

**Ezer Mizion (Reg. Assoc.)**

**Financial Statements as of December 31, 2017**

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## **Financial Statements as of December 31, 2017**

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**Report by Auditing Accountant for Members of Ezer Mizion (Reg. Assoc.)**

I have audited the accompanying balance sheets relating to Ezer Mizion (Reg. Assoc.) (hereinafter: the "Association") as of December 31, 2016 and 2017, as well as the operational report, report on changes in net assets and the cash flow report for each of the years concluding on these dates.

The said financial statements are the responsibility of the Association management. It is my responsibility to express a professional opinion of these financial statements based on my audit.

My audit was conducted in accordance with generally accepted auditing standards, including standards set forth by the Institute of Certified Public Accountants in Israel (CPA's Work Methods) 1973. The said standards require that I plan and perform the audit with the aim of obtaining reasonable assurance that the financial statements are free of substantial misrepresentation. An audit includes a random check of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessment of the accounting rules that were applied and significant estimates made by the Association committee and management, as well as evaluation of the propriety of the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As stated in Note 2A of the financial statements, the said statements were prepared in nominal and not reported figures as required by Accounting Standard 12 of the Israel Accounting Standards Board.

In my opinion, aside from the effect of non-application of Standard 12 of the Israel Accounting Standards Board on the financial statements, these financial reports properly reflect, from all substantial aspects, the financial situation of the Association as of December 31, 2016 and 2017, as well as its operational results, changes in equity and cash flow for each of the years concluding on those dates, in keeping with the generally accepted accounting principles (Israeli GAAP) for non-profit organizations.

**Yehuda Keynan  
CPA Office (ISR.)**

Givat Shmuel, 9 Elul 5778  
Aug. 20, 2018

**Ezer Mizion (Reg. Assoc.)**

**Balance Sheet**

in New Israeli Shekels

	<b>Note</b>	<b><u>At December 31</u></b>	
		<b><u>2017</u></b>	<b><u>2016</u></b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	<b>3</b>	16,705,270	18,652,568
Deposits in designated funds	<b>4</b>	14,142	* 14,142
Checks receivable		647,358	1,072,134
Debtors and debit balances	<b>5</b>	<u>43,759,032</u>	<u>36,409,822</u>
		61,125,802	* 56,148,666
<b>Fixed Assets</b>			
Real estate, vehicles, equipment, and movable property	<b>6</b>	113,076,805	89,413,326
Long-term deposits	<b>7</b>	6,954,052	* 10,269,952
Bank deposits for workers' benefits	<b>8</b>	<u>3,477,663</u>	* <u>5,242,472</u>
		<u>123,508,520</u>	* <u>104,925,750</u>
<b>Total assets</b>		<u>184,634,322</u>	* <u>161,074,416</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank credit	<b>9</b>	5,952,808	* 2,028,041
Checks payable		1,621,836	4,195,329
Suppliers and service providers		15,248,301	14,341,838
Creditors and credit balances	<b>10</b>	<u>36,762,514</u>	<u>29,651,631</u>
		<u>59,585,459</u>	<u>50,216,839</u>
<b>Long-Term Liabilities</b>			
Bank loans	<b>11</b>	8,190,907	* 8,967,304
Reserve for employee retirement fund	<b>12</b>	<u>15,960,171</u>	* <u>15,190,961</u>
		<u>24,151,078</u>	* <u>24,158,265</u>
Total Liabilities		83,736,537	* 74,375,104
<b>Net Assets</b>			
<b>Unrestricted Net Assets</b>		93,118,365	* 74,874,088
		-----	-----
<b>Net Assets subject to temporary restriction</b>	<b>13</b>	<u>7,779,420</u>	<u>11,825,224</u>
Total Net Assets		100,897,785	* 86,699,312
Total Liabilities and Net Assets		<u>184,634,322</u>	* <u>161,074,416</u>

