

HAZON, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

HAZON, INC.

TABLE OF CONTENTS
DECEMBER 31, 2020 AND 2019

	<u>PAGE NO.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
<u>FINANCIAL STATEMENTS</u>	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 – 27
<u>SUPPLEMENTARY INFORMATION</u>	
SCHEDULE OF PROGRAM SERVICE EXPENSES	28

BILLET, FEIT AND PREIS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hazon, Inc.
New York, NY

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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits 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.

Opinion

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, 2020 and 2019, 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.

Correction of Error

As discussed in Note A to the financial statements, an error resulting in the understatement of accrued liabilities and overstatement of net assets without donor restrictions, within the statement of financial position as of December 31, 2019, were discovered by management of the Organization during the current year. Accordingly, amounts reported for accrued liabilities and net assets without donor restrictions have been restated in the 2019 financial statements now presented to correct the error. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were 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, 2020 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 & PREIS, P.C.



Certified Public Accountants

New York, NY
June 3, 2021

HAZON, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u> <u>(Restated)</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$1,841,962	\$ 1,241,075
Pledges and grants receivable, net, current	2,694,785	5,333,888
Accounts receivable	36,275	130,275
Investments	33,290	42,420
Prepaid expenses	43,757	64,057
Total Current Assets	<u>4,650,069</u>	<u>6,811,715</u>
Property and equipment, net	3,246,274	3,423,234
<u>Other Assets</u>		
Pledges and grants receivable, net, due after one year	<u>701,413</u>	<u>2,573,427</u>
TOTAL ASSETS	<u>\$8,597,756</u>	<u>\$12,808,376</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 361,438	\$ 402,799
Accrued expenses	68,879	238,743
Line of credit, bank	-	300,000
Grants payable, fiscal sponsorships	324,882	324,882
Event deposits payable	120,590	295,305
Tenant deposits	7,951	2,750
Lease liability, current portion	107,902	100,007
Mortgage and loans payable, current maturities	155,943	146,227
Total Current Liabilities	<u>1,147,585</u>	<u>1,810,713</u>
<u>Long-term Liabilities</u>		
Employee benefits payable	304,900	287,410
Lease liability, less current portion	306,069	413,971
Mortgage and loans payable, less current maturities	548,552	680,892
Total Long-term Liabilities	<u>1,159,521</u>	<u>1,382,273</u>
Total Liabilities	<u>2,307,106</u>	<u>3,192,986</u>
<u>Net Assets</u>		
Without donor restriction	2,015,274	1,576,583
With donor restriction	4,275,376	8,038,807
Total Net Assets	<u>6,290,650</u>	<u>9,615,390</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$8,597,756</u>	<u>\$12,808,376</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019 (Restated)		
	<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	\$ 401,377	\$ 221,306	\$ 622,683	\$ 659,609	\$7,209,475	\$7,869,084
Government grants	823,114	-	823,114	-	-	-
Individual and institutional support	694,058	-	694,058	615,457	-	615,457
Released from restrictions, prior periods	3,770,587	(3,770,587)	-	5,028,476	(5,028,476)	-
	<u>5,689,136</u>	<u>(3,549,281)</u>	<u>2,139,855</u>	<u>6,303,542</u>	<u>2,180,999</u>	<u>8,484,541</u>
Program Revenues:						
Program fees	619,382	-	619,382	2,975,524	-	2,975,524
Ride income	99,637	-	99,637	188,895	-	188,895
	<u>719,019</u>	<u>-</u>	<u>719,019</u>	<u>3,164,419</u>	<u>-</u>	<u>3,164,419</u>
Other Income:						
Other income	13,192	-	13,192	70,383	-	70,383
Sales of merchandise	41,207	-	41,207	63,565	-	63,565
Membership fees and fiscal sponsorship commissions	70,617	-	70,617	97,162	-	97,162
