

ISRAEL ELWYN

Registered Amuta

Financial Statements

at December 31, 2018



Executive Offices
20 Henrietta Szold St.
Jerusalem 9650200, Israel
Tel: +972-2-641-5448
Fax: +972-2-643-0495
info@IsraelElwyn.org.il
www.IsraelElwyn.org.il
f @ IsraelElwyn

Jerusalem & Southern Israel Branch
Haifa & Northern Israel Branch
Sharon & Central Israel Branch
Elwyn El Quds
Supported Living Programs
Youth & Young Adults Division
Academy for Continuing Education

David B. Marcu
Chief Executive Officer

Margalit Piller
Chief Operating Officer

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



ISRAEL ELWYN

Registered Amuta

Financial Statements

at December 31, 2018

Table of Contents

	<u>Page</u>
Independent auditor's report	1
Balance sheets	2-3
Statements of operations	4
Statements of changes in net assets	5-6
Statements of cash flows	7-8
Notes to the financial statements	9-27



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, 2018 and 2017 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, 2018 and 2017 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: 11/5/19

ISRAEL ELWYN

Registered Amuta

Balance Sheets

(in thousands)

	<u>Note</u>	At December 31,	
		<u>2 0 1 8</u>	<u>2 0 1 7</u>
<u>Current Assets</u>		<u>NIS</u>	<u>NIS</u>
Cash funds and bank balances	3	20,422	18,108
Marketable securities	4	17,168	17,736
Debtors for general activities	5	20,232	20,960
Accounts receivable and debit balances	6	417	454
Inventories	7	<u>801</u>	<u>846</u>
		<u>59,040</u>	<u>58,104</u>
<u>Prepaid vehicle rental fees</u>		<u>292</u>	<u>286</u>
<u>Fixed assets</u>			
Fixed assets	8	86,245	86,076
Cash designated for investment in fixed assets		<u>1,939</u>	<u>1,093</u>
		<u>88,184</u>	<u>87,169</u>
		<u>147,516</u>	<u>145,559</u>

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

ISRAEL ELWYN

Registered Amuta

Balance Sheets

(in thousands)

		At December 31,	
		2018	2017
		NIS	NIS
<u>Current Liabilities</u>	<u>Note</u>		
Employees and institutions regarding salaries	9	16,494	13,259
Suppliers and service providers	10	3,504	5,599
Accounts payable and credit balances	11	1,027	432
		21,025	19,290
<u>Long-term Liabilities</u>			
Employee termination benefits, net	12	--	3,549
<u>Commitments and Bank Guarantees</u>	13		
<u>Net Assets</u>			
<u>Unrestricted for use for current activities</u>			
Undesignated by management		22,517	14,132
Designated by management		10,804	14,875
Used for fixed assets		86,245	86,076
		119,566	115,083
<u>Temporarily Restricted</u>	14	6,925	7,637
		147,516	145,559

15/5/19
Date of approval of the
Financial Statements

Board Member

Board Member

Ilana Avudov Hor

ד"ר. חגית
מזרחי



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 8</u>	<u>2 0 1 7</u>
		<u>NIS</u>	<u>NIS</u>
<u>Income from Activities</u>	15	146,205	132,077
<u>Cost of Activities</u>	16	132,796	119,394
Net income from activities		13,409	12,683
<u>General and Administration Expenses</u>	17	9,496	8,414
<u>Fundraising Expenses</u>		437	491
Net income before finance		3,476	3,778
<u>Finance Income, Net</u>	18	282	912
<u>Capital gain (loss)</u>		(46)	41
Net income		3,712	4,731

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

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, 2018	14,132	14,875	86,076	115,083	7,637
Changes during 2018					
Net income for the year	3,712	--	--	3,712	--
Donations received	--	--	--	--	5,843
Deduction of fixed assets	136	--	(136)	--	--
Temporarily restricted net assets released for Acquisition of fixed assets, net	--	--	771	771	(771)
Temporarily restricted net assets released for current activities	--	--	--	--	(5,784)
Transfer of unrestricted net assets released for acquisition of fixed assets	(1,850)	(1,662)	3,512	--	--
Transfers of funds to cover depreciation	3,978	--	3,978	--	--
Funds released by management this year	2,409	(2,409)	--	--	--
	8,385	(4,071)	169	4,483	(712)
Balance at December 31, 2018	22,517	10,804	86,245	119,566	6,925