\* **Reclassified**

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

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Chananya Chollak, Chairman

\_\_\_\_\_  
Natan Adler – Committee Member

Givat Shmuel, 9 Elul 5778/Aug. 20, 2018

**Ezer Mizion (Reg. Assoc.)**  
**Statement of Operations**  
in New Israeli Shekels

	Note	<u>Year ending</u> <u>December 31, 2017</u>	<u>Year ending</u> <u>December 31, 2016</u>
Operating turnover	14	446,626,665	420,573,793
Cost of operations	15	<u>427,124,525</u>	* <u>399,155,972</u>
<b>Net revenues derived from operations</b>		19,502,140	* 21,417,821
General & Administrative expenses	16	<u>27,372,846</u>	* <u>25,450,960</u>
<b>Net expenses before financing expenses</b>		(7,870,706)	* (4,033,139)
Net financing expenses	17	<u>(2,175,853)</u>	<u>(1,221,241)</u>
<b>Expenses, including financing expenses</b>		(10,046,559)	* (5,254,380)
Other net revenues	18	<u>11,215,703</u>	<u>8,092,618</u>
<b>Surplus for the year</b>		<u><u>1,169,144</u></u>	* <u><u>2,838,238</u></u>

\* Reclassified

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

**Ezer Mizion (Reg. Assoc.)**  
**Statement of Overall Surplus (Deficit)**  
in New Israeli Shekels

	<b>Note</b>	<b><u>Year ending December 31, 2017</u></b>	<b><u>Year ending December 31, 2016</u></b>
<b><u>Surplus for the year</u></b>		1,169,144	* 2,838,238
<u>Surplus (deficit) items, including "others"</u>			
Recalculation of defined benefit plan	19	<u>(1,983,538)</u>	* <u>(2,041,559)</u>
<u>Total overall surplus (deficit)</u>		<u>(814,394)</u>	* <u>796,679</u>

\* **Reclassified**

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

**Ezer Mizion (Reg. Assoc.)**  
**Statement of Changes in Net Assets (Deficit)**  
**For the year ending December 31, 2017**  
in New Israeli Shekels

	<b>Unrestricted Designated for Activities</b>	<b>Used for Fixed Assets</b>	<b>Restricted Subject to Temporary Restriction</b>	<b>Total</b>
Balance as of Jan. 1, 2016	*(11,357,683)	82,463,534	13,617,824	* 84,723,675
Additions (decreases) during the year				
Surplus	* 2,838,238			* 2,838,238
Recalculation of defined benefit plan	* (2,041,559)			* (2,041,559)
Donations and others			1,358,626	1,358,626
Net amounts released to fixed assets	(12,027,143)	14,965,107	(2,937,964)	-
Assets sold	66,663	(66,663)		-
Amounts released from restriction	33,594			
Transfer to restricted net assets			(213,262)	(179,668)
Amounts transferred to cover depreciation	<u>7,948,652</u>	<u>(7,948,652)</u>	<u>-</u>	<u>-</u>
Balance as of Dec. 31, 2016	*(14,539,238)	89,413,326	11,825,224	* 86,699,312
Additions (decreases) during the year				
Surplus	1,169,144			1,169,144
Recalculation of defined benefit plan	(1,983,538)			(1,983,538)
Donations and others			1,190,989	1,190,989
Net amounts released to fixed assets	(13,784,043)	17,902,090	(4,118,047)	-
Assets sold	595,436	(595,436)		
Rise in value of real estate assets		14,620,146		14,620,146
Amounts released from restriction	320,478		(320,478)	-
Financing expenses			(798,268)	(798,268)
Amounts transferred to cover depreciation	<u>8,263,321</u>	<u>(8,263,321)</u>	<u>-</u>	<u>-</u>
Balance as of December 31, 2017	<u>(19,958,440)</u>	<u>113,076,805</u>	<u>7,779,420</u>	<u>100,897,785</u>

