

**NECHAMA - JEWISH RESPONSE TO DISASTER**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

# NECHAMA - JEWISH RESPONSE TO DISASTER

## FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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# Mahoney Ulbrich Christiansen Russ P.A.

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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, 2019, 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, 2019, 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 adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to those matters.

### **Report on Summarized Comparative Information**

We have previously audited NECHAMA - Jewish Response to Disaster's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

November 16, 2020

# NECHAMA - JEWISH RESPONSE TO DISASTER

## STATEMENT OF FINANCIAL POSITION

December 31, 2019  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 239,449	\$ 774,758
Investments	1,986	1,778
Contributions receivable	32,017	78,735
Prepaid expenses	31,643	55,673
Total current assets	<u>305,095</u>	<u>910,944</u>
Contributions receivable	-	20,000
Property and equipment, net	42,176	58,627
Security deposit	3,190	3,190
Total assets	<u>\$ 350,461</u>	<u>\$ 992,761</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 8,512	\$ 12,232
Accrued payroll and related expenses	19,698	29,164
Total current liabilities	<u>28,210</u>	<u>41,396</u>
Net assets:		
Without donor restrictions	322,251	640,121
With donor restrictions	-	311,244
Total net assets	<u>322,251</u>	<u>951,365</u>
Total liabilities and net assets	<u>\$ 350,461</u>	<u>\$ 992,761</u>

See accompanying notes to financial statements.

**NECHAMA - JEWISH RESPONSE TO DISASTER**

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	2019		Total	2018
	Net assets without donor restrictions	Net assets with donor restrictions		
Support and revenue:				
Contributions	\$ 245,040	\$ 79,569	\$ 324,609	\$ 1,527,773
Contributions - in-kind	140,695	-	140,695	288,182
Fees for service	325,973	-	325,973	29,087
Other income	8,280	-	8,280	2,537
Investment income (loss)	417	-	417	(136)
Special event, net of direct donor benefits of \$43,250 in 2019 and \$44,591 in 2018	103,871	-	103,871	88,042
Net assets released from use and time restrictions	311,627	(311,627)	-	-
Total support and revenue	1,135,903	(232,058)	903,845	1,935,485
Expenses:				
Program services	1,130,672	-	1,130,672	1,539,586
Management and general	142,172	-	142,172	149,847
Fundraising	180,929	-	180,929	90,778
Total expenses	1,453,773	-	1,453,773	1,780,211
Change in net assets before restricted contributions returned	(317,870)	(232,058)	(549,928)	155,274
Restricted contributions returned	(79,186)	-	(79,186)	-
Release of restricted contributions	79,186	(79,186)	-	-
Change in net assets	(317,870)	(311,244)	(629,114)	155,274
Net assets, beginning of year	640,121	311,244	951,365	796,091
Net assets, end of year	\$ 322,251	\$ -	\$ 322,251	\$ 951,365

See accompanying notes to financial statements.

## NECHAMA - JEWISH RESPONSE TO DISASTER

### STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	Program services	Management and general	Fund - raising	Total	2018
Salaries	\$ 454,021	\$ 44,197	\$ 100,123	\$ 598,341	\$ 614,859
Employee benefits	66,275	9,844	8,712	84,831	72,131
Payroll taxes	36,590	3,993	7,914	48,497	49,645
Total salaries and related	556,886	58,034	116,749	731,669	736,635
Advertising	4,402	932	8,094	13,428	8,301
Bank and credit card fees	80	6,043	41	6,164	5,291
Equipment	75,080	1,320	240	76,640	229,503
Office expense	12,065	20,182	4,415	36,662	43,298
Professional fees	26,253	1,964	2,249	30,466	75,556
Accounting and legal	-	14,709	-	14,709	27,082
Occupancy	33,156	3,766	8,241	45,163	48,213
Information technology	5,645	7,230	15,094	27,969	36,101
Insurance	13,314	1,613	3,675	18,602	24,131
Travel and lodging	354,586	7,687	16,112	378,385	460,585
Training and conferences	3,953	2,602	1,452	8,007	5,200
Volunteer expense	8,636	40	349	9,025	33,323
Depreciation	12,529	1,191	2,731	16,451	23,923
Miscellaneous expenses	24,087	14,859	1,487	40,433	23,069
Expenses before direct donor benefits	\$ 1,130,672	\$ 142,172	\$ 180,929	1,453,773	1,780,211
Direct donor benefit expenses				43,250	44,591
Total expenses				\$ 1,497,023	\$ 1,824,802

See accompanying notes to financial statements.

