



**Barzily & Co.**

Certified Public Accountants  
ברזילי ושות', דואי חשבון

## Hillel - The Right to Choose (R.S.)

### Financial Statements as of December 31 2019







**Barzily & Co.**

Certified Public Accountants

ברזילי ושות', רוואי חשבון

Jerusalem, July 28 2020

**Report of Independent Auditors to the Members of  
Hillel - The Right to Choose (R.S.)**

We have audited the accompanying balance sheets of Hillel - The Right to Choose (R.S.) (hereafter - "the Society") as of December 31, 2019 and 2018 and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Society's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Israel, including those prescribed under the Auditors' Regulations (Mode of Performance) - 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Society as of December 31, 2019 and 2018, and the results of its operations and changes in net assets for the years then ended, in conformity with generally accepted accounting principles in Israel (Israeli GAAP) pertaining to non-profit organizations.

Without qualifying our opinion, we refer to Notes 1g and 14 of the financial statements that describe a slow-down in the activities of the Society subsequent to balance sheet date. In the opinion of management, the impact cannot fully be anticipated in these financial statements.

*Barzily & Co.*  
Barzily & Co.

Certified Public Accountants  
A Member of MSI Worldwide



**Hillel - The Right to Choose (R.S.)**  
**Balance Sheets**  
**NIS**

		<b>As at December 31</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,786,141	2,590,904
Deposits with others		168,353	98,064
Accounts receivable	3	1,395,941	644,132
		3,350,435	3,333,100
<b>Long-Term Assets</b>			
Rent deposits and long-term loan		135,916	135,916
<b>Fixed Assets, Net</b>	4	926,532	830,948
		4,412,883	4,299,964
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Checks payable		238,700	69,550
Suppliers and service renderers		171,645	181,292
Accounts payable	5	567,653	473,651
Deferred income		500,000	500,000
		1,477,998	1,224,493
<b>Unrestricted Net Assets</b>			
For Operations Undesignated by the Society		77,810	475,816
For Operations Designated by the Society	7	1,930,543	1,768,707
Used for Fixed Assets		926,532	830,948
		4,412,883	4,299,964
July 16 2020			
Date of approval	Member of the Board of Directors	Member of the Board of Directors	

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

אגודת חילל

אגודת חילל  
 מ.ד. 7754  
 רח' טשרניחובסקי 21  
 תל אביב 6329136  
 טל: 054-5793365

**Hillel - The Right to Choose (R.S.)**  
**Statements of Operations**  
**NIS**

		<b>Year ended December 31</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Turnover of Operations</b>			
Contributions		7,657,429	7,683,218
Ministry of Social Affairs and Social Services	8	2,979,046	1,663,912
Cash equivalent contributions	9	580,436	575,397
Revenues from operations and other items		46,735	21,871
Participation in expenses		3,020	21,580
Dues		17,245	15,000
		11,283,911	9,980,978
<b>Cost of Operations</b>	10	(9,812,811)	(8,132,862)
Net Revenues from Operations		1,471,100	1,848,116
<b>General and Administrative Expenses</b>	11	(1,611,686)	(1,319,334)
<b>Net Income for the Year</b>		(140,586)	528,782

