

HAZON, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

HAZON, INC.

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DECEMBER 31, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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.

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, 2021 on page 28 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 and PREIS, CPA P.C.



Certified Public Accountants

Cedarhurst, NY
June 24, 2022

HAZON, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$3,100,337	\$1,841,962
Pledges and grants receivable, net, current	1,152,125	2,694,785
Government grants receivable	549,481	-
Accounts receivable	44,831	36,275
Investments	32,052	33,290
Prepaid expenses	51,713	43,757
Total Current Assets	<u>4,930,539</u>	<u>4,650,069</u>
Property and equipment, net	3,046,399	3,246,274
<u>Other Assets</u>		
Pledges and grants receivable, net, due after one year	-	701,413
TOTAL ASSETS	<u>\$7,976,938</u>	<u>\$8,597,756</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$350,950	\$361,438
Accrued expenses	105,406	68,879
Employee benefits payable	83,889	173,672
Grants payable, fiscal sponsorships	324,882	324,882
Event deposits payable	62,720	120,590
Tenant deposits	9,001	7,951
Lease liability, current portion	116,240	107,902
Mortgage and loans payable, current maturities	106,982	155,943
Total Current Liabilities	<u>1,160,070</u>	<u>1,321,257</u>
<u>Long-term Liabilities</u>		
Employee benefits payable	112,385	131,228
Lease liability, less current portion	189,829	306,069
Mortgage and loans payable, less current maturities	439,928	548,552
Total Long-term Liabilities	<u>742,142</u>	<u>985,849</u>
Total Liabilities	<u>1,902,212</u>	<u>2,307,106</u>
<u>Net Assets</u>		
Without donor restriction	3,174,003	2,015,274
With donor restriction	2,900,723	4,275,376
Total Net Assets	<u>6,074,726</u>	<u>6,290,650</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$7,976,938</u>	<u>\$8,597,756</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	<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 support	\$348,487	\$1,465,325	\$1,813,812	\$401,377	\$221,306	\$622,683
Government grants	1,858,465	-	1,858,465	823,114	-	823,114
Individual and institutional support	620,980	-	620,980	694,058	-	694,058
Released from restrictions, prior periods	2,704,378	(2,704,378)	-	3,770,587	(3,770,587)	-
	<u>5,532,310</u>	<u>(1,239,053)</u>	<u>4,293,257</u>	<u>5,689,136</u>	<u>(3,549,281)</u>	<u>2,139,855</u>
Program Revenues:						
Program fees	1,228,406	-	1,228,406	619,382	-	619,382
Ride income	47,852	-	47,852	99,637	-	99,637
	<u>1,276,258</u>	<u>-</u>	<u>1,276,258</u>	<u>719,019</u>	<u>-</u>	<u>719,019</u>
Other Income:						
Other income	52,716	-	52,716	13,192	-	13,192
Sales of merchandise	50,961	-	50,961	41,207	-	41,207
Fiscal sponsorship commissions	46,184	-	46,184	70,617	-	70,617
Donated program and administrative services	534,490	-	534,490	900,194	-	900,194
	<u>684,351</u>	<u>-</u>	<u>684,351</u>	<u>1,025,210</u>	<u>-</u>	<u>1,025,210</u>
Total revenues and other support excluding fiscal sponsorship income	7,492,919	(1,239,053)	6,253,866	7,433,365	(3,549,281)	3,884,084
Fiscal sponsorship income	312,400	(135,600)	176,800	375,694	(214,150)	161,544
Total Revenues and Other Support	<u>7,805,319</u>	<u>(1,374,653)</u>	<u>6,430,666</u>	<u>7,809,059</u>	<u>(3,763,431)</u>	<u>4,045,628</u>
<u>Operating Expenses</u>						
Program services	4,958,673	-	4,958,673	5,407,865	-	5,407,865
Management and general	884,484	-	884,484	796,219	-	796,219
Fundraising	550,381	-	550,381	797,264	-	797,264
Total operating expenses before grants to fiscal sponsorship programs	6,393,538	-	6,393,538	7,001,348	-	7,001,348
Grants to fiscal sponsorship programs	253,052	-	253,052	369,020	-	369,020
Total Operating Expenses	<u>6,646,590</u>	<u>-</u>	<u>6,646,590</u>	<u>7,370,368</u>	<u>-</u>	<u>7,370,368</u>
Change in net assets	1,158,729	(1,374,653)	(215,924)	438,691	(3,763,431)	(3,324,740)
Net assets, beginning of year	2,015,274	4,275,376	6,290,650	1,576,583	8,038,807	9,615,390
