ELWYN

Registered Amuta

Balance Sheets

(in thousands)

	<u>Note</u>	<u>At December 31,</u>	
		<u>2 0 1 7</u>	<u>2 0 1 6</u>
		<u>NIS</u>	<u>NIS</u>
<u>Current Assets</u>			
Cash funds and bank balances	3	18,108	15,358
Marketable securities	4	17,736	16,849
Debtors for general activities	5	20,960	17,784
Accounts receivable & debit balances	6	454	378
Inventories	7	<u>846</u>	<u>977</u>
		<u>58,104</u>	<u>51,346</u>
 <u>Prepaid vehicle rental fees</u>		 <u>286</u>	 <u>268</u>
		 <u>286</u>	 <u>268</u>
 <u>Fixed assets</u>			
Fixed assets	8	86,076	80,296
Cash designated for investment in fixed assets		<u>1,093</u>	<u>2,939</u>
		<u>87,169</u>	<u>83,235</u>
		<u>145,559</u>	<u>134,849</u>

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

ISRAEL ELWYN

Registered Amuta

Balance Sheets

(in thousands)

	<u>Note</u>	<u>At December 31,</u>	
		<u>2017</u>	<u>2016</u>
		<u>NIS</u>	<u>NIS</u>
<u>Current Liabilities</u>			
Current maturities of loan from Elwyn USA	12	--	128
Employees and institutions regarding salaries	9	13,259	11,689
Suppliers and service providers	10	5,599	3,780
Accounts payable & credit balances	11	432	506
		19,290	16,103
<u>Long-term Liabilities</u>			
Loan from Elwyn USA	12	--	1,274
Employee termination benefits, net	13	3,549	5,375
		3,549	6,649
<u>Commitments & Bank Guarantees</u>	14		
<u>Net Assets</u>			
<u>Unrestricted for use for current activities</u>			
Undesignated by management		14,132	9,206
Designated by management		14,875	13,500
Used for fixed assets		86,076	80,296
		115,083	103,002
<u>Temporarily Restricted</u>	15	7,637	9,095
		145,559	134,849

12/6/18
Date of approval of the
Financial Statements

חני אורלנד
Board Member

JONATHAN KLEIN
Board Member



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

ISRAEL ELWYN**Registered Amuta****Statement of Activities****(in thousands)**

	<u>Note</u>	<u>For the year ended</u>	
		<u>December 31,</u>	
		<u>2 0 1 7</u>	<u>2 0 1 6</u>
		<u>NIS</u>	<u>NIS</u>
<u>Income from Activities</u>	16	132,077	122,912
<u>Cost of Activities</u>	17	119,394	114,037
Net income from activities		12,683	8,875
<u>General & Administration Expenses</u>	18	8,414	7,444
<u>Fundraising Expenses</u>		491	512
Net income before finance		3,778	919
<u>Finance Income, Net</u>	19	912	680
<u>Other Expenses</u>		41	--
Net income		4,731	1,599

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

ISRAEL ELWYN
Registered Amuta

Statement of Changes in Net Assets

(in thousands)

	Unrestricted Net Assets for use for Current Activities				Temporarily Restricted Net Assets
	Not Designated by Management	Designated by Management	For Fixed Assets	Total	
	NIS	NIS	NIS	NIS	NIS
Balance at January 1, 2016	13,789	4,998	80,465	99,252	7,426
Changes during 2016					
Net income for the year	1,599	--	--	1,599	--
Donations received	--	--	--	--	6,104
Temporarily restricted net assets released for Acquisition of fixed assets, net	--	--	2,120	2,120	(2,120)
Temporarily restricted net assets released for current activities	--	--	--	--	(2,284)
Transfer of unrestricted net assets released for acquisition of fixed assets	(1,620)	--	1,620	--	--
Transfers of funds to cover depreciation	3,909	--	(3,909)	--	--
Funds designated by management this year	(8,522)	8,522	--	--	--
Transfer between funds	51	(20)	--	31	(31)
	(4,583)	8,502	(169)	3,750	1,669
Balance at December 31, 2016	9,206	13,500	80,296	103,002	9,095

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

ISRAEL ELWYN
Registered Amuta

Statement of Changes in Net Assets

(in thousands)

