

**HAZON, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**HAZON, INC.**

TABLE OF CONTENTS  
DECEMBER 31, 2018 AND 2017

	<u>PAGE NO.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
<u>FINANCIAL STATEMENTS</u>	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 – 20
<u>SUPPLEMENTARY INFORMATION</u>	
SCHEDULES OF PROGRAM SERVICE EXPENSES	21

# BILLET, FEIT AND PREIS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

42 BROADWAY, SUITE 1815, NEW YORK, N.Y. 10004  
TEL (212) 425-3300 FAX (212) 425-3131

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
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, 2018 and 2017, 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**

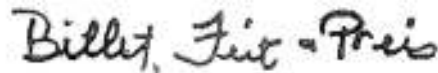
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hazon, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally 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 schedules of program service expenses for the years ended December 31, 2018 and 2017 on page 21 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.



Certified Public Accountants

New York, NY  
May 24, 2019

## HAZON, INC.

### STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,369,331	\$ 1,704,506
Pledges and grants receivable, net	6,240,076	7,825,712
Accounts receivable	181,776	114,298
Investments	42,420	42,420
Prepaid expenses	47,074	90,271
Total Current Assets	7,880,677	9,777,207
Property and equipment, net	2,010,165	2,259,148
<u>Other Assets</u>		
Held in escrow for property purchase	250,000	-
Security deposits	9,167	9,167
Total Other Assets	259,167	9,167
<b>TOTAL ASSETS</b>	<b>\$10,150,009</b>	<b>\$12,045,522</b>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 296,588	\$ 282,710
Accrued expenses	285,195	217,803
Line of credit, bank	400,000	-
Grants payable, fiscal sponsorships	254,882	329,882
Deferred income	238,049	270,434
Tenant deposits	26,466	25,071
Mortgage and loans payable, current maturities	130,286	92,678
Total Current Liabilities	1,631,466	1,218,578
<u>Long-term Liabilities</u>		
Mortgage and loans payable, less current maturities	339,183	457,000
Total Liabilities	1,970,649	1,675,578
<u>Net Assets</u>		
Without donor restriction	1,928,052	1,611,822
With donor restriction	6,251,308	8,758,122
Total Net Assets	8,179,360	10,369,944
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$10,150,009</b>	<b>\$12,045,522</b>

See accompanying notes to financial statements.

## HAZON, INC.

### STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	<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>
<b><u>Revenues and Other Support</u></b>						
General Support:						
Foundation grants	\$ 565,304	\$3,060,297	\$ 3,625,601	\$1,364,971	\$5,971,214	\$ 7,336,185
Individual and institutional support	415,474	-	415,474	580,060	-	580,060
Released from restrictions, prior periods	5,172,361	(5,172,361)	-	3,031,766	(3,031,766)	-
	<u>6,153,139</u>	<u>(2,112,064)</u>	<u>4,041,075</u>	<u>4,976,797</u>	<u>2,939,448</u>	<u>7,916,245</u>
Program Revenues:						
Program fees	2,853,254	-	2,853,254	2,654,309	-	2,654,309
Ride income	412,726	-	412,726	334,385	-	334,385
	<u>3,265,980</u>	<u>-</u>	<u>3,265,980</u>	<u>2,988,694</u>	<u>-</u>	<u>2,988,694</u>
Other Income:						
Other income	97,227	-	97,227	14,684	-	14,684
Sales of merchandise	84,480	-	84,480	115,459	-	115,459
Membership fees and financial sponsor commissions	208,588	-	208,588	194,896	-	194,896
Donated services	63,870	-	63,870	146,578	-	146,578
	<u>454,165</u>	<u>-</u>	<u>454,165</u>	<u>471,617</u>	<u>-</u>	<u>471,617</u>
Total revenues and other support excluding fiscal sponsor income	9,873,284	(2,112,064)	7,761,220	8,437,108	2,939,448	11,376,556
Fiscal sponsorship income	619,728	(394,750)	224,978	230,773	732,000	962,773
Total Revenues and Other Support	<u>10,493,012</u>	<u>(2,506,814)</u>	<u>7,986,198</u>	<u>8,667,881</u>	<u>3,671,448</u>	<u>12,339,329</u>
<b><u>Operating Expenses</u></b>						
Program expenses	8,300,785	-	8,300,785	7,605,211	-	7,605,211
Management and general	701,136	-	701,136	578,582	-	578,582
Fundraising	488,757	-	488,757	438,646	-	438,646
Donated services	63,870	-	63,870	146,578	-	146,578
Total operating expenses before grants to fiscal sponsored programs	9,554,548	-	9,554,548	8,769,017	-	8,769,017
Grants to fiscal sponsored programs	622,234	-	622,234	190,218	-	190,218
Total Operating Expenses	<u>10,176,782</u>	<u>-</u>	<u>10,176,782</u>	<u>8,959,235</u>	<u>-</u>	<u>8,959,235</u>
Change in net assets	316,230	(2,506,814)	(2,190,584)	(291,354)	3,671,448	3,380,094
Net assets, beginning of year	1,611,822	8,758,122	10,369,944	1,903,176	5,086,674	6,989,850
Net assets, end of year	<u>\$ 1,928,052</u>	<u>\$ 6,251,308</u>	<u>\$ 8,179,360</u>	<u>\$1,611,822</u>	<u>\$8,758,122</u>	<u>\$10,369,944</u>