Net assets, end of year	<u>\$3,174,003</u>	<u>\$2,900,723</u>	<u>\$6,074,726</u>	<u>\$2,015,274</u>	<u>\$4,275,376</u>	<u>\$6,290,650</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	<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	\$2,503,652	\$364,702	\$394,414	\$3,262,768	\$2,612,191	\$424,609	\$598,544	\$3,635,344
Consulting	385,588	-	-	385,588	211,201	-	-	211,201
Professional fees, donated services	-	292,495	-	292,495	-	175,699	-	175,699
Program supplies and costs	202,898	23,550	1,655	228,103	211,096	1,974	5,500	218,570
Dining and food costs	214,906	-	-	214,906	78,880	76	-	78,956
Miscellaneous	139,951	20,389	22,050	182,390	130,753	21,254	29,959	181,966
Donated program services, Hakhel	176,541	-	-	176,541	633,295	-	-	633,295
Insurance	135,130	19,684	21,288	176,102	135,373	22,005	31,019	188,397
Depreciation and amortization	149,452	16,606	-	166,058	156,271	17,363	-	173,634
Utilities	133,147	-	-	133,147	113,321	-	-	113,321
Repairs and maintenance	122,433	-	-	122,433	129,133	-	-	129,133
Professional fees, other	-	56,179	60,756	116,935	-	34,331	48,394	82,725
Information technology	88,995	12,964	14,020	115,979	95,377	15,503	21,854	132,734
Grants to other organizations	100,277	-	-	100,277	274,334	8,480	8,991	291,805
Conferences and meetings	88,771	947	-	89,718	73,133	15,108	190	88,431
Occupancy	62,358	9,083	9,824	81,265	37,989	6,176	8,704	52,869
Temporary staffing	68,467	12,352	-	80,819	48,532	2,967	3,468	54,967
Housekeeping	67,157	-	-	67,157	33,758	-	-	33,758
Occupancy, donated services	50,226	7,316	7,912	65,454	65,532	10,652	15,016	91,200
Permits and registration fees	40,862	8,656	-	49,518	41,791	956	-	42,747
Telephone and internet	31,850	4,640	5,017	41,507	35,036	5,695	8,028	48,759
Interest expense	35,587	1,873	-	37,460	35,178	1,851	-	37,029
Credit card and processing fees	28,992	6,902	522	36,416	34,218	8,554	-	42,772
Travel and accommodations	24,205	11,883	-	36,088	108,112	6,656	625	115,393
Marketing and communications	25,797	3,758	4,064	33,619	20,627	3,353	4,726	28,706
Professional recruitment	15,047	2,192	2,370	19,609	6,355	1,033	1,456	8,844
Office supplies	14,704	2,142	2,315	19,161	23,847	3,876	5,464	33,187
Vehicle costs	17,364	-	-	17,364	26,262	115	-	26,377
Payroll services	12,190	1,776	1,920	15,886	8,775	1,426	2,011	12,212
Dues and subscriptions	6,918	1,008	1,090	9,016	6,850	1,113	1,570	9,533
Meals and entertainment	6,319	2,440	140	8,899	13,615	1,401	537	15,553
Postage	4,019	585	633	5,237	3,959	643	907	5,509
Sales and merchandise	2,483	362	391	3,236	210	34	48	292
Printing and copying	2,387	-	-	2,387	2,861	3,316	253	6,430
Totals	<u>\$4,958,673</u>	<u>\$884,484</u>	<u>\$550,381</u>	<u>\$6,393,538</u>	<u>\$5,407,865</u>	<u>\$796,219</u>	<u>\$797,264</u>	<u>\$7,001,348</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$(215,924)	\$(3,324,740)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	166,058	173,634
Write-down of investment	-	14,580
(Increase) decrease in operating assets:		
Pledges and grants receivable, net	2,244,073	4,511,117
Government grants receivable	(549,481)	-
Accounts receivable	(8,556)	94,000
Investments	1,238	(5,453)
Prepaid expenses	(7,956)	20,300
Decrease in right-of-use asset	109,867	105,625
Increase (decrease) in operating liabilities:		
Accounts payable	(10,488)	(41,361)
Accrued expenses	36,527	(169,864)
Decrease in lease liability	(107,902)	(100,007)
Event deposits payable	(57,870)	(174,715)
Tenant deposits	1,050	5,201
Employee benefits payable	(108,626)	17,490
Total adjustments	<u>1,707,934</u>	<u>4,450,547</u>
Net Cash Flows Provided by Operating Activities	<u>1,492,010</u>	<u>1,125,807</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of property and equipment	(76,050)	(102,299)
Net Cash Flows Used by Investing Activities	<u>(76,050)</u>	<u>(102,299)</u>
<u>Cash Flows from Financing Activities</u>		
Payments on line of credit, bank	-	(300,000)
Payments on mortgages and loans payable	(157,585)	(122,621)
Net Cash Flows Used by Financing Activities	<u>(157,585)</u>	<u>(422,621)</u>
Net increase in cash and cash equivalents	1,258,375	600,887
Cash and cash equivalents, beginning of year	1,841,962	1,241,075
Cash and cash equivalents, end of year	<u>\$3,100,337</u>	<u>\$1,841,962</u>
<u>Supplemental Disclosures:</u>		
Interest paid	<u>\$37,460</u>	<u>\$37,029</u>

