

HAZON, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

HAZON, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Hazon, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hazon, Inc. as of December 31, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

BILLET, FEIT & PREIS, P.C.

Certified Public Accountants

June 7, 2012

HAZON, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

Current Assets

Cash and cash equivalents -	
Hazon operations	\$ 392,783
Fiscal sponsorships	183,629
	<u>576,412</u>
Pledges receivable	90,250
Accounts receivable	42,525
Investment	49,920
Prepaid expenses	16,078
Total Current Assets	<u>775,185</u>
Property and equipment, net of accumulated depreciation	31,981
Security deposits	<u>10,017</u>
TOTAL ASSETS	<u>\$ 817,183</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 17,274
Accrued expenses	100,006
Grants payable	33,676
Member deposits	7,800
Total Current Liabilities	<u>158,756</u>

Net Assets

Unrestricted	<u>268,315</u>
Temporarily restricted	
Fiscal sponsorships	149,744
Makom Hadash	40,131
Other	200,237
	<u>390,112</u>
Total Net Assets	<u>658,427</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 817,183**

See accompanying notes to financial statements.

HAZON, INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenues and Other Support</u>			
Program Revenue:			
Outdoor adventure – direct revenues	\$ 515,931	\$ -	\$ 515,931
Outdoor adventure – grants and direct support	83,637	60,000	143,637
Outdoor adventure – released from restrictions	45,000	(45,000)	-
	644,568	15,000	659,568
Food and regions – direct revenues	166,167	-	166,167
Food and regions – grants and direct support	200,751	59,454	260,205
Food and regions – released from restrictions	115,105	(115,105)	-
	482,023	(55,651)	426,372
Makom Hadash – direct revenues	38,519	-	38,519
Makom Hadash – grants and direct support	89,750	-	89,750
Makom Hadash – released from restrictions	146,908	(146,908)	-
	275,177	(146,908)	128,269
Total Program Revenue:	1,401,768	(187,559)	1,214,209
General support – current year	910,481	80,783	991,264
General support – released from restrictions	58,000	(58,000)	-
Investment income	25,921	-	25,921
Total revenues and other support excluding fiscal sponsorships	2,396,170	(164,776)	2,231,394
Fiscal sponsorships – current year	-	923,152	923,152
Total Revenues and Other Support	2,396,170	758,376	3,154,546
 <u>Expenses</u>			
Program Expenses:			
Outdoor adventure	830,260	-	830,260
Food and regions	690,371	-	690,371
Makom Hadash	275,177	-	275,177
Grants to other organizations	175,093	-	175,093
Supporting Services:			
Management and general	156,194	-	156,194
Fundraising	235,710	-	235,710
Total expenses excluding fiscal sponsorships	2,362,805	-	2,362,805
Fiscal sponsorships	-	872,535	872,535
Total Expenses	2,362,805	872,535	3,235,340
<u>Increase (Decrease) in Net Assets</u>			
– Hazon, excluding fiscal sponsorships	33,365	(164,776)	(131,411)
– Fiscal sponsorships	-	50,617	50,617
– Hazon, including fiscal sponsorships	33,365	(114,159)	(80,794)
Net assets at beginning of year	234,950	504,271	739,221
Net assets at end of year	\$ 268,315	\$ 390,112	\$ 658,427
 <u>Net Assets at End of Year</u>			
– Hazon, excluding fiscal sponsorships	\$ 268,315	\$ 240,368	\$ 508,683
– Fiscal sponsorships	-	149,744	149,744
– Hazon, including fiscal sponsorships	\$ 268,315	\$ 390,112	\$ 658,427

See accompanying notes to financial statements.

HAZON, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011**

<u>Cash Flows From Operating Activities</u>	
Decrease in net assets	\$ (80,794)
Adjustment to reconcile decrease in net assets to net cash used by operating activities	
Depreciation	21,321
Decrease pledges receivable	11,400
Decrease in accounts receivable	56,703
Decrease in prepaid expenses	7,296
Decrease in accounts payable	(22,036)
Decrease in accrued expenses	(55,428)
Decrease in due to fiscal sponsored projects	(797)
Decrease in grants payable	(6,224)
Increase in member deposits	2,700
Total Adjustments	<u>14,935</u>
Net Cash Flows Used By Operating Activities	<u>(65,859)</u>
 <u>Cash Flows From Investing Activities</u>	
Increase in fair value of investment	<u>(24,920)</u>
Net Cash Flows Used By Operating Activities	<u>(24,920)</u>
 Net decrease in cash and cash equivalents	(90,779)
 Cash and cash equivalents at beginning of year	<u>667,191</u>
 Cash and cash equivalents at end of year	<u><u>\$ 576,412</u></u>

See accompanying notes to financial statements.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

Note 1 Summary of Significant Accounting Policies

Organization

Hazon is a 501(c)(3) non-profit organization in the American Jewish community that was founded in 2000. Hazon works to create a healthier and more sustainable Jewish community and a healthier and more sustainable world for all.

