

**HAZON, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**HAZON, INC.**

TABLE OF CONTENTS  
DECEMBER 31, 2012

	<u>PAGE NO.</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
<u>FINANCIAL STATEMENTS</u>	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6 - 15

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Hazon, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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.

### **Auditors' Responsibility**

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 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 auditors' judgment, including the assessment of the risk 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

BILLET, FEIT & PREIS, P.C.

Certified Public Accountants

April 30, 2013

**HAZON, INC.**

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012

**ASSETS**

Current Assets

Cash and cash equivalents -	
Hazon operations	\$ 494,987
Fiscal sponsorships	52,884
	<hr/>
	547,871
Pledges receivable	163,578
Accounts receivable	36,447
Investment	49,920
Prepaid expenses	32,838
Total Current Assets	<hr/>
	830,654
Property and equipment, net of accumulated depreciation	 10,660
Security deposits	<hr/>
	10,017
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 851,331</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts payable	\$ 80,045
Accrued expenses	64,167
Grants payable, fiscal sponsorships	46,970
Member deposits	15,125
Total Current Liabilities	<hr/>
	206,307

Net Assets

Unrestricted	281,899
Temporarily restricted	363,125
Total Net Assets	<hr/>
	645,024

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<hr/> <b>\$ 851,331</b>
---	----------------------------

See accompanying notes to financial statements.

# HAZON, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>Revenues and Other Support</u></b>			
Program Revenue:			
Outdoor adventure – direct revenues	\$ 453,050	\$ -	\$ 453,050
Outdoor adventure – grants and direct support	150,197	-	150,197
Outdoor adventure – released from restrictions	60,000	(60,000)	-
	<u>663,247</u>	<u>(60,000)</u>	<u>603,247</u>
Other programs – direct revenues	187,152	-	187,152
Other programs – grants and direct support	593,450	246,250	839,700
Other programs – released from restrictions	99,585	(99,585)	-
	<u>880,187</u>	<u>146,665</u>	<u>1,026,852</u>
Total Program Revenue:	1,543,434	86,665	1,630,099
General support – current year	648,084	116,875	764,959
General support – released from restrictions	80,783	(80,783)	-
Donated services	14,548	-	14,548
Fiscal sponsorship fees	29,170	-	29,170
Investment and other income	11,478	-	11,478
	<u>2,327,497</u>	<u>122,757</u>	<u>2,450,254</u>
Total revenues and other support excluding fiscal sponsorships	2,327,497	122,757	2,450,254
Fiscal sponsorships – current year	697,007	-	697,007
Fiscal sponsorships – released from restrictions	149,744	(149,744)	-
Total Revenues and Other Support	<u>3,174,248</u>	<u>(26,987)</u>	<u>3,147,261</u>
<b><u>Expenses</u></b>			
Program Expenses:			
Wages, related taxes and benefits	786,107	-	786,107
Other program expenses	309,834	-	309,834
Conferences, food and lodging	194,819	-	194,819
Grants	76,620	-	76,620
Supporting Services:			
Management and general	615,557	-	615,557
Fundraising	306,089	-	306,089
Total expenses excluding fiscal sponsorships	<u>2,289,026</u>	<u>-</u>	<u>2,289,026</u>
Grants - fiscal sponsorships	871,638	-	871,638
Total Expenses	<u>3,160,664</u>	<u>-</u>	<u>3,160,664</u>
<b><u>Increase (Decrease) in Net Assets</u></b>			
– Hazon, excluding fiscal sponsorships	38,471	122,757	161,228
– Fiscal sponsorships	(24,887)	(149,744)	(174,631)
– Hazon, including fiscal sponsorships	<u>13,584</u>	<u>(26,987)</u>	<u>(13,403)</u>
Net assets at beginning of year	268,315	390,112	658,427
Net assets at end of year	<u>\$ 281,899</u>	<u>\$ 363,125</u>	<u>\$ 645,024</u>

See accompanying notes to financial statements.

**HAZON, INC.**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012**

<u>Cash Flows From Operating Activities</u>	
Decrease in net assets	<u>\$ (13,403)</u>
Adjustment to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	21,321
Increase pledges receivable	(73,328)
Decrease in accounts receivable	6,078
Increase in prepaid expenses	(16,760)
Increase in accounts payable	62,771
Decrease in accrued expenses	(35,839)
Increase in grants payable, fiscal sponsorships	13,294
Increase in member deposits	<u>7,325</u>
Total Adjustments	<u>(15,138)</u>
Net Cash Flows Used By Operating Activities	<u>(28,541)</u>
Net decrease in cash and cash equivalents	(28,541)
Cash and cash equivalents at beginning of year	<u>576,412</u>
Cash and cash equivalents at end of year	<u>\$ 547,871</u>

See accompanying notes to financial statements.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2012

#### 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/>

##### 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. A total of \$281,899 of the Organization's net assets was unrestricted as of December 31, 2012

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 from restrictions. A total of \$363,125 of the Organization's net assets was temporarily restricted as of December 31, 2012.



## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2012

#### Note 1 Summary of Significant Accounting Policies (continued)

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, 2012.

#### 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, 2012, it is estimated that the Israel Rides raised an amount of approximately \$69,000, net of the program's expenses, for the Arava Institute, in addition to the revenue reported in these 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, 2012, it is estimated that the CSAs generated an amount of approximately \$1,850,000 for local sustainable farms.