See accompanying notes to financial statements.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

Net Assets

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 available for use in general operations and not subject to donor- (or certain grantor-) imposed stipulations or other stipulations. A total of \$3,174,003 and \$2,015,274 of the Organization’s net assets were without donor restrictions as of December 31, 2021 and 2020, respectively.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that those resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. During the years ended December 31, 2021 and 2020, a total of \$2,839,978 and \$3,984,737, respectively, were released from restrictions (including fiscal sponsorship income). A total of \$2,900,723 and \$4,275,376 of the Organization's net assets were donor restricted as of December 31, 2021 and 2020, respectively (see Note J).

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 supplementary information schedule of program service expenses. Costs are allocated between program service, management and general activities and fundraising expenses 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). Because the Organization's policy requires liquidation of donated investments upon receipt, in accordance with FASB, the donations are treated as cash donations and included in the statements of cash flows with operating activities.

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

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 years ended December 31, 2021 and 2020 the Organization recognized a total of \$292,495 and \$175,699, respectively, of donated services for professional, legal and other consulting fees. During the years ended December 31, 2021 and 2020 the Organization recognized a total of \$65,454 and \$91,200, respectively, of donated services for occupancy services provided by its landlord in the form of free rent during the COVID-19 pandemic period when the Organization’s premises were inaccessible. 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 R.

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.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities (see Note C). Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance for doubtful accounts was deemed necessary as of December 31, 2021 and 2020.

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 2017 through 2020

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, Hazon had no knowledge of any tax returns under examination.

Event Deposits Payable

Program revenue related to future periods, primarily from deposits paid for events taking place at the Organization's retreat center, are deferred income and recorded as event deposits payable (see Note G).

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 years ended December 31, 2021 and 2020 was \$33,619 and \$28,706, respectively, and is presented as marketing and communications in the statements of functional expenses.