Hazon effects change in three main ways;

- (1) Transformative experiences;
- (2) Thought-leadership;
- (3) Capacity building.

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

Makom Hadash

In 2010 Hazon created a new division, Makom Hadash, to support second-stage Jewish non-profit organizations. For more information see Makom Hadash's website: <http://www.makomhadash.org/>.

Basis of Accounting

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

Basis of Presentation

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

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

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

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2011

Note 1 Summary of Significant Accounting Policies (continued)

from restrictions. A total of \$390,112 of the Organization's net assets was temporarily restricted as of December 31, 2011.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be permanently maintained by Hazon. The Organization had no permanently restricted net assets as of December 31, 2011.

Revenues

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

- In regard to the New York and Israel Rides, participants pay a registration fee and further raise additional sponsorship funds. For the New York ride, the sponsorship funds are paid to Hazon directly, a portion of which is disbursed to other organizations in the form of grants. In the case of the Israel Ride, donations are paid directly to the Arava Institute with a quarter of the net proceeds then being paid to Hazon to support its educational work. Because of this arrangement, the financial statements do not emphasize the overall positive financial impact of the Israel Rides since the total funds raised by the Arava Institute are not included in the financial statements. For the year ended December 31, 2011, it is estimated that the Israel Rides raised an amount of approximately \$113,000, net of the program's expenses, for the Arava Institute, in addition to the revenue reported in the financial statements.
- The Hazon Community-Supported Agriculture ("CSA") Project, formerly known as Tuv Ha'aretz, is the first Jewish CSA program in North America. Hazon partners Jewish communities with local sustainable farms by launching CSA programs in synagogues and JCCs across the country. The individual families who join the Hazon CSAs pay their fees directly to the farmers, not to Hazon. Because of this arrangement, the financial statements do not emphasize the overall positive financial impact of Hazon's CSAs, since the revenues paid are not included in the financial statements. For the year ended December 31, 2011, it is estimated that the CSAs generated an amount of approximately \$1,760,000 for local sustainable farms.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2011

Note 1 Summary of Significant Accounting Policies (continued)

Fiscal Sponsorships

Hazon effects change not only through the direct impact of its own programs, but also by supporting more generally the development of the Jewish environmental movement. One of the ways that the Organization does this is by becoming fiscal sponsor to significant independent projects that further their mission. As fiscal sponsor, Hazon provides organizational infrastructure and legal and tax-exempt status for these groups. In 2011 Hazon was fiscal sponsor to three projects; Jewish Farm School, Wilderness Torah and Urban Adamah, each of which grew successfully during the year (see Note 10).

Expense Allocation

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

Donated Assets

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

Donated Services

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

Investments

Hazon follows FASB ASC No. 958-325-50, under which marketable securities with readily determinable fair values and investments in debt securities are valued at their fair values in the statement of financial position. Other investments whose fair market 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 statement of activities.

Contributions

In accordance with FASB ASC No. 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2011

Note 1 Summary of Significant Accounting Policies (continued)

support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to Hazon that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Property and equipment donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets. Absent donor restrictions regarding how long those donated assets must be maintained, Hazon reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Use of Estimates

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

Cash and Cash Equivalents

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

Pledges and Accounts Receivable

Pledges and accounts receivable consist of amounts due from donors and participants, respectively. 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, 2011.

Property and Equipment

Generally, all acquisitions of property and equipment over \$2,500 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

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011

Note 1 Summary of Significant Accounting Policies (continued)

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 2008-2010 are subject to examination by the Internal Revenue Service and New York State Office of the Attorney General, generally for three years after they are filed. At December 31, 2011, Hazon had no knowledge of any tax returns under examination.

Subsequent Events

Management has evaluated subsequent events through June 7, 2012, the date the financial statements were available to be issued.

Fair Value

The carrying amounts of cash and cash equivalents, receivables and payables all approximate their fair value due to their short term maturity. The investment is adjusted to its fair value at the balance sheet date (see Note 3).