\* **Reclassified**

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

**Ezer Mizion (Reg. Assoc.)**

**Statement of Cash Flow**  
in New Israeli Shekels

	<b><u>Year ending</u></b> <b><u>December 31,</u></b> <b><u>2017</u></b>	<b><u>Year ending</u></b> <b><u>December 31,</u></b> <b><u>2016</u></b>
Surplus	1,169,144	* 2,838,238
Adjustment required for accounting the cash from ongoing activities	<u>2,184,510</u>	* <u>10,762,512</u>
	<u>3,353,654</u>	* <u>13,600,750</u>
<b>Cash flow from investment activity</b>		
Investment in fixed assets	(17,902,090)	(14,965,107)
Net consideration from the realization of fixed assets	3,979,338	281,000
Drop in long term deposits	3,315,900	1,112,617
Drop (rise) in bank deposits for workers' benefits	<u>1,764,809</u>	* <u>(162,543)</u>
	<u>(8,842,043)</u>	* <u>(13,734,033)</u>
<b>Cash flow for financing activity</b>		
Receipt (repayment) of long-term loans	(776,397)	* 5,361,294
Increase (decrease) in short-term bank credit	3,924,767	* (4,033,355)
Net donation revenues subject to use restriction	<u>392,721</u>	<u>1,178,958</u>
	<u>3,541,091</u>	<u>2,506,897</u>
Increase (decrease) in cash and cash equivalents	(1,947,298)	2,373,614
Cash and cash equivalents – Opening balance	<u>18,652,568</u>	<u>16,278,954</u>
Cash and cash equivalents – Closing balance	<u>16,705,270</u>	<u>18,652,568</u>
<b><u>Adjustment required for accounting the cash from ongoing activities</u></b>		
Expenses unrelated to cash flow		
Depreciation	8,263,321	7,948,652
Capital profit	(3,383,902)	(214,337)
Increase in reserve for employee retirement fund	769,210	* <u>1,210,580</u>
Recalculation of defined benefit plan	<u>(1,983,538)</u>	* <u>(2,041,559)</u>
	<u>3,665,091</u>	* <u>6,903,336</u>
<b>Changes in Assets and Liabilities</b>		
Decrease in checks receivable	424,776	90,230
Decrease (Increase) in debtors and debit balances	(7,349,210)	788,524
Decrease in checks payable	(2,573,493)	(2,459,356)
Increase in suppliers and service providers	906,463	1,890,044
Increase (decrease) in creditors and credit balances	<u>7,110,883</u>	<u>3,549,734</u>
	<u>(1,480,581)</u>	* <u>3,859,176</u>
	<u>2,184,510</u>	* <u>10,762,512</u>

\* Reclassified

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



## Ezer Mizion (Reg. Assoc.)

### **Notes to the Financial Statements as of December 31, 2017** in New Israeli Shekels

#### Note 1

#### The Association

- A. On 8 May, 1985, the Association was registered with the Registrar of Associations under number 580079978
- B. Association objectives and activities:
1. Ambulance service, home attendants, domestic and hospital volunteers.
  2. Provision of hot meals and food packages as part of a nourishment program for the sick and needy, including pre-holiday and Kimcha D'Pischa distributions.
  3. Blood bank and bone marrow registry.
  4. Assistance, counseling, therapy and rehabilitation for people with special needs, for all types of disabilities, including sensory disabilities, such as hearing, speech and sight impairments.
  5. "Oranit" convalescent home for children with cancer.
  6. Loan of medical and developmental equipment.
  7. Support and charity funds.
  8. Accompanying and transporting patients to medical care abroad.
  9. Up-to-date medical counsel.
  10. Educational programs promoting mutual assistance and *chessed* in the community.
  11. Rehabilitation and occupational programs for the disabled.
  12. Support, rehabilitation, and social services for the ill and others in need.
  13. Operation of educational and therapy programs.
  14. Assistance for mental health patients, Holocaust survivors, cancer patients, senior citizens and people with special needs.
  15. Providing leisure-time activities for people with special needs and patients, including summer retreats and day camps.
  16. Granting stipends and conducting a stipend program for the promotion of Association objectives, in keeping with criteria set by the general assembly.

#### Note 2

#### Principles of Accounting Policy

- A. The financial statements were presented as per Statement 69 of the Institute of Certified Public Accountants in Israel and in keeping with Accounting Standard 5 of the Israel Accounting Standards Board, based on the historical cost and without addressing the decrease in the NIS purchasing power.
- B. Foreign currency deposits and liabilities were accounted under the representative exchange rate for the NIS upon the reporting date.  
The primary representative rate on the reporting date is NIS 3.467 per 1 USD.  
(31 December, 2016 – NIS 3.845 /1 USD)
- C. 1. The fixed assets in the financial reports (excluding land and residential apartments) are accounted at cost less cumulative depreciation, and include only the assets acquired from 1997 and on. In the preceding years, they were included in the Statement of Operations.  
2. Depreciation is calculated according to the annual method of valuation equal to the cost of the property and at the following rates::

Structures – 2-12.5%, Renovations – 12.5%, Vehicles – 15-20%, Equipment, furniture and others – 6-33%, Residential apartments – 6.7-10%.