Operating Leases

In accordance with FASB ASU 2016-02, "Leases (Topic 842)", 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.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recently Adopted Accounting Standards - Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Organization adopted the standard on January 1, 2020. Management has analyzed the provisions of the guidance and concluded that no changes are necessary to conform with the new standard. Program revenue from retreat and event bookings are recognized when the performance obligations of providing services are met. Merchandise sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer.

Subsequent Events

Management has evaluated subsequent events through June 24, 2022, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Cash in checking accounts and on hand	\$2,470,876	\$1,213,639
Cash in broker and savings accounts	629,461	628,323
Total	<u>\$3,100,337</u>	<u>\$1,841,962</u>

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

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET

In November 2017, the Israel Ministry of Diaspora Affairs awarded the Organization a multi-year 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 Notes N and R.)

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Pledges and grants receivable, net of unamortized discounts, at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give:		
Israel Ministry of Diaspora Affairs	\$728,725	\$1,530,355
Jim Joseph Foundation	-	1,200,000
Other receivables	423,400	634,785
William Davidson Foundation	-	60,000
	<u>1,152,125</u>	<u>3,425,140</u>
Less unamortized discount	-	(28,942)
Pledges and grants receivable, net	<u>\$1,152,125</u>	<u>\$3,396,198</u>

The pledges and grants receivable are due as follows:

	<u>2021</u>	<u>2020</u>
Due within one year	\$1,152,125	\$2,694,785
Due between one and two years	-	730,355
Total pledges and grants receivable	<u>\$1,152,125</u>	<u>\$3,425,140</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, 2020 were the Treasury Bill rates in effect at the date the grant was granted.

While the Organization's merger is being finalized (see Note T), its multi-year grantors are continuing to support Hazon's programs, but with one-year funding.

The pledges and grants receivable are presented in the statement of financial position as follows:

	<u>2021</u>	<u>2020</u>
With current assets	\$1,152,125	\$2,694,785
With other assets, net of unamortized discount	-	701,413
Total pledges and grants receivable, net	<u>\$1,152,125</u>	<u>\$3,396,198</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE D - INVESTMENTS

A gift of 192 limited partnership units in Global Sun Partners L.P. (“GSP”) was received in 2009. At that time, management valued the limited partnership units at \$42,420 based on known private sales and other financial factors existing at the time. During December 31, 2020 management reduced the investment by \$14,580 to \$27,840 to reflect the current estimated share value of the investment. No further adjustment to the fair value of GSP was deemed necessary during the year ended December 31, 2021.

Donated common stock is valued at its market value at the time of the donation. During the years ended December 31, 2021 and 2020 the Organization received donations of common stock in the market value amounts of \$102,218 and \$30,372, respectively, which are included in individual and institutional support.

The investments, as presented in the statement of financial position, are comprised of the following:

	<u>2021</u>	<u>2020</u>
Investment in limited partnership	\$27,840	\$27,840
Common stock with brokerages	4,212	5,450
Total investments	<u>\$32,052</u>	<u>\$33,290</u>

NOTE E – PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation, as of December 31, 2021 and 2020, consist of:

	<u>2021</u>	<u>2020</u>
Land	\$ 816,000	\$ 816,000
Building and improvements	5,398,329	5,322,279
Right-of-use asset	550,631	550,631
Furniture and office equipment	400,622	400,622
Transportation equipment	228,202	228,202
Website	16,752	16,752
	<u>7,410,536</u>	<u>7,334,486</u>
Less accumulated depreciation	(4,364,137)	(4,088,212)
Property and equipment, net of accumulated depreciation	<u>\$3,046,399</u>	<u>\$3,246,274</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE E – PROPERTY AND EQUIPMENT, NET (CONTINUED)

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

A truck was pledged as collateral for a vehicle retail installment contract, and a mortgage is secured by the property located at 181 Beebe Hill Road, Fall Village, Connecticut. While the intent of the Organization is to sell the property, it is still being used on the retreat campus. (See Note I.)

