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August 28, 2018

To the Board of Directors and Management
NECHAMA - Jewish Response to Disaster
Burnsville, Minnesota

We have audited the financial statements of NECHAMA - Jewish Response to Disaster (the Organization) for the year ended December 31, 2017, and have issued our report thereon dated August 28, 2018. Professional standards require that we communicate to you certain matters related to our audit. In addition to required communications, we wish to make you aware of certain additional matters. The appendixes to this letter cover these topics as follows:

Appendix I - Required communications relating to internal control.

Appendix II - Communication of significant audit matters.

Appendix III - Future accounting changes to be implemented.

This information is intended solely for the information and use of the Board of Directors, management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We thank management and staff for the courtesies extended to us during the course of our work. If there are any questions regarding our audit or this letter, we would be happy to discuss them with you.

Mahoney Ulbrich
Christiansen Russ P.A.

In planning and performing our audit of the financial statements of NECHAMA - Jewish Response to Disaster as of and for the year ended December 31, 2017, in accordance with U.S. generally accepted auditing standards, we considered NECHAMA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in NECHAMA's internal control to be a significant deficiency:

Lack of Segregation of Duties

Good internal control requires a segregation of duties and responsibilities such that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. As a result of the lack of segregation, unintentional errors or fraud could occur and not be detected. Many nonprofit organizations must cope with budget constraints that make it difficult to separate duties. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization on a regular ongoing basis to provide oversight and independent review functions and mitigate the weakness created by the lack of segregation.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 17, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the allocation of expenses by function and the useful lives of property and equipment.

Management's allocation of expenses by function is based on an analysis of personnel time and estimates of space used for the related activities as determined by management. The estimates of the useful lives of property and equipment are based on past experience. We evaluated the key factors and assumptions used by management to develop these estimates in determining they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effects are immaterial to the financial statements taken as a whole.

The attached schedule summarizes the misstatements detected as a result of audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discussed a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Bank Reconciliation Review

In 2017 the monthly bank reconciliations were not reviewed. We recommend that the bank statement and bank reconciliation be reviewed monthly by someone who does not record transactions in the accounting software. MUCR noted that management has implemented a review process to have the Executive Director review the bank reconciliation monthly.

Journal Entry Review

In 2017 the general journal entries were not reviewed. We recommend that the journal entries be reviewed monthly by someone who does not record transactions in the accounting software. MUCR noted that management has implemented a review process to have the Board Treasurer review the general journal entries monthly.

Salary Change Documentation

Documentation for salary changes was not kept for salary changes. We recommend that salary change authorization be documented and signed by management and the employee. MUCR noted that management has implemented a plan to formally document any changes in salary.

ASU No. 2015-09 Revenue from Contracts with Customers Deferral of Implementation – In May 2014 FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. Under the new standard, entities will be required to take a five-step approach in determining when it is appropriate to recognize revenue.

The five steps in the new approach are:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract(s)
3. Determine the transaction price
4. Allocate the transaction price among the performance obligations in the contract(s)
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The implementation of the new revenue recognition standard was delayed one year and will now take effect for fiscal years beginning after December 15, 2018. A task force is currently working on implementation guidance for nonprofit entities.

ASU No. 2016-02 Leases - The update replaces the existing accounting model for leases and requires that lessees put most leases on their balance sheets. The standard will take effect for fiscal years beginning after December 15, 2019. Early implementation is permitted.

ASU No. 2016-14 Amendments to Not-for-Profit Financial Statements - The Financial Accounting Standards Board (FASB) released a set of changes in accounting standards for nonprofit organizations in August 2016. The requirements will be effective for fiscal years beginning after December 15, 2017.

Some of the highlights include:

- Nonprofits will continue to be allowed to use either the direct or indirect method for presenting operating cash flows on the statement of cash flows. The current requirement to reconcile income (loss) to net operating cash flows when using the direct method is eliminated.
- Temporarily and permanently restricted net assets will be merged into one net asset class (named Net Assets with Donor Restrictions). Unrestricted net assets will be renamed Net Assets without Donor Restrictions.
- In the absence of explicit donor instructions, the placed-in-service approach for expirations of restrictions to acquire or construct long-lived assets must be used. The over-time approach is eliminated.

- Enhanced disclosures about:
  - governing board designations and appropriations.
  - composition of net assets with donor restrictions.
  - how a not-for-profit manages its liquid resources to meet cash needs.
  - the availability of financial assets at the balance sheet date to meet cash needs for general expenditures.
  - expenses by their natural and functional classification.
  - method(s) used to allocate costs by function.
  - underwater endowment funds.

ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made - FASB issued an accounting standards update on June 21, 2018, which will help determine whether grants and similar contracts should be recorded as exchange transactions under the new revenue recognition standards or treated as a type of contribution. Not-for-profits must evaluate each grant and contract based on a new framework to determine if it meets the requirements to be classified as a contribution or an exchange transaction. If considered a contribution, the not-for-profit must determine whether the grant or contract meets the requirements to be recorded as a conditional contribution or unconditional contribution, and then if considered an unconditional contribution, whether it is a restricted contribution or unrestricted. Decision trees are provided to help evaluate each transaction. Upon implementation, this standard is expected to result in recharacterizing many grants and contracts from exchange transactions to conditional contributions. The effective date for applying the new guidance for resources received will coincide with implementation of ASU No. 2015-09.

