<u>**HAZON, INC.**</u>

<u>FINANCIAL STATEMENTS</u>

<u>FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014</u>

HAZON, INC.

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DECEMBER 31, 2015 AND 2014

BILLET, FEIT AND PREIS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hazon, Inc.
New York, NY

We have audited the accompanying financial statements of Hazon, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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, 2015 and 2014, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

BILLET, FEIT & PREIS, P.C.

Billet, Feit & Preis

Certified Public Accountants

New York, NY
May 13, 2016

HAZON, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
Current Assets		
Cash and cash equivalents	$ 2,536,265	$ 307,291
Pledges and grants receivable, net	5,453,496	2,902,820
Accounts receivable	2,796	94,342
Investments	42,553	45,523
Prepaid expenses	45,595	31,894
Property held for sale	230,510	230,510
Total Current Assets	8,311,215	3,612,380
Property and equipment, net	2,140,708	2,187,069
Security deposits	11,340	9,267
TOTAL ASSETS	$10,463,263	$5,808,716

LIABILITIES AND NET ASSETS

	2015	2014
Current Liabilities		
Accounts payable	$ 86,962	$ 207,445
Accrued expenses	208,405	193,070
Grants payable, fiscal sponsorships	507	26,875
Deferred income	229,268	254,109
Tenant deposits	9,601	10,075
Other liabilities	51,738	8,865
Mortgage and loan payable, current maturities	22,738	13,327
Total Current Liabilities	609,219	713,766
Long-term Liabilities		
Mortgage and loan payable, less current maturities	69,596	44,563
Total Liabilities	678,815	758,329
Net Assets		
Unrestricted	1,564,156	1,687,635
Temporarily restricted	8,220,292	3,362,752
Total Net Assets	9,784,448	5,050,387
TOTAL LIABILITIES AND NET ASSETS	$10,463,263	$5,808,716

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support						
General Support:						
Foundation grants	$ 163,382	$8,498,994	$8,662,376	$1,230,161	$3,722,275	$4,952,436
Individual and institutional support	325,941	-	325,941	475,228	-	475,228
Released from restrictions, prior periods	1,538,094	(1,538,094)	-	279,859	(279,859)	-
Released from restrictions, current year	2,103,360	(2,103,360)	-	572,164	(572,164)	-
	4,130,777	4,857,540	8,988,317	2,557,412	2,870,252	5,427,664
Program Revenues:						
Program fees	2,378,811	-	2,378,811	2,339,301	-	2,339,301
Participant fundraising	253,374	-	253,374	308,466	-	308,466
	2,632,185	-	2,632,185	2,647,767	-	2,647,767
Other Income:						
Donated assets	-	-	-	230,510	-	230,510
Donated services	133,815	-	133,815	77,581	-	77,581
Fiscal sponsorship fees	-	-	0	18,096	-	18,096
Proceeds from insurance settlement	102,541	-	102,541	-	212,641	212,641
Investment and other income	86,717	-	86,717	124,293	-	124,293
Sales of merchandise	124,568	-	124,568	107,928	-	107,928
	447,641	-	447,641	558,408	212,641	771,049
Total revenues and other support excluding fiscal sponsor income	7,210,603	4,857,540	12,068,143	5,763,587	3,082,893	8,846,480
Fiscal sponsor income	32,678	-	32,678	284,102	-	284,102
Total Revenues and Other Support	7,243,281	4,857,540	12,100,821	6,047,689	3,082,893	9,130,582
Operating Expenses						
Program expenses	5,904,400	-	5,904,400	5,092,228	-	5,092,228
Management and general	663,759	-	663,759	821,023	-	821,023
Fundraising	633,078	-	633,078	342,668	-	342,668
Donated services	133,815	-	133,815	77,581	-	77,581
Total operating expenses before grants to fiscal sponsors	7,335,052	-	7,335,052	6,333,500	-	6333,500
Grants to fiscal sponsors	31,708	-	31,708	285,183	-	285,183
Total Operating Expenses	7,366,760	-	7,366,760	6,618,683	-	6,618,683
Change in net assets	(123,479)	4,857,540	4,734,061	(570,994)	3,082,893	2,511,899
Net assets, beginning of year	1,687,635	3,362,752	5,050,387	2,258,629	279,859	2,538,488
Net assets, end of year	$1,564,156	$8,220,292	$9,784,448	$1,687,635	$3,362,752	$5,050,387

