

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)
FINANCIAL STATEMENTS AS AT DECEMBER 31, 2018

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AUDITORS' REPORT TO THE MEMBERS OF
MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

We have audited the attached statements of financial position of MELABEV - Community Clubs for Eldercare (R.A.) (hereinafter: "**the Amuta**"), as at December 31, 2018 and 2017, and the related Statements of Activities, Changes in Net Assets and Cash Flows for the two years then ended. These financial statements are the responsibility of the Amuta's committee. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including those prescribed under the Israeli Auditors Regulations (Auditors' Mode of Performance), 1973. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examination, on a test basis, of 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 committee, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

These financial statements were prepared in nominal values. Data concerning "reported amounts" as stated in the Israeli Accounting Standards Board were not included in these financial statements.

In our opinion, apart from the non-inclusion of the data referred to in the preceding paragraph, the aforementioned financial statements present fairly, in all material aspects, the financial position of the Amuta, as at December 31, 2018 and 2017, the results of its operations, changes in net assets and its cash flows for the two years then ended, in accordance with generally accepted accounting principles in Israel (Israeli GAAP).

Jerusalem, April 7, 2019


Ziv Haft

Certified Public Accountants (Isr.)

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

STATEMENTS OF FINANCIAL POSITION

(in new Israeli shekels)

	Notes	31.12.2018	31.12.2017		Notes	31.12.2018	31.12.2017
ASSETS				LIABILITIES & NET ASSETS			
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents		1,221,177	560,225	Current maturities of long term loans		1,398,877	665,117
Designated deposits		454,426	451,342	Creditors and credit balances	6	2,417,733	2,269,576
Checks receivables		79,529	67,786	Suppliers and service providers	7	913,730	2,902,898
Debtors and debit balances	4	2,589,441	2,748,355				
		4,344,573	3,827,708			4,730,340	5,837,591
NON-CURRENT ASSETS:				NON-CURRENT LIABILITIES:			
Fixed assets, net	5	27,614,292	28,719,501	Long term loans	8	8,289,053	8,274,627
				Severance pay liability, net	9	1,844,754	2,462,939
						10,133,807	10,737,566
NET ASSETS:				NET ASSETS:			
				Unrestricted net assets	10	15,552,355	15,193,277
				Temporarily restricted net assets		1,542,363	778,775
						17,094,718	15,972,052
		31,958,865	32,547,209			31,958,865	32,547,209

The Notes to the Financial Statements are an integral part thereof.

April 7, 2019

Date of approval of the
financial statements


Zevulun Orlev
Chairman


Yossi Granot
Committee Member

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

STATEMENTS OF ACTIVITIES

(in new Israeli shekels)

	Notes	For the year ended	
		<u>31.12.2018</u>	<u>31.12.2017</u>
Operating income:			
Day care centers		11,024,736	11,984,771
Amounts released from restricted net assets to			
Day care centers		274,400	276,703 (*)
Income from nursing care		7,272,856	6,334,858
At Home with Melabev		1,354,811	1,350,859
Others		535,272	449,287
Donations		2,001,766	1,812,465 (*)
Volunteer contributions		363,738	488,201
Amounts released from restricted net assets		<u>935,168</u>	<u>55,559</u>
		23,762,747	22,752,703
Cost of activities	11	<u>20,160,654</u>	<u>22,729,572</u>
Net operating income		<u>3,602,093</u>	<u>23,131</u>
General and administrative expenses	12	<u>2,802,762</u>	<u>2,788,931</u>
Surplus (deficit) before financial expenses		<u>799,331</u>	<u>(2,765,800)</u>
Financial expenses, net		<u>440,253</u>	<u>357,629</u>
Surplus (deficit) for the year		<u>359,078</u>	<u>(3,123,429)</u>

(*) Reclassified.

The Notes to the Financial Statements are an integral part thereof.