	Unrestricted Net Assets for use for Current Activities				Temporarily Restricted Net Assets
	Not Designated by Management	Designated by Management	For Fixed Assets	Total	
	NIS	NIS	NIS	NIS	NIS
Balance at January 1, 2017	9,206	13,500	80,296	103,002	9,095
Changes during 2017					
Net income for the year	4,731	--	--	4,731	--
Donations received	--	--	--	--	9,228
Deduction of fixed assets	145	--	(145)	--	--
Temporarily restricted net assets released for Acquisition of fixed assets, net	1	(1)	7,350	7,350	(7,350)
Temporarily restricted net assets released for current activities	--	--	--	--	(3,336)
Transfer of unrestricted net assets released for acquisition of fixed assets	(2,498)	(69)	2,567	--	--
Transfers of funds to cover depreciation	3,992		(3,992)	--	--
Funds designated by management this year	(1,445)	1,445	--	--	--
	4,926	1,375	5,780	12,081	(1,458)
Balance at December 31, 2017	14,132	14,875	86,076	115,083	7,637

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

ISRAEL ELWYN**Registered Amuta****Statements of Cash Flow****(in thousands)**

	For the year ended	
	December 31,	
	2 0 1 7	2 0 1 6
	NIS	NIS
<u>Cash Flows - Current Activities</u>		
Net income for the year	4,731	1,599
Adjustments required to show the true cash flow from current activities (Appendix "A")	(2,215)	(243)
Net cash provided by current activities	2,516	1,356
<u>Cash Flows - Investment Activities</u>		
Investment in marketable securities	--	(30)
Acquisition of fixed assets	(9,917)	(3,740)
Repayment of long-term deposit	(18)	--
Proceeds from sale of fixed assets	186	--
Prepaid investment from vehicle rental payments	--	(30)
Net cash used in investment activities	(9,749)	(3,800)
<u>Cash Flows - Financing Activities</u>		
Repayment of long-term loan from Elwyn USA	(1,091)	(128)
Receipts from temporarily restricted net assets	9,228	6,104
Net cash provided by financing activities	8,137	5,976
Increase in cash and cash equivalents	904	3,532
Cash and cash equivalents at beginning of the year	18,297	14,765
Cash and cash equivalents at end of year (*)	19,201	18,297

(*) Regarding cash designated for investment in fixed assets – see Note 3.

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

ISRAEL ELWYN

Registered Amuta

Statements of Cash Flow

(in thousands)

	<u>For the year ended</u>	
	<u>December 31,</u>	
	<u>2 0 1 7</u>	<u>2 0 1 6</u>
	<u>NIS</u>	<u>NIS</u>
<u>Appendix "A" – Adjustments required to show the true cash flow from current activities</u>		
<u>Non-cash Income and Expenses</u>		
Depreciation	3,992	3,909
Changes in employee termination benefits, net	(1,826)	476
Restricted net assets released for current activities	(3,336)	(2,284)
Capital gains from disposal of fixed assets	(41)	--
Appreciation in value of marketable securities	(887)	(203)
Revaluation of long-term loan from Elwyn USA	(311)	(22)
<u>Changes in items relating to Assets and Liabilities</u>		
increase in debtors for general activities	(3,176)	(2,193)
Decrease (increase) in accounts receivable & debit balances	(76)	190
Decrease in inventories	131	208
Increase in employees and institutions regarding salaries	1,570	1,148
Increase (decrease) in suppliers and service providers	1,819	(1,583)
Increase (decrease) in accounts payable & credit balances	<u>(74)</u>	<u>111</u>
	<u>(2,215)</u>	<u>(243)</u>

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

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 1– GENERAL

1.1 Israel Elwyn RA (“the Amuta”) was established and registered at the Israeli Registrar of Amutot (as a non-profit organization "Amuta") in September 1983 as an extension of Elwyn Inc. (“Elwyn USA”). This relationship has been ended in 1999.

1.2 The Amuta supports 4,200 children, adolescents and grown-ups with developmental and other disabilities (“participants”), in the fields of, among others, early intervention, rehabilitation, supported living, employment training and job placement, in order to provide the means to enable people with disabilities to make their own decisions in their personal lives and extend their independence, as well as the capability to live and be included within the community.