Donated program and administrative services	900,194	-	900,194	753,903	-	753,903
	<u>1,025,210</u>	<u>-</u>	<u>1,025,210</u>	<u>985,013</u>	<u>-</u>	<u>985,013</u>
Total revenues and other support excluding fiscal sponsorship income	7,433,365	(3,549,281)	3,884,084	10,452,974	2,180,999	12,633,973
Fiscal sponsorship income	375,694	(214,150)	161,544	593,978	(393,500)	200,478
Total Revenues and Other Support	<u>7,809,059</u>	<u>(3,763,431)</u>	<u>4,045,628</u>	<u>11,046,952</u>	<u>1,787,499</u>	<u>12,834,451</u>
<u>Operating Expenses</u>						
Program expenses	5,407,865	-	5,407,865	9,137,295	-	9,137,295
Management and general	796,219	-	796,219	767,443	-	767,443
Fundraising	797,264	-	797,264	546,822	-	546,822
Total operating expenses before grants to fiscal sponsorship programs	7,001,348	-	7,001,348	10,451,560	-	10,451,560
Grants to fiscal sponsorship programs	369,020	-	369,020	446,451	-	446,451
Total Operating Expenses	<u>7,370,368</u>	<u>-</u>	<u>7,370,368</u>	<u>10,898,011</u>	<u>-</u>	<u>10,898,011</u>
Change in net assets	438,691	(3,763,431)	(3,324,740)	148,941	1,787,499	1,936,440
Net assets, beginning of year	1,576,583	8,038,807	9,615,390	1,427,642	6,251,308	7,678,950
Net assets, end of year	<u>\$2,015,274</u>	<u>\$4,275,376</u>	<u>\$6,290,650</u>	<u>\$1,576,583</u>	<u>\$8,038,807</u>	<u>\$9,615,390</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	<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	\$2,612,191	\$424,609	\$598,544	\$3,635,344	\$3,882,419	\$374,209	\$420,985	\$ 4,677,613
Donated program services, Hakhel	633,295	-	-	633,295	616,200	-	-	616,200
Consulting	211,201	-	-	211,201	627,076	-	-	627,076
Grants to other organizations	274,334	8,480	8,991	291,805	289,829	-	-	289,829
Program supplies and costs	211,096	1,974	5,500	218,570	737,133	-	-	737,133
Insurance	135,373	22,005	31,019	188,397	197,136	19,001	21,376	237,513
Miscellaneous	130,753	21,254	29,959	181,966	148,296	14,294	16,080	178,670
Professional fees, donated services	-	175,699	-	175,699	-	137,703	-	137,703
Depreciation and amortization	156,271	17,363	-	173,634	145,436	14,450	16,256	176,142
Information technology	95,377	15,503	21,854	132,734	128,331	12,369	13,915	154,615
Repairs and maintenance	129,133	-	-	129,133	169,869	-	-	169,869
Travel and accommodations	108,112	6,656	625	115,393	253,248	20,866	2,939	277,053
Utilities	113,321	-	-	113,321	158,217	-	-	158,217
Occupancy, donated services	65,532	10,652	15,016	91,200	-	-	-	-
Conferences and meetings	73,133	15,108	190	88,431	230,360	4,162	739	235,261
Professional fees, other	-	34,331	48,394	82,725	-	75,460	-	75,460
Dining and food costs	78,880	76	-	78,956	571,719	-	-	571,719
Temporary staffing	48,532	2,967	3,468	54,967	260,393	4,774	-	265,167
Occupancy	37,989	6,176	8,704	52,869	198,837	19,589	21,561	239,987
Telephone and internet	35,036	5,695	8,028	48,759	32,525	15,315	36	47,876
Credit card and processing fees	34,218	8,554	-	42,772	46,997	4,530	5,096	56,623
Permits and registration fees	41,791	956	-	42,747	32,992	3,180	3,577	39,749
Interest expense	35,178	1,851	-	37,029	42,116	4,059	4,567	50,742
Housekeeping	33,758	-	-	33,758	150,525	-	-	150,525
Office supplies	23,847	3,876	5,464	33,187	26,504	20,516	1,287	48,307
Marketing and communications	20,627	3,353	4,726	28,706	56,762	5,471	6,155	68,388
Vehicle costs	26,262	115	-	26,377	16,957	225	-	17,182
Meals and entertainment	13,615	1,401	537	15,553	26,509	8,381	2,899	37,789
Payroll services	8,775	1,426	2,011	12,212	10,906	1,051	1,183	13,140
Dues and subscriptions	6,850	1,113	1,570	9,533	19,048	1,836	2,065	22,949
Professional recruitment	6,355	1,033	1,456	8,844	17,796	1,715	1,930	21,441
Printing and copying	2,861	3,316	253	6,430	31,875	3,199	2,952	38,026
Postage	3,959	643	907	5,509	8,815	850	956	10,621
Sales and merchandise	210	34	48	292	2,469	238	268	2,975
Totals	<u>\$5,407,865</u>	<u>\$796,219</u>	<u>\$797,264</u>	<u>\$7,001,348</u>	<u>\$9,137,295</u>	<u>\$767,443</u>	<u>\$546,822</u>	<u>\$10,451,560</u>

See accompanying notes to financial statements.