D. Plans for defined benefit

The Association is applying the instructions in Accounting Standard 39 — Worker’s Benefits — through early implementation, via retroactive implementation. Labor laws and severance pay laws in Israel obligate the Association to pay the worker severance pay at his dismissal, when he reaches retirement age, and in other defined circumstances. Calculation of the Association’s obligation for workers’ benefits is made as per the employment agreement in force and is based on the worker’s salary and duration of his employment, which generate the right to receive compensation. Workers’ benefits after termination of employment are generally financed by reserves designated as a “plan for defined benefits,” for which the entity deposits sums into pension funds and provident funds. The Association chose to implement the actuarial model and to recognize the recalculation due to net obligation due to defined benefit in other overall profit. The effects of the retroactive implementation are presented in Note 23.

**Note 3**

**Cash and Cash Equivalents**

	<b><u>31.12.2017</u></b>	<b><u>31.12.2016</u></b>
In Israeli Currency:		
Deposits	69,199	1,015,078
Current Accounts	1,912,801	* 4,716,100
Cash	<u>396,721</u>	* <u>127,685</u>
	<u>2,378,721</u>	<u>5,858,863</u>
In foreign Currency:		
Deposits	14,191,893	8,641,893
Current Accounts	130,924	* 4,149,404
Cash	<u>3,732</u>	* <u>2,408</u>
	<u>14,326,549</u>	<u>12,793,705</u>
	<u>16,705,270</u>	<u>18,652,568</u>
<b>* Reclassified</b>		

**Note 4**

**Deposits in Designated Funds**

	<b><u>31.12.2017</u></b>	<b><u>31.12.2016</u></b>
<b>Charity Fund</b>	<u>14,142</u>	* <u>14,142</u>
<b>* Reclassified</b>		

The amounts deposited in the charity fund are derived of donations intended to fund support for the needy.

<b>Note 5</b>	<b><u>Debtors and Debit Balances</u></b>	<b><u>31.12.2017</u></b>	<b><u>31.12.2016</u></b>
	Accounts receivable	18,858,849	15,815,175
	Prepaid expenses	2,419,659	1,610,416
	Others	<u>22,480,524</u>	18,984,231
		<u>43,759,032</u>	<u>36,409,822</u>

**Note 6** Real Estate, Vehicles, Equipment, and Movable Property

A. Composition of Balance

	<u>Land</u>	<u>Buildings</u>	<u>Residential apartments</u>	<u>Rental Improvements</u>	<u>Vehicles</u>	<u>Equipment, Furnishings and Others</u>	<u>Total</u>
Opening cost	--	59,709,271*	8,880,023*	7,196,663	13,043,858	59,848,479	148,678,294
Additions over the year	--	8,106,568	--	3,074,626	1,866,405	4,854,491	17,902,090
Re-assessment	1,130,000 (D)	--	13,490,146 (E)	--	--	--	14,620,146
Deductions during year	-----	-----	-----	<u>(829,415)</u>	<u>(1,263,493)</u>	-----	<u>(2,092,908)</u>
Year-end balance	<u>1,130,000</u>	<u>67,815,839</u>	<u>22,370,169</u>	<u>9,441,874</u>	<u>13,646,770</u>	<u>64,702,970</u>	<u>179,107,622</u>
Cumulative depreciation at beginning of year	--	8,658,713*	832,378*	3,377,791	7,741,453	38,654,633	59,264,968
Depreciation for the year	--	891,588	227,791	843,110	1,767,237	4,533,595	8,263,321
Depreciation due to decreases	-----	-----	-----	<u>(247,044)</u>	<u>(1,250,428)</u>	-----	<u>(1,497,472)</u>
Year-end cumulative depreciation	-----	<u>9,550,301</u>	<u>1,060,169</u>	<u>3,973,857</u>	<u>8,258,262</u>	<u>43,188,228</u>	<u>66,030,817</u>
Year-end depreciated balance	<u>1,130,000</u>	<u>58,265,538</u>	<u>21,310,000</u>	<u>5,468,017</u>	<u>5,388,508</u>	<u>21,514,742</u>	<u>113,076,805</u>

\* Reclassified

B. Pursuant to a leasing agreement signed with the Petach Tikvah Municipality on September 11, 2004, a lot was leased to the Association for 25 years, with the option of extending the leasing period by an additional 25 years.

In previous years, the Association built the "Oranit" hostel on the lot, intended for cancer patients, and the cost of its construction was accounted for in the statements of operational costs.

