

HAZON, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

HAZON, INC.

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BILLET, FEIT AND PREIS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hazon, Inc.
New York, NY

We have audited the accompanying financial statements of Hazon, Inc. (a New York nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Corrections of Errors

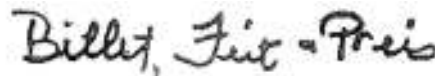
As discussed in Note A to the financial statements, certain errors resulting in the overstatement of amounts previously reported for pledges receivable and revenue, and the reclassification of receivables within the statement of financial position as of December 31, 2018, were discovered by management of the Organization during the current year. Accordingly, amounts reported for pledges receivable and revenues have been restated in the 2018 financial statements now presented, and an adjustment has been made to unrestricted net assets as of December 31, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program service expenses for the year ended December 31, 2019 on page 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

BILLET, FEIT & PREIS, P.C.



Certified Public Accountants

New York, NY
August 19, 2020

HAZON, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,241,075	\$ 1,369,331
Pledges and grants receivable, net, current	5,333,888	3,520,056
Accounts receivable	130,275	181,776
Investments	42,420	42,420
Prepaid expenses	64,057	47,074
Total Current Assets	6,811,715	5,160,657
Property and equipment, net	3,423,234	2,148,854
<u>Other Assets</u>		
Pledges and grants receivable, net, due after one year	2,573,427	2,507,020
Held in escrow for property purchase	-	250,000
Security deposits	-	9,167
Total Other Assets	2,573,427	2,766,187
TOTAL ASSETS	\$12,808,376	\$10,075,698
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 402,799	\$ 296,588
Accrued expenses	238,743	285,195
Line of credit, bank	300,000	400,000
Grants payable, fiscal sponsorships	324,882	254,882
Deferred income	-	238,049
Event deposits payable	295,305	-
Tenant deposits	2,750	26,466
Lease liability, current portion	100,007	138,689
Mortgage and loans payable, current maturities	146,227	130,286
Total Current Liabilities	1,810,713	1,770,155
<u>Long-term Liabilities</u>		
Lease liability, less current portion	413,971	-
Mortgage and loans payable, less current maturities	680,892	339,183
Total Long-term Liabilities	1,094,863	339,183
Total Liabilities	2,905,576	2,109,338
<u>Net Assets</u>		
Without donor restriction	1,863,993	1,715,052
With donor restriction	8,038,807	6,251,308
Total Net Assets	9,902,800	7,966,360
TOTAL LIABILITIES AND NET ASSETS	\$12,808,376	\$10,075,698