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

STATEMENTS OF CHANGES IN NET ASSETS

(in new Israeli shekels)

	Net Assets		Total
	Unrestricted	Temporarily Restricted	
<u>Balance as at January 1, 2017</u>	18,316,706	225,957	18,542,663
Deficit for the year	(3,123,429)	-	(3,123,429)
Donations and participations	-	885,080	885,080
Amounts released from restricted assets to activities	-	(332,262)	(332,262)
<u>Balance as at December 31, 2017</u>	<u>15,193,277</u>	<u>778,775</u>	<u>15,972,052</u>
Surplus for the year	359,078	-	359,078
Donations and participations	-	1,973,156	1,973,156
Amounts released from restricted assets to activities	-	(1,209,568)	(1,209,568)
<u>Balance as at December 31, 2018</u>	<u>(*)15,552,355</u>	<u>1,542,363</u>	<u>17,094,718</u>

(*) See Note 10.

The Notes to the Financial Statements are an integral part thereof.

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

STATEMENTS OF CASH FLOWS

(in new Israeli shekels)

	For the year ended	
	<u>31.12.2018</u>	<u>31.12.2017</u>
<u>Cash flow from operating activities:</u>		
Surplus (deficit) for the year	359,078	(3,123,429)
Adjustments to reconcile net cash from operating activities (see Schedule 1)	<u>(2,050,194)</u>	<u>1,374,094</u>
Net cash from operating activities	<u><u>(1,691,116)</u></u>	<u><u>(1,749,335)</u></u>
<u>Cash flows from investment activities:</u>		
Acquisition of fixed assets	(352,068)	(168,399)
Exercise of designated deposits	-	4,473
Investment in deposits	-	(450,000)
Net cash from investment activities	<u><u>(352,068)</u></u>	<u><u>(613,926)</u></u>
<u>Cash flow from financing activities:</u>		
Decrease in credit from banking institutions	-	(203,510)
Loans repayment	(1,269,020)	(3,237,043)
Receipt of loans	2,000,000	5,183,000
Donations and participations recorded as temporarily restricted net assets	<u>1,973,156</u>	<u>885,080</u>
Net cash from financing activities	<u><u>2,704,136</u></u>	<u><u>2,627,527</u></u>
<u>Increase in cash and cash equivalents</u>	<u>660,952</u>	<u>264,266</u>
<u>Cash and cash equivalents at the beginning of the year</u>	<u>560,225</u>	<u>295,959</u>
<u>Cash and cash equivalents at the end of the year</u>	<u><u>1,221,177</u></u>	<u><u>560,225</u></u>

The Notes to the Financial Statements are an integral part thereof.

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

STATEMENTS OF CASH FLOWS

(in new Israeli shekels)

Schedule 1 - Adjustments to reconcile net cash from operating activities:

	For the year ended	
	<u>31.12.2018</u>	<u>31.12.2017</u>
Income and expense items which do not affect the flow of cash:		
Depreciation	1,457,277	1,462,249
Increase (decrease) in vacation provision	(129,643)	41,770
Increase (decrease) in severance pay liability net	(618,185)	365,700
Revaluation of debts and deposits	14,122	31,698
Amounts released from restricted net assets	<u>(1,209,568)</u>	<u>(332,262)</u>
	<u>485,997</u>	<u>1,559,155</u>
<u>Changes in asset and liability balances:</u>		
Decrease in checks receivables	(11,743)	(59,255)
Decrease (increase) in debtors and debit balances	158,914	(253,298)
Increase in creditors and credit balances	277,800	101,850
Increase (decrease) in suppliers and service providers	<u>(1,989,168)</u>	<u>15,642</u>
	<u>(1,564,197)</u>	<u>(195,061)</u>
	<u>(2,050,194)</u>	<u>1,374,094</u>

Schedule 2 - Investing and financing activities which do not affect cash flow

During the reporting year, a loan of NIS 600,000 was forgiven, which is presented as income from donations.

The Notes to the Financial Statements are an integral part thereof.

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

Note 1 - GENERAL:

MELABEV - Community Clubs for Eldercare (R.A.) (hereinafter: "the Amuta") was founded on July 21, 1981.

The purpose of the Amuta is to assist and serve elderly families in Israel, elderly who suffer from memory loss problems and the illnesses causing this.

The Amuta operates, within the area of Jerusalem and its environs a chain of four day centers, a department for home therapy, a department of nursing, telephone reassurance hotline, a unit of researches and other services to elderly people and to those who suffer from Alzheimer.