C. Pursuant to an agreement signed with the Bnei Brak Municipality (hereinafter: "the Municipality") on February 7, 2000, the Municipality granted the Association permission to build a structure on a site belonging to the Municipality, for purposes of public aid and charity activities, in keeping with the plan relating to the land and subject to the obtained building permit.

The permission was given for an unlimited period, so long as the Association utilizes the site for purposes of public aid and charity.

The Association built the “Ezer Mizion Center” on the site, serving the Association in its activities.

- D. In 2016, the Association received a plot in Holon from an estate. The plot was disclosed in the balance sheet for Dec. 31, 2016 in the Notes only. According to the assessment of a real estate appraiser “Chaim Mesilati Property Appraisals Company Inc.” from August, 2018, the value of the plot on Dec. 31, 2017 is NIS 1,130,000 and the Association recorded the plot in the books at this value.
- E. The Association has 14 residential apartments in its possession, most of which were received from estates and which did not find expression in the Association’s books, and according to the assessment of property assessor “Chaim Mesilati Property Appraisal Company Inc.” from August 2018, the market value of these residential apartments as of Dec. 31, 2017 is NIS 21,310,000. The appraisal included a differentiation between the value of the land and the value of the structures, including mention of the apartments’ anticipated life span. The Association recorded the value of the apartments in the books, according to the appraisal that was received. Two of the apartments included among these residential apartments were listed as “*hekdesh*,” charitable trusts, as stipulated in the will of the legato. They will be sold at some point and the money obtained for the sale will be used to purchase medical equipment and ambulances.
- As a result of the reassessment of the residential apartments, beginning in 2018, the apartments’ depreciation will go up by about NIS 400,000 a year.
- F. The rise of the value of real estate assets, at an overall amount of NSI 14,620,146 found its expression in the Statement of Changes in Net Assets (Deficit) for this year.

#### Note 7 Long Term Deposits

	<u>Dec. 31, 2017</u>			<u>Dec. 31, 2016</u>
	<u>Investment Fund</u>	<u>Bone Marrow Registry Building Fund</u>	<u>Total</u>	<u>Total</u>
In Israeli currency		11,385	11,385	2,289,164
In foreign currency	<u>6,942,667</u>	-	<u>6,942,667</u>	<u>7,980,788</u>
	<u>6,942,667</u>	<u>11,385</u>	<u>6,954,052</u>	<u>10,269,952</u>

- A. The sums that were deposited in the investment fund account were designated to receive returns to fund the Association’s running operations.
- B. The amounts deposited in the Bone Marrow Registry Structure Fund are derived of donations and allocations intended to fund building and maintaining the building.

#### Note 8 Bank Reserves for Workers’ Benefits

The deposits include deposits in a special bank account to ensure payment of severance pay to foreign workers. The deposits are at an overall sum, without regard to specific workers.

**Note 9****Bank Credit**

Composition:

	<u>31.12.2017</u>		<u>31.12.2016</u>
Short-term credit	4,245,260	*	439,700
Current maturities of long-term loans	<u>1,707,548</u>		<u>1,588,341</u>
	<u>5,952,808</u>	*	<u>2,028,041</u>
<b>* Reclassified</b>			

**Note 10****Creditors and Credit Balances**

Composition:

	<u>31.12.2017</u>		<u>31.12.2016</u>
Provision for vacation	15,103,000		13,193,000
Employees	13,555,130		12,064,321
Expenses payable	1,532,763		512,294
Institutions	2,635,186		2,531,219
Prepaid income	809,511		-
Others	<u>3,126,924</u>		<u>1,350,797</u>
	<u>36,762,514</u>		<u>29,651,631</u>

**Note 11****Bank Loans**

A. Composition:

	<u>Interest Rates</u> (Variable interest)	<u>31.12.2017</u>		<u>31.12.2016</u>
Loans in NIS from Bank PAGI Ltd.	1.6%-2.1%	6,431,455		6,289,079
Loans in USD from Bank PAGI Ltd.	1.8%	3,467,000	*	4,126,176
Loan from Bank Hapoalim		-		<u>140,390</u>
		<u>9,898,455</u>		10,555,645
Less current maturities		<u>(1,707,548)</u>		<u>(1,588,341)</u>
		<u>8,190,907</u>		<u>8,967,304</u>

B. Dates of Repayment:

Second year	1,485,104		1,523,775
Third year	1,213,632		1,098,331
Fourth year and onward	2,025,171		2,219,022
No repayment date	<u>3,467,000</u>	*	<u>4,126,176</u>
	<u>8,190,907</u>	*	<u>8,967,304</u>

