

HAZON, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

HAZON, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hazon, Inc.
New York, New York

We have audited the accompanying statement of financial position of Hazon, Inc. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hazon, Inc. as of December 31, 2009 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

BILLET, FEIT & PREIS, P.C.



Certified Public Accountants

August 12, 2010

HAZON, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

<u>Current Assets</u>	
Cash and cash equivalents	\$ 312,095
Pledges receivable, net	90,242
Accounts receivable, net	105,596
Investment	25,000
Prepaid expenses	7,835
Total Current Assets	<u>540,768</u>
Property and equipment, net of accumulated depreciation	417
Security deposit	<u>10,000</u>
TOTAL ASSETS	<u>\$ 551,185</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts payable	\$ 7,285
Accrued expenses	223,685
Grants payable	43,700
Total Current Liabilities	<u>274,670</u>
<u>Net Assets</u>	
Unrestricted	186,265
Temporarily restricted	90,250
Total Net Assets	<u>276,515</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 551,185</u>

See accompanying notes to financial statements.

HAZON, INC.STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Program Revenue:			
Outdoor adventure – direct revenues	441,241	-	441,241
Outdoor adventure – grants and direct support	52,166	65,000	117,166
	493,407	65,000	558,407
Food programs – direct revenues	289,003	-	289,003
Food programs – grants and direct support	377,458	-	377,458
	666,461	-	666,461
Other programs – direct revenues	8,718	-	8,718
Other programs – grants and direct support	164,000	-	164,000
	172,718	-	172,718
General Support – current year	490,644	25,000	515,644
General Support – released from restrictions	76,000	(76,000)	-
Interest income	1,048	-	1,048
	567,692	(51,000)	516,692
Total Revenues and Other Support Excluding Fiscal Sponsorships	1,900,278	14,000	1,914,278
Fiscal Sponsorships – current year	140,002	-	140,002
Fiscal Sponsorships – released from restrictions	11,747	(11,747)	-
	151,749	(11,747)	140,002
Total Revenues and Other Support	2,052,027	2,253	2,054,280
<u>EXPENSES</u>			
Program Expenses:			
Outdoor adventure	550,267	-	550,267
Food programs	769,972	-	769,972
Other programs	85,609	-	85,609
Education	42,200	-	42,200
Grants to other organizations	66,933	-	66,933
Supporting Services:			
Management and general	157,544	-	157,544
Fundraising	142,815	-	142,815
Total Expenses Excluding Fiscal Sponsorships	1,815,340	-	1,815,340
Fiscal Sponsorships	153,782	-	153,782
Total Expense	1,969,122	-	1,969,122
Increase in net assets	82,905	2,253	85,158
Net assets at beginning of year	103,360	87,997	191,357
Net assets at end of year	\$ 186,265	\$ 90,250	\$ 276,515

See accompanying notes to financial statements.

HAZON, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2009

Cash Flows From Operating Activities

Increase in unrestricted net assets	<u>\$ 82,905</u>
Adjustment to reconcile increase in net assets to net cash used by operating activities	
Depreciation	1,343
Noncash donation	(25,000)
Increase in accounts receivable, net	(105,596)
Increase in pledges receivable, net	(75,242)
Increase in prepaid expenses	(654)
Decrease in accounts payable	(146,275)
Increase in accrued expenses	126,597
Decrease in grants payable	(25,200)
Total Adjustments	<u>(250,027)</u>
Net Cash Flows Used By Operating Activities	<u>(167,122)</u>

Cash Flows From Investing Activities

Increase in temporarily restricted net assets	<u>2,253</u>
Net Cash Flows Provided By Investing Activities	<u>2,253</u>

Net decrease in cash and cash equivalents (164,869)

Cash and cash equivalents at beginning of year 476,964

Cash and cash equivalents at end of year \$ 312,095

Supplemental Disclosures

Noncash investing transaction:	
Donated investment	<u><u>\$ 25,000</u></u>

See accompanying notes to financial statements.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2009

Note 1 Summary of Significant Accounting Policies

This summary of significant accounting policies of Hazon, Inc. (hereafter “Hazon”, or the “Organization”) is presented to assist in understanding Hazon’s financial statements. The financial statements and notes are representations of the Organization’s management, which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

Hazon is a major environmental 501(c)(3) non-profit organization in the American Jewish community and was founded in 2000.

Hazon effects change in three main ways;

- (1) Creating transformative experiences for people;
- (2) Thought-leadership;
- (3) Supporting the Jewish environmental movement in America and Israel.

For more information see Hazon’s website: <http://hazon.org/>

Basis of Accounting

The financial statements of Hazon, Inc. have been prepared on the accrual basis of accounting and, accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recorded as earned and expenses are recorded when incurred.

Basis of Presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) No. 958-210-50 under which Hazon is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations or other stipulations that may or will be met, either by action of Hazon and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2009

Note 1 Summary of Significant Accounting Policies (continued)

and reported in the combined statement of activities as net assets released from restrictions. A total of \$90,250 of the Organization's net assets were temporarily restricted net assets as of December 31, 2009.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be permanently maintained by Hazon. The Organization had no permanently restricted net assets as of December 31, 2009.