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,	
	2018	2017
	NIS	NIS
<u>Cash Flows - Current Activities</u>		
Net income for the year	3,712	4,731
Adjustments required to show the true cash flow from current activities (Appendix "A")	(2,196)	(2,215)
Net cash provided by current activities	1,516	2,516
<u>Cash Flows - Investment Activities</u>		
Acquisition of fixed assets	(4,283)	(9,917)
Proceeds from sale of fixed assets	90	186
Prepaid investment from vehicle rental payments	(6)	(18)
Net cash used in investment activities	(4,199)	(9,749)
<u>Cash Flows - Financing Activities</u>		
Repayment of long-term loan from Elwyn USA	--	(1,091)
Receipts from temporarily restricted net assets	5,843	9,228
Net cash provided by financing activities	5,843	8,137
<u>Increase in cash and cash equivalents</u>	3,160	904
Cash and cash equivalents at beginning of the year	19,201	18,297
Cash and cash equivalents at end of year (*)	22,361	19,201

(*) 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 8</u>	<u>2 0 1 7</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	3,978	3,992
Changes in employee termination benefits, net	(3,549)	(1,826)
Restricted net assets released for current activities	(5,784)	(3,336)
Loss (capital) gains from disposal of fixed assets	46	(41)
Decrease (increase) in value of marketable securities	568	(887)
Revaluation of long-term loan from Elwyn USA	--	(311)
<u>Changes in items relating to Assets and Liabilities</u>		
Decrease (increase) in debtors for general activities	728	(3,176)
Decrease (increase) in accounts receivable & debit balances	37	(76)
Decrease in inventories	45	131
Increase in employees and institutions regarding salaries	3,235	1,570
Increase (decrease) in suppliers and service providers	(2,095)	1,819
Increase (decrease) in accounts payable & credit balances	595	(74)
	<u>(2,196)</u>	<u>(2,215)</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 4,342 (in 2017 - 4,199) 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 20 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	2-10
Investment in buildings under license	2-10
Furniture and equipment	7-33
Vehicles	15-20
Computers	25-33

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.

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

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 2 – ACCOUNTING POLICIES (Cont.)

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:

	Representative rate of exchange		Rate of change	
	At		For the year ended	
	December 31,		December 31,	
	2 0 1 8	2 0 1 7	2 0 1 8	2 0 1 7
	NIS	NIS	%	%
Foreign Currency				
US Dollar	3.748	3.467	8.1	(9.8)

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

	Representative rate of exchange		Rate of change	
	At		For the year ended	
	December 31,		December 31,	
	2 0 1 8	2 0 1 7	2 0 1 8	2 0 1 7
	NIS	NIS	%	%
Index "relating to the date"	102.4	101.2	1.2	0.3
"Known" index	102.4	101.2	1.2	0.3

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 3 - CASH FUNDS AND BANK BALANCES

	At December 31,	
	2018	2017
	NIS	NIS
Composition -		
Shekels - cash	72	56
Shekel current accounts	17,782	8,472
Foreign currency current accounts	3,902	6,069
Shekel deposits	601	4,600
Foreign currency deposits	4	4
	22,361	19,201
<u>Less:</u>		
Cash designated for investment in fixed assets	(1,939)	(1,093)
	<u>20,422</u>	<u>18,108</u>

NOTE 4 - MARKETABLE SECURITIES

Composition -		
Stock	1,189	1,480
Mutual funds	2,244	2,345
Government bonds	7,559	9,600
Corporate bonds	4,705	3,355
Corporate bonds in foreign currency	800	564
Deposits	313	128
Cash	358	264
	<u>17,168</u>	<u>17,736</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 5 - DEBTORS FOR GENERAL ACTIVITIES

	At December 31,	
	2018	2017
	NIS	NIS
Composition -		
Ministry of Social Affairs and Social Services	12,885	12,957
Ministry of Health	925	335
Local Municipalities	881	708
National Insurance Institute	244	513
Customers for employment of participants	834	734
HMO's	1,052	702
Checks receivable	74	59
Parents of participants	15	6
Promised donations receivable for Projects	3,322	4,946
	<u>20,232</u>	<u>20,960</u>

NOTE 6 - ACCOUNTS RECEIVABLE AND DEBIT BALANCES

Composition -		
Prepaid expenses	337	363
Advances to employees	80	91
	<u>417</u>	<u>454</u>

NOTE 7 - INVENTORIES

7.1 Composition -		
Food	31	83
Medication	32	31
Other consumables	738	732
	<u>801</u>	<u>846</u>
7.2 Inventory for current use of service recipients.		