AUDIT DIFFERENCE EVALUATION FORM

Organization: NECHAMA - Jewish Response to Disaster

Statement of Financial Position Date: December 31, 2017

				Financial Statements Effect—Amount of Over (Under) Statement of:						
Description (Nature) of Audit Difference (AD)	**Factual (F), Judgmental (J), or Projected (P)**	**Cause**	**Workpaper Reference**	**Total Assets**	**Total Liabilities**	**Net Assets**	**Revenues**	**Expenses**	**Change in Net Assets**	**Working Capital**
Office space rent - straight line	F	Office space rent is expensed as paid and not adjusted to straight line.	42-1		-$1,701	$1,701		-$1,701	$1,701	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
									$0	
Unadjusted Audit Differences - Current Year (Iron Curtain Method)				$0	-$1,701	$1,701	$0	-$1,701	$1,701	$0
Effect of Unadjusted Audit Differences - Prior Years							$0	$0	$0	
Combined Current and Prior Year Audit Differences (Rollover Method)				$0	-$1,701	$1,701	$0	-$1,701	$1,701	$0
Financial Statement Caption Totals				$870,990	$74,899	$796,091	$1,113,056	$794,488	$318,568	
Current AD as % of F/S Captions (Iron Curtain Method)				0.00%	-2.27%	0.21%	0.00%	-0.21%	0.53%	0.00%
Current and Prior Year AD as % of F/S Captions (Rollover Method)				0.00%	-2.27%	0.21%	0.00%	-0.21%	0.53%	0.00%

Client: ***NECHAMA - Jewish Response to Disaster***
Engagement: ***2017 - NECHAMA - JEWISH RESPONSE TO DISASTER***
Period Ending: ***12/31/2017***
Trial Balance: ***19 - Trial Balance***
Workpaper: ***19-2 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 1		**19-4-1**		
Per Margot - to adjust prepaid expenses.				
1600	Prepaid Expenses		3,289.00	
5450	Computer Supplies			3,289.00
Total			**3,289.00**	**3,289.00**
Adjusting Journal Entries JE # 2		**19-4-2**		
Per Margot, to adjust the temporarily restricted net assets.				
3900	Unrestricted Net Assets		24,634.20	
3800	Temp Restricted Net Assets			24,634.20
Total			**24,634.20**	**24,634.20**
Adjusting Journal Entries JE # 3		**41-1**		
To adjust the $20,000 received from the Beverly Foundation and David Tychman in 2017 that was awarded in 2016 and should have been included in revenue in 2016. And to record the additional receivable for the Tychman 5 year pledge in 2016.				
1120	Pledges Receivable		60,000.00	
4030	Fdn/Org Unres		40,000.00	
3900	Unrestricted Net Assets			100,000.00
Total			**100,000.00**	**100,000.00**
Adjusting Journal Entries JE # 4		**21-2-1**		
To adjust amounts paid in January 2017 on the credit card that should have been included in accounts payable at 12/31/16.				
3900	Unrestricted Net Assets		3,373.63	
5210	PPE & First Aid			79.25
5300	Communications Devices			58.61
5320	Telephone			182.30
5330	Postage & Delivery			74.80
5340	Printing			59.75
5350	Office Supplies & Furniture			145.17
5450	Computer Supplies			9.99
5470	Vehicle Rental			109.25
5510	Airfare			1,105.90
5520	Lodging			608.56
5530	Meals			374.84
5550	Ground Transportation			513.00
5570	Mileage			52.21
Total			**3,373.63**	**3,373.63**
Adjusting Journal Entries JE # 5		**29-1**		
To adjust the sale of the trailer and not include the proceeds in contribution revenue.				
4040	Individual Contributions Unres		2,500.00	
5730	Loss from Sale of Fixed Asset			2,500.00
Total			**2,500.00**	**2,500.00**
Adjusting Journal Entries JE # 8		**39-1**		
To move the funds related to recovery trip income treated as fee for service out of temporarily restricted net assets.				
3800	Temp Restricted Net Assets		7,337.00	
3900	Unrestricted Net Assets			7,337.00
Total			**7,337.00**	**7,337.00**
Adjusting Journal Entries JE # 9		**21-2-1**		
To accrue a portion of the payroll paid on 1/13/17.				
3900	Unrestricted Net Assets		5,224.68	
5010	Salaries			3,785.00
5013	Salaries - Dorothy Maples			908.34
5020	Payroll Taxes			531.34
Total			**5,224.68**	**5,224.68**
Adjusting Journal Entries JE # 10		**41**		
To defer the Hornik Family Foundation recovery trip funds received in 2017 to be used in 2018.				
4110	Recovery Trip Income		7,337.00	
2140	Deferred Revenue			7,337.00
Total			**7,337.00**	**7,337.00**
	Total Adjusting Journal Entries		**153,695.51**	**153,695.51**
	Total All Journal Entries		**153,695.51**	**153,695.51**