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

**Hillel - The Right to Choose (R.S.)**  
**Statements of Changes in Net Assets**  
**NIS**

				<u><b>Total</b></u>
<b><u>Balance as of December 31 2018</u></b>	<u>1,119,207</u>	<u>833,415</u>	<u>594,067</u>	<u>2,546,689</u>
<b><u>Additions During the Year:</u></b>				
Net income for the year	528,782	-	-	528,782
Amounts designated by the Society	(5,778,361)	5,778,361	-	-
Amounts released from designation to performance	4,843,069	(4,843,069)	-	-
Transfer of unrestricted amounts used for fixed assets	(343,626)	-	343,626	-
Amounts transferred for coverage of depreciation expenses	106,745	-	(106,745)	-
	<u>(643,391)</u>	<u>935,292</u>	<u>236,881</u>	<u>528,782</u>
<b>Balance as of December 31 2018</b>	<u>475,816</u>	<u>1,768,707</u>	<u>830,948</u>	<u>3,075,471</u>
<b><u>Additions During the Year:</u></b>				
Net income for the year	(140,586)	-	-	(140,586)
Amounts designated by the Society	(5,437,131)	5,437,131	-	-
Amounts released from designation to performance	5,275,295	(5,275,295)	-	-
Transfer of unrestricted amounts used for fixed assets	(228,030)	-	228,030	-
Amounts transferred for coverage of depreciation expenses	132,446	-	(132,446)	-
	<u>(398,006)</u>	<u>161,836</u>	<u>95,584</u>	<u>(140,586)</u>
<b>Balance as of December 31 2019</b>	<u>77,810</u>	<u>1,930,543</u>	<u>926,532</u>	<u>2,934,885</u>

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

**Hillel - The Right to Choose (R.S.)**  
**Notes to Financial Statements**  
**NIS**

**Note 1 - General**

- a. Hillel - The Right to Choose (R.S.) - ("the Society") was established and started operating in 1991, under the Societies Law (1980).
- b. The Society's objectives include: assistance to individuals and to families that request help from the Society of their own accord in order to leave the Haredi lifestyle and be absorbed by free society, to render legal and economic advice and assistance and to assist them to integrate into society.
- c. The Society operates in the following stations:
  1. Jerusalem - in the administrative offices.
  2. Jerusalem - branch responsible for operations in Jerusalem.
  3. Jerusalem - in two apartments rented by the Society, an apartment for males and an apartment for females.
  4. Jerusalem - in an emergency shelter where the individuals seeking assistance reside.
  5. Central area - branch responsible for operations in the area.
  6. Central area - in two apartments rented by the Society, an apartment for males and an apartment for females.
  7. Haifa - in a branch that is responsible for operations in the area.
  8. Safed - During 2020 a new branch was opened, after preparation in 2019.
- d. The Society was recognized as a "Public Institution" in accordance with Section 9(2) of the Income Tax Ordinance.
- e. The Society has a permit to receive contributions in accordance with Section 46 of the Income Tax Ordinance.
- f. The Society received certification for satisfactory management from the Societies Registrar for the year 2019.
- g. As a result of the spread of the pandemic Covid-19 (Corona,) see Note 14, the Society slowed its activities commencing with March 2020.

**Note 2 - Significant Accounting Policies**

- a. These financial statements, prepared in accordance with Standard 5 of The Israel Accounting Standards Board include, inter alia, as follows:

"Unrestricted Net Assets"- that portion of net assets of the Society, the usage of which has not been restricted by donors.

Unrestricted Net Assets are presented differentiating between:
  - Use for operations undesignated by the Society.
  - Use for operations designated by the Society.
  - Use for fixed assets.
- b. Basis for recognition of income and expenses -  
Income and expenses are recorded on the accrual basis, except for income from contributions, that is recorded on the cash basis.

**Hillel - The Right to Choose (R.S.)**  
**Notes to Financial Statements**  
**NIS**

**Note 2 - Significant Accounting Policies (Cont.)**

c. Cash and cash equivalents -

Cash and cash equivalents include bank deposits the original maturity of which at the date of deposit did not exceed three months and are unrestricted in regard to usage.

d. Fixed Assets -

Fixed assets are shown at cost net of accumulated depreciation. The depreciation is computed at annual equal rates on the straight-line basis over the estimated useful lives of the assets.

Annual rates of depreciation are as follows:

Computers	33%
Electronic equipment	15%
Furniture and Equipment	6% - 10%
Leasehold Improvements	10%

e. Cash-equivalent contributions -

Items received without consideration as contributions are included in the financial statements as revenues and expenses in accordance with their fair value, on condition that they have a significant cash value, their fair value can be assessed, and, in the event that they were not received by the Society, they would have to be acquired with consideration. See also Note 9.

f. Use of estimates in preparation of financial statements -

Preparation of financial statements in accordance with accepted accounting principles in Israel requires management to make estimates and assumptions that affect amounts of assets and liabilities presented in these financial statements, as well as disclosure in regard to contingencies and amounts of revenues and expenses for the reported periods.