Note 2 Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2011 consist of the following:

Cash in operating accounts and on hand	\$ 296,557
Cash in savings accounts	279,855
Total	<u>\$ 576,412</u>

Note 3 Investment

A gift of 192 limited partnership units in Global Sun Partners L.P. was given to the Organization in 2009. During 2011 partnership units in Global Sun Partners L.P. changed hands at prices in excess of \$325 per unit. Management has valued the stock at \$260 per unit which includes a discount of 20% to reflect the investments illiquidity.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011

Note 4 Property and Equipment, Net of Accumulated Depreciation

Property and equipment as of December 31, 2011 consists of:

Computer equipment	\$ 13,291
Furniture and fixtures	63,962
	<u>77,253</u>
Less: accumulated depreciation	(45,272)
Property and equipment, net of accumulated depreciation	<u>\$ 31,981</u>

Depreciation expense for the year December 31, 2011 was \$21,321 and is included in management and general expenses in the statement of activities.

Note 5 Rent Expense

In April 2010 the Organization entered into a lease agreement to rent office space at 125 Maiden Lane in New York City at the base amount (not including electricity charges) of \$9,166.67 per month with annual increases of 9.1%. The lease expires on May 31, 2017. A security deposit in the amount of \$9,167 was provided in respect of this lease.

In April 2010 the Organization entered into a rent agreement for office space at 322 Pine Street in San Francisco, currently in the amount of \$1,540 per month. The agreement is for one year with annual renewals on a one-year basis. A security deposit in the amount of \$850 was provided in respect of this lease.

The following are the future minimum payments required under the Maiden Lane lease agreement as of December 31, 2011:

<u>For the year ended December 31,</u>	
2012	\$126,381
2013	137,881
2014	150,428
2015	164,117
2016	179,052
Thereafter	<u>77,291</u>
Total	<u>\$835,150</u>

Total rent expense for the year ended December 31, 2011 was \$134,318.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2011

Note 6 Fundraising Expense

Hazon uses staff time, its website and incurs travel expenses for fundraising purposes. Total fundraising expenses, which includes allocated payroll costs, for the year ended December 31, 2011 totaled \$235,710.

Note 7 Concentration of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash. 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.

Note 8 Employment Contracts

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

Note 9 Board of Directors' Gifts

Of the total \$2,231,394 of revenues and other support excluding fiscal sponsorship during the year ended December 31, 2011, \$202,585, or approximately 9%, was received from members of the Organization's Board of Directors.

Note 10 Fiscal Sponsorships

Hazon is a fiscal sponsor for three emerging projects:

- The Jewish Farm School is an independently-led project whose mission is to practice and promote sustainable agriculture and to support food systems rooted in justice and Jewish traditions. The Jewish Farm School runs a wide range of farm-based and sustainability themed programs, teaching practical skills while also educating about the larger context of contemporary food systems, and how Jewish traditions and practices can inform our decisions and actions today.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2011

Note 10 Fiscal Sponsorships (continued)

- Wilderness Torah is an independently-led project that revitalizes Jewish life by reconnecting Jewish traditions to the cycles of nature. Wilderness Torah facilitates individual spiritual growth, strengthens multi-generational communities, and connects people to nature through land-based festivals, rites of passage, and sustainable life skills education. Their programs cultivate understanding of Judaism's earth-based roots, inspire appreciation for Creation, and offer skills that empower participants to engage in Tikkun Olam by living sustainably in the modern world.
- Urban Adamah is a three-month residential leadership-training program for young adults that integrates urban organic farming, social justice work and progressive Jewish living and learning. Fellows operate an organic farm and educational center in Berkeley, California, while interning with community-based social justice organizations addressing issues at the intersection of poverty, food security and environmental stewardship. The Urban Adamah curriculum is designed to equip fellows with the tools to become agents of positive change in their own lives and in their communities. The fiscal sponsorship relationship between Hazon and Urban Adamah ended in September 2011.

The following is a summary of the revenues and expenses of these projects, included in the financial statements, for the year ended December 31, 2011:

	<u>Jewish</u> <u>Farm</u> <u>School</u>	<u>Wilderness</u> <u>Torah</u>	<u>Urban</u> <u>Adamah</u>	<u>Total</u>
Revenues	\$291,387	\$ 407,345	\$224,420	\$923,152
Expenses	311,783	335,987	224,765	872,535
Net increase (decrease)	(20,396)	71,358	(345)	50,617
Surplus from prior years	69,260	29,522	345	99,127
Surplus at the end of year	<u>\$ 48,864</u>	<u>\$100,880</u>	<u>\$ -</u>	<u>\$149,744</u>