See accompanying notes to financial statements.

## HAZON, INC.

### STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related costs	\$3,766,572	\$354,501	\$310,188	\$4,431,261	\$3,757,898	\$353,685	\$309,474	\$4,421,057
Program supplies and costs	675,333	-	-	675,333	520,336	-	-	520,336
Dining and food costs	608,566	-	-	608,566	519,396	-	-	519,396
Professional fees	426,153	40,108	35,095	501,356	185,841	25,779	22,557	234,177
Temporary staffing	395,689	37,241	32,586	465,516	201,647	18,979	16,606	237,232
Grants to other organizations	442,112	-	-	442,112	553,986	-	-	553,986
Occupancy	285,234	26,846	23,490	335,570	252,506	23,765	20,795	297,066
Depreciation and amortization	209,057	36,892	-	245,949	228,654	40,351	-	269,005
Travel and accommodations	205,481	20,452	17,896	243,829	100,660	9,718	8,503	118,881
Insurance	205,181	19,311	16,897	241,389	177,142	16,672	14,587	208,401
Repairs and maintenance	196,637	-	-	196,637	167,139	-	-	167,139
Utilities	136,634	24,112	-	160,746	126,962	22,405	-	149,367
Information technology	122,528	12,096	10,584	145,208	134,319	12,943	11,325	158,587
Conferences and meetings	89,039	13,902	12,164	115,105	83,326	10,021	8,768	102,115
Housekeeping	102,730	-	-	102,730	197,079	-	-	197,079
Office supplies	59,634	5,622	4,919	70,175	44,792	4,216	3,689	52,697
Loss on sale of property	-	67,938	-	67,938	-	-	-	-
Telephone and internet	53,042	5,002	4,377	62,421	55,250	5,200	4,550	65,000
Marketing and communications	44,798	4,216	3,689	52,703	67,440	6,347	5,554	79,341
Credit card and processing fees	43,810	4,123	3,608	51,541	9,445	889	778	11,112
Printing and copying	32,184	3,041	2,661	37,886	49,799	4,687	4,101	58,587
Meals and entertainment	31,427	2,958	2,588	36,973	30,001	2,824	2,471	35,296
Sales and merchandise	30,804	5,436	-	36,240	40,444	7,138	-	47,582
Miscellaneous	29,586	3,305	2,892	35,783	5,658	532	466	6,656
Vehicle costs	24,054	4,245	-	28,299	22,125	3,904	-	26,029
Permits and registration fees	22,300	3,935	-	26,235	19,686	3,474	-	23,160
Postage	14,544	1,369	1,198	17,111	16,341	1,538	1,346	19,225
Interest expense	12,805	1,205	1,055	15,065	6,497	612	535	7,644
Payroll services	12,330	1,160	1,015	14,505	11,303	1,064	931	13,298
Dues and subscriptions	10,377	977	855	12,209	7,887	742	650	9,279
Bank fees	6,998	659	576	8,233	4,319	407	356	5,082
Professional recruitment	5,146	484	424	6,054	7,333	690	604	8,627
Totals	<u>\$8,300,785</u>	<u>\$701,136</u>	<u>\$488,757</u>	<u>\$9,490,678</u>	<u>\$7,605,211</u>	<u>\$578,582</u>	<u>\$438,646</u>	<u>\$8,622,439</u>