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018 (Restated)		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Revenues and Other Support</u>						
General Support:						
Foundation grants	\$ 659,609	\$7,209,475	\$7,869,084	\$ 392,304	\$ 3,060,297	\$ 3,452,601
Individual and institutional support	615,457	-	615,457	375,474	-	375,474
Released from restrictions, prior periods	5,028,476	(5,028,476)	-	5,172,361	(5,172,361)	-
	<u>6,303,542</u>	<u>2,180,999</u>	<u>8,484,541</u>	<u>5,940,139</u>	<u>(2,112,064)</u>	<u>3,828,075</u>
Program Revenues:						
Program fees	2,975,524	-	2,975,524	2,853,254	-	2,853,254
Ride income	188,895	-	188,895	412,726	-	412,726
	<u>3,164,419</u>	<u>-</u>	<u>3,164,419</u>	<u>3,265,980</u>	<u>-</u>	<u>3,265,980</u>
Other Income:						
Other income	70,383	-	70,383	97,227	-	97,227
Sales of merchandise	63,565	-	63,565	84,480	-	84,480
Membership fees and fiscal sponsorship commissions	97,162	-	97,162	208,588	-	208,588
Donated program and administrative services	753,903	-	753,903	438,070	-	438,070
	<u>985,013</u>	<u>-</u>	<u>985,013</u>	<u>828,365</u>	<u>-</u>	<u>828,365</u>
Total revenues and other support excluding fiscal sponsorship income	10,452,974	2,180,999	12,633,973	10,034,484	(2,112,064)	7,922,420
Fiscal sponsorship income	593,978	(393,500)	200,478	619,728	(394,750)	224,978
Total Revenues and Other Support	<u>11,046,952</u>	<u>1,787,499</u>	<u>12,834,451</u>	<u>10,654,212</u>	<u>(2,506,814)</u>	<u>8,147,398</u>
<u>Operating Expenses</u>						
Program expenses	9,137,295	-	9,137,295	8,674,985	-	8,674,985
Management and general	767,443	-	767,443	765,006	-	765,006
Fundraising	546,822	-	546,822	488,757	-	488,757
Total operating expenses before grants to fiscal sponsorship programs	10,451,560	-	10,451,560	9,928,748	-	9,928,748
Grants to fiscal sponsorship programs	446,451	-	446,451	622,234	-	622,234
Total Operating Expenses	<u>10,898,011</u>	<u>-</u>	<u>10,898,011</u>	<u>10,550,982</u>	<u>-</u>	<u>10,550,982</u>
Change in net assets	148,941	1,787,499	1,936,440	103,230	(2,506,814)	(2,403,584)
Net assets, beginning of year	1,715,052	6,251,308	7,966,360	1,611,822	8,758,122	10,369,944
Net assets, end of year	<u>\$1,863,993</u>	<u>\$8,038,807</u>	<u>\$9,902,800</u>	<u>\$ 1,715,052</u>	<u>\$ 6,251,308</u>	<u>\$ 7,966,360</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018 (Restated)			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related costs	\$3,882,419	\$374,209	\$420,985	\$ 4,677,613	\$3,766,572	\$354,501	\$310,188	\$4,431,261
Program supplies and costs	737,133	-	-	737,133	675,333	-	-	675,333
Consulting	627,076	-	-	627,076	426,153	-	-	426,153
Donated program services, Hakhel	616,200	-	-	616,200	374,200	-	-	374,200
Dining and food costs	571,719	-	-	571,719	608,566	-	-	608,566
Grants to other organizations	289,829	-	-	289,829	442,112	-	-	442,112
Travel and accommodations	253,248	20,866	2,939	277,053	205,481	20,452	17,896	243,829
Temporary staffing	260,393	4,774	-	265,167	395,689	37,241	32,586	465,516
Occupancy	198,837	19,589	21,561	239,987	285,234	26,846	23,490	335,570
Insurance	197,136	19,001	21,376	237,513	205,181	19,311	16,897	241,389
Conferences and meetings	230,360	4,162	739	235,261	89,039	13,902	12,164	115,105
Miscellaneous	148,296	14,294	16,080	178,670	36,584	3,964	3,468	44,016
Depreciation	145,436	14,450	16,256	176,142	209,057	36,892	-	245,949
Repairs and maintenance	169,869	-	-	169,869	196,637	-	-	196,637
Utilities	158,217	-	-	158,217	136,634	24,112	-	160,746
Information technology	128,331	12,369	13,915	154,615	122,528	12,096	10,584	145,208
Housekeeping	150,525	-	-	150,525	102,730	-	-	102,730
Professional fees, donated services	-	137,703	-	137,703	-	63,870	-	63,870
Professional fees, other	-	75,460	-	75,460	-	40,108	35,095	75,203
Marketing and communications	56,762	5,471	6,155	68,388	44,798	4,216	3,689	52,703
Credit card and processing fees	46,997	4,530	5,096	56,623	43,810	4,123	3,608	51,541
Interest expense	42,116	4,059	4,567	50,742	12,805	1,205	1,055	15,065
Office supplies	26,504	20,516	1,287	48,307	59,634	5,622	4,919	70,175
Telephone and internet	32,525	15,315	36	47,876	53,042	5,002	4,377	62,421
Permits and registration fees	32,992	3,180	3,577	39,749	22,300	3,935	-	26,235
Printing and copying	31,875	3,199	2,952	38,026	32,184	3,041	2,661	37,886
Meals and entertainment	26,509	8,381	2,899	37,789	31,427	2,958	2,588	36,973
Dues and subscriptions	19,048	1,836	2,065	22,949	10,377	977	855	12,209
Professional recruitment	17,796	1,715	1,930	21,441	5,146	484	424	6,054
Vehicle costs	16,957	225	-	17,182	24,054	4,245	-	28,299
Payroll services	10,906	1,051	1,183	13,140	12,330	1,160	1,015	14,505
Postage	8,815	850	956	10,621	14,544	1,369	1,198	17,111
Sales and merchandise	2,469	238	268	2,975	30,804	5,436	-	36,240
Loss on sale of property	-	-	-	-	-	67,938	-	67,938
Totals	\$9,137,295	\$767,443	\$546,822	\$10,451,560	\$8,674,985	\$765,006	\$488,757	\$9,928,748