HAZON, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$(3,324,740)	\$1,936,440
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation of property and equipment	173,634	176,142
Write-down of investment	14,580	-
(Increase) decrease in operating assets:		
Pledges and grants receivable, net	4,511,117	(1,880,239)
Accounts receivable	94,000	51,501
Prepaid expenses	20,300	(16,983)
Decrease in right-of-use asset	105,625	40,363
Security deposits	-	9,167
Increase (decrease) in operating liabilities:		
Accounts payable	(41,361)	106,211
Accrued expenses	(169,864)	(46,452)
Grants payable, fiscal sponsorships	-	70,000
Deferred income	-	(238,049)
Decrease in lease liability	(100,007)	(36,653)
Event deposits payable	(174,715)	295,305
Tenant deposits	5,201	(23,716)
Employee benefits payable	17,490	-
Total adjustments	4,456,000	(1,493,403)
Net Cash Flows Provided by Operating Activities	1,131,260	443,037
<u>Cash Flows from Investing Activities</u>		
Acquisition of property and equipment	(102,299)	(1,078,943)
Increase in investments	(5,450)	-
Escrow for property purchase	-	250,000
Net Cash Flows Used by Investing Activities	(107,749)	(828,943)
<u>Cash Flows from Financing Activities</u>		
Proceeds from loans	-	500,000
Payments on line of credit, bank	(300,000)	(100,000)
Payments on mortgages and loans payable	(122,624)	(142,350)
Net Cash Flows Provided (Used) by Financing Activities	(422,634)	257,650
Net increase (decrease) in cash and cash equivalents	600,887	(128,256)
Cash and cash equivalents, beginning of year	1,241,075	1,369,331
Cash and cash equivalents, end of year	\$1,841,962	\$1,241,075
<u>Supplemental Disclosures:</u>		
Interest paid	\$ 37,029	\$ 49,622

Non-cash investing transactions:

During the year ending December 31, 2019, fully depreciated assets with a cost of \$146,617 were written off.
During the year ending December 31, 2019, a right of use asset and corresponding lease liability of \$550,631 were recorded on the books.

See accompanying notes to financial statements.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Hazon effects change by encouraging people to learn; to act; and to speak up; and by working with individuals, institutions and in the wider community.

For more complete information about Hazon’s mission and programs, visit their website: <http://hazon.org/>

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 \$2,015,274 and \$1,576,583 of the Organization’s net assets were without donor restrictions as of December 31, 2020 and 2019, 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 restrictions are perpetual in nature, where the donor stipulates that 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

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, a total of \$3,770,587 and \$5,028,476, respectively, were released from restrictions. A total of \$4,275,376 and \$8,038,807 of the Organization's net assets were donor restricted as of December 31, 2020 and 2019, respectively (see Note J).

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 programs service expenses, management and general activities and fundraising 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).

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 have not been satisfied, however Hazon's programmatic impact is significantly leveraged by volunteer leadership.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the year ended December 31, 2020 and 2019 the Organization recognized a total of \$175,699 and \$137,703, respectively, of donated services for professional, legal and other consulting fees. During the year ended December 31, 2020 the Organization recognized a total of \$91,200 of donated services for occupancy services 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 Q.

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 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

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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 (see Note C). Management determines the allowance for uncollectable 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 uncollectable. No allowance for doubtful accounts was deemed necessary as of December 31, 2020 and 2019.

Property and Equipment

Generally, all acquisitions of property and equipment over \$5,000 and all 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 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 2016 through 2019 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, 2020, Hazon had no knowledge of any tax returns under examination.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 year ended December 31, 2020 and 2019 was \$28,706 and \$68,388, 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)", adopted by the Organization as of January 1, 2019, 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 K.)

