

HAZON, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

HAZON, INC.

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DECEMBER 31, 2022 AND 2021

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BILLET, FEIT and PREIS, CPA PC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Adamah, Inc. (formerly Hazon, Inc.)
Reisterstown, MD

Opinion

We have audited the accompanying financial statements of Hazon, Inc. (a New York nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hazon, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Hazon, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Hazon, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Hazon, Inc.'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 Hazon, Inc.'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of program service expenses for the year ended December 31, 2022, on page 28 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

BILLET, FEIT and PREIS, CPA PC

Handwritten signature in cursive script that reads "Billet, Feit & Preis".

Certified Public Accountants

Cedarhurst, NY
July 11, 2023

HAZON, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$2,179,302	\$3,100,337
Pledges and grants receivable, net	542,797	1,152,125
Government grants receivable	297,310	549,481
Accounts receivable	149,269	44,831
Investments	27,840	32,052
Prepaid expenses	37,104	51,713
Total Current Assets	<u>3,233,622</u>	<u>4,930,539</u>
Property and equipment, net	1,747,998	3,046,399
Other asset, cash restricted for loan fund	500,000	-
TOTAL ASSETS	<u><u>\$5,481,620</u></u>	<u><u>\$7,976,938</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$551,629	\$350,950
Accrued expenses	124,151	105,406
Employee benefits payable, current portion	80,103	83,889
Grants payable, fiscal sponsorship	370,558	324,882
Event deposits payable	72,210	62,720
Tenant deposits	4,501	9,001
Lease liability, current portion	-	116,240
Mortgage and loans payable, current maturities	-	106,982
Total Current Liabilities	<u>1,203,152</u>	<u>1,160,070</u>
<u>Long-term Liabilities</u>		
Employee benefits payable, less current portion	30,786	112,385
Loan fund payable	500,000	-
Lease liability, less current portion	-	189,829
Mortgage and loans payable, less current maturities	-	439,928
Total Long-term Liabilities	<u>530,786</u>	<u>742,142</u>
Total Liabilities	<u>1,733,938</u>	<u>1,902,212</u>
<u>Net Assets</u>		
Without donor restriction	2,499,425	3,174,003
With donor restriction	1,248,257	2,900,723
Total Net Assets	<u>3,747,682</u>	<u>6,074,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$5,481,620</u></u>	<u><u>\$7,976,938</u></u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Revenues and Other Support</u>						
General Support:						
Foundation support	\$750,614	\$1,545,255	\$2,295,869	\$348,487	\$1,465,325	\$1,813,812
Government grants	40,605	-	40,605	1,858,465	-	1,858,465
Individual and institutional support	777,598	-	777,598	620,980	-	620,980
Released from restrictions, prior periods	3,118,971	(3,118,971)	-	2,704,378	(2,704,378)	-
	<u>4,687,788</u>	<u>(1,573,716)</u>	<u>3,114,072</u>	<u>5,532,310</u>	<u>(1,239,053)</u>	<u>4,293,257</u>
Program Revenues:						
Program fees	1,521,011	-	1,521,011	1,228,406	-	1,228,406
Ride income	161,194	-	161,194	47,852	-	47,852
	<u>1,682,205</u>	<u>-</u>	<u>1,682,205</u>	<u>1,276,258</u>	<u>-</u>	<u>1,276,258</u>
Other Income:						
Investment and interest income	21,446	-	21,446	18,727	-	18,727
Sales of merchandise and other income	126,382	-	126,382	84,950	-	84,950
Fiscal sponsorship commissions	18,594	-	18,594	46,184	-	46,184
Gain on sale of property	181,949	-	181,949	-	-	-
Donated program and administrative services	566,085	-	566,085	534,490	-	534,490
	<u>914,456</u>	<u>-</u>	<u>914,456</u>	<u>684,351</u>	<u>-</u>	<u>684,351</u>
Total revenues and other support excluding fiscal sponsorship income	7,284,449	(1,573,716)	5,710,733	7,492,919	(1,239,053)	6,253,866
Fiscal sponsorship income	227,214	(78,750)	148,464	312,400	(135,600)	176,800
Total Revenues and Other Support	<u>7,511,663</u>	<u>(1,652,466)</u>	<u>5,859,197</u>	<u>7,805,319</u>	<u>(1,374,653)</u>	<u>6,430,666</u>
<u>Operating Expenses</u>						
Program services	6,552,863	-	6,552,863	4,958,673	-	4,958,673
Management and general	892,336	-	892,336	884,484	-	884,484
Fundraising	513,828	-	513,828	550,381	-	550,381
Total operating expenses before grants to fiscal sponsorship programs	7,959,027	-	7,959,027	6,393,538	-	6,393,538
Grants to fiscal sponsorship programs	227,214	-	227,214	253,052	-	253,052
Total Operating Expenses	<u>8,186,241</u>	<u>-</u>	<u>8,186,241</u>	<u>6,646,590</u>	<u>-</u>	<u>6,646,590</u>
Change in net assets	(674,578)	(1,652,466)	(2,327,044)	1,158,729	(1,374,653)	(215,924)