Actual results may differ from these abovementioned estimates.



**Hillel - The Right to Choose (R.S.)**  
**Notes to Financial Statements**  
**NIS**

**Note 3 - Accounts receivable**

	<u>As at December 31</u>	
	<u>2019</u>	<u>2018</u>
Amounts receivable from the Ministry of Social Affairs and Social Services	857,482	314,349
Prepaid expenses	371,434	246,409
Deposits in regard to rentals	95,100	50,000
Credit cards	56,715	29,564
Loans to individuals	15,210	3,810
	<u>1,395,941</u>	<u>644,132</u>

**Note 4 - Fixed Assets, Net**

	<u>As at December 31</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Depreciated Cost</u>	<u>Depreciated Cost</u>
Computers	178,587	122,035	56,552	42,959
Electronic equipment	152,916	60,542	92,374	72,652
Furniture and equipment	419,274	144,549	274,725	203,719
Leasehold improvements	698,988	196,107	502,881	511,618
	<u>1,449,765</u>	<u>523,233</u>	<u>926,532</u>	<u>830,948</u>

**Note 5 - Accounts payable**

	<u>As at December 31</u>	
	<u>2019</u>	<u>2018</u>
Employees and institutions in regard to salaries	559,738	368,744
Expenses Payable	7,915	103,157
Other payables	-	1,750
	<u>567,653</u>	<u>473,651</u>

**Hillel - The Right to Choose (R.S.)**  
**Notes to Financial Statements**  
**NIS**

**Note 6 - Liability for Severance Pay**

In order to fulfill its obligations for compensation and for pension in regard to retirement, the Society currently deposits, in regard to a majority of its employees, in a compensation fund and in insurance policies. The Society has arranged with these entities and, therefore, has been freed from the obligation of completing the compensation for a majority of its employees where the accumulated amounts will not cover the full liability towards them (Section 14 of the Severance Pay Law). The reserve shown on the Society's books is intended to cover the difference in liability for a small number of employees that were included in the arrangement during the course of their employment rather than from the start of their employment.

**Note 7 - Net Assets for Use in Operations as Designated by the Society**

	2018	2019		
	Balance as of December 31 2018	Amounts Designated by the Society	Amounts Released from Designation to Performance	Balance as of December 31 2019
Fund for distribution of scholarships	910,624	2,144,622	(2,167,225)	888,021
Joint Venture with the Ministry of Social Affairs and Social Services (1)	<u>858,083</u>	<u>3,292,509</u>	<u>(3,108,070)</u>	<u>1,042,522</u>
	<u>1,768,707</u>	<u>5,437,131</u>	<u>(5,275,295)</u>	<u>1,930,543</u>

(1) See also Note 8 .

**Note 8 - Ministry of Social Affairs and Social Services**

a. The Association is in contact with the Ministry of Labor, Social Affairs and Social Services in regard to two areas:

**Apartments:**

The Association operates an emergency shelter and four transfer apartments utilizing a contract for rendering services. Assigning of the tenants requires authorization from the Ministry of Labor which allocates, upon consultation with the Association, the allotted period for each tenant. Payment from the Ministry of Labor is received on the actual occupancy basis and in accordance with the price that was determined by the Ministry and this is updated from time to time.

**Centers for Group Advice:**

The Association operates four advisory centers as a joint venture with the Ministry of Labor. The Ministry pays the Association for operating these centers 49% of its recognized expenses, on the basis of a predetermined budget. Actual expenses of the Centers are higher than the amount recognized by the Ministry of Labor.

**Hillel - The Right to Choose (R.S.)**  
**Notes to Financial Statements**  
**NIS**

**Note 8 - Ministry of Social Affairs and Social Services (Cont.)**

b. Revenues and expenses of the joint venture

	<b>Year ended December 31</b>	
	2019	2018
Expenses of the joint venture (included in cost of operations)	(3,108,070)	(3,174,689)
Received from the Ministry of Social Affairs and Social Services *	935,582	1,190,937
Funded by the Society	(2,172,488)	(1,983,752)

(\*) 2019 From an amount of NIS 2,979 thousand for 2019 and NIS 1,190 thousand in the prior year.