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$4,734,061	$2,511,899
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	193,818	173,248
(Increase) decrease in operating assets:		
Pledges and grants receivable, net	(2,550,676)	(2,846,988)
Accounts receivable	91,546	122
Prepaid expenses	(13,701)	2
Increase (decrease) in operating liabilities:		
Accounts payable	(120,483)	3
Accrued expenses	15,335	135
Grants payable, fiscal sponsorships	(26,368)	(10,276)
Deferred income	(24,841)	4
Tenant deposits	(474)	(20,525)
Other liabilities	42,873	-
Total adjustments	(2,392,971)	(2,344,524)
Net Cash Flows Provided by Operating Activities	2,341,090	167
Cash Flows from Investing Activities		
Investments	2,970	(2,113)
Acquisition of property and equipment	(147,457)	(100,450)
Donated property held for resale	-	(230,510)
Increase in security deposit	(2,073)	(100)
Net Cash Flows Used by Investing Activities	(146,560)	(333,173)
Cash Flows from Financing Activities		
Proceeds from loan	48,470	-
Payments on mortgages and loans payable	(14,026)	(30,292)
Net Cash Flows Used by Financing Activities	34,444	(30,292)
Net increase (decrease) in cash and cash equivalents	2,228,974	(196,090)
Cash and cash equivalents, beginning of year	307,291	503,381
Cash and cash equivalents, end of year	$2,536,265	$ 307,291
Supplemental Disclosures:		
Interest paid	$ 3,098	$ 3,657
Non-cash investing transactions:		
Donated stock investments	$ -	$ 3,103
Donated residential property	$ -	$ 230,510

During 2014, net insurance proceeds of $212,641 were received in respect of a fully-depreciated building destroyed by fire.

See accompanying notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
Hazon, Inc. ("Hazon") is a 501(c)(3) non-profit organization working 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 and (3) capacity building.

For more information about Hazon's mission and programs, see their website: http://hazon.org/

Merger
On January 2, 2014, the predecessor of Hazon, Inc. ("Legacy Hazon"), which was founded in 2000, merged with the Isabella Freedman Jewish Retreat Center ("IFJRC"), a 121-year-old organization providing environmental education and Jewish spiritual program at its facility in in Falls Village, Connecticut. The merger was accounted for under the carryover method of accounting under which the assets, liabilities and net assets of the merged organizations were combined as of the merger date. At that time all the assets and liabilities of Legacy Hazon, together with all of its programs and fiscal sponsor relationships, were transferred to IFJRC. As part of the merger, Legacy Hazon was dissolved and IFJRC became the survivor entity and renamed Hazon, Inc.

The statement of activities and the statement of cash flows for the year ended December 31, 2014 (the first year-end following the merger) includes (1) in the reported amounts as of the beginning of the period the combined amount of net assets of the merged entities (in total and by classes of net assets) as of the date of the merger; and (2) activity from the merger date through the end of the reporting period (see Note N).

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

Basis of Presentation
Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") under which Hazon is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets,

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $1,564,156 and $1,687,635 of the Organization's net assets was unrestricted as of December 31, 2015 and 2014, respectively.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations or self-imposed limits, such as voluntary resolutions of the board of directors 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 $8,220,292 and $3,362,752 of the Organization's net assets was temporarily restricted as of December 31, 2015 and 2014, respectively. Of this amount, $96,983 and $212,641 is board-imposed as of those respective dates (see Note F).

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be permanently maintained by the Organization. The Organization had no permanently restricted net assets as of December 31, 2015 and 2014.

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 and other like-minded Jewish organizations. 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 (see Note K).

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 and schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets
Donated investments and property are recorded at the underlying asset's fair market value at the date of the donation.

During the year ended December 31, 2014 the Organization received gifts of common stock in the amount of $3,103 (market value), included in individual and institutional support, and a residential property being held for sale in the amount of $230,510 (tax assessed value).

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 have not been satisfied, however Hazon's programmatic impact is significantly leveraged by volunteer leadership.

During the year ended December 31, 2015 and 2014 the Organization has recorded a total of $133,815 and $77,581, respectively, of donated services for professional, legal and other consulting fees.