See accompanying notes to financial statements.

## HAZON, INC.

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$(2,190,584)	\$3,380,094
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	245,949	269,005
Loss on sale of property	67,937	-
(Increase) decrease in operating assets:		
Pledges and grants receivable, net	1,585,636	(4,150,902)
Accounts receivable	(67,478)	(5,822)
Prepaid expenses	43,197	(10,932)
Increase (decrease) in operating liabilities:		
Accounts payable	13,878	2,150
Accrued expenses	67,392	(131,082)
Grants payable, fiscal sponsorships	(75,000)	329,103
Deferred income	(32,385)	55,010
Tenant deposits	1,395	15,330
Total adjustments	1,850,521	(3,628,140)
Net Cash Flows Used by Operating Activities	(340,063)	(248,046)
<u>Cash Flows from Investing Activities</u>		
Acquisition of property and equipment	(215,951)	(227,751)
Proceeds from sale of property	151,048	-
Placed in escrow for property purchase	(250,000)	-
Decrease in security deposits	-	100
Net Cash Flows Used by Investing Activities	(314,903)	(227,651)
<u>Cash Flows from Financing Activities</u>		
Proceeds from loan	400,000	500,000
Payments on mortgages and loans payable	(80,209)	(19,637)
Net Cash Flows Provided by Financing Activities	319,791	480,363
Net increase (decrease) in cash and cash equivalents	(335,175)	4,666
Cash and cash equivalents, beginning of year	1,704,506	1,699,840
Cash and cash equivalents, end of year	\$1,369,331	\$1,704,506
<u>Supplemental Disclosures:</u>		
Interest paid	\$ 10,579	\$ 3,209
Non-cash investing transactions:		
Donated stock investments	\$ -	\$ 2,775

See accompanying notes to financial statements.



## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

Hazon, Inc. (“Hazon”) is a 501(c)(3) non-profit organization. Hazon is building a movement that strengthens Jewish life and contributes to a more environmentally sustainable world for all.

Hazon effects change in three main ways:

- Inspiring and activating people through immersive Jewish, Outdoor, Food, Farming and Environmental Education (“JOFEE”) experiences,
- Educating and supporting JOFEE leaders, and
- Building a field, by catalyzing and convening Jewish leaders, organizations and individuals to make specific commitments to change – with a particular focus on food systems, because food is both central to Jewish life and to our impact in the world.

For more complete information about Hazon’s mission and programs, visit their website: <http://hazon.org/>

##### Basis of Accounting

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

##### Basis of Presentation

In accordance with the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, the Organization’s financial position and activities are presented as either one of two classes of net assets: with donor restrictions and without donor restrictions. (Donors include other types of contributors, including makers of certain grants.) Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations or other stipulations. A total of \$1,928,052 and \$1,611,822 of the Organization’s net assets were without donor restrictions as of December 31, 2018 and 2017, respectively.

Net Assets with Donor Restrictions – Net assets that are subject to donor-imposed restrictions or other stipulations. When a restriction expires, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statements of activities as net assets released

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

from donor restrictions. A total of \$6,251,308 and \$8,758,122 of the Organization's net assets were donor restricted as of December 31, 2018 and 2017, respectively (see Note H).