**\* Reclassified**

<b>Note 12</b>	<b><u>Reserve for Employee Retirement Fund</u></b>	<b><u>31.12.2017</u></b>		<b><u>31.12.2016</u></b>
	Reserve for severance pay	60,758,964	*	55,791,938
	Deposits for severance pay	<u>(44,798,793)</u>	*	<u>(40,600,977)</u>
		<u>15,960,171</u>	*	<u>15,190,961</u>
	<b>* Reclassified</b>			
	The reserve for severance pay covers full Association liability for the payment of severance pay to its employees			
<b>Note 13</b>	<b><u>Net Assets Subject to Temporary Restriction</u></b>			
	<b>Composition:</b>			
		<b><u>31.12.2017</u></b>		<b><u>31.12.2016</u></b>
	Charity fund	13,563		13,563
	Investment fund	7,084,905		8,123,025
	Property and development fund	-		2,141,223
	Bone Marrow Registry building fund	<u>680,952</u>		<u>1,547,413</u>
		<u>7,779,420</u>		<u>11,825,224</u>
<b>Note 14</b>	<b><u>Operating Turnover</u></b>			
	<b><u>A. Revenue Composition:</u></b>			
		<b><u>2017</u></b>		<b><u>2016</u></b>
	Donations in Israel	68,398,403		61,866,264
	Foreign currency donations	8,931,404		11,702,418
	Government allocations (B)	4,199,741		2,044,950
	Local municipality allocations	72,386		301,631
	Public entities allocations	589,828		3,261,588
	Money equivalent donations (C)	145,452,136		143,308,482
	Home attendant services	118,919,534		107,217,045
	Special child division	38,958,079		32,779,994
	Beneficiary activities	2,157,752		2,655,828
	Cancer division	38,039,361		38,572,577
	Mental health	12,771,558		8,927,859
	Rehabilitative swimming pool	3,253,169		3,665,048
	Sale of medical products	3,865,542		3,690,481
	Service revenues	3,326		47,500
	Other revenues	<u>1,014,446</u>		<u>532,127</u>
		<u>446,626,665</u>		<u>420,573,792</u>
	<b><u>B. Composition of government allocations:</u></b>			
	Ministry of Health	3,829,500		1,805,562
	Ministry of Social Services	<u>370,241</u>		<u>239,388</u>
		<u>4,199,741</u>		<u>2,044,950</u>
	<b><u>C. Composition of donations in cash equivalent</u></b>			
	Products/services received at no charge	66,179,602		66,020,878
	Monetary equivalent of volunteer work	<u>79,272,534</u>		<u>77,287,604</u>
		<u>145,452,136</u>		<u>143,308,482</u>

The donations in cash equivalent, derived of the value of volunteer work hours, at no charge, were calculated as follows: 27.014 NIS/hr. (min. wage annual average) \* 2,934,480 volunteer work hours = NIS 79,272,534.

**Note 15**

**Cost of Operations**

	<u>2017</u>	<u>2016</u>
Salaries and related expenses	116,927,993	* 103,804,813
Monetary equivalent of volunteer work and products	145,452,136	143,308,483
Mental health	13,522,960	10,763,347
Office maintenance and communications	4,844,137	4,925,798
Activities for the ill and needy	13,814,044	12,593,010
Ambulance division, vehicle maintenance, transportation	11,107,066	10,231,241
Special child division	47,261,377	41,995,600
Cancer division	46,093,134	46,703,809
Home attendant services	3,300,398	2,987,236
Rehabilitative swimming pool	3,067,515	2,709,890
Volunteer coordination	<u>1,804,812</u>	<u>1,897,600</u>
	<u>407,195,572</u>	* <u>381,920,827</u>
Jerusalem Branch	9,781,300	8,949,891
Tel Aviv Branch	910,185	975,665
Petach Tikvah Branch	1,448,649	1,334,130
Holon Bat Yam Branch	683,950	692,091
Ra'anana Branch	70,774	73,917
Rehovot Branch	375,147	414,658
Ganei Tikvah Branch	53,153	73,853
Ohr Yehuda Branch	460,694	449,367
Kiryat Sefer Branch	1,830,336	1,537,427
Bayit Cham	403,902	373,816
Kfar Saba Branch	318,663	335,281
Netivot Branch	891,442	584,088
Elad Branch	689,969	610,610
Haifa Branch	1,131,025	94,404
Other Branches	<u>879,764</u>	<u>735,947</u>
	<u>19,928,953</u>	<u>17,235,145</u>
	<u>427,124,525</u>	* <u>399,155,972</u>