Net assets, beginning of year	3,174,003	2,900,723	6,074,726	2,015,274	4,275,376	6,290,650
Net assets, end of year	<u>\$2,499,425</u>	<u>\$1,248,257</u>	<u>\$3,747,682</u>	<u>\$3,174,003</u>	<u>\$2,900,723</u>	<u>\$6,074,726</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related costs	\$2,734,146	\$365,866	\$319,528	\$3,419,540	\$2,503,652	\$364,702	\$394,414	\$3,262,768
Consulting	851,512	-	-	851,512	385,588	-	-	385,588
Program supplies and costs	430,917	124,394	4,443	559,754	202,898	23,550	1,655	228,103
Donated program services, Hakhel	403,208	-	-	403,208	176,541	-	-	176,541
Travel and accommodations	326,769	52,779	583	380,131	24,205	11,883	-	36,088
Dining and food costs	338,669	254	266	339,189	214,906	-	-	214,906
Conferences and meetings	207,721	3,481	-	211,202	88,771	947	-	89,718
Professional fees, other	-	105,447	99,513	204,960	-	56,179	60,756	116,935
Insurance	146,400	19,591	17,109	183,100	135,130	19,684	21,288	176,102
Utilities	167,133	-	-	167,133	133,147	-	-	133,147
Repairs and maintenance	156,197	-	-	156,197	122,433	-	-	122,433
Depreciation and amortization	130,651	14,517	-	145,168	149,452	16,606	-	166,058
Grants to other organizations	86,815	50,000	-	136,815	100,277	-	-	100,277
Housekeeping	111,424	-	-	111,424	67,157	-	-	67,157
Information technology	85,454	11,434	9,987	106,875	88,995	12,964	14,020	115,979
Professional fees, donated services	-	93,659	-	93,659	-	292,495	-	292,495
Occupancy	55,650	7,652	6,261	69,563	62,358	9,083	9,824	81,265
Occupancy, donated services	55,374	7,614	6,230	69,218	50,226	7,316	7,912	65,454
Permits and registration fees	33,999	889	18,696	53,584	40,862	8,656	-	49,518
Credit card and processing fees	35,874	8,968	-	44,842	28,992	6,902	522	36,416
Telephone and internet	32,610	4,364	3,811	40,785	31,850	4,640	5,017	41,507
Professional recruitment	27,548	3,687	3,219	34,454	15,047	2,192	2,370	19,609
Meals and entertainment	10,500	5,664	14,265	30,429	6,319	2,440	140	8,899
Marketing and communications	17,209	2,302	2,011	21,522	25,797	3,758	4,064	33,619
Interest expense	19,736	1,039	-	20,775	35,587	1,873	-	37,460
Office supplies	14,959	2,002	1,748	18,709	14,704	2,142	2,315	19,161
Temporary staffing	16,695	-	-	16,695	68,467	12,352	-	80,819
Dues and subscriptions	11,918	1,594	1,393	14,905	6,918	1,008	1,090	9,016
Miscellaneous	11,700	1,566	1,366	14,632	139,951	20,389	22,050	182,390
Payroll services	11,323	1,515	1,323	14,161	12,190	1,776	1,920	15,886
Vehicle costs	7,700	84	65	7,849	17,364	-	-	17,364
Sales and merchandise	6,177	827	722	7,726	2,483	362	391	3,236
Postage	5,645	756	660	7,061	4,019	585	633	5,237
Printing and copying	1,230	391	629	2,250	2,387	-	-	2,387
Totals	<u>\$6,552,863</u>	<u>\$892,336</u>	<u>\$513,828</u>	<u>\$7,959,027</u>	<u>\$4,958,673</u>	<u>\$884,484</u>	<u>\$550,381</u>	<u>\$6,393,538</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$(2,327,044)	\$(215,924)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation of property and equipment	145,168	166,058
Gain on sale of property	(181,949)	-
(Increase) decrease in operating assets:		
Pledges and grants receivable, net	609,328	2,244,073
Government grants receivable	252,171	(549,481)
Accounts receivable	(104,438)	(8,556)
Investments	4,212	1,238
Prepaid expenses	14,609	(7,956)
Decrease in right-of-use asset	294,775	109,867
Increase (decrease) in operating liabilities:		
Accounts payable	200,679	(10,488)
Accrued expenses	18,745	36,527
Grants payable, fiscal sponsorship	45,676	-
Decrease in lease liability	(306,069)	(107,902)
Event deposits payable	9,490	(57,870)
Tenant deposits	(4,500)	1,050
Employee benefits payable	(85,385)	(108,626)
Total adjustments	912,512	1,707,934
Net Cash Flows (Used) Provided by Operating Activities	(1,414,532)	1,492,010
<u>Cash Flows from Investing Activities</u>		
Net proceeds from sale of property	1,118,949	
Acquisition of property and equipment	(78,542)	(76,050)
Net Cash Flows (Used) Provided by Investing Activities	1,040,407	(76,050)
<u>Cash Flows from Financing Activities</u>		
Loan fund payable	500,000	-
Payments on mortgages and loans payable	(546,910)	(157,585)
Net Cash Flows Used by Financing Activities	(46,910)	(157,585)
Net increase (decrease) in cash and cash equivalents, restricted and unrestricted	(421,035)	1,258,375
Cash and cash equivalents, beginning of year, restricted and unrestricted	3,100,337	1,841,962
Cash and cash equivalents, end of year, restricted and unrestricted	\$2,679,302	\$3,100,337
<u>Components of cash and cash equivalents, end of year:</u>		
Cash and cash equivalents, unrestricted	\$2,179,302	\$3,100,337
Cash and cash equivalents, restricted for loan fund	500,000	-
	\$2,679,302	\$3,100,337
<u>Supplemental Disclosures:</u>		
Interest paid	\$ 20,775	\$ 37,460

