

Barzily & Co.

Certified Public Accountants
ברזילי ושות', רואי חשבון

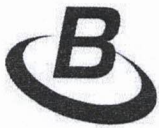
Hillel - The Right to Choose (R.S.)

Financial Statements as of December 31 2021



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Financial Statements as of December 31 2021

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Jerusalem, October 6 2022

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

We have audited the accompanying Statements of Financial Position sheets of Hillel - The Right to Choose (R.S.) (hereafter - "the Society") as of December 31, 2021 and 2020 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, 2021 and 2020, 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).

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

		As at December 31		
		Note	2021	2020
Assets				
Current Assets				
Cash and cash equivalents			2,275,961	2,100,187
Accounts receivable	3		2,288,974	1,884,416
			4,564,935	3,984,603
Non-Current Assets				
Rent Deposits	4		293,870	293,778
long-term loan			-	36,000
Fixed Assets, Net	5		789,814	802,312
			1,083,684	1,132,090
			5,648,619	5,116,693
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	6		1,670,905	842,815
Suppliers and service renderers			30,283	136,289
Checks payable			25,000	61,258
Deferred income			-	500,200
			1,726,188	1,540,562
Long-term liabilities				
Liability for Severance Pay	7		-	-
Unrestricted Net Assets				
For Operations Designated by the Society	8		1,503,662	2,222,690
Used for Fixed Assets			789,813	802,312
For Operations Undesignated by the Society			1,628,956	551,129
			5,648,619	5,116,693
October 6 2022				
Date of approval		<i>fc</i>	Member of the Board of Directors	<i>[Signature]</i> Member of the Board of Directors

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

* Reclassified

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

		Year ended December 31	
	Note	2021	*2020
Turnover of Operations			
Contributions		10,799,058	9,748,913
Ministry of Social Affairs and Social Services	9	3,564,144	3,505,875
Cash equivalent contributions	10	650,815	861,205
Revenues from operations and other items		126,093	5,447
Member's dues		13,100	17,150
		15,153,210	14,138,590
Cost of Operations	11	(13,095,326)	(12,118,484)
Net Revenues from Operations		2,057,884	2,020,106
General and Administrative Expenses	12	(1,711,584)	(1,378,860)
Net Income (Loss) for the Year		346,300	641,246

* Reclassified

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**

	Unrestricted Net Assets			Total
	For Operations Undesignated by the Society	For Operations Designated by the Society	Used for Fixed Assets	
Balance as of January 1 2020	77,810	1,930,543	926,532	2,934,885
Additions During the Year:				
Deficit for the year	641,246	-	-	641,246
Amounts designated by the Society	(5,293,444)	5,293,444	-	-
Amounts released from designation to performance	5,001,297	(5,001,297)	-	-
Transfer of unrestricted amounts used for fixed assets	(90,711)	-	90,711	-
Fixed asset received without consideration	(12,550)	-	12,550	-
Amounts transferred for coverage of depreciation expenses	227,481	-	(227,481)	-
	473,319	292,147	(124,220)	641,246
Balance as of December 31 2020	551,129	2,222,690	802,312	3,576,131
Additions During the Year:				
Deficit for the year	346,300	-	-	346,300
Amounts designated by the Society	(3,843,379)	3,843,379	-	-
Amounts released from designation to performance	4,562,407	(4,562,407)	-	-
Transfer of unrestricted amounts used for fixed assets	(142,686)	-	142,686	-
Amounts transferred for coverage of depreciation expenses	155,185	-	(155,185)	-
	1,077,827	(719,028)	(12,499)	346,300
Balance as of December 31 2021	1,628,956	1,503,662	789,813	3,922,431

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). During August 2020 the Society changed its name to Hillel The Right to Choose (R.S.).
- 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 as a public institution 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 2021.
- g. During the Corona epidemic, the Society continued its operations and adjusted to the new reality commencing March 2020.

Note 2 - Significant Accounting Policies

- a. These financial statements, prepared in accordance with Standard 40 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, temporarily or permanently, by donors.

Unrestricted Net Assets are presented differentiating between:

 - Use for operations undesignated by the Society.
 - Use for operations designated by the Society.
 - Used 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.
- c. Cash and cash equivalents -

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

Note 2 - Significant Accounting Policies (Cont.)

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% - 25%
Furniture and Equipment	6% - 10%
Leasehold Improvements	10%

e. Cash-equivalent contributions -

Items and services 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.

g. Information in regard to the CPI and the representative exchange rates -

	<u>31.12.2021</u>	<u>31.12.2020</u>
Exchange rate for U.S. dollar	3.110	3.215
Exchange rate for the Euro	3.519	3.944

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

Note 3 - Accounts receivable

	As at December 31	
	2021	2020
Amounts receivable from the Ministry of Social Affairs and Social Services	859,470	1,296,000
Prepaid expenses *	229,084	275,751
Credit cards	285,420	297,605
Loans to individuals **	40,000	4,210
Other revenues receivable	875,000	10,850
	<u>2,288,974</u>	<u>1,884,416</u>

* Reclassified into deposits, see Note 4.