\* Reclassified

<b>Note 16</b>	<b><u>General &amp; Administrative Expenses</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	Salary and related expenses	13,760,774	* 12,489,080
	Office and printing	454,827	582,535
	Communications, telephone and postage	114,857	266,654
	Maintenance	149,569	141,069
	Electricity and water	113,745	113,219
	Professional retainer	635,404	589,469
	Public relations	4,282,450	4,009,003
	Fundraising	6,175,047	5,859,271
	Travel abroad	677,785	626,526
	Depreciation of equipment, furnishings and other movable property	799,885	619,523
	Advertising	41,416	16,421
	Miscellaneous	<u>167,087</u>	<u>138,190</u>
		<u>27,372,846</u>	* <u>25,450,960</u>
	<b>* Reclassified</b>		
<b>Note 17</b>	<b><u>Financing Expenses, Net</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	Interest, commissions, and bank expenses	(1,133,082)	(983,600)
	Exchange rate differentials	(1,083,546)	(283,437)
	Interest received	40,775	45,796
		<u>(2,175,853)</u>	<u>(1,221,241)</u>
<b>Note 18</b>	<b><u>Other revenues net</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	Other revenues, net	7,831,801	7,948,281
	Expenses pursuant to estate	-	(70,000)
	Net profit from realizing fixed assets	<u>3,383,902</u>	<u>214,337</u>
		<u>11,215,703</u>	<u>8,092,618</u>



**Note 19****Workers' Benefits**

The labor laws and the Severance Pay law in Israel obligate the company to pay compensation to employees when dismissed or at retirement. Calculating the company's obligation due to benefits to workers takes place in keeping with the employment agreement in force and is based on the worker's salary, which, according to the administration, generates his right to receive the compensation.

The portion of the severance pay that is not covered by the above mentioned deposits will be taken care of by the company as a defined benefits plan, according to which obligation due to workers' benefits are recorded.

1. Plan's assets (obligations)

	<b><u>As of Dec. 31</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
Obligation due to defined benefits plan	60,758,964	55,791,938
Less fair value of the plan's assets	<u>(44,798,793)</u>	<u>(40,600,977)</u>
Total obligation, net	<u>15,960,171</u>	<u>15,190,961</u>

2. Changes in the current value of the obligation due to defined benefits plan

	<b><u>2017</u></b>	<b><u>2016</u></b>
Obligation as of Jan. 1	55,791,738	51,167,936
Cost of interest	2,454,389	2,102,163
Cost of running services	7,712,169	7,709,575
Benefits paid out	(7,338,701)	(6,498,611)
Actuarial loss, net	<u>2,139,169</u>	<u>1,310,875</u>
Obligation as of Dec. 31	<u>60,758,964</u>	<u>55,791,738</u>

3. Plan's assetsa) Plan's assets

The plan's assets include assets in the possession of the Workers' Benefits' Fund for the long term as well as suitable insurance policies

b) Movement in the fair value of the plan's assets

	<b><u>2017</u></b>	<b><u>2016</u></b>
Plan's assets as of Jan. 1	40,600,977	37,187,555
Anticipated yields	1,880,713	1,646,227
Employer's provisions to plan	6,744,770	6,640,357
Transfer of realistic yields from the compensation component to the benefits component	(6,758)	(109,927)
Benefits paid out	<u>(4,576,540)</u>	<u>(4,032,552)</u>
Yields (deficit) on Benefits' plan assets (which will be recognized as separate overall profit)	<u>155,630</u>	<u>(730,684)</u>
Fair value of plan's assets on Dec. 31	<u>44,798,793</u>	<u>40,600,977</u>

The total rate of anticipated yields for the plan's assets is set based on the types of assets.

4. Basic assumptions in setting obligations due to defined benefits plan

Rate of capitalization	<u>1.9%</u>	<u>2.6%</u>
Rate of anticipated salary rise	<u>0.1%</u>	<u>0.1%</u>

See also Note 2D.

**Note 20****Related Parties**

In the reported year, the Association paid the Committee Chairman the sum of NIS 98,909, plus an additional NIS 16,815 VAT as set annual recompense for his service as Chairman of the Committee.