See accompanying notes to financial statements.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hazon, Inc. (“Hazon” or the “Organization”) is a 501(c)(3) non-profit organization. Hazon works to catalyze the Jewish community, and other faith communities, outward, to work for a healthier, more sustainable and more equitable world for all.

In July 2021, the Hazon board of directors agreed to merge with the Pearlstone Conference and Retreat Center (“Pearlstone”). Pearlstone is a living laboratory for both Jewish and universal inspiration that engages over 20,000 annual visitors in experiential learning and immersive retreats. The combined organization, which will be known as Adamah, will be positioned to lead a transformative movement deeply weaving sustainability into the fabric of American Jewish life. Beginning with the announcement of the planned merger, the two organizations began sharing certain activities and key management personnel including the chief executive officer. (See Note V – Subsequent Events.)

Basis of Accounting

The financial statements of Hazon, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenue is recorded as detailed below and expenses are recorded when incurred.

Net Assets

In accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, the Organization’s financial position and activities are presented as either one of two classes of net assets: with donor restrictions and without donor restrictions. (Donors include other types of contributors, including makers of certain grants.) Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed stipulations or other stipulations. A total of \$2,499,425 and \$3,174,003 of the Organization’s net assets were without donor restrictions as of December 31, 2022 and 2021, respectively.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

restrictions are perpetual in nature, where the donor stipulates that those resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. During the years ended December 31, 2022 and 2021, a total of \$3,197,721 and \$2,839,978, respectively, were released from restrictions (including fiscal sponsorship income). A total of \$1,248,257 and \$2,900,723 of the Organization's net assets were donor restricted as of December 31, 2022 and 2021, respectively (see Note K).

Functional Allocation of Expenses

Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses and the supplementary information schedule of program service expenses. Costs are allocated between program service, management and general activities and fundraising expenses based on evaluations of the related activities. General and administrative expenses include expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimated time and effort; occupancy costs and depreciation, which are allocated per approximate square footage usage; and other operating costs, which are allocated based on usage studies which are reviewed annually.

Donated Assets

Donated investments and property are recorded at the underlying asset's fair market value at the date of the donation (see Note D). Because the Organization's policy requires liquidation of donated investments that are publicly traded upon receipt, the donations are treated as cash donations and included in the statements of cash flows with operating activities.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Hazon pays for most services requiring specific expertise. However, many individuals volunteer significant amounts of time and perform a variety of tasks that assist the Organization by creating, leading and delivering a growing range of programs. These amounts have not been reflected in the statements of activities because the criteria for recognition under FASB ASC 958 have not been satisfied, however, Hazon's programmatic impact is significantly leveraged by volunteer leadership.

During the years ended December 31, 2022 and 2021, the Organization recognized a total of \$93,659 and \$292,495, respectively, of donated services for professional, legal and other consulting fees. During the years ended December 31, 2022 and 2021, the Organization recognized a total of \$69,218 and \$65,454, respectively, of donated occupancy provided by its landlord in the form of free rent during the COVID-19 pandemic period when the Organization's premises were inaccessible. These administrative services are included in both other income and in operating expenses on the statements of activities and functional expenses.

Donated services in respect of the Organization's Hakhel program and related activities are discussed in more detail in Note S.

Investments

Marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Other investments whose fair market values are not readily determinable are valued based on management's market observations, such as current private equity funding rounds. Unrealized gains and losses are included as changes in net assets in the statements of activities.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as either "with donor restriction" or "without donor restriction" support depending on the existence and/or nature of any donor restrictions. When a restriction expires, "with donor restriction" net assets are reclassified to "without donor restriction" net assets. Contributions that are restricted by the donor are reported as increases in "without donor restrictions" net assets if the restrictions are met or expire in the fiscal year in which the contributions are recognized. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

increases in “with donor restriction” net assets. Absent donor restrictions regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

Cash and cash equivalents include savings and money market accounts and all highly liquid investments with original maturities of three months or less (see Note B). Restricted cash and cash equivalents are limited in use for the Climate Action Loan Fund (see Note J).