Investments
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
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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Pledges, Grants and Accounts Receivable
Pledges, grants and accounts receivable consist of amounts due from donors, grantors and participants. All amounts are currently due. 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, 2015 and 2014. Pledges and grants to be received after December 31, 2016 are discounted (see Note C).

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 Legacy Hazon, IFJRC and the Organization for 2012 through 2014 are subject to examination by the Internal Revenue Service and New York State Office of the Attorney General, generally

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for three years after the filing date. At December 31, 2015, Hazon had no knowledge of any tax returns under examination.

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

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 expenses for the year ended December 31, 2015 and 2014 was $70,235 and $29,621, respectively.

Subsequent Events
Management has evaluated subsequent events through May 13, 2015, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2015 and 2014 consist of the following:

	2015	2014
Cash in checking accounts and on hand	$2,524,325	$ 290,949
Cash in broker and savings accounts	11,940	16,342
Total	$2,536,265	$ 307,291

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET

In March 2015, the Jim Joseph Foundation awarded the Organization a four-year grant (2015 through 2019) in the amount of approximately $7,500,000 for the purpose of developing its Jewish Outdoor, Food and Environmental Education ("JOFEE") programs. The amount includes approximately $3,500,000 for the development of a JOFEE fellowship, and $4,000,000 in matching funds for business planning and capacity support for Hazon and partner organizations. The matching funds will be paid (a) 25% directly, (b) 50% as a 1:1 match to new and

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

increased dollars raised and (c) 25% as a 1:2 match to new and increased dollars raised.

Pledges and grants receivable, net of unamortized discounts, at December 31, 2015 and 2014 are as follows:

	2015	2014
Unconditional promises to give:		
Jim Joseph Foundation	$5,127,194	$ -
Other receivables	539,551	2,902,820
	5,666,745	2,902,820
Less unamortized discount	213,249	-
Pledges and grants receivable, net	$5,453,496	$2,902,820

The pledges and grants receivable are due as follows:

	2015	2014
Less than one year	$2,225,210	$2,902,820
One to three years	3,441,535	-
Total pledges and grants receivable	$5,666,745	$2,902,820

Pledges and grants receivable with due dates extending beyond one year are discounted using the prime interest rate for similar credit terms. The applicable rate at December 31, 2015 was 3.25%.

NOTE D - INVESTMENTS

A gift of 192 limited partnership units in Global Sun Partners L.P. (“GSP”) was received in 2009, and shares of common stock in two portfolio holdings in 2014. Management valued the limited partnership units at $42,420 based on known private sales and other financial factors. No appreciation or depreciation in the fair value of GSP was recorded during the years ended December 31, 2015 and 2014. The chief financial officer of GSP is a member of the board of directors and a member of the finance committee of the Organization.

Donated common stock is valued at its market value.

NOTE D – INVESTMENTS (CONTINUED)

Investments as of December 31, 2015 and 2014 is as follows:

	2015	2014
Limited partnership units	$42,420	$42,420
Broker investment portfolio	133	3,103
Total	$42,553	$ 45,523

NOTE E – PROPERTY HELD FOR SALE

In October 2014 a residential property in Norfolk, Connecticut was donated to the Organization by another non-profit organization. The transaction was recorded at the tax assessed value of the property at the time of transfer which was $230,510. Management has committed itself to a plan to sell the property but has not yet initiated an active program to find a buyer nor actively market the property. Sale of the property is probable and expected to be completed within the near future.

NOTE F – PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation, as of December 31, 2015 and 2014, consist of:

	2015	2014
Land	$ 592,000	$ 592,000
Building and improvements	3,988,482	3,988,482
Furniture and fixtures	585,616	575,185
Office equipment	71,284	63,962
Transportation equipment	141,704	-
Software development costs	31,297	43,297
Website	6,719	6,719
	5,417,102	5,269,645
Less: accumulated depreciation	(3,276,394)	(3,082,576)
Property and equipment, net of accumulated depreciation	$2,140,708	$2,187,069

In September 2014, a fully-depreciated cottage in Connecticut was completely destroyed by fire. Net proceeds of $212,641 received in 2014 from the insurance company has been restricted by the board for building a new structure in its place.