See accompanying notes to financial statements.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$1,936,440	\$(2,403,584)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation of property and equipment	176,142	245,949
Loss on sale of property	-	67,937
(Increase) decrease in operating assets:		
Pledges and grants receivable, net	(1,880,239)	1,798,636
Accounts receivable	51,501	(67,478)
Prepaid expenses	(16,983)	43,197
Decrease in right-of-use asset	40,363	-
Security deposits	9,167	-
Increase (decrease) in operating liabilities:		
Accounts payable	106,211	13,878
Accrued expenses	(46,452)	67,392
Grants payable, fiscal sponsorships	70,000	(75,000)
Deferred income	(238,049)	(32,385)
Decrease in lease liability	(36,653)	-
Event deposits payable	295,305	-
Tenant deposits	(23,716)	1,395
Total adjustments	(1,493,403)	1,850,521
Net Cash Flows Provided (Used) by Operating Activities	443,037	(340,063)
<u>Cash Flows from Investing Activities</u>		
Acquisition of property and equipment	(1,078,943)	(215,951)
Proceeds from sale of property	-	151,048
Escrow for property purchase	250,000	(250,000)
Net Cash Flows Used by Investing Activities	(828,943)	(314,903)
<u>Cash Flows from Financing Activities</u>		
Proceeds from loans	500,000	-
Payments on line of credit, bank	(100,000)	400,000
Payments on mortgages and loans payable	(142,350)	(80,209)
Net Cash Flows Provided by Financing Activities	257,650	319,791
Net decrease in cash and cash equivalents	(128,256)	(335,175)
Cash and cash equivalents, beginning of year	1,369,331	1,704,506
Cash and cash equivalents, end of year	\$1,241,075	\$1,369,331

Supplemental Disclosures:

Interest paid	\$ 49,622	\$ 10,579
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Non-cash investing transactions:

During the year ending December 31, 2019, fully depreciated assets with a cost of \$146,617 were written off.

During the year ending December 31, 2019, a right of use asset and corresponding lease liability of \$550,631 were recorded on the books.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hazon, Inc. (“Hazon”) is a 501(c)(3) non-profit organization. Hazon works to catalyze the Jewish community, and other faith communities, outwards, to work for a healthier, more sustainable and more equitable world for all.

Hazon effects change by encouraging people to learn; to act; and to speak up; and by working with individuals, institutions and in the wider community.

For more complete information about Hazon’s mission and programs, visit their 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 detailed below and expenses are recorded when incurred.

Basis of Presentation

In accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, the Organization’s financial position and activities are presented as either one of two classes of net assets: with donor restrictions and without donor restrictions. (Donors include other types of contributors, including makers of certain grants.) Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations or other stipulations. A total of \$1,863,993 and \$1,715,052 of the Organization’s net assets were without donor restrictions as of December 31, 2019 and 2018, respectively.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions or other stipulations. When a restriction expires, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released from donor restrictions. A total of \$8,038,807 and \$6,251,308 of the Organization’s net assets were donor restricted as of December 31, 2019 and 2018, respectively (see Note J).

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses and the schedule of program service expenses. Costs are allocated between programs service expenses, management and general activities and fundraising based on evaluations of the related activities. General and administrative expenses include expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimated time and effort; occupancy costs and depreciation, which are allocated per approximate square footage usage; and other operating costs, which are allocated based on usage studies which are reviewed annually.

Donated Assets

Donated investments and property are recorded at the underlying asset's fair market value at the date of the donation (see Note D).

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 statements of activities because the criteria for recognition under FASB ASC have not been satisfied, however Hazon's programmatic impact is significantly leveraged by volunteer leadership.

During the year ended December 31, 2019 and 2018 the Organization recognized a total of \$137,703 and \$63,870, respectively, of donated services for professional, legal and other consulting fees. These administrative services are included in both other income and in operating expenses on the statements of activities and functional expenses.

Donated services in respect of the Organization's Hakhel program and related activities are discussed in more detail in Note Q.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Other investments whose fair market values 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 statements of activities.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as either "with donor restriction" or "without donor restriction" support depending on the existence and/or nature of any donor restrictions. When a restriction expires, "with donor restriction" net assets are reclassified to "without donor restriction" net assets. Contributions that are restricted by the donor are reported as increases in "without donor restrictions" net assets if the restrictions are met or expire in the fiscal year in which the contributions are recognized. Assets 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 "with donor restriction" net assets. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization 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 U.S. 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

Cash and cash equivalents include savings and money market accounts and all highly liquid investments with original maturities of three months or less (see Note B).

Pledges, Grants and Accounts Receivable

Pledges, grants and accounts receivable consist of amounts due from donors, grantors and participants. Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value (see Note C). 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, 2019 and 2018.

Property and Equipment

Generally, all acquisitions of property and equipment over \$5,000 and all expenditures for renewals and betterments that materially prolong the useful lives of assets are capitalized at 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 2015 through 2018 are subject to examination by the Internal Revenue Service and New York State Office of the Attorney General, generally for three years after the filing date. At December 31, 2019, Hazon had no knowledge of any tax returns under examination.

Deferred Income

Program revenues related to future periods, primarily from deposits paid for events taking place at the Organization's retreat center, are recorded as deferred income. See Notes G and H.

Merchandise Sales

Merchandise sales and costs of goods sold are recorded net of discounts and allowances for returns.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 and 2018 was \$68,388 and \$52,703, respectively, and is presented as marketing and communications in the statements of functional expenses.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Customers

Implementation of FASB ASC 606, *Revenue from Contracts with Customers* was delayed and will become effective for annual reporting periods beginning after December 15, 2019. Accordingly, the new revenue recognition standards will be implemented by Hazon commencing with the year beginning January 1, 2020.