Pledges, Grants and Accounts Receivable

Pledges, grants and accounts receivable consist of amounts due from donors, grantors and participants. Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Management determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. No allowance for doubtful accounts was deemed necessary as of December 31, 2022 and 2021.

Property and Equipment

Generally, acquisitions of property and equipment over \$5,000 and expenditures for renewals and betterments that materially prolong the useful lives of assets are capitalized at cost. Assets contributed to Hazon are recorded at their fair market value at the date of the donation. Depreciation of property and equipment is

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provided over the estimated useful lives of the respective assets using the straight-line method.

Income Taxes

Hazon, Inc. is exempt from federal income tax under Section 501(c)(3) of the United States Internal Revenue Code. Gifts to Hazon, Inc. are tax deductible. The federal and state information returns of the Organization for 2019 through 2021 are subject to examination by the Internal Revenue Service and New York State Office of the Attorney General, generally for three years after the filing date. At December 31, 2022, Hazon had no knowledge of any tax returns under examination.

Event Deposits Payable

Program revenue related to future periods, primarily from deposits paid for events taking place at the Organization's retreat center, are deferred income and recorded as event deposits payable (see Note G).

Merchandise Sales

Merchandise sales and costs of goods sold are recorded net of discounts and allowances for returns.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$21,522 and \$33,619, respectively, and is presented as marketing and communications in the statements of functional expenses.

Operating Leases

In accordance with FASB ASU 2016-02, "Leases (Topic 842)", the Organization determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset and the Organization has the right to control the asset. Operating lease right-of-use ("ROU") assets are included in "property and equipment, net" and the corresponding lease liabilities are included in "current liabilities" and "long-term liabilities" on the statements of financial position. (See Notes E and L.)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide the lessor's implicit rate, the Organization uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. This rate reflects the interest the Organization would have to pay to borrow funds on a collateralized basis over a similar term and in a similar economic environment. The Organization has determined such rate to be 4.24% based on this criteria. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and lease expense is recognized on a straight-line basis over the lease term.

Revenue from Contracts with Customers

Program revenue from retreat and event bookings are recognized when the performance obligations of providing services are met. Merchandise sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer.

Subsequent Events

Management has evaluated subsequent events through July 11, 2023, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash in broker and savings accounts	\$1,257,570	\$ 629,461
Cash in checking accounts and on hand	921,732	2,470,876
Total	<u>\$2,179,302</u>	<u>\$3,100,337</u>

See Note J with regards to restricted cash of \$500,000 included as a non-current asset in the statement of financial position as of December 31, 2022.

See Note O with regards to credit risk at financial institutions.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET

In November 2017, the Israel Ministry of Diaspora Affairs awarded the Organization a multi-year grant in the amount of approximately \$3,642,500 to create a program (“Hakhel”) to amplify and strengthen new expressions of Jewish community in North America and other parts of the Jewish diaspora. (See Notes O and S.)

Pledges and grants receivable at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give:		
Israel Ministry of Diaspora Affairs	\$227,413	\$728,725
Other receivables	315,384	423,400
Pledges and grants receivable, net	<u>\$542,797</u>	<u>\$1,152,125</u>

All pledges and grants are due to be received in the current year. Management has determined that no allowance for doubtful accounts is necessary as of December 31, 2022 and 2021.

NOTE D - INVESTMENTS

A gift of 192 limited partnership units in Global Sun Partners L.P. (“GSP”) was received in 2009. At that time, management valued the limited partnership units at \$42,420 based on known private sales and other financial factors existing at the time. In December 31, 2020 management reduced the investment to \$27,840 to reflect the current estimated share value of the investment. No further adjustment to the fair value of GSP was deemed necessary during the years ended December 31, 2022 and 2021.

Donated common stock is valued at its market value at the time of the donation. During the years ended December 31, 2022 and 2021 the Organization received donations of common stock in the market value amounts of \$-0 and \$102,218, respectively, which are included in individual and institutional support.

The investments, as presented in the statement of financial position, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Investment in limited partnership	\$27,840	\$27,840
Common stock with brokerages	-	4,212
Total investments	<u>\$27,840</u>	<u>\$32,052</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE E – PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation, as of December 31, 2022 and 2021, consist of:

	<u>2022</u>	<u>2021</u>
Land	\$ 705,079	\$ 816,000
Building and improvements	4,516,978	5,398,329
Right-of-use asset	-	550,631
Furniture and office equipment	402,494	400,622
Transportation equipment	228,202	228,202
Website	16,752	16,752
	<u>5,869,505</u>	<u>7,410,536</u>
Less accumulated depreciation	(4,121,507)	(4,364,137)
Property and equipment, net of accumulated depreciation	<u>\$1,747,998</u>	<u>\$3,046,399</u>

The Organization recognized a right-of-use asset and a lease liability in relation to its office lease agreement which commenced on July 1, 2019 and terminated on December 31, 2022 (see Notes A and L for a further discussion).