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 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 the rate to be 4.24% based on these 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.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards - Revenue from Contracts with Customers

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. The Organization adopted the standard on January 1, 2020. Management has analyzed the provisions of the guidance and concluded that no changes are necessary to conform with the new standard.

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. Membership dues, which are nonrefundable, are recognized over the membership period.

Prior Period Adjustment

During the year ended December 31, 2020 the Organization identified a \$287,410 employee benefits liability that should have been recorded in the financial statements during the years ended December 31, 2017 and 2018. The effect of the correction was to decrease the beginning net assets, without donor restrictions, in the statement of activities for the year ended December 31, 2019 by \$287,410, and to increase the employee benefits payable in the statement of financial position as of December 31, 2019 by that amount (see Note H).

Subsequent Events

Management has evaluated subsequent events through June 3, 2021, the date the financial statements were available to be issued.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Cash in checking accounts and on hand	\$1,213,639	\$ 508,257
Cash in broker and savings accounts	628,323	732,818
Total	<u>\$1,841,962</u>	<u>\$1,241,075</u>

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

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET

In July 2019, the Jim Joseph Foundation awarded the Organization a new three-year grant of \$4,000,000 (July 2019 through June 2022). The grant is to provide both *Powerful Jewish Learning* experiences and early career training for the creation of *Exceptional Jewish Leaders and Educators*.

In December 2019, the William Davidson Foundation awarded the Organization a new two-year grant of up to \$1,350,000 to support the Organization’s activities in the Detroit community.

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 M and Q.)

Pledges and grants receivable, net of unamortized discounts, at December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give:		
Israel Ministry of Diaspora Affairs	\$1,530,355	\$2,510,920
Jim Joseph Foundation	1,200,000	2,500,000
Other receivables	634,785	1,387,469
William Davidson Foundation	60,000	1,575,000
	<u>3,425,140</u>	<u>7,973,389</u>
Less unamortized discount	(28,942)	(66,074)
Pledges and grants receivable, net	<u>\$3,396,198</u>	<u>\$7,907,315</u>

The pledges and grants receivable are due as follows:

	<u>2020</u>	<u>2019</u>
Due within one year	\$2,694,785	\$5,333,888
Due between one and two years	730,355	2,639,501
Total pledges and grants receivable	<u>\$3,425,140</u>	<u>\$7,973,389</u>

Pledges and grants receivable with due dates extending beyond one year are discounted using present value calculations. The applicable rates used at December 31, 2020 were the Treasury Bill rates in effect at the date the grant was granted.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE C – PLEDGES AND GRANTS RECEIVABLE, NET (CONTINUED)

The pledges and grants receivable are presented in the statement of financial position as follows:

	<u>2020</u>	<u>2019</u>
With current assets	\$2,694,785	\$5,333,888
With other assets, net of unamortized discount	701,413	2,573,427
Total pledges and grants receivable, net	<u>\$3,396,198</u>	<u>\$7,907,315</u>

NOTE D - INVESTMENTS

A gift of 192 limited partnership units in Global Sun Partners L.P. (“GSP”) was received in 2009. Management valued the limited partnership units at \$42,420 based on known private sales and other financial factors existing at the time. During December 31, 2020 management depreciated the investment by \$14,580 to \$27,840 to reflect the current estimated share value of the investment. No appreciation or depreciation in the fair value of GSP was recorded during the year ended December 31, 2019. The chief financial officer of GSP also served as a member of the board of directors and a member of the finance committee of the Organization through December 31, 2019, when his board term ended.

Donated common stock is valued at its market value at the time of the donation. During the years ended December 31, 2020 and 2019 the Organization received donations of common stock in the market value amount of \$30,372 and \$27,391, 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>2020</u>	<u>2019</u>
Investment in limited partnership	\$27,840	\$42,420
Common stock with brokerages	5,450	-
Total investments	<u>\$33,290</u>	<u>\$42,420</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE E – PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation, as of December 31, 2020 and 2019, consist of:

	<u>2020</u>	<u>2019</u>
Land	\$ 816,000	\$ 816,000
Building and improvements	5,322,279	5,219,980
Right-of-use asset	550,631	550,631
Furniture and office equipment	400,622	400,622
Transportation equipment	228,202	228,202
Website	16,752	16,752
	<hr/>	<hr/>
	7,334,486	7,232,187
Less accumulated depreciation	(4,088,212)	(3,808,953)
Property and equipment, net of accumulated depreciation	<hr/>	<hr/>
	\$3,246,274	\$3,423,234

The Organization recognizes a right-of-use asset and a lease liability in relation to its new office lease agreement which commenced on July 1, 2019 (see Notes A and K for a further discussion).