The Amuta works towards the inclusion of adults in public workplaces, to help children with disabilities, where possible, avoid the special educational system and include them within the general education system, and the transfer of adolescents and adults with disabilities from residential services to more independent, normalized living within the general community.

The main source of the income of the Amuta is from maintenance fees receivable from the Ministry of Social Affairs and Social Services.

1.3 Central milestones in the activities of the Amuta:

- In 1988 the Amuta took over from the State, the management of three Jerusalem residential units for people with disabilities (previously known as the “Swedish Village”).
- In 1999, the Amuta completed the building of the Sabbah Center, next to the Swedish Village in Jerusalem, where some of the occupational centers as well as the management offices of the Amuta are situated.

1.4 The Amuta operates in four different frameworks within Israel, as follows:

- Jerusalem and South branch.
- Residential centers.
- Sharon and Center branch.
- Elwyn El Quds activities in East Jerusalem.
- Haifa and the North branch.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 1 – GENERAL (Cont.)

- 1.5 The Amuta operates the following activities:
- Early intervention for children up to age 3.
 - Afternoon programs at schools for children with disabilities.
 - Day care centers supporting the needs of adults and pensioners.
 - Residential centers.
 - Occupational training centers.
 - Enterprises promoting social and occupational initiatives.
 - Training and placement programs for supporting employment and rehabilitation.
 - Training institute for support and guidance.
 - Youth programs.
- 1.6 Membership in the Amuta is open to anyone who wishes to be a member and whose acceptance has been approved by the Board of the Amuta.
- 1.7 At the date of signature of the financial statements, there were 17 members of the Board of the Amuta.
- 1.8 The Amuta is recognised as a “Public Institution” according to the Income Tax Ordinance and as a “Non-Profit Organisation” as defined in the VAT Law (5736-1975). Donations to the Amuta are recognised for the purpose of Israeli tax credits under section 46 of the Income Tax Ordinance.
- 1.9 In the event of the winding-up of the Amuta, after payment of all its liabilities, its assets will be transferred to another Public Institution, as defined by of Section 9 (2) of the Israeli Income Tax Ordinance, whose objects are also exempt as defined by Section 501 (c) (3) of the USA Income Tax Law or any similar section of future Federal Law, and may not be distributed among its members.
- 1.10 The financial statements have been prepared in accordance with generally accepted accounting principles as they apply to non-profit organizations, subject to the regulations of the Israeli Accounting Standards Board as they relate to accounting principles and financial reporting for such organizations.
- 1.11 In the preparation of the financial statements in conformity with generally accepted accounting principles, the management is required to make estimates and assumptions that affect the information reported concerning assets and liabilities and also contingent liabilities which have been reported in the financial statements as well as income and expenses for the reporting period. The actual results may differ from these estimates.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 2 – ACCOUNTING POLICIES

The principal accounting policies which were applied in the preparation of the financial statements are as follows:

2.1 Reporting Basis for the financial statements

The Amuta prepares its financial statements in nominal values based on the historical cost convention.

2.2 Cash and bank balances

Cash and bank balances include bank deposits, available for immediate withdrawal, as well as unrestricted fixed-period deposits, with maturities of three months or less from the time of investment.

Regarding cash designated for investment in fixed assets, see Note 2.6.

2.3 Marketable Securities

Marketable securities are stated at their value on the stock exchange at the balance sheet date.

2.4 Promised Donations receivable for Projects

This relates to promised donations not yet received by the balance sheet date which are attributed to temporarily restricted net assets, as long as the following conditions have been met:

- There is an unconditional and irrevocable undertaking from the donor, relating to the year being reported.
- The undertaking was kept following the balance sheet date.
- The performance of the promise is not conditional on a future event.

2.5 Inventories

The inventories are reported at cost, which is fixed using the FIFO (“first in – first out”) basis.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 2 – ACCOUNTING POLICIES (Cont.)

2.6 Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated based on the straight-line method over the estimated useful lives of the assets, at the following annual rates:

	<u>%</u>
Fully owned buildings	2
Renovations - buildings under license	2-4
Renovations – rented buildings	10
Furniture and equipment	7-15
Computers	25-33
Vehicles	15-20

Government grants that were received in order to finance a portion of the investments in buildings, are represented net of the cost of the buildings.