On October 6, 2022, a property located at 181 Beebe Hill Road, Fall Village, Connecticut was sold for a gain of \$181,949. The proceeds from the sale were \$1,207,810 sales expenses of \$88,861. A mortgage was secured by a property located at 181 Beebe Hill Road, Fall Village, Connecticut until it was sold in October 2022. (See Note I.)

Depreciation expense for the years ended December 31, 2022 and 2021 was \$145,168 and \$166,058, respectively. In addition, depreciation expense associated with the right-of-use asset for the years ended December 31, 2022 and 2021 was \$114,442 and \$109,867, respectively.

NOTE F – COMMERCIAL LINE OF CREDIT

In April 2017, the Organization was granted a \$500,000 revolving line of credit from TD Bank. Advances on the credit line were payable on demand and carried an interest rate of 4.24% per annum on the outstanding balance. The line was closed in June 2021. A new \$600,000 revolving line of credit was granted by Signature Bank (see Note V) on December 20, 2022, with a one-year maturity date and an interest rate of prime plus 0.25% (7.52% at December 31, 2022). The line of credit was collateralized by the Organization's real property at its retreat center in Connecticut. There was no outstanding balance as of both December 31,

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE F – COMMERCIAL LINE OF CREDIT (CONTINUED)

2022 and 2021. Total interest expense on the line of credit for the years ended December 31, 2022 and 2021 was \$-0 and \$6,002, respectively.

NOTE G - EVENT DEPOSITS PAYABLE

As of December 31, 2022 and 2021, advance deposits in the amount of \$72,210 and \$62,720, respectively, relate to events scheduled to take place at the Organization's retreat center during 2023 and 2022, respectively.

As a result of the COVID-19 pandemic crisis and in accordance with state and local government regulations, the Organization closed its retreat center during the period between February 2020 and June 2020. Included in event deposits payable as of December 31, 2022 and 2021, are the amounts of \$2,080 and \$26,830, respectively, which relate to advance deposits for cancelled events that were to take place during that period which will either be used for future events or recorded as donations if instructed so by the customers at a future date.

NOTE H – EMPLOYEE BENEFITS PAYABLE

A future employee benefits commitment was made by the Organization in 2017. The balance due as of December 31, 2022 and 2021 is presented as follows in the statements of financial position:

	<u>2022</u>	<u>2021</u>
Included in:		
Current liabilities	\$ 80,103	\$ 83,889
Long-term liabilities	30,786	112,385
Total employee benefits payable	<u>\$110,889</u>	<u>\$196,274</u>

NOTE I – LOANS AND MORTGAGE PAYABLE

In June 2017, the Organization received a \$500,000 loan from the UJA-Federation of New York, to assist the Organization in the construction of a new building at its Isabella Freedman Jewish Retreat Center. During the first year, accrued interest was added to the principal of the loan balance. The loan bore interest at 1.76% with 48 monthly payments of \$10,583 and was fully repaid in July 2022. The balance as of December 31, 2022 and 2021 is \$-0 and \$82,910, respectively. Total interest expense on the loan for the years ended December 31, 2022 and 2021 was \$408 and \$2,683, respectively.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE I – LOANS AND MORTGAGE PAYABLE (CONTINUED)

In February 2019, a 20-year commercial mortgage note for \$500,000 was received that was to mature in February 2039. The mortgage was collateralized by property located at 181 Beebe Hill Road, Falls Village, CT. The variable interest rate for the loan was 5.25% to be adjusted every 5 years, starting from the fifth anniversary of the note, to a rate 2.25% above the Federal Home Loan Bank rate. The property was sold in October 2022, and the mortgage was repaid in full. The outstanding principal balance as of December 31, 2022 and 2021 was \$-0 and \$457,023, respectively. Total interest expense on the loan for the year ended December 31, 2022 and 2021 was \$19,524 and \$24,783, respectively.

On April 21, 2020, the Organization received a \$844,000 loan under the Paycheck Protection Program (“PPP”) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (“SBA”). In November 2020 the amount of \$819,019 was forgiven and reclassified as revenue in that year. The remaining loan balance of \$24,981 bore interest at the rate of 1% and was being paid out over 18 months with scheduled payments of \$1,399 per month. The loan was fully repaid in April 2022. The outstanding principal balance as of December 31, 2022 and 2021 was \$-0 and \$6,977, respectively. The loan was uncollateralized and was fully guaranteed by the Federal government. See Note M with regard to a second PPP loan received and forgiven in the year 2021.

As of December 31, 2022 and 2021 loans and mortgages payable were as follows:

	<u>2022</u>	<u>2021</u>
Included in:		
Current liabilities	\$ -	\$106,982
Long-term liabilities	-	439,928
Totals	<u>\$ -</u>	<u>\$546,910</u>

NOTE J – LOAN FUND PAYABLE

In November 2022 the Organization entered into a \$500,000 loan agreement with the Marty and Dorothy Silverman Foundation effective December 31, 2022. The loan is interest-free and is due to be repaid to the foundation on July 29, 2032. The purpose of the agreement is to establish a Climate Action Loan Fund to make interest-free loans to qualified participating non-profit organizations who are members of the Organization’s Jewish Climate Leadership Coalition to help them reach their climate-related goals. The Organization initially deposited the loan proceeds into an operating account which is presented as a restricted non-current asset on the statement of financial position as of December 31, 2022. The funds

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE J – LOAN FUND PAYABLE (CONTINUED)

were transferred to a restricted charitable fund money market account on January 19, 2023 from which such assistance-loan disbursements and repayments will be conducted. As of December 31, 2022, no assistance-loans have been disbursed from the fund.

