

NECHAMA - JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

NECHAMA - JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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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, 2017, 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, 2017, 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.

August 28, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

Cash	\$ 672,555
Investments	19,399
Contributions receivable	86,914
Prepaid expenses	<u>28,096</u>
Total current assets	806,964
Property and equipment, net	60,836
Security deposit	<u>3,190</u>
Total assets	<u><u>\$ 870,990</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 44,477
Accrued payroll and related expenses	23,085
Deferred revenue	<u>7,337</u>
Total current liabilities	<u>74,899</u>
Net assets:	
Unrestricted	498,725
Temporarily restricted	<u>297,366</u>
Total net assets	<u>796,091</u>
Total liabilities and net assets	<u><u>\$ 870,990</u></u>

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	Unrestricted	Temporarily restricted	Total
Support and revenue:			
Contributions	\$ 378,196	\$ 554,046	\$ 932,242
Contributions - in-kind	24,654	-	24,654
Government grants	3,200	-	3,200
Fees for service	65,500	-	65,500
Other income	433	-	433
Investment income	358	-	358
Special event, net of direct donor benefits of \$18,833	86,669	-	86,669
Net assets released from use and time restrictions	439,254	(439,254)	-
Total support and revenue	998,264	114,792	1,113,056
Expenses:			
Program services	623,808	-	623,808
Management and general	108,416	-	108,416
Fundraising	60,942	-	60,942
Total expenses	793,166	-	793,166
Change in net assets before sale of trailer	205,098	114,792	319,890
Loss on sale of trailer	(1,322)	-	(1,322)
Change in net assets	203,776	114,792	318,568
Net assets, beginning of year	294,949	182,574	477,523
Net assets, end of year	\$ 498,725	\$ 297,366	\$ 796,091

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

	Program services	Management and general	Fund - raising	Total
Salaries	\$ 315,353	\$ 29,214	\$ 23,577	\$ 368,144
Employee benefits	31,082	2,879	2,324	36,285
Payroll taxes	26,446	5,045	4,168	35,659
Total salaries and related	372,881	37,138	30,069	440,088
Advertising	447	80	122	649
Bank and credit card fees	-	5,153	12,901	18,054
Equipment	18,294	6,017	-	24,311
Office expense	7,564	6,322	7,517	21,403
Professional fees	4,074	3,886	64	8,024
Accounting and legal	-	21,750	-	21,750
Occupancy	31,539	6,309	4,205	42,053
Information technology	18,126	6,874	1,920	26,920
Insurance	13,028	4,399	1,686	19,113
Travel and lodging	130,479	6,649	1,062	138,190
Training and conferences	450	740	-	1,190
Volunteer expense	6,257	-	-	6,257
Depreciation	8,184	1,637	1,091	10,912
Miscellaneous expenses	12,485	1,462	305	14,252
Expenses before direct donor benefits	\$ 623,808	\$ 108,416	\$ 60,942	793,166
Direct donor benefit expenses				18,833
Total expenses				\$ 811,999

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

Increase (Decrease) in Cash

Cash flows from operating activities:	
Change in net assets	\$ 318,568
Adjustments to reconcile the change in net assets to net cash from operating activities:	
Depreciation	10,912
Loss on sale of trailer	1,322
Donation of stocks	(17,625)
Changes in operating assets and liabilities:	
Contributions receivable	88,776
Prepaid expenses	(14,971)
Other assets	(1,190)
Accounts payable	36,402
Accrued payroll and related expenses	8,725
Deferred revenue	7,337
Net cash from operating activities	<u>438,256</u>
Cash flows from investing activities:	
Purchase of property and equipment	(56,147)
Proceeds from sale of trailer	2,500
Net cash from investing activities	<u>(53,647)</u>
Net increase in cash	384,609
Cash, beginning of year	<u>287,946</u>
Cash, end of year	<u>\$ 672,555</u>
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, 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

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, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation - Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. NECHAMA has no permanently restricted assets.

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.

Contributions - Contributions are recognized when the donor makes an unconditional promise to give. Contributions restricted by donors are reported as increases in temporarily restricted net assets. When a specific time restriction ends or a purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

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

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 2017.

Contributed Materials - Contributed materials are recorded as contributions, when received, at fair value. 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 2017. 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.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable of \$86,914 are all due in 2018.

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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

		Estimated useful life in years
Equipment	\$ 8,366	3 - 5
Website development	17,550	5
Vehicles	71,628	5 - 7
Accumulated depreciation	<u>(36,708)</u>	
	<u>\$ 60,836</u>	

Website development was still in process as of December 31, 2017, and will be placed into service when completed in 2018.

5. NET ASSETS

Temporarily restricted net assets are for the following purposes:

Disaster relief - Hurricane Harvey	\$ 221,372
Disaster relief - Hurricane Irma	30,466
Rapid disaster response project	<u>45,528</u>
	<u>\$ 297,366</u>

Net assets released from restrictions consisted of the following:

Use restrictions	\$ 419,254
Time restrictions	<u>20,000</u>
	<u>\$ 439,254</u>

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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2017

6. 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. Rent expense was \$42,053 in 2017.

The future minimum lease commitments are as follows:

2018	\$	20,950
2019		21,370
2020		<u>18,100</u>
	\$	<u>60,420</u>

7. 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, 2017, cash balances exceeded the federally insured limit by \$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.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 28, 2018, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.