Amounts received with the stipulation the funds used is for investment in fixed assets are not included in cash and cash equivalents but as a separate item in fixed assets called "cash and other investments designated for investment in fixed assets".

2.7 Government Grants

Government grants received from the National Insurance Institute and municipal authorities are used for the construction of buildings owned and renovations of buildings that are licensed to the Amuta.

2.8 Real estate property held in trust for payment of severance pay and dismissal

At the balance sheet date, an independent real estate appraiser has assessed the value of a property where the rights of the Amuta have been recorded in the Land Registry in the name of a trustee.

The value of this property has been shown as a deduction from the liability of the Amuta for the payment of severance pay and dismissal costs under the heading showing the net liability of the Amuta to its employees for termination of employer-employee relations.

Changes in the value of the property are attributed to the Finance Income, Net in the Statement of Activities.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 2 – ACCOUNTING POLICIES (Cont.)

2.9 Net Assets

2.9.1 The part of the net assets of the Amuta which is unrestricted, either temporarily or permanently by the donors, is shown as Unrestricted Net Assets, for use for current activities which is undesignated by management.

2.9.2 Amounts which have been used for acquisition of fixed assets from sources which are unrestricted have been transferred from Unrestricted Net Assets, for use for current activities to Unrestricted Net Assets, used for fixed assets.

Amounts representing the depreciation charge have been shown as a transfer from Unrestricted Net Assets, used for fixed assets to Unrestricted Net Assets, for use for current activities.

2.9.3 Amounts which have been received whose use has been restricted by the donor is shown as Temporarily Unrestricted Net Assets. At the time when the restrictions have been removed, the amounts released are shown, according to the restriction of the donors, either as Transfer of unrestricted amounts used for fixed assets or, in the statement of activities, as Income arising from amounts released from restricted net assets to current activities.

2.10 Recognition of Income and Expenses

- Income from independent activities is attributed to the Statement of Activities on an accrual basis.
- Donations which are not restricted by the donors are reported in the Statement of Activities on a cash basis.
- Expenses are attributed to the Statement of Activities on an accrual basis.

2.11 Reduction in Asset Value

The Amuta implements Accounting Rule 15 – reduction in asset value, as appropriate for non-profit organizations in accordance with Accounting Rule 36.

According to three rules, the Amuta puts in place systems in order to ensure that the assets in the balance sheet are not shown at a value greater than their net reliable value, which is the higher of purchase price and the value-in-use of the asset.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 2 – ACCOUNTING POLICIES (Cont.)

2.12 The Financial Statements do not reflect services received free of charge.

2.13 Exchange rate and linkage basis

2.13.1 Balances according to indexation arrangements for which the determinant is the index available ("Known") are reported according to the Known Index at the balance sheet date.

2.13.2 The following is the data relating to the US dollar:

	<u>Representative rate of exchange</u>		<u>Rate of change</u>	
	<u>At</u>		<u>For the year ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2 0 1 7</u>	<u>2 0 1 6</u>	<u>2 0 1 7</u>	<u>2 0 1 6</u>
Foreign Currency	<u>NIS</u>	<u>NIS</u>	<u>%</u>	<u>%</u>
US Dollar	3.467	3.845	(9.8)	(1.5)

2.13.3 The following is the data relating to the Consumer Price Index (CPI):

	<u>Representative rate of exchange</u>		<u>Rate of change</u>	
	<u>At</u>		<u>For the year ended</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2 0 1 7</u>	<u>2 0 1 6</u>	<u>2 0 1 7</u>	<u>2 0 1 6</u>
	<u>NIS</u>	<u>NIS</u>	<u>%</u>	<u>%</u>
Index "relating to the date"	101.2	100.9	0.3	(0.3)
"Known" index	101.2	100.9	0.3	(0.2)

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 3 - CASH FUNDS AND BANK BALANCES