The Amuta is defined as a nonprofit organization for purposes of Value Added Tax and is registered as a public institution with the income tax authorities. Furthermore, the Amuta is recognized by the tax authorities as a recognized institution for purposes of donations under Article 46 of the Tax Ordinance.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES:

A. Definitions:

In these financial statements:

"Net Assets" - The difference between the Amuta's assets and liabilities.

"Restrictions" - Restrictions imposed by donors or by other external entities.

"Unrestricted net assets" - The part of the Amuta's net assets whose use is not restricted.

"Restricted net assets" - That portion of net assets deriving from contributions, allocations or other income whose use is restricted.

"Temporarily Restricted net assets" - A restriction that expires or is removed with the occurrence of a specific event with the passage of time, or that can be fulfilled or removed with the performance of specific activities, all of which are contingent upon the conditions imposed by donors or other outside sources which provided the funds.

"Index" - The Consumer Price Index, as published by the Central Bureau of Statistics.

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.):

B. Reporting basis:

1. The Amuta's assets, liabilities, income and expenses are recorded on an accrual basis.
2. The financial statements were prepared on the agreed historical cost basis, and do not include the effect of changes in the purchasing power of Israeli currency on the financial position and on the results of its operating activities, according to this the financial statements are not presented according to Standard No. 12 of the Israeli Accounting Standards Board.

C. Presentation of financial statements:

1. The balances included in the grouping of Net Assets are categorized as follows:
 - Unrestricted net assets.
 - Temporarily restricted net assets.
2. The Statement of Activities includes all income and expense items for the reporting period. "Income" includes all revenues received and earned during the period which are unrestricted in nature, and amounts that were released from donor restriction. "Expenses" also include those expenses which were financed from sources that were restricted by their donors.

D. Foreign Currency and Linkage:

1. Assets and liabilities in foreign currency, or linked to it, are stated at the representative exchange rates as at financial statement date.
2. Assets and liabilities linked to the Index are presented according to the linkage conditions applicable to each balance.
3. Income, expenses and other transactions in foreign currencies are recorded at the rates of exchange at the time of the transaction.
4. Linkage and exchange differences are recorded in the financial statements at the time they occur.
5. Following are the details of the Consumer Price Index and exchange rates as at the financial statement date:

	<u>31.12.2018</u>	<u>31.12.2017</u>
The Consumer Price Index, in points	101.2	100.4
U.S. Dollar (in Shekels to 1 Dollar)	3.748	3.467
	<u>For the year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
	<u>%</u>	<u>%</u>
Rate of change in the Consumer Price Index	0.8	0.4
Rate of change in the U.S. Dollar for the year	8.1	(9.83)

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)
NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

Note 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.):

E. Cash and cash equivalents:

Cash and cash equivalents include current bank account balances and deposits in banks both available for immediate withdrawal where the period until realization when invested was not longer than three months.

F. Fixed assets:

Fixed assets are presented at cost less accumulated depreciation. Depreciation is calculated by the straight-line method, at equal annual rates, considered to sufficiently depreciate the assets over the period of anticipated use.

<u>Rate of depreciation</u>	<u>%</u>
Buildings	2-4
Computers & Electronic equipment	33
Office furniture & equipment	6-15
Leasehold improvements	2-10
Vehicles	15

G. Income and changes in net assets recognition

1. Income and changes in net assets that were restricted are recorded on an accrual basis.
2. Disposable assets and goods that were received without consideration are not included in the financial statements.
3. Income from investments designated for covering reserves of employee rights are presented as a deduction from the periodical expenses that are required to complete these reserves in respect of the current year.

H. Tax:

1. Payroll taxes, levied pursuant to the Value Added Tax laws, are included in salaries and related expenses.
2. Taxes in respect of certain expenses ("surplus expenses") are included in the expenses items in respect of which the tax was charged.

I. Estimates and assumptions:

The preparation of the financial statements and the presentation thereof in accordance with generally accepted accounting principles, require that management make estimates and assumptions which affect the data in the financial statements and the related notes. Due to the nature of the estimates and assumptions, actual results may differ from those estimates.

J. Volunteers

As of 2016, the Amuta includes in its financial statements the value of the work of volunteers who assist in the activities of the Amuta.