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 8 - FIXED ASSETS

8.1 Composition -

Cost -

	Fully Owned Buildings NIS	Investment In Buildings Under License NIS	Furniture & Equipment NIS	Vehicles NIS	Computers NIS	Total NIS
Opening balance	50,233	46,343	29,476	1,953	2,464	130,469
Additions this year	6,912	1,270	2,593	--	269	11,044
Grants received this year	(4,185)	(2,136)	(260)	--	--	(6,761)
Deductions this year	--	--	(288)	--	--	(288)
	52,960	45,297	31,521	1,953	2,733	134,464

Accumulated Depreciation -

Opening balance	11,868	7,939	21,519	1,075	1,992	44,393
Depreciation for the year	745	962	1,875	230	166	3,978
Deductions this year	--	--	(152)	--	--	(152)
	12,613	8,901	23,242	1,305	2,158	48,219

Net cost at December 31, 2018

Cash designated for investment in fixed assets

	40,347	36,396	8,279	648	575	86,245
	--	1,595	344	--	--	1,939

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 8 - FIXED ASSETS (Cont.)

- 8.2 Fixed asset are presented net of grants received from the National Insurance and municipalities as of December 31, 2018 amounting to approximately 45,131 thousand NIS.

In the year of this report, the Amuta received grants from government institutions amounting approximately 6,761 thousand NIS.

- 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 13.1.10.

- 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 13.1.1.

NOTE 9 - EMPLOYEES AND INSTITUTIONS REGARDING SALARIES

	<u>At December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>NIS</u>	<u>NIS</u>
Composition -		
Employees	6,863	5,087
Institutions regarding salaries	3,689	2,785
Provision for vacation	5,942	5,387
	<u>16,494</u>	<u>13,259</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 10 - SUPPLIERS AND SERVICE PROVIDERS

	At December 31,	
	2018	2017
	NIS	NIS
Composition -		
Current balances	2,993	3,943
Checks payable	192	1,656
Fixed assets suppliers	319	--
	<u>3,504</u>	<u>5,599</u>

NOTE 11 - ACCOUNTS PAYABLE & CREDIT BALANCES

Composition -		
Accrued expenses	968	356
Participants for salary and cash allowances (*)	45	6
Advances from parents of participants and others	14	70
	<u>1,027</u>	<u>432</u>

(*) Net of deduction of bank balances totaling about 709 thousand NIS and about 732 thousand NIS at December 31 2018 and 2017 in accordance, which are used to pay the salaries and cash allowances for the participants.

NOTE 12 - EMPLOYEE TERMINATION BENEFITS, NET

	At December 31,	
	2018	2017
	NIS	NIS
12.1 Composition -		
Liability for payment of severance pay and dismissal	17,329	20,228
Less: amounts in designated deposit	(8,113)	(8,179)
Less: Value of real estate property held in trust for the payment of severance pay and dismissal	<u>(9,216)</u>	<u>(8,500)</u>
	<u>--</u>	<u>3,549</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 12 - EMPLOYEE TERMINATION BENEFITS, NET (Cont.)

- 12.2 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.

- 12.3 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.

During the reporting year the lease of the property from the Israel Land Administration was extended until 2067.

For details of the trust document and trustee agreement – see Note 13.1.8.

NOTE 13 – COMMITMENTS AND BANK GUARANTEES

13.1 Commitments

- 13.1.1 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.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 13 – COMMITMENTS AND BANK GUARANTEES (Cont.)

13.1 Commitments (Cont.)

13.1.1 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, 2018 NIS 23,242 which sum is shown as renovations in buildings under license as part of the Fixed Assets, less government grants attributed to the buildings.

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

13.1.3 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.

13.1.4 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 35 vehicles.

13.1.5 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.

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

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

NOTE 13 – COMMITMENTS AND BANK GUARANTEES (Cont)

13.1 Commitments (Cont)

13.1.7 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.

13.1.8 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 2018 at 9.9 million NIS.

The balance of the Amuta's liability for severance pay, net, is NIS 9.2 million, therefore the value of the property was presented in the amount of the liability.

During the reporting year the lease of the property from the Israel Land Administration was extended until 2067.

13.1.9 At the date of financial statements, the Amuta's commitments not yet paid, under contracts for projects not yet carried out, totaled 800 thousand NIS.

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

13.1.10 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.

