



NECHAMA - JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

NECHAMA - JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

**For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NECHAMA - Jewish Response to Disaster and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NECHAMA - Jewish Response to Disaster's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NECHAMA - Jewish Response to Disaster's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NECHAMA - Jewish Response to Disaster's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited NECHAMA - Jewish Response to Disaster's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mahoney Ulbrich
Christiansen Russ P.A.*

September 1, 2022

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash	\$ 404,841	\$ 288,284
Investments	-	1,977
Accounts receivable - employee retention credit	37,551	-
Contributions receivable	40,456	25,737
Prepaid expenses	23,358	18,728
Total current assets	<u>506,206</u>	<u>334,726</u>
Property and equipment, net	38,650	22,309
Total assets	<u>\$ 544,856</u>	<u>\$ 357,035</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 5,545	\$ 14,600
Accrued payroll and related expenses	<u>14,627</u>	<u>21,804</u>
Total current liabilities	<u>20,172</u>	<u>36,404</u>
Payroll Protection Program loan	-	138,000
Total liabilities	<u>20,172</u>	<u>174,404</u>
Net assets:		
Without donor restrictions	480,101	111,878
With donor restrictions	<u>44,583</u>	<u>70,753</u>
Total net assets	<u>524,684</u>	<u>182,631</u>
Total liabilities and net assets	<u>\$ 544,856</u>	<u>\$ 357,035</u>

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021
 (With Comparative Totals for 2020)

	2021			
	Net assets without donor restrictions	Net assets with donor restrictions	Total	2020
Support and revenue:				
Contributions	\$ 243,363	\$ 115,020	\$ 358,383	\$ 369,715
Contributions - in-kind	46,128	-	46,128	48,796
Other income	3,751	-	3,751	28,458
Investment income	233	-	233	206
Net assets released from use and time restrictions	<u>141,190</u>	<u>(141,190)</u>	<u>-</u>	<u>-</u>
Total support and revenue	434,665	(26,170)	408,495	447,175
Expenses:				
Program services	240,884	-	240,884	320,514
Management and general	65,417	-	65,417	115,000
Fundraising	37,994	-	37,994	151,281
Total expenses	344,295	-	344,295	586,795
Change in net assets before debt forgiveness and gain on sale	90,370	(26,170)	64,200	(139,620)
Debt forgiveness - PPP loans and related interest	203,006	-	203,006	-
Employee retention credit	51,551	-	51,551	-
Gain on sale of property and equipment	23,296	-	23,296	-
Change in net assets	368,223	(26,170)	342,053	(139,620)
Net assets, beginning of year	<u>111,878</u>	<u>70,753</u>	<u>182,631</u>	<u>322,251</u>
Net assets, end of year	\$ 480,101	\$ 44,583	\$ 524,684	\$ 182,631

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021
 (With Comparative Totals for 2020)

	Program services	Management and general	Fund-raising	Total	2020
Salaries	\$ 104,174	\$ 27,532	\$ 17,114	\$ 148,820	\$ 264,822
Employee benefits	17,132	4,528	2,815	24,475	37,697
Payroll taxes	9,054	2,393	1,487	12,934	22,078
 Total salaries and related	 130,360	 34,453	 21,416	 186,229	 324,597
Advertising	-	-	155	155	65
Bank and credit card fees	31	4,592	19	4,642	5,551
Equipment	8,908	-	-	8,908	6,605
Office expense	3,317	1,546	10,147	15,010	17,934
Interest expense	-	1,904	-	1,904	-
 Professional fees	 799	 6,603	 76	 7,478	 13,772
Accounting and legal	-	11,908	-	11,908	12,485
Occupancy	-	-	-	-	36,632
Information technology	7,815	813	512	9,140	21,782
Insurance	16,127	949	1,525	18,601	29,964
 Travel and lodging	 55,015	 187	 35	 55,237	 86,160
Training and conferences	130	8	12	150	3,052
Depreciation	5,240	1,681	2,854	9,775	13,804
Miscellaneous expenses	13,142	773	1,243	15,158	14,392
 Total expenses	 <u>\$ 240,884</u>	 <u>\$ 65,417</u>	 <u>\$ 37,994</u>	 <u>\$ 344,295</u>	 <u>\$ 586,795</u>