	<u>At December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>NIS</u>	<u>NIS</u>
Composition -		
Shekels - cash	56	48
Shekel current accounts	8,472	8,210
Foreign currency current accounts	6,069	4,835
Shekel deposits	4,600	4,600
Foreign currency deposits	<u>4</u>	<u>604</u>
	19,201	18,297
<u>Less:</u>		
Cash designated for investment in fixed assets	<u>(1,093)</u>	<u>(2,939)</u>
	<u>18,108</u>	<u>15,358</u>

NOTE 4 - MARKETABLE SECURITIES

Composition -		
Stock	1,480	1,167
Mutual funds	2,345	2,198
Government bonds	9,600	7,580
Corporate bonds	3,355	5,363
Corporate bonds in foreign currency	564	271
Deposits	128	62
Cash	<u>264</u>	<u>208</u>
	<u>17,736</u>	<u>16,849</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 5 - DEBTORS FOR GENERAL ACTIVITIES

	At December 31,	
	<u>2017</u>	<u>2016</u>
Composition -	<u>NIS</u>	<u>NIS</u>
Ministry of Social Affairs and Social Services	12,957	10,978
Ministry of Health	335	457
Local Municipalities	725	1,038
National Insurance Institute	513	180
Customers for employment of participants	734	1,240
HMO's	702	814
Checks receivable	59	810
Parents of participants	6	55
Promised donations receivable for Projects	<u>4,946</u>	<u>2,302</u>
	20,977	17,874
Less: provision for doubtful debts	<u>(17)</u>	<u>(90)</u>
	<u>20,960</u>	<u>17,784</u>

NOTE 6 - ACCOUNTS RECEIVABLE AND DEBIT BALANCES

Composition -		
Prepaid expenses	363	265
Advances to employees	<u>91</u>	<u>113</u>
	<u>454</u>	<u>378</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 7 - INVENTORIES

		At December 31,	
		<u>2 0 1 7</u>	<u>2 0 1 6</u>
		<u>NIS</u>	<u>NIS</u>
7.1	Composition -		
	Food	83	68
	Medication	31	40
	Other consumables	<u>732</u>	<u>869</u>
		<u>846</u>	<u>977</u>

ISRAEL ELWYN
Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 8 - FIXED ASSETS

8.1 Composition -

Cost -

Opening balance

Additions this year

Deductions this year

Accumulated Depreciation -

Opening balance

Depreciation for the year

Deductions this year

Net cost at December 31, 2017

Cash designated for investment in fixed assets

	Fully Owned Buildings NIS	Investment In Buildings Under License NIS	Furniture & Equipment NIS	Motor Vehicles NIS	Computers NIS	Total NIS
Opening balance	47,062	41,783	28,067	1,540	2,320	120,772
Additions this year	3,171	4,560	1,409	633	144	9,917
Deductions this year	--	--	--	(220)	--	(220)
	50,233	46,343	29,476	1,953	2,464	130,469
Opening balance	11,026	6,920	19,718	931	1,881	40,476
Depreciation for the year	842	1,019	1,801	219	111	3,992
Deductions this year	--	--	--	(75)	--	(75)
	11,868	7,939	21,519	1,075	1,992	44,393
Net cost at December 31, 2017	38,365	38,404	7,957	878	472	86,076
Cash designated for investment in fixed assets	--	846	247	--	--	1,093

8.2 Fixed asset are presented net of grants received from the National Insurance and municipalities as of December 31, 2017 amounting to approximately 38,370 thousand NIS.

In the year of this report, the Amuta received grants from government institutions amounting approximately 3,936 thousand NIS.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 8 - FIXED ASSETS (Cont.)

- 8.3 The Amuta owns 4 buildings, including the Sabbah Center, As of the date of the signing of these financial statements, Sabbah Center had not yet been recorded at the Land Registry in the name of the Amuta.

In July 2014 the Amuta signed an agreement with the Director of residential properties in the Ministry of Finance, according to which the Amuta will hold the building "under license" until December 31, 2028.

For further details – see Note 14.1.10.

- 8.4 Regarding the agreement with the Ministry of Social Affairs and Social Services concerning the License to the Amuta to receive and operate the three buildings – see Note 14.1.1.