13.2 Bank Guarantees

As security for its commitments, the Amuta has produced to its customer's bank guarantees as of December 31, 2018 totaling 1,466 thousand NIS; as of December 31, 2017, the total was 1,394 thousand NIS.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS

	For Activities NIS	Investments in Fixed Assets NIS	Total NIS
14.1 Composition -			
<u>Balance at January 1, 2017</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	--	(7,350)	(7,350)
<u>Balance at December 31, 2017</u>	7,424	213	7,637
<u>Changes during 2018</u>			
Donations received	4,293	1,550	5,843
Sums released for activities	(5,784)	--	(5,784)
Sums used for investment in Fixed Assets	--	(771)	(771)
<u>Balance at December 31, 2018</u>	<u>5,933</u>	<u>992</u>	<u>6,925</u>

- 14.2 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.

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 15 - INCOME FROM ACTIVITIES

	For the year ended	
	December 31,	
	2 0 1 8	2 0 1 7
	NIS	NIS
Composition -		
<u>Independent Activities</u>		
Maintenance	128,225	117,105
Leisure services, recreation and therapy	1,652	1,597
Participation from local municipalities	426	595
Medical services	6,417	5,927
Placement with customers	1,622	1,967
National Insurance Institute funded placement services	776	282
Parent's participation in activities	365	297
Others	798	796
	140,281	128,566
<u>Donations</u>	140	175
<u>Sums released to Activities from Restricted Net Assets</u>	5,784	3,336
	146,205	132,077

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 16 - COST OF ACTIVITIES

	For the year ended	
	December 31,	
	2 0 1 8	2 0 1 7
	NIS	NIS
Composition -		
Salaries and related expenses	97,451	85,569
Food	7,987	7,480
Clothing, laundry and hygiene	1,484	1,601
Compensation to and treatment of participants	3,563	3,870
Transportation and travel	1,116	1,262
Communications	557	878
Vehicle maintenance	1,893	1,764
Cleaning and maintenance	12,120	10,898
Office expenses	2,467	1,971
Publicity	180	109
Depreciation	3,978	3,992
	<u>132,796</u>	<u>119,394</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 17 - GENERAL AND ADMINISTRATION EXPENSES

	For the year ended	
	December 31,	
	2 0 1 8	2 0 1 7
	NIS	NIS
Composition -		
Salaries and related expenses	6,416	6,000
Office rental and maintenance	819	564
Vehicle maintenance	418	421
Professional services	662	482
Office expenses	330	339
Insurance	528	301
Refreshments	38	79
Conferences and overseas travel	254	201
Others	31	27
	<u>9,496</u>	<u>8,414</u>

NOTE 18 - FINANCE INCOME, NET

Composition -		
Revaluation of Beit Hanan building	716	--
Revaluation Central Severance Pay Fund	(82)	398
Revaluation of marketable securities	(568)	887
Exchange rate differences of Banks	328	(520)
Exchange rate differences on loan from Elwyn Inc USA	--	311
Bank fees	<u>(112)</u>	<u>(164)</u>
	<u>282</u>	<u>912</u>

ISRAEL ELWYN

Registered Amuta

Notes to the Financial Statements

(in thousands)

NOTE 19 - PRINCIPAL CUSTOMERS

	<u>Percentage of</u>	
	<u>Gross Income</u>	
	<u>For the year ended</u>	
	<u>December 31,</u>	
	<u>2 0 1 8</u>	<u>2 0 1 7</u>
	<u>%</u>	<u>%</u>
Composition -		
Ministry of Social Affairs and Social Services	<u>88</u>	<u>89</u>

NOTE 20 - RELATED PARTIES

	<u>At December 31,</u>	
	<u>2 0 1 8</u>	<u>2 0 1 7</u>
	<u>NIS</u>	<u>NIS</u>
Composition -		
20.1 <u>Related parties balances</u>		
Current assets	<u>12,885</u>	<u>12,957</u>

	<u>For the year ended</u>	
	<u>December 31,</u>	
	<u>2 0 1 8</u>	<u>2 0 1 7</u>
	<u>NIS</u>	<u>NIS</u>
20.2 <u>Transactions with related parties</u>		
Maintenance fee	<u>128,225</u>	<u>117,105</u>
Revaluation of long-term loan from Elwyn USA	<u>--</u>	<u>311</u>
Repayment of long-term loan to Elwyn USA	<u>--</u>	<u>1,091</u>