Revenues

Some of the Organization's programs have co-sponsorship arrangements, the details of which are necessary when reviewing the financial statements and understanding the successfulness of the programs.

- In regard to the New York and Israel Rides, participants pay a registration fee and further raise additional sponsorship funds. For the New York ride, the sponsorship funds are paid to Hazon directly, a portion of which is disbursed to other organizations in the form of grants. In the case of the Israel Ride, donations are paid directly to the Arava Institute with a quarter of the net proceeds then being paid to Hazon to support its educational work. Because of this arrangement, the financial statements do not emphasize the overall positive financial impact of Hazon's Rides since the total funds raised by the Arava Institute are not included in the financial statements. For the year ended December 31, 2009, it is estimated that the Israel Rides raised an amount of approximately \$158,000 for the Arava Institute, in addition to the revenue reported in the financial statements.
- The Hazon Community-Supported Agriculture ("CSA") Project, formerly known as Tuv Ha'aretz, is the first Jewish CSA program in North America. Hazon partners with Jewish communities and local sustainable farms by launching CSA programs in synagogues and JCCs across the country. The individual families who join the Hazon CSAs however, pay their fees directly to the farmers, not to Hazon. Because of this arrangement, the financial statements do not emphasize the overall positive financial impact of Hazon's CSAs, since the revenues paid are not included in the financial statements. For the year ended December 31, 2009, it is estimated that the CSAs generated an amount of approximately \$960,000 for local sustainable farms.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2009

Note 1 Summary of Significant Accounting Policies (continued)

Expense Allocation

The costs of providing the various programs and other supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Assets

Donated investments and other non-cash donations are recorded at the underlying asset's fair market value at the date of the donation.

Donated Services

Hazon pays for most services requiring specific expertise. However, many individuals volunteer significant amounts of time and perform a variety of tasks that assist the Organization by creating, leading and delivering a growing range of programs. These amounts have not been reflected in the statement of activities because the criteria for recognition under FASB ASC No. 958-605-50 have not been satisfied, but Hazon's programmatic impact is significantly leveraged by volunteer leadership.

Investments

Hazon follows FASB ASC No. 958-325-50, under which marketable securities with readily determinable fair values and investments in debt securities are valued at their fair values in the statement of financial position. Other investments whose fair market value are not readily determinable are valued based on management's market observations, such as current private equity funding rounds. Unrealized gains and losses are included as changes in net assets in the statement of activities.

Contributions

In accordance with FASB ASC No. 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to Hazon that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2009

Note 1 Summary of Significant Accounting Policies (continued)

Property and equipment donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets. Absent donor restrictions regarding how long those donated assets must be maintained, Hazon reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

For the purpose of the combined statement of cash flows, the Organization considers all highly liquid investments, excluding investments held for restricted purposes, with a maturity of three months or less, to be cash equivalents.

Pledges Receivable, Net

Pledges receivable consists of amounts due from donors. Management periodically assesses the receivable balances for collectability and expenses uncollectible debts as determined. No allowance for doubtful accounts was deemed necessary as of December 31, 2009.

Property and Equipment

All acquisitions of property and equipment over \$2,500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized cost. Assets contributed to Hazon are recorded at their fair market value at the date of the donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Income Taxes

Hazon, Inc. is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code. Gifts to Hazon, Inc. are tax deductible. The federal and state information returns of the Organization for 2006-2008 are subject to examination by the Internal Revenue Service and New York State Office of the Attorney General, generally for three years after they are filed.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2009

Note 1 Summary of Significant Accounting Policies (continued)

At December 31, 2009, Hazon has no knowledge of any tax returns under examination.

Subsequent Events

Management has evaluated subsequent events through August 12, 2010, the date the financial statements were available to be issued.

Fiscal Sponsorships

Hazon effects change not only through the direct impact of its own programs, but also by supporting more generally the development of the Jewish environmental movement. One of the ways that the Organization does this is by becoming fiscal sponsor to significant independent projects that further their mission. As fiscal sponsor, Hazon provides organizational infrastructure and legal and tax-exempt status for these groups. In 2009 Hazon was fiscal sponsor to two projects, Jewish Farm School and Wilderness Torah, each of which grew successfully during the year (see Note 14).

Note 2 Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2009 consist of the following:

Cash in checking and on hand	\$ 100,067
Cash in savings accounts	200,195
Cash accounts of fiscal sponsorships	11,833
Total	<u>\$ 312,095</u>

Note 3 Investment

A gift of 192 limited partnership units in Global Sun Partners L.P. was given to the Organization during the current year. The investment is being carried at fair market value (see Note 10).

Note 4 Property and Equipment, Net of Accumulated Depreciation

Property and equipment as of December 31, 2009 consists of:

Computer equipment	\$ 13,291
Less: accumulated depreciation	(12,874)
Property and equipment, net of accumulated depreciation	<u>\$ 417</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2009

Note 4 Property and Equipment, Net of Accumulated Depreciation (continued)

Depreciation expense for the year December 31, 2009 was \$1,343.