Depreciation expense for the years ended December 31, 2021 and 2020 was \$166,058 and \$173,634, respectively. In addition, depreciation expense associated with the new right-of-use asset for the years ended December 31, 2021 and 2020 was \$109,867 and \$105,625, respectively.

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 were payable on demand and carried an interest rate of 4.24% per annum on the outstanding balance. The line of credit was collateralized by the Organization's real property at its retreat center in Connecticut. The line was closed in June 2021. There was no outstanding balance as of both December 31, 2021 and 2020. Total interest expense on the line of credit for the years ended December 31, 2021 and 2020 was \$-0 and \$6,002, respectively. The Organization is negotiating a new line of credit.

NOTE G - EVENT DEPOSITS PAYABLE

As of December 31, 2021 and 2020, advance deposits in the amount of \$62,720 and \$120,590, respectively, relate to events scheduled to take place at the Organization's retreat center during 2022 and 2021, respectively.

As a result of the COVID-19 pandemic crisis and in accordance with state and local government regulations, the Organization closed its retreat center during the period between February 2020 and June 2020. Included in event deposits payable as of December 31, 2021 and 2020, are the amounts of \$26,830 and \$42,230, respectively, which relate to advance deposits for cancelled events that were to take place during that period which will either be used for future events or recorded as donations if requested by the customers at a future date.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE H – EMPLOYEE BENEFITS PAYABLE

A future employee benefits commitment was made by the Organization during 2017. The balance due as of December 31, 2021 and 2020 (\$196,274 and \$304,900, respectively) is presented as follows in the statements of financial position:

	<u>2021</u>	<u>2020</u>
Included in:		
Current liabilities	\$83,889	\$173,672
Long-term liabilities	112,385	131,228
	<u>\$196,274</u>	<u>\$304,900</u>

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 bore interest at 5.89% with 60 monthly payments of \$937 and was paid off in 2020. Total interest expense on the loan for the years ended December 31, 2021 and 2020 was \$-0 and \$289, respectively.

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, 2021 and 2020 is \$82,910 and \$207,223, respectively. Total interest expense on the loan for the years ended December 31, 2021 and 2020 was \$2,683 and \$4,895, respectively. The loan is scheduled to be fully repaid in July 2022.

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 variable interest rate for the loan is 5.25% 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, 2021 and 2020 was \$457,023 and \$487,946, respectively. Total interest expense on the loan for the year ended December 31, 2021 and 2020 was \$24,783 and \$23,907, respectively. In June 2022, a decision was made to sell this asset, while continuing to use the property until a sale is finalized. Given the current market conditions it is anticipated that a sale will be closed in the coming year and that the full amount of the mortgage will be paid off.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE I – LOANS AND MORTGAGE PAYABLE (CONTINUED)

On April 21, 2020, the Organization received a \$844,000 loan under the Paycheck Protection Program (“PPP”) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (“SBA”). In November 2020 the amount of \$819,019 was forgiven and reclassified as revenue and is included with government grants in the statements of activities. The remaining loan balance of \$24,981 bears interest at the rate of 1%, and is being paid out over 18 months with scheduled payments of \$1,399 per month. The outstanding principal balance as of December 31, 2021 and 2020 was \$6,977 and \$23,603, respectively. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan was fully repaid in April 2022. See Note L with regard to a second PPP loan received and forgiven in the year 2021.