A truck is pledged as collateral for a vehicle retail installment contract, and a mortgage is secured by the property located at 181 Beebe Hill Road, Fall Village, Connecticut (see Note I).

Depreciation expense for the year ended December 31, 2020 and 2019 was \$173,634 and \$176,142, respectively. In addition, depreciation expense associated with the new right-of-use asset for the year ended December 31, 2020 and 2019 was \$105,625 and \$40,363, respectively.

During the year ending December 31, 2019, fully depreciated assets with a cost of \$146,617 were written off.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE F – COMMERCIAL LINE OF CREDIT

In April 2017, the Organization was granted a \$500,000 revolving line of credit from TD Bank. Bank advances on the credit line are payable on demand and carry an interest rate of 4.24% per annum on the outstanding balance. The line of credit is collateralized by the Organization's real property at its retreat center in Connecticut. The line of credit does not have a maturity date and is due upon demand. The outstanding balance as of December 31, 2020 and 2019 was \$-0 and \$300,000, respectively. Total interest expense on the line of credit for the year ended December 31, 2020 and 2019 was \$6,002 and \$17,628, respectively.

NOTE G - EVENT DEPOSITS PAYABLE

As of December 31, 2020 and 2019, advance deposits in the amount of \$120,590 and \$295,305, respectively, relate to events scheduled to take place at the Organization's retreat center during 2021 and 2020, 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. Of the advance deposits of \$295,305 that were payable as of December 31, 2019, approximately 85% had been refunded, 11% is being held as advance deposits for future events and the remaining 4% balance was recorded as donations at the request of the customers.

NOTE H – EMPLOYEE BENEFITS PAYABLE

A future employee benefits commitment was made by the Organization during 2017 and is included as a long-term liability in the statements of financial position. The balance as of December 31, 2020 and 2019 is \$304,900 and \$287,410, respectively.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE I – LOANS AND MORTGAGE PAYABLE

In October 2015 the Organization purchased a pick-up truck and financed the balance of \$48,470. The installment loan bore interest at 5.89% with 60 monthly payments of \$937. The balance as of December 31, 2020 and 2019 is \$-0 and \$9,859, respectively. Total interest expense on the loan for the year ended December 31, 2020 and 2019 was \$289 and \$913, respectively.

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 bears interest at 1.76% with 48 monthly payments of \$10,583. The balance as of December 31, 2020 and 2019 is \$207,223 and \$329,324, respectively. Total interest expense on the loan for the year ended December 31, 2020 and 2019 was \$4,895 and \$7,174, respectively.

In February 2019, a 20-year commercial mortgage note for \$500,000 was received that matures in February 2039. The mortgage is collateralized by property located at 181 Beebe Hill Road, Falls Village, CT. The interest rate for of the loan is 5.5% 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 outstanding principal balance as of December 31, 2020 and 2019 was \$473,669 and \$487,946, respectively. Total interest expense on the loan for the year ended December 31, 2020 and 2019 was \$26,414 and \$23,907, respectively.

On April 21, 2020, the Organization received a \$844,000 loan under the Paycheck Protection Program 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 and is included with government grants in the statements of activities. The remaining loan balance of \$24,981 bears interest at the rate of 1%, and will be paid out over 18 months with scheduled payments of \$1,399 per month. The outstanding principal balance as of December 31, 2020 is \$23,603. The loan is uncollateralized and is fully guaranteed by the Federal government (see Note S).