**Note 9 - Cash equivalent contributions**

- a. Cash equivalent products and services -  
 The revenues include ready-made meals and activities received without payment. Value of the contributions, estimated based on their fair value, was an inclusive amount of approximately NIS 2.2 thousand during the reported year and approximately NIS 5.3 thousand during the prior year. The Society includes these contributions as revenues and expenses, as detailed in Note 2e.
- b. Value of the work of volunteers -  
 The Society has volunteers working in activities for the benefit of the individuals leaving the Haredi lifestyle. Volunteers engage in many tasks, such as social workers, activity coordinators, counselors for the various activities, etc. The services rendered are considered a cash equivalent contribution. The financial statements include cash equivalent contributions as stated in Note 2e, only in regard to services that may be reliably measured. Value of the contribution is approximately NIS 578 thousand and NIS 571 thousand, during the reported and prior year, respectively.

**Hillel - The Right to Choose (R.S.)**  
**Notes to Financial Statements**  
**NIS**

**Note 10 - Cost of Operations**

	Year ended December 31	
	2019	2018
Salaries and related items (1)	3,120,571	2,747,627
Scholarships for the students	2,215,550	1,668,380
Activities for the individuals leaving the Haredi lifestyle (1)	1,371,635	963,409
Housing for the individuals leaving the Haredi lifestyle (1)	858,366	778,830
Value of the work of volunteers	578,226	570,070
Operation of treatment centers (1)	643,431	567,661
Assistance grants for the individuals leaving the Haredi lifestyle	695,082	546,198
Advertising and increase of awareness	239,716	210,237
Depreciation	88,023	75,123
Cash value of products	2,211	5,327
	<u>9,812,811</u>	<u>8,132,862</u>

(1) An amount of approximately NIS 3,108 thousand and NIS 3,174 thousand from these expenses during 2019 and 2018, respectively, is in regard to the joint venture. See also Note 8.

**Note 11 - General and Administrative Expenses**

	Year ended December 31	
	2019	2018
Salaries and related items	1,262,997	1,046,763
Office and office maintenance	106,770	73,061
Fundraising for contributions	74,636	47,474
Rent	46,961	45,600
Professional services	31,171	37,485
Depreciation	44,454	31,622
Hospitality and gifts	25,777	19,147
Banking	14,534	10,218
Fees and other	3,134	6,716
Communication	1,252	1,248
	<u>1,611,686</u>	<u>1,319,334</u>

**Note 12 - Guarantees**

a. The Society gave a bank guarantee in the amount of approximately NIS 70 thousand in the framework of the joint venture with the Ministry of Social Affairs and Social Services. See also Note 8.

**Hillel - The Right to Choose (R.S.)**  
**Notes to Financial Statements**  
**NIS**

**Note 13 - Statement of Cash Flows**

A statement of cash flows was not prepared since it does not contribute significant additional information to what is already stated in the financial statements.

**Note 14 - Events after the balance sheet date**

During the first quarter of 2020, the world is experiencing a pandemic that is having a macro-economic impact relating to the spread of the Covid-19 (corona) virus (hereinafter – “the pandemic”). Many countries, including Israel, have taken significant steps in an effort to minimize spread of the virus, such as restrictions on citizens, meetings, border closings, etc. The Society currently is monitoring closely the spread of the pandemic and the relevant interest’s guidelines and will continue to engage in various activities that are intended to minimize effects of the pandemic, as much as possible.

Continuation of these events is likely to have a negative effect, inter alia, on the Society’s ability to mobilize funds for its operations, and there is likely to be a negative effect on the financial situation of the Society’s supporters in all sectors of its operations.

As of the date of these financial statements and in view of the continuous spread of the virus, the Society is unable to gauge the full scope of its effects and the implications thereof.