Future minimum payments required under the mortgage and loan agreements, as of December 31, 2021 are as follows:

	<u>Paycheck</u> <u>Protection</u> <u>Program</u>	<u>Construction</u> <u>Loan</u>	<u>Mortgage</u> <u>Note</u> ^[1]	<u>Total</u>
Year ended				
December 31:				
2022	\$6,977	\$82,910	\$17,095	\$106,982
2023	-	-	18,014	18,014
2024	-	-	18,983	18,983
2025	-	-	20,004	20,004
2026	-	-	21,080	21,080
Thereafter	-	-	361,847	361,847
Totals	<u>\$6,977</u>	<u>\$82,910</u>	<u>\$457,023</u>	<u>\$546,910</u>
Included in:				
Current liabilities	\$6,977	\$82,910	\$17,095	\$106,982
Long-term liabilities	-	-	439,928	439,928
Totals	<u>\$6,977</u>	<u>\$82,910</u>	<u>\$457,023</u>	<u>\$546,910</u>

Note [1] – Future payments do not take into consideration the possibility of early repayment of the mortgage upon sale of the property as discussed above.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 and 2020 are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Grants for specific programming	\$1,361,168	\$ 959,672
Donations with time restrictions	1,421,555	3,022,104
Restricted for use in construction	118,000	158,000
Restricted for fiscal sponsor	-	135,600
Totals	<u>\$2,900,723</u>	<u>\$4,275,376</u>

NOTE K – LEASE LIABILITY AND RENT EXPENSE

Expired Leases

The following lease agreement expired before December 31, 2019 and was in effect when the Organization adopted ASC 842 as of January 1, 2019:

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. ASC 842 was not applied to this lease agreement because the amounts and lease term were not deemed significant.

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.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE K – LEASE LIABILITY AND RENT EXPENSE (CONTINUED)

A maturity analysis related to the lease liability as of December 31, 2021 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
	2022	116,240	189,829
	2023	125,045	64,784
	2024	64,784	-
		<u>\$550,631</u>	-

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Included in:		
Current liabilities	\$116,240	\$107,902
Long-term liabilities	189,829	306,069
	<u>\$306,069</u>	<u>\$413,971</u>

The following are the future minimum payments required under the lease agreement as of December 31, 2021:

<u>Year ended December 31,</u>	
2022	\$129,218
2023	133,094
2024	67,530
	<u>\$329,842</u>

Total rent expense for the years ended December 31, 2021 and 2020 was \$146,719 and \$143,269, respectively, which is included with occupancy expenses in the statements of functional expenses. (Of these amounts, short-term leases amounted to \$19,300 and \$15,850, respectively.) Included in the amount for the years ended December 31, 2021 and 2020 is \$65,454 and \$91,200, respectively, of donated occupancy services provided by the landlord during months when the Organization's office was either inaccessible or occupancy services were reduced due to the COVID-19 pandemic.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE L – GOVERNMENT ASSISTANCE / CONTINGENCIES

On January 21, 2021, the Organization received a second \$844,000 loan under the PPP (see Note I). In accordance with FASB ASC 958-605, PPP loans are accounted for as conditional grants and not recognized as revenue until the conditions are substantially met or explicitly waived. Specifically, the Organization initially recorded the cash inflow from the PPP loan as a refundable advance. The loan was granted full forgiveness by the Small Business Association on October 8, 2021 and recorded as grant income in the reported year.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for the Employee Retention Credit (“ERC”) which is a refundable tax credit against certain employment taxes subject to certain criteria. In a combination of unpaid quarterly employment taxes and refund payments for prior quarters, the Organization received a total of \$464,984 in government grants under the ERC.

Subsequent to year end, the Organization filed amended payroll returns for the first and second quarter of 2021 as well as for the month of July 2021 to claim an additional ERC refund of \$549,481. In May 2022 the Organization received \$223,011 in respect of this claim, with the balance of \$326,470 pending. In accordance with FASB ASC 958-605 the ERC is considered a nonexchange transaction that is accounted for as a conditional contribution. Management has determined that as of December 31, 2021 all conditions (barriers) have been substantially met, and as indicated in FASB ASC 958-605-25-5D, administrative stipulations, such as the filing of related ERC forms, is not indicative of a barrier. Accordingly, the Organization has recorded a refund receivable and income for the \$549,481 ERC refund.