For statement of activities purposes, program revenue is presented in two categories: *Outdoor Adventure*, which includes various biking events in the United States and Israel, and *Other Programs*, which includes food, education, environmental and social justice programs.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2012

#### 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 2012 Hazon was fiscal sponsor to five projects; Jewish Farm School, Wilderness Torah, Green Movement Amutah, StorahTelling and Pushing the Envelope Farm, 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.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2012

#### Note 1 Summary of Significant Accounting Policies (continued)

##### Contributions

In accordance with FASB ASC No. 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to Hazon that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. 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, 2012.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2012

#### Note 1 Summary of Significant Accounting Policies (continued)

##### 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 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 2009-2011 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, 2012, Hazon had no knowledge of any tax returns under examination.

##### Subsequent Events

Management has evaluated subsequent events through April 30, 2013, 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, 2012 consist of the following:

Cash in operating accounts and on hand	\$ 289,515
Cash in savings accounts	258,356
Total	<u>\$ 547,871</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 2012 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, 2012

Note 4 Property and Equipment, Net of Accumulated Depreciation

Property and equipment as of December 31, 2012 consists of:

Furniture and fixtures	\$ 63,962
Less: accumulated depreciation	<u>(53,302)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 10,660</u>

Depreciation expense for the year December 31, 2012 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, 2012:

<u>For the year ended December 31,</u>	
2013	\$137,881
2014	150,428
2015	164,117
2016	179,052
2017	<u>77,291</u>
Total	<u>\$708,769</u>

Total rent expense for the year ended December 31, 2012 was \$132,262, of which \$14,548 was donated facilities for temporary office space during the months the Organization had to relocate in the aftermath of Hurricane Sandy.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2012

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, 2012 totaled \$306,089.

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 \$2,450,254 of revenues and other support excluding fiscal sponsorship during the year ended December 31, 2012, \$181,650, or approximately 7%, was received from members of the Organization's Board of Directors.

Note 10 Fiscal Sponsorships

Hazon is a fiscal sponsor for five emerging projects:

- The Jewish Farm School is an organization that offers farm-based education for college students, adults and youth to promote sustainable agriculture and food systems rooted in justice and Jewish traditions.
- Wilderness Torah is an organization that revitalizes Jewish life by reconnecting Jewish traditions to the cycles of nature through land-based festivals, rites of passage, and sustainable life skills education.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEAR ENDED DECEMBER 31, 2012

#### Note 10 Fiscal Sponsorships (continued)

- Green Movement Amutah seeks to influence public opinion and further the understanding among Israel's diverse communities that sustainable living needs to be a part of everyday life.
- StorahTelling makes ancient stories and traditions accessible for new generations, advancing Judaic literacy and raising social consciousness through innovative leadership, training programs and theatrical performances.
- Pushing the Envelope Farm is a 14-acre Jewish community and educational center near Chicago, providing visitors with a chance to experience small scale agriculture through hands-on workshops and activities. Revenues generated from this project first began in 2013.

The following is a summary of the revenues of these projects, included in the financial statements, for the year ended December 31, 2012:

	<u>Revenue</u>
StorahTelling	\$ 312,658
Wilderness Torah	203,897
Jewish Farm Schools	174,092
Green Movement Amutah	6,360
Total	<u>\$ 697,007</u>

#### Note 11 Fair Value Presentation

The Organization, as required, adopted the provisions of FASB ASC 825-10-50 under which fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. ASC 825-10-50 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted market prices in active markets. Under ASC 825-10-50, fair value measurements are disclosed by level within that hierarchy. ASC 825-10-50 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 based on market data obtained from sources independent of MYRCB. Unobservable inputs reflect the Organization's

**HAZON, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012

Note 11 Fair Value Presentation (continued)

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

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

Cash and cash equivalents – the carrying amounts for cash and cash equivalents reported in the 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).

Investments – investments in private equity investments reflect management's own assumptions and estimated fair value (Level 3).

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, 2012:

<u>Asset</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 547,871	\$ -	\$ -	\$ 547,871
Pledges receivable	163,578	-	-	163,578
Accounts receivable	36,447	-	-	36,447
Investments	-	-	49,920	49,920
	<u>\$ 747,896</u>	<u>\$ -</u>	<u>\$ 49,920</u>	<u>\$ 797,816</u>



**HAZON, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2012

Note 11 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, 2012	\$ 49,920
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2012	<u>\$ 49,920</u>

Note 12 Subsequent Events

In December 2012 the Organization announced its planned merger with the Isabella Freedman Jewish Retreat Center (“IFJRC”) located in Falls Village, Connecticut. In addition to functioning as a retreat center for a multitude of Jewish organizations, IFJRC runs its own learning and environmental programs. The stated purpose of the merger is to enable both organizations to reach a broader community and impact a larger audience. The actual merger is scheduled for July 2013 at which time all the assets and liabilities of the Organization will transfer to IFJRC together with all of its current programs and fiscal sponsor relationships. IFJRC will change its name to Hazon. The merger will be accounted for under the carryover method of accounting in which the new organization is created by combining the assets, liabilities and net assets of the merged organizations as of the merger date (FASB ASC 958-805-25-3).