

NECHAMA - JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

NECHAMA - JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
NECHAMA - Jewish Response to Disaster
Saint Paul, 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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited NECHAMA - Jewish Response to Disaster's 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 26, 2021

*Mahoney Ulbrich
Christiansen Russ P.A.*

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF FINANCIAL POSITION

December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash	\$ 288,284	\$ 239,449
Investments	1,977	1,986
Contributions receivable	25,737	32,017
Prepaid expenses	18,728	31,643
Total current assets	334,726	305,095
Property and equipment, net	22,309	42,176
Security deposit	-	3,190
Total assets	\$ 357,035	\$ 350,461
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 14,600	\$ 8,512
Accrued payroll and related expenses	21,804	19,698
Total current liabilities	36,404	28,210
Paycheck Protection Program loan	138,000	-
Total liabilities	174,404	28,210
Net assets:		
Without donor restrictions	111,878	322,251
With donor restrictions	70,753	-
Total net assets	182,631	322,251
Total liabilities and net assets	\$ 357,035	\$ 350,461

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019
	Net assets without donor restrictions	Net assets with donor restrictions	Total	
Support and revenue:				
Contributions	\$ 259,972	\$ 109,743	\$ 369,715	\$ 324,609
Contributions - in-kind	48,796	-	48,796	140,695
Fees for service	-	-	-	325,973
Other income	28,458	-	28,458	8,280
Investment income (loss)	206	-	206	417
Special event, net of direct donor benefits of \$- in 2020 and \$43,250 in 2019	-	-	-	103,871
Net assets released from use and time restrictions	38,990	(38,990)	-	-
Total support and revenue	<u>376,422</u>	<u>70,753</u>	<u>447,175</u>	<u>903,845</u>
Expenses:				
Program services	320,514	-	320,514	1,130,672
Management and general	115,000	-	115,000	142,172
Fundraising	151,281	-	151,281	180,929
Total expenses	<u>586,795</u>	<u>-</u>	<u>586,795</u>	<u>1,453,773</u>
Change in net assets before restricted contributions returned	(210,373)	70,753	(139,620)	(549,928)
Restricted contributions returned	-	-	-	(79,186)
Change in net assets	(210,373)	70,753	(139,620)	(629,114)
Net assets, beginning of year	<u>322,251</u>	<u>-</u>	<u>322,251</u>	<u>951,365</u>
Net assets, end of year	<u>\$ 111,878</u>	<u>\$ 70,753</u>	<u>\$ 182,631</u>	<u>\$ 322,251</u>

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Program services	Management and general	Fund - raising	Total	2019
Salaries	\$ 138,330	\$ 53,673	\$ 72,819	\$ 264,822	\$ 598,341
Employee benefits	20,385	5,960	11,352	37,697	84,831
Payroll taxes	11,050	4,967	6,061	22,078	48,497
 Total salaries and related	 169,765	 64,600	 90,232	 324,597	 731,669
Advertising	-	-	65	65	13,428
Bank and credit card fees	5	5,329	217	5,551	6,164
Equipment	6,605	-	-	6,605	76,640
Office expense	4,107	670	13,157	17,934	36,662
Professional fees	393	7,161	6,218	13,772	30,466
Accounting and legal	-	12,485	-	12,485	14,709
Occupancy	19,141	5,991	11,500	36,632	45,163
Information technology	3,575	3,221	14,986	21,782	27,969
Insurance	16,084	5,054	8,826	29,964	18,602
Travel and lodging	84,803	579	778	86,160	378,385
Training and conferences	219	2,354	479	3,052	8,007
Volunteer expense	-	-	-	-	9,025
Depreciation	7,398	2,379	4,027	13,804	16,451
Miscellaneous expenses	8,419	5,177	796	14,392	40,433
 Expenses before direct donor benefits	 <u>\$ 320,514</u>	 <u>\$ 115,000</u>	 <u>\$ 151,281</u>	 586,795	 1,453,773
Direct donor benefit expenses				-	43,250
 Total expenses				 <u>\$ 586,795</u>	 <u>\$ 1,497,023</u>

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (139,620)	\$ (629,114)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	13,804	16,451
Disposal of volunteer management system	6,063	-
Changes in operating assets and liabilities:		
Contributions receivable	6,280	66,718
Prepaid expenses	12,915	24,030
Investments	9	(208)
Security deposit	3,190	-
Accounts payable	6,088	(3,720)
Accrued payroll and related expenses	2,106	(9,466)
Net cash from operating activities	(89,165)	(535,309)
Cash flows from financing activities:		
Paycheck Protection Program loan advance	138,000	-
Net cash from financing activities	138,000	-
Net increase (decrease) in cash	48,835	(535,309)
Cash, beginning of year	239,449	774,758
Cash, end of year	\$ 288,284	\$ 239,449

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

1. ORGANIZATION

The NECHAMA - Jewish Response to Disaster (NECHAMA) is a nonprofit corporation located in Saint Paul, 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 Saint Paul, 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

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.