NOTE F – PROPERTY AND EQUIPMENT, NET (CONTINUED)

During the year ended December 31, 2015, the amount of $115,658 was released from restriction, leaving a balance of $96,983 as of December 31, 2015.

A property at 58 Johnson Road, Falls Village, CT is pledged as collateral for a bank mortgage loan, and a truck is pledged as collateral for a vehicle retail installment contract (see Note G).

Depreciation expense for the year ended December 31, 2015 and 2014 was $193,818 and $173,248, respectively, and is included in the statement of activities as allocated in the schedule of functional expenses.

NOTE G – LOAN AND MORTGAGE PAYABLE

In June 2013, IFJRC received a loan of $35,400 from the UJA – Federation of New York. The loan was payable in 24 monthly payments of $1,481 which included interest payable at the annual rate of 0.36%. The balance as of December 31, 2014 was $8,865 and was paid off in full in June 2015. Total interest expense on the loan for the year ended December 31, 2015 and 2014 was $9 and $66, respectively.

In December 2003, IFJRC received a mortgage loan of $165,000 from National Iron Bank to purchase property to be used by the retreat center. The loan bears interest at 5.5% with monthly payments of $1,348 based on a 15-year amortization schedule. The balance as of December 31, 2015 and 2014 is $44,563 and $57,890, respectively. The mortgage is secured by the property at 58 Johnson Road, Falls Village, CT. Total interest expense on the loan for the year ended December 31, 2015 and 2014 was $2,851 and $3,563.

In October 2015 the Organization purchased a pick-up truck and financed the balance of $48,470. The installment loan bears interest at 5.89% with 60 monthly payments of $937. The balance as of December 31, 2015 is $47,771. Total interest expense on the loan for the year ended December 31, 2015 was $238.

NOTE G – LOAN AND MORTGAGE PAYABLE (CONTINUED)

Future minimum payments required under the mortgage and loan agreements, as of December 31, 2014 are as follows:

	Mortgage Payable	Loan Payable	Total
Year ended December 31:			
2016	$14,079	$ 8,659	$22,738
2017	14,873	9,184	24,057
2018	15,611	9,739	25,350
2019	-	10,329	10,329
2020	-	9,860	9,860
Totals	$44,563	$47,771	$92,334

NOTE H – 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 June 2013 the Organization entered into a rent agreement for office space at 121 Steuart Street in San Francisco in the amount of $1,300 per month. The agreement was for one year and was terminated in June 2014.

In June 2014 the Organization entered into a rent agreement for office space at 701 South 50th Street in Philadelphia in the amount of $90 per month. The agreement is for one year with annual renewals on a one-year basis. A security deposit of $100 was provided in respect of this lease. The lease was terminated in 2015.

In August 2015 the Organization entered into a rent agreement for office space at 6735 Telegraph Road in Bloomfield, MI, in the amount of $1,125 per month. The agreement is for one year expiring in July 2016.

In August 2015 the Organization entered into a rent agreement for office space at 4747 Commonwealth in Detroit in the amount of $1,100 per month. The agreement is for one year expiring in July 2016. A security deposit in the amount of $1,100 was provided in respect of this lease.

NOTE H – RENT EXPENSE (CONTINUED)

The following are the future minimum payments required under the Maiden Lane lease agreement as of December 31, 2015:

For the year ended December 31,	
2016	$211,614
2017	84,624
Total	$296,238

Total rent expense for the year ended December 31, 2015 and 2014 was $193,627 and $175,043, respectively, which is included with occupancy expenses in the schedule of functional expenses.

NOTE I – FUNDRAISING EXPENSES

Total fundraising expenses, which includes allocated payroll and other costs, for the year ended December 31, 2015 and 2014 totaled $633,078 and $342,668, respectively.

NOTE J – 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.

The investments in marketable securities are presented in the statement of financial position at their fair value based on quoted prices in active markets. Market risk could occur and is dependent on the future changes in market prices of the various investments held.

One major grantor (see Note C) comprised approximately 82% of the total general support for the year ended December 31, 2015 and approximately 91% of the outstanding pledges and grants receivable, net, as of December 31, 2015.

Three major grantors comprised 51% of the total general support for the year ended December 31, 2014 and 86% of the outstanding pledges and grants receivable as of December 31, 2014.