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2022 and 2021 are available for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Donations with time restrictions	\$1,115,007	\$1,421,555
Grants for specific programming	107,000	1,361,168
Restricted for fiscal sponsor	26,250	-
Restricted for use in construction	-	118,000
Totals	<u>\$1,248,257</u>	<u>\$2,900,723</u>

NOTE L – LEASE LIABILITY AND RENT EXPENSE

Michigan Leases

The following lease agreement was in effect when the Organization adopted ASC 842 as of January 1, 2019:

In August 2015 the Organization entered into a rent agreement for office space at 6735 Telegraph Road in Bloomfield, Michigan. The lease expired on December 31, 2019 and was renewed for a three-year period ending December 31, 2022. The annual rent for the years ending December 31, 2022 and 2021 were \$19,800 and \$19,300, respectively. No right-of-use asset was recognized in respect of this lease agreement because the FASB criteria were not met.

New York Agreement

The Organization moved to its new office space at 25 Broadway in New York City in the summer of 2019 and entered into an operating lease agreement that commenced July 1, 2019. The initial lease term was for 5 years with an optional first renewal term of 3 years, and a final renewal term of 2 ½ years. The base rent for the first year of the lease was \$120,000 per annum with a 3% escalation clause for each following year. It was not reasonably certain that the Organization would exercise its renewal options beyond the initial lease term. In accordance with FASB ASC 842 the Organization recognized a right-of-use (ROU) asset and a lease liability at the commencement date of the lease.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE L – LEASE LIABILITY AND RENT EXPENSE (CONTINUED)

In January 2023, Hazon was notified by the landlord that it had terminated the lease agreement in 2022 resulting in the Organization relinquishing the right to use the leased premises. This required the Organization to derecognize the full right-of-use asset and lease liability. The difference between the balances of the lease asset and liability as of the date of termination resulted in a gain of \$9,496 which was recognized on the statement of activities during the year ended December 31, 2022 and was included as an offset to occupancy expense on the statement of functional expenses. Subsequent to year end, a new seven-month lease was entered into with the landlord for the period June 1, 2023 through December 31, 2023 with monthly payments of \$4,000.

A maturity analysis related to the lease liability as of December 31, 2022 is as follows:

	<u>Lease Amortization</u>	<u>Lease Liability</u>	<u>Right-of- Use Asset</u>
Measured at inception		\$550,631	\$550,631
	<u>Year Ended December 31,</u>		<u>Year End Balance</u>
	2019	\$36,653	513,978
	2020	100,007	413,971
	2021	107,902	306,069
	2022	306,069	-
		<u>\$550,631</u>	-
			<u>December 31,</u>
Included in:		<u>2022</u>	<u>2021</u>
Current liabilities		\$ -	\$116,240
Long-term liabilities		-	189,829
		<u>\$ -</u>	<u>\$306,069</u>

Total rent expense for the years ended December 31, 2022 and 2021 was \$137,724 and \$146,719, respectively, which is included with occupancy expenses in the statements of functional expenses. Included in the amount for the years ended December 31, 2022 and 2021 is \$69,218 and \$65,454, respectively, of donated occupancy provided by the landlord during months when the Organization's office was either inaccessible or occupancy services were reduced due to the COVID-19 pandemic.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE M – GOVERNMENT ASSISTANCE / CONTINGENCIES

On January 21, 2021, the Organization received a second \$844,000 loan under the PPP (see Note I). In accordance with FASB ASC 958-605, PPP loans are accounted for as conditional grants and not recognized as revenue until the conditions are substantially met or explicitly waived. Specifically, the Organization initially recorded the cash inflow from the PPP loan as a refundable advance. The loan was granted full forgiveness by the Small Business Association on October 8, 2021 and recorded as grant income in the reported year.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for the Employee Retention Credit (“ERC”) which is a refundable tax credit against certain employment taxes subject to certain criteria. During the years ended December 31, 2022 and 2021, the Organization had recorded government grant income related to the ERC refunds in the amount of \$25,785 and \$549,481, respectively. Grants receivable related to these grants as of December 31, 2022 and 2021 were \$297,310 and \$549,481, respectively.

As a recipient of the PPP loans and ERC refunds, Hazon may be subject to a regulatory audit which could result in the adjustment of previously received funds. As of December 31, 2022 management is not aware of any necessary adjustments.

NOTE N – FUNDRAISING EXPENSES

Total fundraising expenses, which includes allocated payroll and other costs, for the year ended December 31, 2022 and 2021 totaled \$513,828 and \$550,381, respectively.

