

**NECHAMA - JEWISH RESPONSE TO DISASTER**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2018**

# NECHAMA - JEWISH RESPONSE TO DISASTER

## FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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# Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of NECHAMA - Jewish Response to Disaster (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NECHAMA - Jewish Response to Disaster as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, NECHAMA - Jewish Response to Disaster has adopted Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited NECHAMA - Jewish Response to Disaster's 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated August 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 22, 2019

*Mahoney Ulbrich  
Christiansen Russ P.A.*

## NECHAMA - JEWISH RESPONSE TO DISASTER

### STATEMENT OF FINANCIAL POSITION

December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Cash	\$ 774,758	\$ 672,555
Investments	1,778	19,399
Contributions receivable	78,735	46,914
Prepaid expenses	55,673	28,096
Total current assets	910,944	766,964
Contributions receivable	20,000	40,000
Property and equipment, net	58,627	60,836
Security deposit	3,190	3,190
Total assets	\$ 992,761	\$ 870,990
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 12,232	\$ 44,477
Accrued payroll and related expenses	29,164	23,085
Deferred revenue	-	7,337
Total current liabilities	41,396	74,899
Net assets:		
Without donor restrictions	640,121	498,725
With donor restrictions	311,244	297,366
Total net assets	951,365	796,091
Total liabilities and net assets	\$ 992,761	\$ 870,990

See accompanying notes to financial statements.

**NECHAMA - JEWISH RESPONSE TO DISASTER**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018			2017
	Net assets without donor restrictions	Net assets with donor restrictions	Total	
Support and revenue:				
Contributions	\$ 292,001	\$ 1,235,772	\$ 1,527,773	\$ 932,242
Contributions - in-kind	288,182	-	288,182	24,654
Government grants	-	-	-	3,200
Fees for service	29,087	-	29,087	65,500
Other income	2,537	-	2,537	433
Investment income (loss)	(136)	-	(136)	358
Special event, net of direct donor benefits of \$44,591 in 2018 and \$18,833 in 2017	88,042	-	88,042	86,669
Net assets released from use and time restrictions	1,221,894	(1,221,894)	-	-
Total support and revenue	<u>1,921,607</u>	<u>13,878</u>	<u>1,935,485</u>	<u>1,113,056</u>
Expenses:				
Program services	1,539,586	-	1,539,586	623,808
Management and general	149,847	-	149,847	108,416
Fundraising	90,778	-	90,778	60,942
Total expenses	<u>1,780,211</u>	<u>-</u>	<u>1,780,211</u>	<u>793,166</u>
Change in net assets before sale of trailer	141,396	13,878	155,274	319,890
Loss on sale of trailer	-	-	-	(1,322)
Change in net assets	141,396	13,878	155,274	318,568
Net assets, beginning of year	<u>498,725</u>	<u>297,366</u>	<u>796,091</u>	<u>477,523</u>
Net assets, end of year	<u>\$ 640,121</u>	<u>\$ 311,244</u>	<u>\$ 951,365</u>	<u>\$ 796,091</u>

See accompanying notes to financial statements.

## NECHAMA - JEWISH RESPONSE TO DISASTER

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	Program services	Management and general	Fund - raising	Total	2017
Salaries	\$ 553,942	\$ 28,580	\$ 32,337	\$ 614,859	\$ 368,144
Employee benefits	57,833	5,580	8,718	72,131	36,285
Payroll taxes	45,140	2,024	2,481	49,645	35,659
Total salaries and related	656,915	36,184	43,536	736,635	440,088
Advertising	6,016	148	2,137	8,301	649
Bank and credit card fees	2,012	2,652	627	5,291	18,054
Equipment	225,413	4,015	75	229,503	24,311
Office expense	14,661	16,921	11,716	43,298	21,403
Professional fees	48,875	22,922	3,759	75,556	8,024
Accounting and legal	-	27,082	-	27,082	21,750
Occupancy	43,701	1,424	3,088	48,213	42,053
Information technology	14,399	10,005	11,697	36,101	26,920
Insurance	22,956	371	804	24,131	19,113
Travel and lodging	431,026	20,955	8,604	460,585	138,190
Training and conferences	2,370	1,917	913	5,200	1,190
Volunteer expense	33,289	10	24	33,323	6,257
Depreciation	19,783	2,071	2,069	23,923	10,912
Miscellaneous expenses	18,170	3,170	1,729	23,069	14,252
Expenses before direct donor benefits	\$ 1,539,586	\$ 149,847	\$ 90,778	1,780,211	793,166
Direct donor benefit expenses				44,591	18,833
Total expenses				\$ 1,824,802	\$ 811,999

See accompanying notes to financial statements.