NOTE 9 - EMPLOYEES AND INSTITUTIONS REGARDING SALARIES

	<u>At December 31,</u>	
	<u>2 0 1 7</u>	<u>2 0 1 6</u>
	<u>NIS</u>	<u>NIS</u>
Composition -		
Employees	5,087	4,475
Institutions regarding salaries	2,785	2,450
Provision for vacation	<u>5,387</u>	<u>4,764</u>
	<u>13,259</u>	<u>11,689</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 10 - SUPPLIERS AND SERVICE PROVIDERS

	At December 31,	
	<u>2017</u>	<u>2016</u>
	<u>NIS</u>	<u>NIS</u>
Composition -		
Current balances	3,943	2,636
Checks payable	<u>1,656</u>	<u>1,144</u>
	<u>5,599</u>	<u>3,780</u>

NOTE 11 - ACCOUNTS PAYABLE & CREDIT BALANCES

Composition -		
Accrued expenses	356	316
Participants for salary and cash allowances (*)	6	163
Advances from parents of participants	10	8
Others	<u>60</u>	<u>19</u>
	<u>432</u>	<u>506</u>

(*) Net of deduction of bank balances totaling about 732 thousand NIS and about 582 thousand NIS at December 31 2017 and 2016 in accordance, which are used to pay the salaries and cash allowances for the participants.

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Notes to the Financial Statements

(in thousands)

NOTE 12 - LONG-TERM LOAN FROM ELWYN USA

		At December 31,	
		2017	2016
		NIS	NIS
12.1	Composition -		
	Interest-free US dollar loan	--	1,402
	Less: Current maturities	--	(128)
		<u>--</u>	<u>1,274</u>
12.2	In 1998, the Amuta received a loan from Elwyn USA of \$1 million, repayable in 30 equal annual installments.		
12.3	In 2017 the Amuta repaid the balance of the loan from Alvin United States.		

NOTE 13 - EMPLOYEE TERMINATION BENEFITS, NET

13.1	Composition -		
	Liability for payment of severance pay and dismissal	20,228	21,656
	Less: amounts in designated deposit	(8,179)	(7,781)
	Less: Value of real estate property held in trust for the payment of severance pay and dismissal	<u>(8,500)</u>	<u>(8,500)</u>
		<u>3,549</u>	<u>5,375</u>

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Notes to the Financial Statements

NOTE 13 - EMPLOYEE TERMINATION BENEFITS, NET (Cont.)

- 13.2 The Amuta's liability for employee severance pay and dismissal is calculated based on the latest salary of each employee multiplied by the years worked, at the balance sheet date. This debt is partly covered by regular deposits into insurance policies designated for this purpose, as well as amounts held in the designated deposit and also real estate property held in trust for the payment of severance pay and dismissal. The remaining balance is shown in the balance sheet as the liability relating to the termination of employer-employee relations.

The sums which have accumulated in the insurance policies designated for the purpose of severance pay in the names of individual employees, and the severance liabilities which they cover are not reflected in these financial statements since the former are not under the control and management of the Amuta.

The amounts in the designated account include profits which had accrued to the balance sheet date. The sums in this account may only be withdrawn after compliance with the law for severance pay or according to labor agreements.

- 13.3 The value at the balance sheet date of the real estate property held in trust for the payment of severance pay and dismissal was assessed by an independent real estate appraiser.

The lease of the property from the Israel Land Administration ends in November 2018.

Due to uncertainty regarding the cost of renewing the leasing of the property from the Israel Land Administration, it was decided to leave the value of the property during the reporting year in accordance with the appraiser's assessment in the previous year.

For details of the trust document and trustee agreement – see Note 14.1.8.

NOTE 14 – COMMITMENTS AND BANK GUARANTEES

14.1 Commitments

- 14.1.1 In 2013, the Amuta signed contracts in order to extend the original agreements, made in 1988 with the Ministry of Social Affairs and Social Services on basis of tenders ("the extension agreements"), for continuation of the management of the Swedish Village comprising of three residential centers, which occupy people with disabilities, including continuation of operating all residential centers.

According to the extension agreement the Amuta looks after people with disabilities referred to it by the Ministry of Social Affairs and Social Services to live in these residential units, in exchange for monthly maintenance fees payable for each participant, according to the terms of the agreement.

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Notes to the Financial Statements

NOTE 14 – COMMITMENTS AND BANK GUARANTEES

14.1 Commitments

14.1.1 (Cont.)