#### Functional Allocation of Expenses

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

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

#### Donated Assets

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

#### Donated Services

Hazon pays for most services requiring specific expertise. However, many individuals volunteer significant amounts of time and perform a variety of tasks that assist the Organization by creating, leading and delivering a growing range of programs. These amounts have not been reflected in the statements of activities because the criteria for recognition under FASB ASC have not been satisfied, however Hazon's programmatic impact is significantly leveraged by volunteer leadership.

During the year ended December 31, 2018 and 2017 the Organization has recognized a total of \$63,870 and \$146,578, respectively, of donated services for professional, legal and other consulting fees. These donated services are included in both other income and in operating expenses on the statements of activities.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Investments

Marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Other investments whose fair market values are not readily determinable are valued based on management's market observations, such as current private equity funding rounds. Unrealized gains and losses are included as changes in net assets in the statements of activities.

##### Contributions

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

##### Use of Estimates

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

##### Cash and Cash Equivalents

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

##### Pledges, Grants and Accounts Receivable

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

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their net realizable value (see Note C). Management periodically assesses the receivable balances for collectability and expenses uncollectible debts as determined. No allowance for doubtful accounts was deemed necessary as of December 31, 2018 and 2017.

#### Property and Equipment

Generally, all acquisitions of property and equipment over \$5,000 and all expenditures for renewals and betterments that materially prolong the useful lives of assets are capitalized at cost. Assets contributed to Hazon are recorded at their fair market value at the date of the donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

#### Income Taxes

Hazon, Inc. is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code. Gifts to Hazon, Inc. are tax deductible. The federal and state information returns of the Organization for 2015 through 2017 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, 2018, 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 expense for the year ended December 31, 2018 and 2017 was \$52,703 and \$79,341, respectively, and is presented as marketing and communications in the statements of functional expenses.

**HAZON, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Subsequent Events*

Management has evaluated subsequent events through May 24, 2019, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Cash in checking accounts and on hand	\$ 489,520	\$ 806,017
Cash in broker and savings accounts	879,811	898,489
Total	<u>\$1,369,331</u>	<u>\$1,704,506</u>

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

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET

In June 2018, the Jim Joseph Foundation awarded the Organization a one-year grant of \$842,585 (March 2019 through February 2020) to support the training and education of early-career JOFEE professionals to create a leadership pipeline of talented Jewish educators.

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

In March 2017, the William Davidson Foundation awarded the Organization a three-year grant of up to \$1,800,000 to support the Organization’s activities in the Detroit community. Of the total amount, \$250,000 was awarded as a matching grant.

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.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Pledges and grants receivable, net of unamortized discounts, at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give:		
Israel Ministry of Diaspora Affairs	\$3,275,255	\$3,642,275
Other receivables	1,618,806	1,622,731
Jim Joseph Foundation	842,585	1,487,225
William Davidson Foundation	700,000	1,400,000
	<hr/>	<hr/>
	6,436,646	8,152,231
Less unamortized discount	(196,570)	(326,519)
Pledges and grants receivable, net	<hr/>	<hr/>
	\$6,240,076	\$7,825,712

The pledges and grants receivable are due as follows:

	<u>2018</u>	<u>2017</u>
Due within one year	\$3,733,056	\$3,744,796
Due between one and two years	2,186,650	1,824,675
Due between two and three years	406,140	1,263,900
Due after three years	110,800	1,318,860
Total pledges and grants receivable	<hr/>	<hr/>
	\$6,436,646	\$8,152,231

Pledges and grants receivable with due dates extending beyond one year are discounted using the prime interest rate for similar credit terms. The applicable rates at December 31, 2018 and 2017 were 5.50% and 4.50%, respectively.