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 342,053	\$ (139,620)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	9,775	13,804
Disposal of volunteer management system	-	6,063
Debt forgiveness - PPP loans	(201,102)	-
Gain on sale of property and equipment	(23,296)	-
Changes in operating assets and liabilities:		
Accounts receivable - employee retention credit	(37,551)	-
Contributions receivable	(14,719)	6,280
Prepaid expenses	(4,630)	12,915
Investments	1,977	9
Security deposit	-	3,190
Accounts payable	(9,055)	6,088
Accrued payroll and related expenses	(7,177)	2,106
Net cash from operating activities	56,275	(89,165)
Cash flows from investing activities:		
Purchase of property and equipment	(17,616)	-
Proceeds from sale of property and equipment	14,796	-
Net cash from investing activities	(2,820)	-
Cash flows from financing activities:		
Payroll Protection Program loan advance	63,102	138,000
Net cash from financing activities	63,102	138,000
Net increase in cash	116,557	48,835
Cash, beginning of year	288,284	239,449
Cash, end of year	<u>\$ 404,841</u>	<u>\$ 288,284</u>
Supplemental cash flow information:		
Noncash investing and financing activity:		
Trade in value of fully depreciated property and equipment	\$ 8,500	\$ -
Forgiveness of PPP loans and related interest	\$ 203,006	\$ -

See accompanying notes to financial statements.

NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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 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, 2021
(With Comparative Totals for 2020)

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.

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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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, 2021 and 2020, 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 2021 and 2020.

Contributed Materials - Contributed materials are recorded as contributions, when received, at fair value. During 2021, NECHAMA received \$41,186 of discounts on commercial airline tickets to disaster areas and lodging in disaster areas, \$3,500 of equipment rentals and \$1,442 of miscellaneous supplies, which has been recorded as in-kind contributions. 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.

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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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 2021 and 2020. 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, 2020, 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:

	2021	2020
Cash	\$ 404,841	\$ 288,284
Investments	2,102	1,977
Contributions receivable (Note 4)	40,456	25,737
	<hr/> <u>\$ 447,399</u>	<hr/> <u>\$ 315,998</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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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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. EMPLOYEE RETENTION CREDIT

The Taxpayer Certainty and Disaster Relief Act of 2020 made changes to the employee retention tax credit previously made available under the Coronavirus Aid, Relief, and Economic Security Act. Eligible employers can claim a credit for payroll taxes paid on qualified wages. In 2021, Nechama recorded total revenue of \$51,551 for credits received for payroll tax paid in 2021 and 2020 on qualified wages. At December 31, 2021, NECHAMA had an employee retention credit receivable of \$37,551. The credit was received in 2022.

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$40,456 are due in 2022.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021	2020	Estimated useful life in years
Equipment	\$ 20,798	\$ 20,798	3 - 5
Website development	17,551	17,551	5
Vehicles	58,712	71,628	5 - 7
Accumulated depreciation	(58,411)	(87,668)	
	\$ 38,650	\$ 22,309	

Fully depreciated property and equipment was sold during the year resulting in a gain of \$23,296.

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NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

**For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

7. PAYROLL PROTECTION PROGRAM LOAN

In April 2020, NECHAMA signed an unsecured \$138,000 note payable to Bremer Bank, National Association, with interest at 1.0%. The note was 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 was forgivable if NECHAMA used the proceeds from the notes for payroll costs and other expenses in accordance with the requirements of the PPP. NECHAMA received forgiveness of the loan in May 2021.

In February 2021, NECHAMA signed an unsecured \$63,102 note payable to Bremer Bank, National Association, with interest at 1.0%. The note was 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 was forgivable if NECHAMA used the proceeds from the notes for payroll costs and other expenses in accordance with the requirements of the PPP. NECHAMA received forgiveness of the loan in November 2021.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

	2021	2020
Time restricted	\$ 40,456	\$ 25,737
Expendable for specified purposes:		
Equipment and supplies	4,127	27,822
Vehicles	-	13,463
Assessments	-	3,731
	\$ 44,583	\$ 70,753

Net assets released from restrictions consisted of the following:

	2021	2020
Use restrictions	\$ 101,990	\$ 38,990
Time restrictions	39,200	-
	\$ 141,190	\$ 38,990

(Continued)

NECHAMA - JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

**For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

9. 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 in 2020. 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 \$1,235 and \$14,820 in 2021 and 2020. In January 2021, the vehicle leases were not renewed and were purchased by NECHAMA.

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, 2021 and 2020, cash balances exceeded the federally insured limit by \$165,423 and \$29,768.

The primary sources of support and revenue include contributions 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

Management has evaluated subsequent events through September 1, 2022, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.