** Long-term loans from previous years paid in 2022.

Note 4 - Rent Deposits

	As at December 31	
	2021	2020
Deposits in regard to rentals *	175,016	175,016
Deposits with others	98,119	98,027
Deposits for purchases and contracts *	20,735	20,735
	<u>293,870</u>	<u>293,778</u>

* Reclassified

Note 5 - Fixed Assets, Net

	As at December 31			
	2021		2020	
	Cost	Accumulated Depreciation	Depreciated Cost	Depreciated Cost
Computers	178,766	118,019	60,747	64,142
Electronic equipment	178,549	75,561	102,988	110,158
Furniture and equipment	244,935	54,414	190,521	190,181
Leasehold improvements	764,185	328,627	435,558	437,831
	<u>1,366,435</u>	<u>576,621</u>	<u>789,814</u>	<u>802,312</u>

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

Note 6 - Accounts payable

	As at December 31	
	2021	2020
Employees and institutions in regard to salaries	779,375	615,469
Expenses Payable	889,530	223,696
Other Payables	2,000	3,650
	1,670,905	842,815

Note 7 - 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 8 - For Operations Designated by the Society

	Joint venture*	The Scholarships Fund *	Total
Balance as of January 1 2021	1,394,168	828,522	2,222,690
Amounts designated	1,279,539	2,563,840	3,843,379
Amounts released from designation to performance	(2,673,707)	(1,888,700)	(4,562,407)
Balance as of December 31 2021	-	1,503,662	1,503,662
Balance as of December 31 2020	1,394,168	828,522	2,222,690

* A policy change was made in the presentation of the amounts earmarked for a joint venture with the Ministry of Social Affairs, starting with the year of the report, only the portion received from the Ministry of Social Affairs and released for activity in that year is shown. See note 9b regarding the part financed by the association.

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

Note 9 - Ministry of Social Affairs and Social Services

a. The Society is in contact with the Ministry of Social Services in regard to two areas:

Apartments:

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

Centers for Group Advice:

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

b. Revenues and expenses of the joint venture

	Year ended December 31	
	2021	(*) 2020
Expenses of the joint venture (included in cost of operations)	(2,611,304)	(2,461,439)
Received from the Ministry of Social Affairs and Social Services for the joint venture*	1,279,539	1,206,105
Funded by the Society	(1,331,765)	(1,255,334)

(*) See Note 8.

Note 10 - Cash equivalent contributions

a. Cash equivalent products and services -

The contributions include ready-made meals and activities received without payment. Value of the contributions, estimated based on their fair value, at an inclusive amount of approximately NIS 0 thousand during the reported year and NIS 304 thousand during the prior year. During 2020, the Society received NIS 13 thousand as revenues from a fixed asset received without consideration.

The Society includes the value of 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 651 thousand and NIS 545 thousand, during the reported and prior year, respectively.

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

Note 11 - Cost of Operations

	Year ended December 31	
	2021	2020
Salaries and related items (1),(2)	4,827,660	3,786,663
Scholarships for the students	1,888,700	2,142,925
Advertising and increase of awareness	1,709,038	1,065,464
Activities for the individuals leaving the Haredi lifestyle	1,431,165	580,933
Housing for the individuals leaving the Haredi lifestyle	913,854	884,528
Operation of treatment centers	870,981	777,281
Assistance grants for the individuals leaving the Haredi lifestyle	715,125	1,858,241
Value of the work of volunteers	650,815	544,687
Depreciation	87,988	173,794
Cash value of products	-	303,968
	<u>13,095,326</u>	<u>12,118,484</u>

(1) See note 9b regarding joint venture.

(2) Reclassified.

Note 12 - General and Administrative Expenses

	Year ended December 31	
	2021	2020
Salaries and related items	1,326,089	1,045,446
Professional services	84,118	67,367
Depreciation	67,197	53,688
Insurance	56,690	53,692
Rent	48,000	47,815
Banking and fees for credit cards	46,445	36,145
Office and office maintenance	42,630	29,935
Hospitality and gifts	29,969	37,694
Communication	6,714	4,895
Fees and other	3,732	2,183
	<u>1,711,584</u>	<u>1,378,860</u>

Note 13 - Guarantees and Deposits

a. The Society gave a bank guarantee in the amount of approximately NIS 98 thousand in the framework of the joint venture with the Ministry of Social Affairs and Social Services. See also Note 9.

Hillel - The Right to Choose (R.S.)
Notes to Financial Statements
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Note 14 - 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.

← 10.10