## NECHAMA - JEWISH RESPONSE TO DISASTER

### STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

Increase (Decrease) in Cash

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 155,274	\$ 318,568
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	23,923	10,912
Loss on sale of trailer	-	1,322
Donation of stocks	17,625	(17,625)
Changes in operating assets and liabilities:		
Contributions receivable	(11,821)	88,776
Prepaid expenses	(27,577)	(14,971)
Other assets	-	(1,190)
Accounts payable	(32,245)	36,402
Accrued payroll and related expenses	6,075	8,725
Deferred revenue	(7,337)	7,337
Net cash from operating activities	123,917	438,256
Cash flows from investing activities:		
Purchase of property and equipment	(21,714)	(56,147)
Proceeds from sale of trailer	-	2,500
Net cash from investing activities	(21,714)	(53,647)
Net increase in cash	102,203	384,609
Cash, beginning of year	672,555	287,946
Cash, end of year	\$ 774,758	\$ 672,555
Supplemental cash flow information:		
Noncash investing and financing activities:		
Donated stocks held in investments	\$ -	\$ 17,625

See accompanying notes to financial statements.



# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

### 1. ORGANIZATION

The NECHAMA - Jewish Response to Disaster (NECHAMA) is a nonprofit corporation located in Burnsville, Minnesota. NECHAMA is a volunteer organization providing natural disaster response, rebuild, and preparedness training services nationwide. Guided by the Jewish values of Tikkun Olam, repairing the world, performing good acts, and helping the stranger, NECHAMA offers a helping hand in the spirit of goodwill and creating mutual respect and understanding among people. Headquartered in Burnsville, Minnesota, NECHAMA's work is comprised of three areas:

**Disaster response** - Following floods, hurricane, and wind events, NECHAMA provides a variety of services including mucking out homes; removing debris, damaged goods, and sediment; gutting homes down to the studs to prepare them for a rebuild; and deploying skilled chainsaw teams to remove downed trees and other dislodged debris.

**Disaster recovery** - In the wake of disasters, NECHAMA will, on occasion, provide rebuild assistance to affected families. This includes services such as installing drywall, insulation, and other minor repairs.

**Disaster preparedness** - In an effort to help affected-communities and national and local partners, NECHAMA offers preparedness trainings aimed at improving the disaster response skills of local volunteers and staff.

NECHAMA is primarily supported by contributions, special event income and fees for service.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Accounting Pronouncement Adopted** - FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* to address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NECHAMA has adopted the pronouncement and adjusted the presentation of these statements accordingly. As a result, net assets previously reported as temporarily and permanently restricted are now called net assets with donor restrictions. The amount of such net assets did not change. Footnote disclosures have been expanded as required by the ASU. NECHAMA opted not to disclose liquidity and availability information for 2017 and the Statement of Functional Expenses as permitted under the ASU in the year of adoption.

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# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Statement Presentation** - Revenues and support are classified based on the presence or absence of donor restrictions and are reported in the following net asset categories:

- Net assets without donor restrictions represent the portion of net assets that are not subject to donor-imposed restrictions.
- Net assets with donor restrictions arise from contributions that are restricted by donors for specific purposes or time periods. Some donor restrictions are temporary in nature and others are perpetual.

**Cash Equivalents** - For purposes of preparing the statement of cash flows, investments with an original maturity of three months or less are considered cash equivalents.

**Investments** - Investments in marketable securities are reported at fair value. Realized and unrealized gains and losses are reported as changes in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**Contributions Receivable** - Contributions receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided. Receivables are written off when, in management's estimation, it is probable that the receivable is worthless.

**Property and Equipment** - Property and equipment is carried at cost. Donated equipment is capitalized at the estimated fair market value at the date of receipt. Additions with a cost of less than \$2,500 are expensed. Depreciation is computed over estimated useful lives using the straight-line method. The cost of maintenance and repairs is charged to expense as incurred; significant renewals or betterments are capitalized. Absent explicit donor restrictions regarding how long contributed assets must be used, NECHAMA reports expiration of donor restrictions when the donated or acquired assets are placed in service.