Operating Leases

The Organization determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Organization has the right to control the asset. Operating lease right-of-use ("ROU") assets are included in "property and equipment, net" and the corresponding lease liabilities are included in "current liabilities" and "long-term liabilities" on the statements of financial position. See Notes E and K.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide the lessor's implicit rate, the Organization uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. This rate reflects the interest the Organization would have to pay to borrow funds on a collateralized basis over a similar term and in a similar economic environment. The Organization has determined the rate to be 4.24% based on these criteria. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and lease expense is recognized on a straight-line basis over the lease term.

Operating Leases – New Accounting Guidance Implementation

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," and associated ASUs related to Topic 842, which requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance requires that a lessee recognize assets and liabilities for leases, and recognition, presentation and measurement in the financial statements will depend on its classification as a finance or operating lease. In addition, the new guidance requires disclosures to help financial statement users better understand the amount and timing arising from leases.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization adopted the new standard as of January 1, 2019, which allows for a modified retrospective transition approach, applying the new standard to all leases existing at the date of initial adoption. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statement as its date of initial application. The Organization has elected to apply the transition requirements at the January 1, 2019 effective date rather than at the beginning of the earliest comparative period presented. This approach allows for a cumulative effect adjustment in the period of adoption, and prior periods are not restated and continue to be reported in accordance with historic accounting under ASC 840 "Leases". In addition, the Organization has elected the package of practical expedients permitted under the transition guidance within the new standard which does not require reassessment of prior conclusions related to contracts containing a lease, lease classification and initial direct lease costs. As an accounting policy election, the Organization chose to exclude short-term leases (term of 12 months or less) from the statement of financial position and accounts for non-lease and lease components in a contract as a single component for all asset classes.

The transitional effect of the adoption of ASU 842 guidance as of December 31, 2018 was to increase both "property and equipment, net" and "lease liability, current portion" by the amount of \$138,689. The adoption of the new guidance did not have any impact of the Organization's statements of activity or cash flows for the year ended December 31, 2018.

Prior Period Adjustments

During the year ended December 31, 2019 the Organization identified \$213,000 of pledges receivable that were erroneously presented as outstanding at December 31, 2018 but had already been recorded as being received in cash during 2018. The effect of the correction was to decrease the change in unrestricted net assets for 2018 by \$213,000. The correction has no effect on the results of the current year's activities; however, the cumulative effect decreases the beginning balance of unrestricted net assets for 2019 by \$213,000.

Pledges receivable in the amount of \$2,507,020, which, as of December 31, 2018, were collectable after one year, have been reclassified from current assets to other assets in the statements of financial position.

Subsequent Events

Management has evaluated subsequent events through August 19, 2020, the date the financial statements were available to be issued.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Cash in checking accounts and on hand	\$ 508,257	\$ 489,520
Cash in broker and savings accounts	732,818	879,811
Total	<u>\$1,241,075</u>	<u>\$1,369,331</u>

See Note M with regards to credit risk at financial institutions.

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET

In July 2019, the Jim Joseph Foundation awarded the Organization a new three-year grant of \$4,000,000 (July 2019 through June 2022). The grant is to provide both *Powerful Jewish Learning* experiences and early career training for the creation of *Exceptional Jewish Leaders and Educators*.

In December 2019, the William Davidson Foundation awarded the Organization a new two-year grant of up to \$1,350,000 to support the Organization's activities in the Detroit community.

In November 2017, the Israel Ministry of Diaspora Affairs awarded the Organization a grant in the amount of approximately \$3,642,500 to create a program ("Hakhel") to amplify and strengthen new expressions of Jewish community in North America and other parts of the Jewish diaspora. (See Note Q.)

Pledges and grants receivable, net of unamortized discounts, at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018 (Restated)</u>
Unconditional promises to give:		
Israel Ministry of Diaspora Affairs	\$2,510,920	\$3,275,255
Jim Joseph Foundation	2,500,000	842,585
William Davidson Foundation	1,575,000	700,000
Other receivables	1,387,469	1,405,806
	<u>7,973,389</u>	<u>6,223,646</u>
Less unamortized discount	(66,074)	(196,570)
Pledges and grants receivable, net	<u>\$7,907,315</u>	<u>\$6,027,076</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET (CONTINUED)

The pledges and grants receivable are due as follows:

	<u>2019</u>	<u>2018 (Restated)</u>
Due within one year	\$5,333,888	\$3,520,056
Due between one and two years	2,639,501	2,186,650
Due between two and three years	-	406,140
Due after three years	-	110,800
Total pledges and grants receivable	<u>\$7,973,389</u>	<u>\$6,223,646</u>

Pledges and grants receivable with due dates extending beyond one year are discounted using present value calculations. The applicable rates used at December 31, 2019 were the Treasury Bill rates in effect at the date the grant was granted.