NOTE O – CONCENTRATION OF RISKS

The Organization’s financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents. Management has reduced the Organization’s exposure to banking risks through diversifying the Organization’s cash into several banks. At times the balances in the Organization’s cash accounts exceed FDIC and SIPC protection limits; however, the Organization has not experienced any losses in its cash accounts to date. (See Note V regarding Signature Bank.)

One major grantor comprised approximately 42% of the outstanding pledges and grants receivable, net, as of December 31, 2022.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE O – CONCENTRATION OF RISKS (CONTINUED)

Two major grantors comprised approximately 63% of the outstanding pledges and grants receivable, net, as of December 31, 2021.

The receivable from the Israel Ministry of Diaspora Affairs is from a foreign governmental entity (see Notes C and S). Because all billings and payments are transacted in United States dollars there is no foreign currency risk. The business practices in the Israeli economy in general, and a governmental ministry in specific, result in the billing and payment process being slower than ordinarily experienced in the United States. The Organization has engaged a local representative to coordinate the collection process and mitigate any issues that might arise. The grant could be subject to special audits by the Ministry of Diaspora Affairs possibly resulting in claims against the Organization for disallowed use or noncompliance with grantor requirements. As of December 31, 2022, management is not aware of any necessary adjustments.

NOTE P – RETIREMENT PLAN

Employees of the Organization may participate in an Internal Revenue Code section 403(b) retirement savings plan. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement. (Also see Note H.)

NOTE Q – FAIR VALUE PRESENTATION

Under the FASB ASC, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Organization uses various valuation approaches. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE Q – FAIR VALUE PRESENTATION (CONTINUED)

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, for the asset or liability other than quoted prices included in Level 1.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents – the carrying amounts for cash reported in the statement of financial position approximate fair value as they mature in three months or less and do not present unanticipated credit concerns (Level 1).

Receivables and payables – the carrying amounts for receivable and payables reported in the statement of financial position approximate fair value because of their short term maturities (Level 1). If significant, receivable and payables due beyond one year are presented at their discounted value (Level 2).

Investments – investments in limited partnership units reflect management’s own assumptions and estimated fair value (Level 3). Portfolio investments held by brokers are valued at current market prices (Level 1).

The following table presents the Organization’s fair value hierarchy for the above assets measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$2,679,302	\$ -	\$ -	\$2,679,302
Pledges, grants and government receivables, net	840,107	-	-	840,107
Investments	-	-	27,840	27,840
Total Assets	<u>\$3,519,409</u>	<u>\$ -</u>	<u>\$ 27,840</u>	<u>\$3,547,249</u>

There were no liabilities that required fair value measurement as of December 31, 2022.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE Q – FAIR VALUE PRESENTATION (CONTINUED)

The following table presents the Organization’s fair value hierarchy for the above assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$3,100,337	\$ -	\$ -	\$3,100,337
Pledges, grants and government receivables, net	1,701,606	-	-	1,701,606
Investments	4,212	-	27,840	32,052
Total Assets	<u>\$4,806,155</u>	<u>\$ -</u>	<u>\$ 27,840</u>	<u>\$4,833,995</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Liabilities</u>				
Mortgage payable	\$ -	\$317,649	\$ -	\$317,649
Construction loan payable	82,910	-	-	82,910
Total Liabilities	<u>\$82,910</u>	<u>\$317,649</u>	<u>\$ -</u>	<u>\$ 400,559</u>

NOTE R – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents (Note B), pledges (Note C) and accounts receivable, and a bank line of credit (Note F).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities related to thought leadership, capacity building and transformative experiences, as well as the conduct of services undertaken to support those activities to be general expenditures. The Organization has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,193,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of December 31, 2022, the following tables show the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the date of the statement of financial position to meet general expenditures:

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE R – INFORMATION REGARDING LIQUIDITY AND AVAILABILITY
(CONTINUED)

Financial assets at year-end

Cash and cash equivalents	\$2,179,302
Pledges and grants receivable, net	542,797
Government grants receivable	297,310
Accounts receivable	149,269
Investments	27,840
Total financial assets at year-end	<u><u>\$3,196,518</u></u>

Financial assets available to meet general expenditures over the next 12 months

Cash and cash equivalents	\$2,179,302
Pledges and grants receivable, net	542,797
Government grants receivable	297,310
Accounts receivable	149,269
	<u><u>\$3,168,678</u></u>

NOTE S – HAKHEL INTENTIONAL COMMUNITIES

As mentioned earlier in Note C, Hazon’s Hakhel program operates together with Israel’s Ministry of Diaspora Affairs. Founded in 2014, Hakhel is the first and largest global incubator for Jewish intentional communities. Its mission is to spark and support new expressions of Jewish life in the Diaspora by nurturing the growth of intentional communities with mentorship, seed funding and network building. The Organization currently partners with over 130 communities in over 30 countries either through direct arrangements with a specific community or through partner collaboration agreements which support regional communities. The way the agreements are structured, the communities and partners donate administrative, fund-raising and program services to the Hakhel program. Hazon recognizes these services at the fair market value of the contributions raised by the communities and partners to pay for those services and are included in both other income and in operating expenses on the statements of activities. During the years ended December 31, 2022 and 2021, they totaled approximately \$403,208 and \$176,541, respectively.