## NECHAMA - JEWISH RESPONSE TO DISASTER

### STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (629,114)	\$ 155,274
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	16,451	23,923
Donation of stocks	-	17,625
Changes in operating assets and liabilities:		
Contributions receivable	66,718	(11,821)
Prepaid expenses	24,030	(27,577)
Investments	(208)	-
Accounts payable	(3,720)	(32,245)
Accrued payroll and related expenses	(9,466)	6,075
Deferred revenue	-	(7,337)
Net cash from operating activities	(535,309)	123,917
Cash flows from investing activities:		
Purchase of property and equipment	-	(21,714)
Net cash from investing activities	-	(21,714)
Net increase (decrease) in cash	(535,309)	102,203
Cash, beginning of year	774,758	672,555
Cash, end of year	\$ 239,449	\$ 774,758

See accompanying notes to financial statements.



# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 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

**Implementation of New Accounting Guidance** - In 2019, NECHAMA adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* using the full retrospective approach. This ASU was issued to address diversity in reporting restricted cash on the statement of cash flows, largely due to the lack of guidance. After the adoption of ASU 2016-18, restricted cash and cash equivalents must be included with the beginning and ending cash and cash equivalents shown on the statement of cash flows. Before the change, restricted cash and cash equivalents were excluded. The change did not affect the 2018 beginning of year cash reported on the statement of cash flows.

(Continued)

# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. NECHAMA adopted these related standards on January 1, 2019, using the modified retrospective method. The cumulative effect of adopting the new revenue standards was not material and no adjustment was recorded to net assets.

**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.

**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

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# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

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.

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, 2019 and 2018, 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.

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# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 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 2019 and 2018.

**Contributed Materials** - Contributed materials are recorded as contributions, when received, at fair value. During 2019, NECHAMA received \$109,653 of discounts on commercial airline tickets to disaster areas and lodging in disaster areas, \$35,603 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. 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.

**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 2019 and 2018. 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.

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# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

**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, 2018, 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:

	2019	2018
Cash	\$ 239,449	\$ 774,758
Investments	1,986	1,778
Contributions receivable (Note 4)	32,017	78,735
	<u>\$ 273,452</u>	<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 \$32,017 are due in 2020.

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## NECHAMA - JEWISH RESPONSE TO DISASTER

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018	Estimated useful life in years
Equipment	\$ 24,018	\$ 24,018	3 - 5
Website development	23,612	23,612	5
Vehicles	71,628	71,628	5 - 7
Accumulated depreciation	(77,082)	(60,631)	
	\$ 42,176	\$ 58,627	

#### 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

	2019	2018
Expendable for specified purposes:		
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
Volunteer engagement supervisor travel	-	7,955
	\$ -	\$ 311,244

Net assets released from restrictions consisted of the following:

	2019	2018
Use restrictions	\$ 311,627	\$ 1,221,894
Restricted contributions returned	79,186	-
	\$ 390,813	\$ 1,221,894

(Continued)

# NECHAMA - JEWISH RESPONSE TO DISASTER

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 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 \$45,163 and \$48,213 in 2019 and 2018.

The future minimum lease commitments are as follows:

2020	<u>\$ 18,100</u>
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### 8. 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.

### 9. 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, 2019 and 2018, cash balances exceeded the federally insured limit by \$- and \$511,277.

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.

### 10. SUBSEQUENT EVENTS

**Coronavirus (COVID-19) outbreak** - 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. There has been no immediate impact on the Project's operations. The future effects of these issues are unknown.

**Management's review** - Management has evaluated subsequent events through November 16, 2020, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.