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)
NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

(In new Israeli shekels)

Note 3 – Cash and Cash equivalents:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Cash on hand	-	2,996
Cash in bank	1,221,177	557,229
	<u>1,221,177</u>	<u>560,225</u>

Note 4 - Debtors and Debit Balance:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Debtors via credit cards	732,286	447,705
Debtors	489,165	996,913
Income receivable	1,341,758	1,266,150
Expenses prepaid	26,232	4,461
Advances to suppliers	-	33,126
	<u>2,589,491</u>	<u>2,748,355</u>

Note 5 - Fixed Assets, net:

	<u>Vehicles</u>	<u>Buildings</u>	<u>Beit- Shemesh building- planning costs</u>	<u>Computers</u>	<u>Office furniture & equipment</u>	<u>Leasehold improve- ment</u>	<u>Total</u>
<u>Cost</u>							
Balance as at January 1, 2018	330,040	34,904,266	190,048	967,536	1,239,576	307,444	37,938,910
Additions in 2018	-	236,079	24,800	37,840	53,349	-	352,068
Balance as at December 31, 2018	<u>330,040</u>	<u>35,140,345</u>	<u>214,848</u>	<u>1,005,376</u>	<u>1,292,925</u>	<u>307,444</u>	<u>38,290,978</u>
<u>Accumulated depreciation</u>							
Balance as at January 1, 2018	187,310	6,988,076	-	728,318	1,011,247	304,458	9,219,409
Depreciation	49,508	1,211,675	5,570	125,675	64,767	82	1,457,277
Balance as at December 31, 2018	<u>236,818</u>	<u>8,199,751</u>	<u>5,570</u>	<u>853,993</u>	<u>1,076,014</u>	<u>304,540</u>	<u>10,676,686</u>
<u>Depreciated cost as at December 31, 2018</u>	<u>93,222</u>	<u>26,940,594</u>	<u>209,278</u>	<u>151,383</u>	<u>216,911</u>	<u>2,904</u>	<u>27,614,292</u>
<u>Depreciated cost as at December 31, 2017</u>	<u>142,730</u>	<u>27,916,190</u>	<u>190,048</u>	<u>239,218</u>	<u>228,329</u>	<u>2,986</u>	<u>28,719,501</u>

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

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(in new Israeli shekels)

The buildings include:

1. The day-center in Pisgat Zeev is a building that was constructed on a land that the Jerusalem Municipality has provided to the Amuta for use in perpetuity.
2. The day-center in Talpiot is a building that was acquired in 2006 and that was adapted to the needs of the Amuta. The registration of the land in the area of the building has not yet been settled, but a warning notice has been recorded in favor of the Amuta in the Land Ledgers.
The Amuta received a sum of approximately NIS 2,835,000 from the National Insurance Institute during the years 2009 and 2010 for one of the buildings in Talpiot. If the Amuta ceases the day- center activities within 10 years from the date of receiving the payment, then it will have to return this sum to the National Insurance Institute linked to the Consumer Price Index less depreciation of 10% per year.
Furthermore, the Amuta undertook to the National Insurance Institute in connection with the participation of the Claims Council in constructing the building (totaling approximately NIS 405,000) not to undertake land transactions involving the property for 10 years from the date of receipt of the participation.
3. The day- center in Givat Massuah, where the Amuta's offices are located, is a building that was acquired and adapted to the needs of the Amuta. Registration in the Land Registry has been completed and the building is registered in the name of the Amuta. The center was pledged to a bank and a private party as collateral for loans received. See also Note 13.