NOTE D - INVESTMENTS

A gift of 192 limited partnership units in Global Sun Partners L.P. (“GSP”) was received in 2009. Management valued the limited partnership units at \$42,420 based on known private sales and other financial factors existing at the time. No appreciation or depreciation in the fair value of GSP was recorded during the years ended December 31, 2019 and 2018. The chief financial officer of GSP also served as a member of the board of directors and a member of the finance committee of the Organization through December 31, 2019, when his board term ended.

Donated common stock is valued at its market value at the time of the donation. During the years ended December 31, 2019 and 2018 the Organization received donations of common stock in the market value amount of \$27,391 and \$45,057, respectively, which are included in individual and institutional support.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE E – PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation, as of December 31, 2019 and 2018, consist of:

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Land	\$ 816,000	\$ 592,000
Building and improvements	5,219,980	4,400,786
Right-of-use asset	550,631	138,689
Furniture and office equipment	400,622	472,789
Transportation equipment	228,202	235,604
Software development costs	-	31,297
Website	16,752	16,752
	<u>7,232,187</u>	<u>5,887,917</u>
Less accumulated depreciation	<u>(3,808,953)</u>	<u>(3,739,063)</u>
Property and equipment, net of accumulated depreciation	<u>\$3,423,234</u>	<u>\$2,148,854</u>

The Organization recognizes a right-of-use asset and a lease liability in relation to its new office lease agreement which commenced on July 1, 2019 (see Notes A and K for a further discussion).

A property at 58 Johnson Road, Falls Village, Connecticut was pledged as collateral for a bank mortgage loan that was fully repaid in December 2018, and a truck is pledged as collateral for a vehicle retail installment contract (see Note I).

Depreciation expense for the year ended December 31, 2019 and 2018 was \$176,142 and \$245,949, respectively. Depreciation expense associated with the new right-of-use asset for the year ended December 31, 2019 was \$40,363.

During the year ending December 31, 2019, fully depreciated assets with a cost of \$146,617 were written off.

During September 2018, a property with a net book value of \$218,985 was sold for \$151,048 resulting in a net loss of \$67,937 and is included in the statements of functional expenses.

In December 2018 a down payment in the amount of \$250,000 was deposited into escrow for the purchase of a new property and is included with other assets as of December 31, 2018. In February 2019 the purchase was completed and the

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE E – PROPERTY AND EQUIPMENT, NET (CONTINUED)

balance of the acquisition price of \$1,000,000 was paid, of which \$500,000 was provided from the proceeds of a mortgage (see Note I). The mortgage is secured by the property located at 181 Beebe Hill Road, Fall Village, Connecticut.

NOTE F – COMMERCIAL LINE OF CREDIT

In April 2017, the Organization was granted a \$500,000 revolving line of credit from TD Bank. Bank advances on the credit line are payable on demand and carry an interest rate of 4.24% per annum on the outstanding balance. The line of credit is collateralized by the Organization's real property at its retreat center in Connecticut. The line of credit does not have a maturity date and is due upon demand. The outstanding balance as of December 31, 2019 and 2018 was \$300,000 and \$400,000, respectively. Total interest expense on the line of credit for the year ended December 31, 2019 and 2018 was \$17,628 and \$4,770, respectively

NOTE G - DEFERRED INCOME

Program revenues in the amount of \$238,049 related to future periods, primarily from deposits paid for events taking place at the Organization's retreat center, are recorded as deferred income as of December 31, 2018.

NOTE H - EVENT DEPOSITS PAYABLE

As of December 31, 2019, advance deposits in the amount of \$295,305 related to events scheduled to take place at the Organization's retreat center during 2020 are due to be refunded to the customers. As a result of the crisis of pandemic spread of the novel coronavirus known as COVID-19 in the United States, the Organization closed its retreat center in February 2020 in accordance with state and local government regulations. By July 2020, approximately 90% of the advance deposits had been refunded, with the remaining 10% balance being recorded as donations at the request of the customers.

NOTE I – LOANS AND MORTGAGE PAYABLE

In October 2015 the Organization purchased a pick-up truck and financed the balance of \$48,470. The installment loan bears interest at 5.89% with 60 monthly payments of \$937. The balance as of December 31, 2019 and 2018 is \$9,859 and \$20,188, respectively. Total interest expense on the loan for the year ended December 31, 2019 and 2018 was \$913 and \$1,503, respectively.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE I – LOANS AND MORTGAGE PAYABLE (CONTINUED)

In June 2017, the Organization received a \$500,000 loan from the UJA-Federation of New York, to assist the Organization in the construction of a new building at its Isabella Freedman Jewish Retreat Center. During the first year accrued interest was added to the principal of the loan balance. The loan bears interest at 1.76% with 48 monthly payments of \$10,583. The balance as of December 31, 2019 and 2018 is \$329,324 and \$449,281, respectively. Total interest expense on the loan for the year ended December 31, 2019 and 2018 was \$7,174 and \$8,343, respectively. The net loan proceeds, as of now unspent, have been segregated in a separate account pending the commencement of the construction project.