(Continued)

NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Contributions - NECHAMA recognizes contributions when cash, securities or other assets or an unconditional promise to give are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded when received as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Upon expiration of the time restriction or when purpose restrictions have been met, they are reclassified to net assets without donor restrictions.

(Continued)

NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable. As of December 31, 2020 and 2019, management has estimated that all of the contributions receivable are collectable. Accordingly, no allowance has been provided.

Fees for service - A portion of NECHAMA's revenue is derived from contracts to perform volunteer coordination and management, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when performance obligations are met or when NECHAMA has incurred expenditures in compliance with specific contract provisions.

Revenues under contracts are subject to review by the contract authority. If, as a result of such a review, expenditures are determined to be unallowable, or services performed not in compliance, the disallowance will be recorded at the time the assessment for refund is made.

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 2020 and 2019.

Contributed Materials - Contributed materials are recorded as contributions, when received, at fair value. During 2020, NECHAMA received \$48,576 of discounts on commercial airline tickets to disaster areas and lodging in disaster areas, and \$220 of equipment and supplies, which has been recorded as in-kind contributions. During 2019, NECHAMA received \$109,653 of discounts on commercial airline tickets to disaster areas and lodging in disaster areas, \$31,042 of equipment and supplies, which has been recorded as in-kind contributions and \$1,706 of donated space for the special event, which has been included in special event revenue.

(Continued)

NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Total salaries and related, occupancy, insurance and depreciation were allocated based on an analysis of personnel time.

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 2020 and 2019. Management believes NECHAMA has appropriate support for 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, 2019, from which the information was derived.

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:

	2020	2019
Cash	\$ 288,284	\$ 239,449
Investments	1,977	1,986
Contributions receivable (Note 4)	25,737	32,017
	<u>\$ 315,998</u>	<u>\$ 273,452</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.

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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 \$25,737 are due in 2021.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019	Estimated useful life in years
Equipment	\$ 20,798	\$ 24,018	3 - 5
Website development	17,551	23,612	5
Vehicles	71,628	71,628	5 - 7
Accumulated depreciation	(87,668)	(77,082)	
	<u>\$ 22,309</u>	<u>\$ 42,176</u>	

6. PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the Organization signed an unsecured \$138,000 note payable to Bremer Bank, National Association, with interest at 1.0%. The note is funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note may be forgiven if NECHAMA uses the proceeds from the notes for payroll costs and other expenses in accordance with the requirements of the PPP. If the proceeds are not used in accordance with the PPP guidelines, NECHAMA received forgiveness of the loan in May 2021.

(Continued)

NECHAMA - JEWISH RESPONSE TO DISASTER

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For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

	2020	2019
Time restricted	\$ 25,737	\$ -
Expendable for specified purposes:		
Equipment and supplies	27,822	-
Vehicles	13,463	-
Assessments	3,731	-
	<u>\$ 70,753</u>	<u>\$ -</u>

Net assets released from restrictions consisted of the following:

	2020	2019
Use restrictions	\$ 38,990	\$ 311,627
Restricted contributions returned	-	79,186
	<u>\$ 38,990</u>	<u>\$ 390,813</u>

8. LEASES

NECHAMA leased its office space under an operating lease agreement with a term ending October 31, 2020. In addition to base rent, NECHAMA paid its share of operating expenses. Occupancy expense was \$36,632 and \$45,163 in 2020 and 2019. The lease was not renewed in 2020.

NECHAMA leased two vehicles under operating lease agreements with terms ending in January and February 2021. Vehicle lease expense was \$14,820 in 2020 and 2019. Remaining future lease payments of \$1,810 are required in 2021. In 2021 the vehicle leases were not renewed and were purchased by NECHAMA.

9. RETURN OF CONTRIBUTION

In 2019, contributions of \$79,186 received in 2018 were returned to the contributor as a result of not having sufficient program expenses to meet the donor imposed restrictions. The funds were restricted for use for a specific natural disaster area and all the related program work by NECHAMA was completed in 2019.

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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

10. **CONCENTRATIONS AND CONTINGENCY**

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, 2020 and 2019, cash balances exceeded the federally insured limit by \$29,768 and \$-.

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.

In March 2020, the state of Minnesota began to enact measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. As a result, NECHAMA was not able to use volunteers to assist in the work in disaster areas and the annual fundraising event was not able to be held. The future effects of these issues are unknown.

11. **SUBSEQUENT EVENTS**

NECHAMA received an additional \$63,102 in the second round of PPP loan funds in February 2021. Management has evaluated subsequent events through October 26, 2021, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.