As a recipient of the PPP loans and ERC refunds, Hazon may be subject to a regulatory audit which could result in the adjustment of previously received funds. As of December 31, 2021 management is not aware of any necessary adjustments.

NOTE M – FUNDRAISING EXPENSES

Total fundraising expenses, which includes allocated payroll and other costs, for the year ended December 31, 2021 and 2020 totaled \$550,381 and \$797,264, respectively.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE N – 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.

One major grantor comprised approximately 63% of the outstanding pledges and grants receivable, net, as of December 31, 2021.

Two major grantors comprised approximately 80% of the outstanding pledges and grants receivable, net, as of December 31, 2020.

The receivable from the Israel Ministry of Diaspora Affairs is from a foreign governmental entity (see Notes C and R). Because all billings and payments are transacted in United States dollars there are no risks of foreign 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 the 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. During the year ended December 31, 2020, the Ministry of Diaspora Affairs notified the Organization that there would be a reduction in the government sponsorship of the Hakhel program due to COVID-19 related cancellations of programs which were planned for 2020. As a result of this notification, the Organization reduced the receivable from the Ministry by \$434,000 in the year ended December 31, 2020 to reflect a reduction in the anticipated income.

NOTE O – 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. (Also see Note H.)

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE P – 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.

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).

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE P – FAIR VALUE PRESENTATION (CONTINUED)

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$3,100,337	\$ -	\$ -	\$3,100,337
Pledges, grants and government receivables, net	1,701,606	-	-	1,701,606
Investments	4,212	-	27,840	32,052
Total Assets	<u>\$4,806,155</u>	<u>\$ -</u>	<u>\$ 27,840</u>	<u>\$4,833,995</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities</u>				
Mortgage payable	\$ -	\$317,649	\$ -	\$317,649
Construction loan payable	82,910	-	-	82,910
Total Liabilities	<u>\$82,910</u>	<u>\$317,649</u>	<u>\$ -</u>	<u>\$ 400,559</u>

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$1,841,962	\$ -	\$ -	\$1,841,962
Pledges, grants and government receivables, net	1,894,785	1,501,413	-	3,396,198
Investments	5,450	-	27,840	33,290
Total Assets	<u>\$3,742,197</u>	<u>\$1,501,413</u>	<u>\$ 27,840</u>	<u>\$5,271,450</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities</u>				
Mortgage payable	\$ -	\$315,289	\$ -	\$315,289
Construction loan payable	-	203,851	-	203,851
Total Liabilities	<u>\$ -</u>	<u>\$ 519,140</u>	<u>\$ -</u>	<u>\$ 519,140</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE P – FAIR VALUE PRESENTATION (CONTINUED)

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

	<u>Private Equity Investment</u>
January 1, 2020	\$ 27,840
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2020	<u>\$ 27,840</u>
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2021	<u>\$ 27,840</u>

NOTE Q – 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 government assistance in the form of payroll tax refunds (Note L).

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 \$970,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE Q – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY (CONTINUED)

As of December 31, 2021, 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 date of the statement of financial position to meet general expenditures:

Financial assets at year-end

Cash and cash equivalents	\$3,100,337
Pledges, grants and government receivable, net	1,701,606
Accounts receivable	44,831
Investments	32,052
Total financial assets at year-end	<u>\$4,878,826</u>

Financial assets available to meet general expenditures over the next 12 months

Cash and cash equivalents	\$3,100,337
Pledges for general expenditures due in one year or less	1,701,606
Accounts receivable	44,831
Investments	4,212
	<u>\$4,850,986</u>

NOTE R – 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 currently partners with over 132 communities in over 30 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, 2021 and 2020, they totaled approximately \$176,541 and \$633,295, respectively.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE R – HAKHEL INTENTIONAL COMMUNITIES (CONTINUED)

Included in accounts payable in the statement of financial position as of December 31, 2021 and 2020, are \$177,852 and \$74,135, respectively, of expenses that related to vendors associated with the Hakhel program activities.