The extension agreement also includes a provision for an additional monthly payment by the Ministry of Social Affairs and Social Services for each participant to cover ongoing maintenance of the residential buildings, the cost of which the Amuta undertook to cover itself for the duration of the period of the extension agreement, for repairs to the buildings and equipment, including damages arising from underlying defects in the buildings or infrastructure including the water, electricity, sewage, heating, roof systems etc.

According to the addendum to the agreement, the agreement will automatically renew for an additional period of one year, unless either party notifies the other, six months prior to the completion of the current extension, of its desire not to renew the agreement,

At the date of signing the financial statements, neither side has informed the other of their desire to end the agreement.

The net balance of the investment amounts in the residential buildings by the Amuta at December 31, 2017 NIS 23,103 which sum is shown as renovations in buildings under license as part of the Fixed Assets, less government grants attributed to the buildings.

14.1.2 The Amuta pays rent for buildings and apartments used in its activities throughout the country, for the periods as shown in the leases.

14.1.3 In May 2017, the Amuta signed an agreement the leasing of offices used by the management of the Amuta for a period of 3 years, which can be extended for another 3 years.

14.1.4 The Amuta signed an agreement with a leasing company for operating leases relating to vehicles used by employees for which monthly rental fees are payable and in accordance with the terms of the agreement.

At the date of signing the financial statements, the Amuta had leased 33 vehicles.

14.1.5 The Amuta provides leisure, recreational and physical therapy services to participants and charges fees for this, which are paid from a designated fund of the Israeli government funded by the National Insurance Institute.

14.1.6 The Amuta operates activities with a number of local municipalities in exchange for participation fees according to agreed amounts as per the agreements.

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Notes to the Financial Statements

NOTE 14 – COMMITMENTS AND BANK GUARANTEES (Cont.)

14.1 Commitments (Cont.)

14.1.7 The Ministry of Social Affairs and Social Services refers candidates for acceptance within the Amuta's activities for periods subject to review and pays agreed maintenance fees accordingly.

14.1.8 In October 2009, the Amuta signed an agreement with Discount Trustees Limited ("The Trustee") for the establishment of a trust by which the rights in a real estate property in Jerusalem ("the property"), which operates as a residential hostel for participants, were registered in the name of the Trustee at the Land Registry as security for the payment of severance and dismissal pay to employees, in the event that the Amuta does not pay them.

As long as the Trustee has not taken possession of the property, the Amuta has free right of use (but only for its stated aims) without any payment to the Trustee. At the same time all maintenance costs are to be paid by the Amuta.

The property was valued by a real estate appraiser on December 31 2017 and 2016 at 9.9 million NIS and 8.5 million NIS respectively, and is shown as a deduction from the liability of the Amuta for retirement and severance payments as accrued at the time of termination of employer-employee relations, net.

The lease of the property from the Israel Land Administration ends in November 2018.

Due to uncertainty regarding the cost of renewing the leasing of the property from the Israel Land Administration, it was decided to leave the value of the property during the reporting year in accordance with the appraiser's assessment in the previous year.

14.1.9 At the date of financial statements, the Amuta's commitments not yet paid, under contracts for projects, totaled 5,150 thousand NIS.

The Amuta has received promises from donors to cover the unpaid balance of the above obligations.

14.1.10 In July 2014 the Amuta signed an "under license" agreement for the maintenance of the Sabbah Center Building with the Director of residential properties in the Ministry of Finance under which the Amuta will hold the building under license until 31 December 2028.

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Notes to the Financial Statements

(in thousands)

NOTE 14 – COMMITMENTS AND BANK GUARANTEES (Cont.)

14.2 Bank Guarantees

As security for its commitments, the Amuta has produced to its customer's bank guarantees as of December 31, 2017 totaling 1,394 thousand NIS; as of December 31, 2016, the total was 944 thousand NIS.