#### NOTE D - INVESTMENTS

A gift of 192 limited partnership units in Global Sun Partners L.P. (“GSP”) was received in 2009. Management valued the limited partnership units at \$42,420 based on known private sales and other financial factors existing at the time. No appreciation or depreciation in the fair value of GSP was recorded during the years ended December 31, 2018 and 2017. 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 at the time of the donation. During the years ended December 31, 2018 and 2017 the Organization received donations of common stock in the market value amount of \$45,057 and \$2,775, respectively, which are included in individual and institutional support.

**HAZON, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE E – PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation, as of December 31, 2018 and 2017, consist of:

	<u>2018</u>	<u>2017</u>
Land	\$ 592,000	\$ 592,000
Building and improvements	4,400,786	4,434,353
Furniture and fixtures	401,505	390,698
Office equipment	71,284	71,284
Transportation equipment	235,604	227,403
Software development costs	31,297	31,297
Website	16,752	16,752
	<u>5,749,228</u>	<u>5,763,787</u>
Less accumulated depreciation	(3,739,063)	(3,504,639)
Property and equipment, net of accumulated depreciation	<u>\$2,010,165</u>	<u>\$2,259,148</u>

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

Depreciation expense for the year ended December 31, 2018 and 2017 was \$245,949 and \$269,005, respectively, and is included in the statements of functional expenses.

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

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

NOTE F – COMMERCIAL LINE OF CREDIT

In April 2017, the Organization was granted a \$500,000 revolving line of credit from TD Bank. Bank advances on the credit line are payable on demand and carry an interest rate of 4.24% per annum on the outstanding balance. The line of credit is collateralized by the Organization's real property at its retreat center in Connecticut. The line of credit does not have a maturity date and any balance is currently due. The outstanding balance as of December 31, 2018 and 2017 was

**HAZON, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE F – COMMERCIAL LINE OF CREDIT (CONTINUED)

\$400,000 and \$0, respectively. Total interest expense on the line of credit for the year ended December 31, 2018 and 2017 was \$4,770 and \$0, respectively.

NOTE G – LOANS AND MORTGAGE PAYABLE

In December 2003, the Organization received a mortgage loan of \$165,000 from National Iron Bank to purchase property to be used by the retreat center. The loan bore interest at 5.5% with monthly payments of \$1,348 based on a 15-year amortization schedule and was fully repaid in December 2018. The balance as of December 31, 2018 and 2017 was \$0 and \$15,314, respectively. The mortgage was secured by the property at its retreat center in Connecticut. Total interest expense on the loan for the year ended December 31, 2018 and 2017 was \$450 and \$1,290, respectively.

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, 2018 and 2017 is \$20,188 and \$29,928, respectively. Total interest expense on the loan for the year ended December 31, 2018 and 2017 was \$1,503 and \$2,058, 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, 2018 and 2017 is \$449,281 and \$504,436, respectively. Total interest expense on the loan for the year ended December 31, 2018 and 2017 was \$8,343 and \$4,436, respectively.

Future minimum payments required under the mortgage and loan agreements, as of December 31, 2018 are as follows:

	<u>Truck</u> <u>Loan</u>	<u>Construction</u> <u>Loan</u>	<u>Total</u>
Year ended December 31:			
2019	\$10,329	\$119,957	\$130,286
2020	9,859	122,101	131,960
2021	-	124,313	124,313
2022	-	82,910	82,910
Totals	<u>\$20,188</u>	<u>\$449,281</u>	<u>\$469,469</u>



## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE G – LOANS AND MORTGAGE PAYABLE (CONTINUED)

	<u>Truck Loan</u>	<u>Construction Loan</u>	<u>Total</u>
Included in:			
Current liabilities	\$10,329	\$119,957	\$130,286
Long-term liabilities	9,859	329,324	339,183
Totals	<u>\$20,188</u>	<u>\$449,281</u>	<u>\$469,469</u>

#### NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Donations with time restrictions	\$2,629,555	\$4,349,632
Restricted for use in construction	383,200	132,000
Restricted for fiscal sponsor	412,250	732,000
Grants that require milestone achievements	2,826,303	3,544,490
Totals	<u>\$6,251,308</u>	<u>\$8,758,122</u>

#### NOTE I – RENT EXPENSE

In April 2010 the Organization entered into a lease agreement to rent office space on the 8<sup>th</sup> floor of 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%. A security deposit in the amount of \$9,167 was provided in respect of this lease. The lease expired on May 31, 2017 and was subsequently renewed for the same premises plus additional office space. The new base rent amount began at \$16,154 per month and increased to \$20,793 per month to reflect the additional space. The extended lease will expire on June 30, 2019.

The Organization is currently negotiating a long-term sub-lease agreement with a new landlord in the New York City area. The proposed terms include a beginning annual base rent of \$120,000 per annum with annual escalations of 3% each year. The initial term is for 5 years, with two renewal terms of three years each. Occupancy of the new space is anticipated to take place by July 1, 2019.

In August 2015 the Organization entered into a rent agreement for office space at 6735 Telegraph Road in Bloomfield, MI. The lease was renewed through January 1, 2020 in the amount of \$1,500 per month.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE I – RENT EXPENSE (CONTINUED)

In August 2015 the Organization entered into a rent agreement for office space at 4747 Commonwealth Street in Detroit, MI in the amount of \$1,100 per month. The agreement was renewed in July 2016 and expired in July 2017 when the premises were vacated.

The following are the future minimum payments required under the lease agreement as of December 31, 2018:

<u>Year ended December 31,</u>	<u>New York,</u>	<u>Bloomfield,</u>	<u>Total</u>
2019	<u>NY</u>	<u>MI</u>	
Thereafter	\$124,758	\$18,000	\$142,758
	-	-	-
	<u>\$124,758</u>	<u>\$18,000</u>	<u>\$142,758</u>

Total rent expense for the year ended December 31, 2018 and 2017 was \$281,268 and \$260,904, respectively, which is included with occupancy expenses in the statements of functional expenses.

#### NOTE J – FUNDRAISING EXPENSES

Total fundraising expenses, which includes allocated payroll and other costs, for the year ended December 31, 2018 and 2017 totaled \$488,757 and \$438,646, respectively.

#### NOTE K – 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.

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

Three major grantors comprised approximately 69% of the total general support for the year ended December 31, 2017 and approximately 79% of the outstanding pledges and grants receivable, net, as of December 31, 2017.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE K – CONCENTRATION OF RISKS (CONTINUED)

The receivable from the Israel Ministry of Diaspora Affairs (see Note C) is from a foreign governmental entity. Because all billings and payments are transacted in United States dollars there are no risks of foreign exchange translations. However, the business practices in the Israeli economy in general, and a governmental ministry in specific, result in the billing and payment process being a slower one than the process ordinarily experienced in United States. The Organization has engaged a local representative to coordinate the collection process and mitigate any issues that might arise.

#### 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.

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.

## HAZON, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2018 AND 2017

#### NOTE M – FAIR VALUE PRESENTATION (CONTINUED)

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

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

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

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

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

The following table presents the Organization's fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of December 31, 2018:

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

**HAZON, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$1,704,506	\$ -	\$ -	\$1,704,506
Pledges and grants receivable, net	-	7,825,712	-	7,825,712
Investments	-	-	42,420	42,420
Total Assets	<u>\$1,704,506</u>	<u>\$7,825,712</u>	<u>\$42,420</u>	<u>\$9,572,638</u>
<u>Liabilities</u>				
Loan payable	\$ -	\$ 15,314	\$ -	\$ 15,314
Mortgage payable	-	28,500	-	28,500
Construction loan payable	-	478,026	-	478,026
Total Liabilities	<u>\$ -</u>	<u>\$ 521,840</u>	<u>\$ -</u>	<u>\$ 521,840</u>

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

	<u>Private Equity Investment</u>
January 1, 2017	\$ 42,420
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2017	<u>42,420</u>
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2018	<u>\$ 42,420</u>

**HAZON, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE N – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

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

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

The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,400,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note F, the Organization also has committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need.