In February 2019, a 20-year commercial mortgage note for \$500,000 was received that matures in February 2039. The mortgage is collateralized by property located at 181 Beebe Hill Road, Falls Village, CT. The interest rate for of the loan is 5.5% to be adjusted every 5 years, starting from the fifth anniversary of the note, to a rate 2.25% above the Federal Home Loan Bank rate. The outstanding principal balance as of December 31, 2019 is \$487,946. Total interest expense on the loan for the year ended December 31, 2019 was \$23,907.

Future minimum payments required under the mortgage and loan agreements, as of December 31, 2019 are as follows:

	<u>Truck</u> <u>Loan</u>	<u>Construction</u> <u>Loan</u>	<u>Mortgage</u>	<u>Total</u>
Year ended December 31:				
2020	\$9,859	\$122,101	\$ 14,277	\$146,227
2021	-	124,313	15,004	139,317
2022	-	82,910	15,850	98,760
2023	-	-	16,744	16,744
2024	-	-	17,689	17,689
Thereafter	-	-	408,382	408,382
Totals	<u>\$9,859</u>	<u>\$329,324</u>	<u>\$487,946</u>	<u>\$827,119</u>
Included in:				
Current liabilities	\$9,859	\$122,101	\$14,277	\$146,227
Long-term liabilities	-	207,223	473,669	680,892
Totals	<u>\$9,859</u>	<u>\$329,324</u>	<u>\$487,946</u>	<u>\$827,119</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018 are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Donations with time restrictions	\$5,569,218	\$2,629,555
Restricted for use in construction	153,500	383,200
Restricted for fiscal sponsor	323,750	412,250
Grants for specific programming	1,992,339	2,826,303
Totals	<u>\$8,038,807</u>	<u>\$6,251,308</u>

NOTE K – LEASE LIABILITY AND RENT EXPENSE

Expired Leases

The following two lease agreements expired before December 31, 2019 and were in effect when the Organization adopted ASC 842 as of January 1, 2019. The prior period expense was not restated and continue to be reported in accordance with historic accounting under ASC 840 "Leases". (See Note A with regard to the transitional effect of the adoption of the guidance.)

- 1) In April 2010 the Organization entered into a lease agreement to rent office space on the 8th floor of 125 Maiden Lane in New York City at the fixed amount of \$9,167 per month with annual increases of 9.1%. A security deposit in the amount of \$9,167 was provided in respect of this lease. The lease expired on May 31, 2017 and was subsequently renewed for additional 24 months for the same premises plus additional office space. The new base rent amount began at \$16,154 per month and increased to \$21,939 per month to reflect the additional space. The extended lease expired on June 30, 2019 when the premises were vacated.
- 2) In August 2015 the Organization entered into a rent agreement for office space at 6735 Telegraph Road in Bloomfield, Michigan. The lease expired on December 31, 2019 and was renewed for a three-year period beginning January 1, 2020. The annual rent for the first year will be \$18,600, increasing to \$19,200 and \$19,800 during the two subsequent years.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE K – LEASE LIABILITY AND RENT EXPENSE (CONTINUED)

New Lease Agreement

The Organization moved to its new office space at 25 Broadway in New York City in the summer of 2019 and entered into an operating lease agreement that commenced July 1, 2019. The initial lease term is for 5 years with an optional first renewal term of 3 years, and a final renewal term of 2 ½ years. The base rent for the first year of the lease is \$120,000 per annum with a 3% escalation clause for each following year. It is not reasonably certain that the Organization will exercise its renewal options beyond the initial lease term.

The new lease guidance under FASB ASC 842 requires the recognition of a right-of-use (ROU) asset and a lease liability at the commencement date of the lease. The right-of-use assets represents the Organization’s right to use the leased office space over the term of the lease. The lease liability refers to the Organization’s obligation to make lease payments to the lessor as defined in the lease agreement.