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS

	<u>For Activities NIS</u>	<u>Investments in Fixed Assets NIS</u>	<u>Total NIS</u>
15.1 Composition -			
<u>Balance at January 1, 2016</u>	2,202	5,224	7,426
<u>Changes during 2016</u>			
Donations received	4,612	1,492	6,104
Sums released for activities	(2,284)	--	(2,284)
Sums used for investment in Fixed Assets	--	(2,120)	(2,120)
Transfer between funds	<u>(31)</u>	<u>--</u>	<u>(31)</u>
<u>Balance at December 31, 2016</u>	4,499	4,596	9,095
<u>Changes during 2017</u>			
Donations received	6,261	2,967	9,228
Sums released for activities	(3,336)	--	(3,336)
Sums used for investment in Fixed Assets	<u>--</u>	<u>(7,350)</u>	<u>(7,350)</u>
<u>Balance at December 31, 2017</u>	<u>7,424</u>	<u>213</u>	<u>7,637</u>

- 15.2 Over the years, the Amuta received donations from various organizations, primarily for designated projects, including renovations and construction of buildings for use by the Amuta.

The management of the Amuta decides on the use of these contributions in accordance with their designated purpose.

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Notes to the Financial Statements

(in thousands)

NOTE 16 - INCOME FROM ACTIVITIES

	For the year ended	
	December 31,	
	2 0 1 7	2 0 1 6
	NIS	NIS
Composition -		
<u>Independent Activities</u>		
Maintenance	120,372	111,520
Leisure services, recreation and therapy	1,597	1,618
Participation from local municipalities	380	327
Medical services	2,975	3,112
Placement with customers	1,996	2,250
National Insurance Institute funded placement services	15	456
Parent's participation in activities	134	217
Others	<u>1,097</u>	<u>1,128</u>
	128,566	120,628
<u>Donations</u>	175	--
<u>Sums released to Activities from Restricted Net Assets</u>	<u>3,336</u>	<u>2,284</u>
	<u>132,077</u>	<u>122,912</u>

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Notes to the Financial Statements

(in thousands)

NOTE 17 - COST OF ACTIVITIES

	For the year ended	
	December 31,	
	2 0 1 7	2 0 1 6
	NIS	NIS
Composition -		
Salaries and related expenses	85,579	81,582
Food	7,359	6,824
Clothing, laundry and hygiene	2,075	1,976
Compensation to and treatment of participants	3,647	3,878
Transportation and travel	1,258	1,437
Communications	869	627
Vehicle maintenance	1,764	1,643
Cleaning and maintenance	11,292	10,870
Office expenses	1,459	1,219
Publicity	100	71
Depreciation	3,992	3,910
	<u>119,394</u>	<u>114,037</u>

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Notes to the Financial Statements

(in thousands)

NOTE 18 - GENERAL & ADMINISTRATION EXPENSES

	For the year ended	
	December 31,	
	2 0 1 7	2 0 1 6
	NIS	NIS
Composition -		
Salaries and related expenses	6,000	5,214
Office rental and maintenance	564	275
Vehicle maintenance	421	399
Professional services	482	533
Office expenses	339	472
Insurance	301	256
Refreshments	79	57
Conferences and overseas travel	201	211
Other	27	27
	<u>8,414</u>	<u>7,444</u>

NOTE 19 - FINANCE INCOME, NET

Composition -		
Revaluation of Beit Hanan building	--	600
Revaluation Central Severance Pay Fund	398	69
Revaluation of marketable securities	887	203
Exchange rate differences of Banks	(520)	(49)
Exchange rate differences on loan from Elwyn Inc USA	311	22
Bank fees	(164)	(165)
	<u>912</u>	<u>680</u>

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Notes to the Financial Statements

(in thousands)

NOTE 20 - PRINCIPAL CUSTOMERS

	Percentage of Gross Income For the year ended December 31,	
	2017	2016
	%	%
Composition -		
Ministry of Social Affairs and Social Services	91	91

NOTE 21 - RELATED PARTIES

	At December 31,	
	2017	2016
	NIS	NIS
Composition -		
20.1 <u>Related parties balances</u>		
Current assets	12,957	10,978
Long-term liabilities	--	1,402
	For the year ended December 31,	
	2017	2016
	NIS	NIS
20.2 <u>Transactions with related parties</u>		
Maintenance fee	120,372	111,520
Revaluation of long-term loan from Elwyn USA	311	22
Repayment of long-term loan to Elwyn USA	1,091	128