Note 6 – Creditors and credit balances:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Expenses payable	25,843	-
Other creditors	116,094	-
Employees and salary institutions	<u>2,275,796</u>	<u>2,269,576</u>
	<u>2,417,733</u>	<u>2,269,576</u>

Note 7 - Suppliers and service providers:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Outstanding checks	-	1,551,238
Open accounts	<u>913,730</u>	<u>1,351,660</u>
	<u>913,730</u>	<u>2,902,898</u>

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018

(In new Israeli shekels)

Note 8 - Long term loans:

<u>The loaner</u>	<u>Interest rate/ linkage</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Mizrahi bank	Prime + 4.35%	-	106,120
U-bank (*)	Prime + 3.8%	6,595,351	4,970,566
Private loaner A	Does not carry interest nor linkage	743,648	918,648
Private loaner B (**)	Does not carry interest nor linkage	1,809,706	2,415,000
Private loaner C (***)	Does not carry interest nor linkage	539,225	529,410
		<u>9,687,930</u>	<u>8,939,744</u>
Less current maturities		<u>(1,398,877)</u>	<u>(665,117)</u>
		<u>8,289,053</u>	<u>8,724,627</u>

(*)During 2018, a new loan was taken on July 2, in the amount of NIS 2 million.

(**) Member of the board of Directors.

(***) The balance includes 143,870\$.

Note 9 - Severance pay liability, net:

	<u>31.12.2018</u>	<u>31.12.2017</u>
Provision for severance pay	1,897,840	2,580,656
<u>Less: Deposit in severance pay fund</u>	<u>(53,086)</u>	<u>(117,717)</u>
	<u>1,844,754</u>	<u>2,462,939</u>

Note 10 – Unrestricted net assets:

	<u>31.12.2018</u>	<u>31.12.2017</u>
For use in activities	(12,061,937)	(13,526,224)
Used for fixed assets	<u>27,614,292</u>	<u>28,719,501</u>
	<u>15,552,355</u>	<u>15,193,277</u>

The deficit is mainly covered by long-term loans and severance pay liability.

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

NOTES TO THE FINANCIAL STATEMENTS

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(In new Israeli shekels)

Note 11 - Cost of activities:

	For the year ended	
	<u>31.12.2018</u>	<u>31.12.2017</u>
Salaries and related expenses	11,228,918	12,652,834
Value of volunteer work	363,738	488,201
Meals for patients and for those receiving service	1,296,691	1,434,524
Travel and deliveries expenses	2,679,491	3,218,663
Groups and activities	1,260,749	1,326,525
Alternative service	246,435	423,502
Maintenance and sundry	1,284,309	1,182,738
Professional Services	75,051	250,491
Rent for the clubs	71,500	116,400
Telephone and communications	55,917	50,431
Insurance	140,578	123,014
Depreciation	1,457,277	1,462,249
	<u>20,160,654</u>	<u>22,729,572</u>

Note 12 – General and administrative expenses:

	For the year ended	
	<u>31.12.2018</u>	<u>31.12.2017</u>
Salaries and related expenses	1,751,453	1,437,142
Fundraising expenses	648,694	824,590
Professional services	120,446	154,972
Office expenses and sundry	150,444	221,441
Vehicle maintenance	103,584	123,768
Telephone and communications	14,007	14,549
Taxes and fees	14,134	12,469
	<u>2,802,762</u>	<u>2,788,931</u>

MELABEV - COMMUNITY CLUBS FOR ELDERCARE (R.A.)

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Note 13 – Mortgages and guarantees:

On the land in Givat Massuah, liens were recorded for the benefit of accompanying parties.

Note 14 – Contingent liabilities:

1. a. A claim in the amount of NIS 750,000 was filed against the Amuta by a former employee. The claim is being clarified by the Jerusalem Labor Court. Since the procedure is at the beginning, it is difficult to estimate the extent of the risks of the Amuta.
- b. A damage claim in the amount of NIS 72,000 was filed against the Amuta by the owner of part of the building rights in Bethlehem Road, in which the activities of the Amuta are held. Since the procedure is at the beginning, it is difficult to estimate the extent of the risks of the Amuta.

The Amuta recorded provisions in respect of these claims in amounts which, to the best of its understanding and assessment, it may pay the plaintiffs.

2. The Amuta received a demand from a contracting company for payment of more than NIS 2 million for construction work carried out at the Amuta building in Giv'at Masua'a in Jerusalem. The Amuta is currently in mediation proceedings against the company, regarding building defects, which is being managed by an agreed engineer. Within this framework, an agreement was signed which authorizes him as an arbitrator in all matters related to repairs. At this stage, it is not possible to estimate whether there will be additional costs to the Amuta, and if so, the amount thereof, therefore no liability has been included in respect of this demand.