A maturity analysis related to the lease liability as of December 31, 2019 is as follows:

	<u>Lease Amortization</u>	<u>Lease Liability</u>	<u>Right-of- Use Asset</u>
Measured at inception		\$550,631	\$550,631
	<u>Year Ended December 31,</u>		<u>Year End Balance</u>
	2019	\$ 36,653	513,978
	2020	100,007	413,971
	2021	107,902	306,069
	2023	116,240	189,829
	2024	125,045	64,784
	2025	64,784	-
		<u>\$550,631</u>	-
Included in:			
Current liabilities		\$100,007	
Long-term liabilities		413,971	
		<u>\$513,978</u>	

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE K – LEASE LIABILITY AND RENT EXPENSE (CONTINUED)

The following are the future minimum payments required under the lease agreement as of December 31, 2019:

<u>Year ended December 31,</u>	
2020	\$121,800
2021	125,454
2022	129,218
2023	133,094
2024 and thereafter	<u>67,530</u>
	<u>\$577,096</u>

Total rent expense for the year ended December 31, 2019 and 2018 was \$212,947 and \$281,268, respectively, which is included with occupancy expenses in the statements of functional expenses.

NOTE L – FUNDRAISING EXPENSES

Total fundraising expenses, which includes allocated payroll and other costs, for the year ended December 31, 2019 and 2018 totaled \$546,822 and \$488,757, respectively.

NOTE M – CONCENTRATION OF RISKS

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents. Management has reduced the Organization's exposure to banking risks through diversifying the Organization's cash into several banks. At times the balances in the Organization's cash accounts exceed FDIC and SIPC protection limits; however, the Organization has not experienced any losses in its cash accounts to date.

Two major grantors comprised approximately 47% of the total general support for the year ended December 31, 2019. Three major grantors comprised approximately 84% of the outstanding pledges and grants receivable, net, as of December 31, 2019. Five major grantors comprised approximately 45% of the total general support for the year ended December 31, 2018 and approximately 78% of the outstanding pledges and grants receivable, net, as of December 31, 2018.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE M – CONCENTRATION OF RISKS (CONTINUED)

The receivable from the Israel Ministry of Diaspora Affairs (see Note C) is from a foreign governmental entity. Because all billings and payments are transacted in United States dollars there are no risks of foreign exchange translations. The business practices in the Israeli economy in general, and a governmental ministry in specific, result in the billing and payment process being a slower one than the process ordinarily experienced in United States. The Organization has engaged a local representative to coordinate the collection process and mitigate any issues that might arise. The grant could be subject to special audits by the Ministry of Diaspora Affairs. Such audits could result in claims against the Organization for disallowed use or noncompliance with grantor requirements. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE N – RETIREMENT PLAN

Employees of the Organization may participate in an Internal Revenue Code section 403(b) retirement savings plan. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement.

NOTE O – FAIR VALUE PRESENTATION

Under the FASB ASC, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE O – FAIR VALUE PRESENTATION (CONTINUED)

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, for the asset or liability other than quoted prices included in Level 1.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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 reported in the statement of financial position approximate fair value as they mature in three months or less and do not present unanticipated credit concerns (Level 1).

Receivables and payables – the carrying amounts for receivable and payables reported in the statement of financial position approximate fair value because of their short term maturities (Level 1). If significant, receivable and payables due beyond one year are presented at their discounted value (Level 2).

Investments – investments in private equity investments reflect management’s own assumptions and estimated fair value (Level 3). Portfolio investments held by brokers are valued at current market prices (Level 1).

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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$1,241,075	\$ -	\$ -	\$1,241,075
Pledges and grants receivable, net	-	7,867,315	-	7,867,315
Investments	-	-	42,420	42,420
Total Assets	<u>\$1,241,075</u>	<u>\$7,867,315</u>	<u>\$ 42,420</u>	<u>\$9,150,810</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities</u>				
Mortgage payable	\$ -	\$ 388,359	\$ -	\$ 388,359
Construction loan payable	\$ -	304,739	-	304,739
Total Liabilities	<u>\$ -</u>	<u>\$ 693,098</u>	<u>\$ -</u>	<u>\$ 693,098</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE O – FAIR VALUE PRESENTATION (CONTINUED)

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$1,369,331	\$ -	\$ -	\$1,369,331
Pledges and grants receivable, net	-	6,240,076	-	6,240,076
Investments	-	-	42,420	42,420
Total Assets	<u>\$1,369,331</u>	<u>\$6,240,076</u>	<u>\$ 42,420</u>	<u>\$7,651,827</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities</u>				
Mortgage payable	\$ -	\$ 18,982	\$ -	\$ 18,982
Construction loan payable	-	407,421	-	407,421
Total Liabilities	<u>\$ -</u>	<u>\$ 426,403</u>	<u>\$ -</u>	<u>\$ 426,403</u>

The following table presents information about fair value measurements that use significant unobservable inputs (Level 3 measurements):

	<u>Private Equity Investment</u>
January 1, 2018	\$ 42,420
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2018	<u>42,420</u>
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2019	<u>\$ 42,420</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE P – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents (Note B), pledges and accounts receivable (Note C) and a commercial line of credit (Note F).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities related to thought leadership, capacity building and transformative experiences, as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$950,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note F, the Organization also has committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need. Proceeds from the Paycheck Protection Program loan in the amount of \$844,000 received in early 2020 also contributed to cash inflows during the coming period (Note R).