**Note 21****Pending Obligations**

1. There are three separate claims filed by employees against the Association for physical damages, for which legal representation and handling are the responsibility of the Ayalon Insurance Co.'s attorneys, and for which the Association's risk is no more than the cost of insured's participation – NIS 9,000 for each claim.
2. There is a claim filed in the regional Labor Court in Tel Aviv by a foreign worker against the Association to the amount of about NIS 42,000. The worker was not employed directly by the Association, but rather via a contractor. According to the opinion of the Association's legal advisor, since all the components of the claim are components related to labor relations, there does not appear to be any financial risk at all to the Association.
3. On Sept. 28, 2016, an Association employee filed a request to the Regional Labor Court in Tel Aviv for approval of a class action suit. A claim was attached to the action writ to the amount of NIS 262,500 due to unlawful deductions from employees' salaries.

In March 2018, the two parties' summaries were submitted.

On June 3, 2018, the Labor Court reached a decision approving the conduct of the claim as a class action suit.

The Association submitted a request to the Regional Court to suspend action, so as to defer execution of the Regional Court's decision. An extension request was filed with the Regional Court to allow time to submit a request contesting the Regional Court's decision. Decisions were not yet issued in these two requests.

According to the opinion of the Association's legal advisors, the Law Offices of Yigal Arnon and Associates, they believe that the entire process will be conducted as a class action suit and will determine whether there was unlawful deduction. The risk is that the Court may determine that sums paid to the workers on their salary stubs do not constitute a rebate of the amount that was deducted, as required. Therefore, from the monetary standpoint, and in keeping with the facts as conveyed by the Association, they believe that the existing risk is at the amount of about NIS 50,512. In addition, the Association may be required to pay legal expenses and compensation to the class action claimant, if it will be determined that the filing of the claim is what led to discontinuing the deduction. It will be determined that the filing of the claim is what brought to discontinuation of the deduction from the workers' salaries.

4. On Feb. 28, 2016, a claim to the amount of NIS 63,000 was filed against the Association and an additional respondent by a candidate for employment who was not accepted for work. In the opinion of the Association's legal advisors, Peron and Associates, at this stage, the estimated risk in the case is to the amount of NIS 25,000.
5. At the Regional Labor Court in Tel Aviv, a file was claimed against the Association by a former employee to the amount of NIS 1,631,492 due to the period of his work at the Association.
6. In the opinion of the Association's legal advisors, Peron and Associates, the current risk is to the amount of NIS 575,523.

**Note 22 Liens**

1. Some of the Association vehicles are subject to liens to the benefit of the First International Bank Ltd., PAGI Bank Ltd. and Bank Hapoalim Ltd..
2. There are liens to the benefit of the First International Bank Ltd. and PAGI Bank Ltd. for receipt of allocations from the Ministry of Labor and Social Services and from Maccabi Health Services, as they occur from time to time, for the Association's rights to funds from deposits deposited to the benefit of the Association in specific accounts at the First International Bank in Israel through PAGI Israel Ltd., which shall be renewed, altered, merged, split and or converted to another currency from time to time, including all of the yields and revenues added or to be added to the said deposits, for the rights of the Association under the supplier agreements with the various credit card companies, including the right to receive money by their instruction.

**Note 23 New Presentation**

The Association's financial statements for 2016 were presented again so as to reflect the change due to obligations to employees. Below is the effect of the new presentation on the Association's financial statements as of Dec. 31, 2016:

	<u>Reported in the past</u>	<u>New reporting in NIS</u>	<u>Adjustment</u>
Bank deposits for workers' benefits	-	5,242,472	5,242,472
Reserves for workers' retirement benefits	13,700,000	15,190,961	1,490,961
Net unrestricted assets (deficit) – for use for operations	18,290,749	14,539,238	-3,751,511
Cost of operations	400,177,706	399,155,972	-1,021,734
Administrative and general expenses	25,558,748	25,450,960	-107,788
Surplus for the year	1,708,716	2,838,238	1,129,522
Loss from new measurement of defined benefits plan	-	2,041,559	2,041,559

**Note 24 Income Tax**

The Association is recognized as a public institution in regard to an exemption from its income according to subsection 9(2) of the Income Tax order, and a donor to the Association benefits from tax credit in accordance with subsection 46(a) of that same order.