Included in accounts payable in the statement of financial position as of December 31, 2022 and 2021, are \$103,103 and \$177,852, respectively, of expenses that related to vendors associated with the Hakhel program activities.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE T – RELATED PARTY TRANSACTION

During the year ended December 31, 2022, the Organization partially reimbursed Pearlstone for shared staff members and other operating costs that benefited both organizations during the transition period prior to their merger (See Notes A and V). For the year ended December 31, 2022 this total amount of such expenses totaled approximately \$381,000. As of December 31, 2022, the amount owed to Pearlstone and included in accounts payable was \$182,105.

NOTE U – COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 and 2021 has caused significant volatility in the United States and international markets.

In March 2020, COVID-19 forced the closure of the Isabella Freedman Jewish Retreat Center which led to the canceling of all planned programming for the rest of 2020 and a significant loss of revenue. The Organization partially re-opened the retreat center in June 2020 to host COVID-safe, socially-distanced programming at reduced capacity, which has continued into 2022.

On May 9, 2023 the WHO declared an end to COVID-19 as a public health emergency. However, the extent of the impact of COVID-19 on the Organization's future operational and financial performance will depend on certain developments, including the spread of any new variants and its impacts on the Organization's programs, donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to potential effects of this pandemic.

NOTE V – SUBSEQUENT EVENTS

Hazon merged with Pearlstone, effective March 1, 2023. The merger is an amplification of the field of Jewish Outdoor Food, Farming & Environmental Education, bringing strategy, discipline, and experience, and creating an organization poised to respond at the pace and scale this moment demands and deserves. Pearlstone, as the surviving entity, was restructured to allow for equal control by the merged entities and will undergo a change of year-end to December 31, effective with December 31, 2022. The merged entity is legally known as Adamah, Inc as of April 28, 2023.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE V – SUBSEQUENT EVENTS (CONTINUED)

As of December 31, 2022, the Organization had approximately \$1,307,400 on deposit with Signature Bank. In addition, the Organization has a \$600,000 revolving line of credit with the bank (see Note F). On March 12, 2023 Signature Bank was closed by the New York State Department of Financial Services. The bank proved unable to close a sale of its assets to another bank as its customers began withdrawing their deposits in favor of larger institutions. The FDIC was appointed as the bank's receiver. On March 19, 2023, the FDIC announced that certain deposits and loans of Signature Bank would be assumed by New York Community Bancorp, the parent of New York Community Bank, with the 40 branches to be absorbed by its Flagstar Bank subsidiary effective Monday, March 20th. All of the Organization's deposits and its revolving line of credit were transferred to Flagstar Bank and no loss was incurred by the Organization.

HAZON, INC.

SUPPLEMENTARY INFORMATION
SCHEDULE OF PROGRAM SERVICES
YEAR ENDED DECEMBER 31, 2022

	<u>National</u> <u>Programs</u>	<u>Isabella</u> <u>Freedman</u> <u>Retreat Center</u>	<u>Total</u> <u>Program</u> <u>Services</u>
Salaries and related costs	\$1,257,739	1,476,407	\$2,734,146
Consulting fees	851,512	-	851,512
Program supplies and costs	220,720	210,197	430,917
Donated program services, Hakhel	403,208	-	403,208
Dining and food costs	-	338,669	338,669
Travel and accommodations	321,864	4,905	326,769
Conferences and meetings	206,508	1,213	207,721
Utilities	-	167,133	167,133
Repairs and maintenance	-	156,197	156,197
Insurance	67,346	79,054	146,400
Depreciation and amortization	7,258	123,393	130,651
Housekeeping	-	111,424	111,424
Grants to other organizations	86,815	-	86,815
Information technology	39,310	46,144	85,454
Occupancy	55,650	-	55,650
Occupancy, donated services	55,374	-	55,374
Credit card and processing fees	6,726	29,148	35,874
Permits and registration fees	1,240	32,759	33,999
Telephone and internet	15,001	17,609	32,610
Professional recruitment	12,673	14,875	27,548
Interest expense	2,077	17,659	19,736
Marketing and communications	7,917	9,292	17,209
Temporary staffing	-	16,695	16,695
Office supplies	6,881	8,078	14,959
Dues and subscriptions	5,482	6,436	11,918
Miscellaneous	11,469	231	11,700
Payroll services	5,209	6,114	11,323
Meals and entertainment	8,263	2,237	10,500
Vehicle costs	829	6,871	7,700
Sales and merchandise	2,841	3,336	6,177
Postage	2,597	3,048	5,645
Printing and copying	1,030	200	1,230
Totals	<u>\$3,663,539</u>	<u>\$2,889,324</u>	<u>\$6,552,863</u>