As of December 31, 2019, the following tables show the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$1,241,075
Pledges and grants receivable, net	7,973,389
Accounts receivable	130,275
Investments	42,420
Total financial assets at year-end	<u>\$9,387,159</u>
Financial assets available to meet general expenditures over the next 12 months	
Cash and cash equivalents	\$1,241,075
Pledges for general expenditures due in one year or less	5,333,888
Accounts receivable	130,275
	<u>\$6,705,238</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE Q – HAKHEL INTENTIONAL COMMUNITIES

As mentioned earlier in Note C, Hazon’s Hakhel program operates together with Israel’s Ministry of Diaspora Affairs. Founded in 2014, Hakhel is the first and largest global incubator for Jewish intentional communities. Its mission is to spark and support new expressions of Jewish life in the Diaspora by nurturing the growth of intentional communities with mentorship, seed funding and network building. The Organization partners with over 100 communities in over 40 countries either through direct arrangements with a specific community or through partner collaboration agreements which support regional communities. The way the agreements are structured, the communities and partners donate administrative, fund-raising and program services to the Hakhel program. Hazon recognizes these services at the fair market value of the contributions raised by the communities and partners to pay for those services and are included in both other income and in operating expenses on the statements of activities. During the years ended December 31, 2019 and 2018, they totaled approximately \$616,200 and \$374,200, respectively.

Included in accounts payable in the statement of financial position as of December 31, 2019 and 2018, are \$159,045 and \$29,977, respectively, of expenses that related to vendors associated with the Hakhel program activities.

NOTE R – SUBSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 29, 2020, the State of New York ordered the closure of the physical location of every “non-essential” business for what may be an extended period of time. The immediate impact to the operations of the Organization has been to close its physical locations and all employees were asked to work remotely. Future potential impacts may include continued disruptions or restrictions on employees’ ability to work and impairment of the Organization’s ability to obtain contributions and volunteers. The future effects of these issues are unknown.

Subsequent to year end, the Organization applied for and was approved a \$844,000 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (“SBA”). The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE R – SUBSEQUENT EVENTS (CONTINUED)

projects that 85% of the loan will be eligible for loan forgiveness, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

The Organization has projected that as a result of the COVID-19 pandemic it will sustain a reduction of incoming revenues in the amount of between \$2.5 million and \$2.8 million. In response, the Organization has implemented an operating approach with a focus on cost reduction efforts that will reduce operating expenses by a similar range of amounts, less the proceeds from the SBA loan. The retrenchment techniques being implemented include the reduction of personnel costs, capital spending, contractor costs and the creation of more advantageous inflows and outflows of cash.

HAZON, INC.

SUPPLEMENTARY INFORMATION
SCHEDULE OF PROGRAM SERVICE EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Thought Leadership & Capacity Building</u>	<u>Transformative Experiences</u>	<u>Total Program Service Expenses</u>
Salaries and related costs	\$1,683,941	\$2,198,478	\$3,882,419
Program supplies and costs	314,488	422,645	737,133
Consulting fees	627,076	-	627,076
Donated program services, Hakhel	616,200	-	616,200
Dining and food costs	1,993	569,726	571,719
Grants to other organizations	287,729	2,100	289,829
Temporary staffing	107,094	153,299	260,393
Travel and accommodations	232,227	21,021	253,248
Conferences and meetings	228,905	1,455	230,360
Occupancy	86,242	112,595	198,837
Insurance	85,505	111,631	197,136
Repairs and maintenance	1,050	168,819	169,869
Utilities	-	158,217	158,217
Housekeeping	117	150,408	150,525
Miscellaneous	64,372	83,924	148,296
Depreciation and amortization	63,081	82,355	145,436
Information technology	55,662	72,669	128,331
Marketing and communications	24,619	32,143	56,762
Credit card and processing fees	20,384	26,613	46,997
Interest expense	18,267	23,849	42,116
Permits and registration fees	14,310	18,682	32,992
Telephone and internet	5,358	27,167	32,525
Printing and copying	13,305	18,570	31,875
Meals and entertainment	23,992	2,517	26,509
Office supplies	2,767	23,737	26,504
Dues and subscriptions	8,262	10,786	19,048
Professional recruitment	7,719	10,077	17,796
Vehicle costs	2,703	14,254	16,957
Payroll services	4,730	6,176	10,906
Postage	3,823	4,992	8,815
Sales and merchandise	1,071	1,398	2,469
Totals	<u>\$4,606,992</u>	<u>\$4,530,303</u>	<u>\$9,137,295</u>