Note 5 Net Assets Temporarily Restricted

The revenues presented as temporarily restricted include contributions earmarked for future events.

Note 6 Rent Expense

On August 15, 2007 the Organization entered into a lease agreement with American Jewish World Service, Inc. to rent office space at 45 West 36th Street in New York City. The lease expired on December 31, 2008 and was extended on a month-to-month basis (\$5,000 per month) under the same terms and conditions.

The Organization moved into new premises in July 2010 (see Note 12).

Note 7 Fundraising Expense

Hazon uses staff time, its website and incurs travel expenses for fundraising purposes. Total fundraising expenses, which includes allocated payroll costs, for the year ended December 31, 2009 totaled \$142,815.

Note 8 Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which, from time to time, are in excess of FDIC limits.

Note 9 Employment Contracts

All Hazon employees are “employees at will”, and are employed under mutual notice periods not exceeding eight weeks.

Note 10 Fair Value of Financial Instruments

FASB ASC 825-10-50 defines fair value, establishes a consistent framework for measuring fair value and expands the required disclosures of fair value information about financial instruments. In cases where quoted market prices are not available for similar instruments fair values are based on estimates using

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2009

Note 10 Fair Value of Financial Instruments (continued)

present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. ASC 825-10-50 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Organization. Under ASC 825-10-50 the Organization groups its assets and liabilities at fair value based upon the following 3 levels:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market.

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents – the carrying amounts for cash and cash equivalents reported in the balance sheet approximate fair value as they mature in three months or less and do not present unanticipated credit concerns (Level 1).

Investments – the fair value of the investment (see Note 3) is based upon observable per share pricing in the current funding round of the security (Level 2).

The following table presents the Organization's fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2009

Note 10 Fair Value of Financial Instruments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 312,095	\$ -	\$ -	\$ 312,095
Investment	-	25,000	-	25,000
Total Assets	\$ 312,095	\$ 25,000	\$ -	\$ 337,095

Note 12 Subsequent Event

In May 2010 Hazon signed a lease for approximately 5,000 square feet in lower Manhattan that will house both the Organization's administrative offices as well as a newly created program, Makom Hadash. This new program will be a shared office space and communal resource center for second-stage Jewish nonprofit organizations. The monthly resident rents will cover utilities and other overhead costs associated with the space. The lease has a fixed expiration date of March 31, 2017.

Note 13 Board of Directors' Gifts

Of the total \$2,054,280 of revenue and other support recorded during the year ended December 31, 2009, \$226,373, or approximately 11%, was received from members of the Organization's Board of Directors.

Note 14 Fiscal Sponsorships

Hazon is a fiscal sponsor for two emerging projects:

- The Jewish Farm School is an independently-led project whose mission is to practice and promote sustainable agriculture and to support food systems rooted in justice and Jewish traditions. The Jewish Farm School runs a wide range of farm-based and sustainability themed programs, teaching practical skills while also educating about the larger context of contemporary food systems, and how Jewish traditions and practices can inform our decisions and actions today.
- Wilderness Torah is an independently-led project that revitalizes Jewish life by reconnecting Jewish traditions to the cycles of nature. Wilderness Torah facilitates individual spiritual growth, strengthen multi-generational community, and connects people to nature through land-based festivals, rites of passage, and sustainable life skills education. Their programs cultivate

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2009

Note 14 Fiscal Sponsorships (continued)

understanding of Judaism's earth-based roots, inspire appreciation for Creation, and offer skills that empower participants to engage in Tikkun Olam by living sustainably in the modern world.

The following is a summary of the revenues and expenses of these projects, included in the financial statements, for the year ended December 31, 2009:

	<u>Jewish Farm</u> <u>School</u>	<u>Wilderness</u> <u>Torah</u>	<u>Total</u>
Revenues	\$ 119,690	\$ 20,312	\$ 140,002
Expenses	139,984	13,798	153,782
Increase (Decrease) in Net Assets	<u>\$ (20,294)</u>	<u>\$ 6,514</u>	<u>\$ (13,780)</u>

During the year ended December 31, 2008 Jewish Farm School activity had increased net assets by the amount of \$11,747.

Note 15 Cost Allocations

The following is the breakdown between staff and other costs among the various service centers of the Organization:

	<u>Expenses</u>		
	<u>Staff</u>	<u>Other</u>	<u>Total</u>
Program Expenses:			
Outdoor adventure	\$ 261,673	\$ 288,594	\$ 550,267
Food programs	263,975	505,997	769,972
Other programs	46,778	38,831	85,609
Education	40,661	1,539	42,200
Fiscal sponsorships	40,985	112,797	153,782
Grants to other organizations	-	66,933	66,933
	<u>654,072</u>	<u>1,014,691</u>	<u>1,668,763</u>
Supporting Services:			
Management and general	124,728	32,816	157,544
Fundraising	115,965	26,850	142,815
	<u>240,693</u>	<u>59,666</u>	<u>300,359</u>
Total Expenses	<u>\$ 894,765</u>	<u>\$1,074,357</u>	<u>\$1,969,122</u>