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE I – LOANS AND MORTGAGE PAYABLE (CONTINUED)

Future minimum payments required under the mortgage and loan agreements, as of December 31, 2020 are as follows:

Year ended December 31:	<u>Paycheck Protection Program</u>	<u>Construction Loan</u>	<u>Mortgage Note</u>	<u>Total</u>
2021	\$16,626	\$124,313	\$ 15,004	\$155,943
2022	6,977	82,910	15,850	105,737
2023	-	-	16,744	16,744
2024	-	-	17,689	17,689
2025	-	-	18,686	18,686
Thereafter	-	-	389,696	389,696
Totals	<u>\$23,603</u>	<u>\$207,223</u>	<u>\$473,669</u>	<u>\$704,495</u>

Included in:

Current liabilities	\$16,626	\$124,313	\$ 15,004	\$155,943
Long-term liabilities	6,977	82,910	458,665	548,552
Totals	<u>\$23,603</u>	<u>\$207,223</u>	<u>\$473,669</u>	<u>\$704,495</u>

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 and 2019 are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Donations with time restrictions	\$3,022,104	\$5,569,218
Restricted for use in construction	158,000	153,500
Restricted for fiscal sponsor	135,600	323,750
Grants for specific programming	959,672	1,992,339
Totals	<u>\$4,275,376</u>	<u>\$8,038,807</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE K – LEASE LIABILITY AND RENT EXPENSE

Expired Leases

The following two lease agreements expired before December 31, 2019 and were in effect when the Organization adopted ASC 842 as of January 1, 2019.

- 1) In April 2010 the Organization entered into a lease agreement to rent office space on the 8th floor of 125 Maiden Lane in New York City at the fixed amount of \$9,167 per month with annual increases of 9.1%. A security deposit in the amount of \$9,167 was provided in respect of this lease. The lease expired on May 31, 2017 and was subsequently renewed for additional 24 months for the same premises plus additional office space. The new base rent amount began at \$16,154 per month and increased to \$21,939 per month to reflect the additional space. The extended lease expired on June 30, 2019 when the premises were vacated.
- 2) 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 beginning January 1, 2020. The annual rent for the first year will be \$18,600, increasing to \$19,200 and \$19,800 during the two subsequent years. ASC 842 was not applied to this lease agreement because the amounts and lease term were not deemed significant.

New Lease 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 is 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 is \$120,000 per annum with a 3% escalation clause for each following year. It is not reasonably certain that the Organization will exercise its renewal options beyond the initial lease term.

The new lease guidance under FASB ASC 842 requires the recognition of a right-of-use (ROU) asset and a lease liability at the commencement date of the lease. The right-of-use assets represents the Organization's right to use the leased office space over the term of the lease. The lease liability refers to the Organization's obligation to make lease payments to the lessor as defined in the lease agreement.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE K – LEASE LIABILITY AND RENT EXPENSE (CONTINUED)

A maturity analysis related to the lease liability as of December 31, 2020 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
	2023	116,240	189,829
	2024	125,045	64,784
	2025	64,784	-
		<u>\$550,631</u>	-
Included in:			
Current liabilities		\$107,902	
Long-term liabilities		306,069	
		<u>\$413,971</u>	

The following are the future minimum payments required under the lease agreement as of December 31, 2020:

<u>Year ended December 31,</u>	
2021	\$125,454
2022	129,218
2023	133,094
2024	67,530
	<u>\$455,296</u>

Total rent expense for the year ended December 31, 2020 and 2019 was \$143,269 and \$212,947, respectively, which is included with occupancy expenses in the statements of functional expenses. Included in the amount for the year ended December 31, 2020 is \$91,200 of donated occupancy services provided by the landlord during months when the Organization's office was inaccessible due to the COVID-19 pandemic.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE L – FUNDRAISING EXPENSES

Total fundraising expenses, which includes allocated payroll and other costs, for the year ended December 31, 2020 and 2019 totaled \$797,264 and \$546,822, respectively.

NOTE M – 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.

Two major grantors comprised approximately 80% of the outstanding pledges and grants receivable, net, as of December 31, 2020. Two major grantors comprised approximately 47% of the total general support for the year ended December 31, 2019. Three major grantors comprised approximately 84% of the outstanding pledges and grants receivable, net, as of December 31, 2019.

The receivable from the Israel Ministry of Diaspora Affairs is from a foreign governmental entity (see Notes C and Q). Because all billings and payments are transacted in United States dollars there are no risks of foreign exchange translations. The business practices in the Israeli economy in general, and a governmental ministry in specific, result in the billing and payment process being a slower one than the process ordinarily experienced in 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. Such audits could result in claims against the Organization for disallowed use or noncompliance with grantor requirements. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. During the year ended December 31, 2020, the Ministry of Diaspora Affairs notified the Organization that there would be a reduction in the government sponsorship of the Hakhel program due to COVID-19 related cancelations of programs which were planned for 2020. As a result of this notification, the Organization reduced the receivable from the Ministry by \$434,000 to reflect a reduction in the anticipated income.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE N – 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 O – 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:

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).