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# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Contributions** - Contributions are recognized when the donor makes an unconditional promise to give. Contributions restricted by donors are reported as increases in net assets with donor restrictions. When a specific time restriction ends or a purpose is accomplished, temporarily restricted net assets are reclassified to net assets without donor restrictions.

**Contributed Services** - Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a non-financial asset or the service requires specialized skills that would need to be purchased if not provided by donation. NECHAMA relies on donated services from many volunteers for its disaster response and recovery activities. No amounts have been recognized for these services because they do not meet the criteria described above. No contributed services were recorded in 2018 and 2017.

**Contributed Materials** - Contributed materials are recorded as contributions, when received, at fair value. During 2018, NECHAMA received \$120,806 of discounts on commercial airline tickets to disaster areas and lodging in disaster areas, \$167,376 of equipment and supplies, which have been recorded as in-kind contributions and \$3,798 of donated space for the special event, which have been included in special event revenue. During 2017, NECHAMA received \$24,654 of discounts on commercial airline tickets to disaster areas, which have been recorded as in-kind contributions.

**Fees for service** - NECHAMA has contracts with other entities to provide services. Fees for service is recorded as revenue when earned. Revenue is earned when services are provided, as defined in each contract. Payments received but not yet earned are shown as deferred revenue.

**Functional Expenses** - The costs of providing programs and the Organization's supporting services have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services based on an analysis of personnel time and estimates of space used for the related activities as determined by management.

**Income Taxes** - NECHAMA is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to any extent it has taxable income that is not related to its tax exempt purpose. Management believes NECHAMA did not have any unrelated business income in 2018 and 2017. Management believes NECHAMA has appropriate support for

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# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

**Comparative Total Column** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NECHAMA'S financial statements for the year ended December 31, 2017, from which the information was derived.

**Reclassifications** – Reclassifications were made to the 2017 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

NECHAMA'S financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

Cash	\$	774,758
Investments		1,778
Contributions receivable (Note 4)		78,735
	\$	<u>855,271</u>

As part of NECHAMA'S liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NECHAMA'S goal is generally to maintain financial assets to meet 3 months of operating expenses.

NECHAMA adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored each month.

### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$78,735 are due in 2019 and \$20,000 are due in 2020.

(Continued)

## NECHAMA - JEWISH RESPONSE TO DISASTER

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017	Estimated useful life in years
Equipment	\$ 24,018	\$ 8,366	3 - 5
Website development	23,612	17,550	5
Vehicles	71,628	71,628	5 - 7
Accumulated depreciation	(60,631)	(36,708)	
	\$ 58,627	\$ 60,836	

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

	2018	2017
Expendable for specified purposes:		
Disaster relief - Hurricane Harvey	\$ -	\$ 221,372
Disaster relief - Hurricane Irma	-	30,466
Disaster relief - Puerto Rico	120,847	-
Disaster relief - Wharton County, TX	75,898	-
Disaster relief - Hurricane Florence	101,444	-
Disaster relief - California flood and fire	5,100	-
Rapid disaster response project	-	45,528
Volunteer engagement supervisor travel	7,955	-
	\$ 311,244	\$ 297,366

Net assets released from restrictions consisted of the following:

	2018	2017
Use restrictions	\$ 1,221,894	\$ 419,254
Time restrictions	-	20,000
	\$ 1,221,894	\$ 439,254

(Continued)

# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

### 7. OFFICE LEASE

NECHAMA leases its office space under an operating lease agreement with a term ending October 31, 2020. In addition to base rent, NECHAMA pays its share of operating expenses. Occupancy expense was \$48,213 and \$42,053 in 2018 and 2017.

The future minimum lease commitments are as follows:

2019	\$	21,370
2020		<u>18,100</u>
	\$	<u>39,470</u>

### 8. CONCENTRATIONS

NECHAMA maintains cash in a bank, which at times, may exceed the federally insured limits. NECHAMA has not experienced any losses on this account. Management believes NECHAMA is not exposed to any significant credit risk on such account. As of December 31, 2018 and 2017, cash balances exceeded the federally insured limit by \$511,277 and \$422,855.

The primary sources of support and revenue include contributions, special event income and fees for service. Many of the contributions and contracts are one year in duration. NECHAMA is dependent upon future contributions and contract funding.

### 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2019, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.