As of December 31, 2018, the following tables show the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$1,369,331
Pledges and grants receivable, net	6,240,076
Accounts receivable	181,776
Investments	42,420
Total financial assets at year-end	<u>\$7,833,603</u>
Financial assets available to meet general expenditures over the next 12 months	
Cash and cash equivalents	\$1,369,331
Pledges for general expenditures due in one year or less	1,058,171
Accounts receivable	181,776
	<u>\$2,609,278</u>

**HAZON, INC.**

**SUPPLEMENTARY INFORMATION  
SCHEDULES OF PROGRAM SERVICE EXPENSES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	<u>Thought Leadership &amp; Capacity Building</u>	<u>Transformative Experiences</u>	<u>Total Program Service Expenses</u>	<u>Thought Leadership &amp; Capacity Building</u>	<u>Transformative Experiences</u>	<u>Total Program Service Expenses</u>
Salaries and related costs	\$1,639,567	\$2,127,005	\$3,766,572	\$1,635,791	\$2,122,107	\$3,757,898
Program supplies and costs	299,777	375,556	675,333	227,895	292,441	520,336
Dining and food costs	267,769	340,797	608,566	226,090	293,306	519,396
Grants to other organizations	205,128	236,984	442,112	278,076	275,910	553,986
Professional fees	185,502	240,651	426,153	119,229	66,612	185,841
Temporary staffing	172,241	223,448	395,689	87,776	113,871	201,647
Occupancy	124,161	161,073	285,234	109,914	142,592	252,506
Depreciation and amortization	91,001	118,056	209,057	99,532	129,122	228,654
Travel and accommodations	94,592	110,889	205,481	44,945	55,715	100,660
Insurance	89,314	115,867	205,181	77,109	100,033	177,142
Repairs and maintenance	86,520	110,117	196,637	72,754	94,385	167,139
Utilities	59,476	77,158	136,634	55,266	71,696	126,962
Information technology	55,943	66,585	122,528	59,862	74,457	134,319
Housekeeping	45,201	57,529	102,730	85,787	111,292	197,079
Conferences and meetings	64,295	24,744	89,039	46,347	36,979	83,326
Office supplies	26,002	33,632	59,634	19,498	25,294	44,792
Telephone and internet	23,136	29,906	53,042	24,050	31,200	55,250
Marketing and communications	19,500	25,298	44,798	29,356	38,084	67,440
Credit card and processing fees	19,070	24,740	43,810	4,111	5,334	9,445
Printing and copying	14,064	18,120	32,184	21,677	28,122	49,799
Meals and entertainment	13,680	17,747	31,427	13,059	16,942	30,001
Sales and merchandise	13,409	17,395	30,804	17,605	22,839	40,444
Miscellaneous	15,284	14,302	29,586	2,463	3,195	5,658
Vehicle costs	10,471	13,583	24,054	9,631	12,494	22,125
Permits and registration fees	9,707	12,593	22,300	8,569	11,117	19,686
Postage	6,331	8,213	14,544	7,113	9,228	16,341
Interest expense	5,574	7,231	12,805	2,828	3,669	6,497
Payroll services	5,367	6,963	12,330	4,919	6,384	11,303
Dues and subscriptions	4,517	5,860	10,377	3,433	4,454	7,887
Bank fees	3,046	3,952	6,998	1,880	2,439	4,319
Professional recruitment	2,240	2,906	5,146	3,192	4,141	7,333
Loss on sale of property	-	-	-	-	-	-
Totals	<u>\$3,671,885</u>	<u>\$4,628,900</u>	<u>\$8,300,785</u>	<u>\$3,399,757</u>	<u>\$4,205,454</u>	<u>\$7,605,211</u>