NOTE S – COVID-19 PANDEMIC

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.

In March 2020, COVID-19 forced the closure of the Isabella Freedman Jewish Retreat Center which led to the canceling of all planned programming for the rest of 2020 and a significant loss of revenue. The Organization partially re-opened the retreat center in June 2020 to host COVID-safe, socially-distanced programming at reduced capacity, which has continued into 2021. The 2020 losses were mitigated by significant cost-cutting and emergency funding. The Organization has seen demand for retreats increase throughout 2021 as more people are vaccinated and is preparing for a more fully-booked calendar in 2022. Hazon’s national programs adapted to a more virtual world and as a result, COVID-19 did not cause major disruptions to Hazon’s operations outside of the retreat center.

NOTE T – SUBSEQUENT EVENTS

In May 2022, the boards of directors (the “Boards”) of Hazon and Pearlstone Conference & Retreat Center Inc. (“Pearlstone”) of Reistertown, Maryland, finalized the documentation for the merger of the two entities initially approved in July 2021. Since the initial adoption of the merger plan, the Boards have engaged counsel to undertake a legal review of the various agreements entered into by the respective organizations, draft the definitive merger documentation, and guide the boards through their review and approval processes. Top priorities for the Boards were the resulting governance and operational structure, the incorporation jurisdiction, uninterrupted partnership relationships, and compliance with all regulatory requirements. While both organizations will maintain their current physical locations, the current Executive Director of Pearlstone will serve as the Chief Executive Officer of the newly merged organization headquartered in Maryland. A draft merger petition with exhibits was submitted to the New York

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE T – SUBSEQUENT EVENTS (CONTINUED)

Attorney General’s (“NYAG”) office, and a response is expected in the late summer of 2022. The final approval from the NYAG is currently anticipated to come in the fall of 2022. Further information about the merger is available on the websites of the organizations.

HAZON, INC.

SUPPLEMENTARY INFORMATION
SCHEDULE OF PROGRAM SERVICES
YEAR ENDED DECEMBER 31, 2021

	<u>National</u> <u>Programs</u>	<u>Isabella</u> <u>Freedman</u> <u>Retreat Center</u>	<u>Total</u> <u>Program</u> <u>Services</u>
Salaries and related costs	\$1,289,316	\$1,214,336	\$2,503,652
Consulting fees	198,530	187,058	385,588
Dining and food costs	-	214,906	214,906
Program supplies and costs	82,773	120,125	202,898
Donated program services, Hakhel	176,541	-	176,541
Depreciation and amortization	8,303	141,149	149,452
Miscellaneous	72,061	67,890	139,951
Insurance	69,589	65,541	135,130
Utilities	-	133,147	133,147
Repairs and maintenance	4,149	118,284	122,433
Grants to other organizations	99,617	660	100,277
Information technology	45,830	43,165	88,995
Conferences and meetings	88,659	112	88,771
Temporary staffing	68,430	37	68,467
Housekeeping	-	67,157	67,157
Occupancy	7,752	54,606	62,358
Occupancy, donated services	50,226	-	50,226
Permits and registration fees	35	40,827	40,862
Interest expense	3,746	31,841	35,587
Telephone and internet	16,402	15,448	31,850
Credit card and processing fees	6,495	22,497	28,992
Marketing and communications	13,285	12,512	25,797
Travel and accommodations	23,688	517	24,205
Vehicle costs	12,897	4,467	17,364
Professional recruitment	7,749	7,298	15,047
Office supplies	7,572	7,132	14,704
Payroll services	6,277	5,913	12,190
Dues and subscriptions	3,563	3,355	6,918
Meals and entertainment	4,479	1,840	6,319
Postage	2,069	1,950	4,019
Sales and merchandise	1,279	1,204	2,483
Printing and copying	2,387	-	2,387
Totals	<u>\$2,373,699</u>	<u>\$2,584,974</u>	<u>\$4,958,673</u>