NOTE K – FISCAL SPONSORSHIPS

During 2014 and 2015, Hazon was a fiscal sponsor for six 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.

- *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. In December 2014 the Organization discontinued its sponsorship of StorahTelling.

- *Ganei Beantown* attempts to build the Jewish community through hands-on food system education rooted in Jewish text, tradition and culture.

- *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.

- *After Oil Is Said And Done* is a platform to begin a new conversation about Jewish identity, Israel and the Middle East, revealing Middle Eastern oil's coterminous history with Israel, its central role in the delegitimization of Israel and Israel's critical role going forward to press her own ancient teachings into a new story of a sustainable Middle East.

NOTE K – FISCAL SPONSORSHIPS (CONTINUED)

As of December 31, 2015, only *Green Movement Amutah* and *Pushing the Envelope Farm* retained a fiscal relationship with the Organization, as the sponsorship program is being phased out. The following is a summary of the revenues of these projects, included in the financial statements, for the years ended December 31, 2015 and 2014:

	2015	2014
Green Movement Amutah	$ 25,000	$ 2,103
Ganei Beantown	5,404	5,605
After Oil Is Said And Done	1,250	65,000
Jewish Farm School	1,024	47,826
StorahTelling	-	163,047
Pushing the Envelope Farm	-	521
Total	$ 32,678	$ 284,102

NOTE L – RETIREMENT PLAN

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

NOTE M – 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.

NOTE M – FAIR VALUE PRESENTATION (CONTINUED)

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).

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).

NOTE M – FAIR VALUE PRESENTATION (CONTINUED)

The following table presents the Organization's fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$2,536,265	$ -	$ -	$2,536,265
Pledges and			-	
grants receivable, net	2,175,210	3,228,286		5,403,496
Investments	133	-	42,420	42,553
Total Assets	$4,711,608	$3,228,286	$ 42,420	$7,982,314

	Level 1	Level 2	Level 3	Total
Liabilities				
Loan payable	$ 8,659	$ 35,476	$ -	$ 44,135
Mortgage payable	14,079	27,650	-	41,729
Total Liabilities	$ 22,738	$ 63,126	$ -	$ 85,864

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, 2014:

	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 307,291	$ -	$ -	$ 307,291
Pledges and				
grants receivable, net	2,902,820	-	-	2,902,820
Investments	3,103	-	42,420	45,523
Total Assets	$3,213,214	$ -	$ 42,420	$3,255,634

	Level 1	Level 2	Level 3	Total
Liabilities				
Loan payable	$ 8,865	$ -	$ -	$ 8,865
Mortgage payable	13,327	44,644	-	57,971
Total Liabilities	$ 22,192	$ 44,644	$ -	$ 66,836

NOTE M – FAIR VALUE PRESENTATION (CONTINUED)

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

	Private Equity Investment
January 1, 2014	$ 42,420
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2014	42,420
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2015	$ 42,420

NOTE N – MERGER

As mentioned in Note A, on January 2, 2014, the predecessor of Hazon, Inc. ("Legacy Hazon") and Isabella Freedman Jewish Retreat Center ("IFJRC") completed a merger of their operations. As of that date, the major classes of assets, liabilities and net assets of Legacy Hazon and IFJRC were as follows:

	Legacy Hazon	IFJRC	Total Combined
Assets:			
Cash	$ 274,948	$ 228,433	$ 503,381
Investments	43,410	-	43,410
Accounts receivable	174,954	42,338	217,292
Grants receivable	55,832	-	55,832
Prepaid expenses	23,776	36,244	60,020
Property and equipment, net	-	2,259,867	2,259,867
Other assets	9,167	-	9,167
Total assets	$ 582,087	$2,566,882	$3,148,969

NOTE N – MERGER (CONTINUED)

	Legacy Hazon	IFJRC	Total Combined
Liabilities:			
Accounts payable	$ 47,909	$ 129,172	$ 177,081
Accrued expenses	57,264	-	57,264
Deferred income	-	211,338	211,338
Grants payable	37,151	-	37,151
Tenant deposits	30,600	-	30,600
Loan and mortgage payable	-	97,047	97,047
Total liabilities	172,924	437,557	610,481
Net assets:			
Unrestricted	129,304	2,129,325	2,258,629
Temporarily restricted	279,859	-	279,859
Total net assets	409,163	2,129,325	2,538,488
Total liabilities and net assets	$ 582,087	$2,566,882	$3,148,969

There were no material transactions between Legacy Hazon and IFJRC prior to the merger and there were no material adjustments to conform the accounting policies of the combining organizations.

HAZON, INC.

SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries	$2,526,691	$348,180	$436,562	$3,311,433
Payroll taxes and fringe benefits	360,398	42,080	59,764	462,242
Grants to organizations	413,300	-	-	413,300
Food services	357,357	42,042	21,021	420,420
Other program expenses	355,202	8,935	4,467	368,604
Consultants and other staffing	239,511	28,178	14,089	281,778
Insurance	208,401	24,518	12,259	245,178
Professional fees	181,988	21,410	10,705	214,103
Occupancy	175,007	20,589	10,295	205,891
Utilities	165,049	19,418	9,709	194,176
Depreciation	164,745	19,382	9,691	193,818
Travel and accommodations	127,203	14,965	7,483	149,651
Repairs and maintenance	109,035	12,828	6,414	128,277
Information technology	106,083	12,480	6,240	124,803
Housekeeping	63,246	7,441	3,720	74,407
Marketing and communications	59,700	7,023	3,512	70,235
Office supplies	46,389	5,457	2,729	54,575
Telephone and internet	31,661	3,725	1,862	37,248
Printing and copying	30,344	3,570	1,785	35,699
Vehicles	26,619	3,132	1,566	31,317
Permits and registration fees	24,651	2,900	1,450	29,001
Meals and entertainment	23,887	2,810	1,405	28,102
Sales and merchandise	19,375	2,279	1,140	22,794
Credit card and processing fees	17,606	2,071	1,036	20,713
Conferences and meetings	15,983	1,880	940	18,803
Payroll services	13,203	1,553	777	15,533
Bank fees	12,070	1,420	710	14,200
Postage	10,243	1,205	603	12,051
Miscellaneous	6,871	808	404	8,083
Professional recruitment	5,612	660	330	6,602
Bad Debt	3,756	442	221	4,419
Dues and subscriptions	3,214	378	189	3,781
Totals	$5,904,400	$663,759	$633,078	$7,201,237

HAZON, INC.

SUPPLEMENTARY INFORMATION

SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries	$2,421,221	$358,700	$209,241	$2,989,162
Payroll taxes and fringe benefits	423,150	62,690	36,568	522,408
Food services	325,982	57,526	-	383,508
Consultants and other staffing	298,718	52,715	-	351,433
Utilities	185,679	46,420	-	232,099
Program expenses	223,063	2,096	1,223	226,382
Occupancy	141,785	39,602	12,253	193,640
Depreciation	140,331	20,790	12,127	173,248
Travel and accommodations	135,029	20,004	11,669	166,702
Insurance	127,595	18,903	11,027	157,525
Conferences and meetings	90,579	13,419	7,828	111,826
Grants to organizations	98,322	-	-	98,322
Information technology	76,702	11,363	6,629	94,694
Repairs and maintenance	61,536	15,384	-	76,920
Housekeeping	69,720	10,329	6,026	86,075
Printing and copying	43,682	6,471	3,775	53,928
Sales and merchandise	39,268	5,817	3,394	48,479
Telephone and internet	33,748	5,000	2,916	41,664
Office supplies	32,454	5,672	2,072	40,198
Credit card and processing fees	24,012	3,557	2,076	29,645
Marketing and communications	14,811	7,405	7,405	29,621
Bad Debt	17,611	2,609	1,522	21,742
Postage	14,061	2,083	1,215	17,359
Meals and entertainment	13,968	2,070	1,207	17,245
Professional fees	10,997	28,270	950	40,217
Vehicles	10,325	2,581	-	12,906
Payroll services	-	12,137	-	12,137
Professional recruitment	6,198	918	536	7,652
Miscellaneous	4,255	630	368	5,253
Permits and registration fees	4,124	611	356	5,091
Bank fees	-	4,762	-	4,762
Dues and subscriptions	3,302	489	285	4,076
Totals	$5,092,228	$821,023	$342,668	$6,255,919