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE O – FAIR VALUE PRESENTATION (CONTINUED)

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 private equity investments 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 and liabilities measured at fair value on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$1,841,962	\$ -	\$ -	\$1,841,962
Pledges and grants receivable, net	1,894,785	1,501,413	-	3,396,198
Investments	5,450	-	27,840	33,290
Total Assets	<u>\$3,742,197</u>	<u>\$1,501,413</u>	<u>\$ 27,840</u>	<u>\$5,271,450</u>
<u>Liabilities</u>				
Mortgage payable	\$ -	\$315,289	\$ -	\$315,289
Construction loan payable	-	203,851	-	203,851
Total Liabilities	<u>\$ -</u>	<u>\$519,140</u>	<u>\$ -</u>	<u>\$ 519,140</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE O – 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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$1,241,075	\$ -	\$ -	\$1,241,075
Pledges and grants receivable, net	5,462,469	2,444,846	-	7,907,315
Investments	-	-	42,420	42,420
Total Assets	<u>\$6,703,544</u>	<u>\$2,444,846</u>	<u>\$ 42,420</u>	<u>\$9,190,810</u>
<u>Liabilities</u>				
Mortgage payable	\$ -	\$ 388,359	\$ -	\$ 388,359
Construction loan payable	-	304,739	-	304,739
Total Liabilities	<u>\$ -</u>	<u>\$ 693,098</u>	<u>\$ -</u>	<u>\$ 693,098</u>

The following table presents information about fair value measurements that use significant unobservable inputs (Level 3 measurements):

	<u>Private Equity Investment</u>
January 1, 2019	\$ 42,420
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	-
December 31, 2019	<u>42,420</u>
Transfers in and out of Level 3	-
Purchases, sales and settlements	-
Gains or losses for the year	<u>(14,580)</u>
December 31, 2020	<u>\$ 27,840</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE P – 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 and accounts receivable (Note C) and a commercial 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 \$985,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note F, the Organization also has committed line of credit in the amount of \$500,000, which it could draw upon in the event of an unanticipated liquidity need. Proceeds from the Paycheck Protection Program loan in the amount of \$844,000 received in early April 2020 also contributed to cash inflows during the year ended December 31, 2020 (see Note I).

As of December 31, 2020, 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 balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$1,841,962
Pledges and grants receivable, net	3,396,198
Accounts receivable	36,275
Investments	33,290
Total financial assets at year-end	<u>\$5,307,725</u>
Financial assets available to meet general expenditures over the next 12 months	
Cash and cash equivalents	\$1,841,962
Pledges for general expenditures due in one year or less	2,694,785
Accounts receivable	36,275
Investments	5,450
	<u>\$4,578,472</u>

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE Q – 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, 2020 and 2019, they totaled approximately \$633,295 and \$616,200, respectively.

Included in accounts payable in the statement of financial position as of December 31, 2020 and 2019, are \$74,135 and \$159,045, respectively, of expenses that related to vendors associated with the Hakhel program activities.

NOTE R – COVID-19 PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 29, 2020, the State of New York ordered the closure of the physical location of every “non-essential” business.

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 2021. The 2020 losses were mitigated by significant cost-cutting and emergency funding. The Organization has seen demand for retreats increase throughout 2021 as more people are vaccinated and is preparing for a more fully-booked calendar in 2022. Hazon’s national programs adapted to a more virtual world and as a result, COVID-19 did not cause major disruptions to Hazon’s operations outside of the retreat center.

HAZON, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE S – SUBSEQUENT EVENTS

In July 2021, the boards of directors of Hazon and Pearlstone Conference & Retreat Center Inc. (“Pearlstone”) of Reistertown, Maryland, approved a proposal to merge the two organizations. The current Executive Director of Pearlstone, will be the Chief Executive Officer (“CEO”) of the newly merged organization. The founder and President and CEO of Hazon, announced his intention to step down at the end of 2021 (see Note H). The merger is not predicated on any major programmatic or staff reductions. The Organization expects the legal merger to be completed in the middle of the year 2022. Further information about the merger is available on the websites of the organizations.

In April 2021 the Organization retroactively claimed an Earned Revenue Tax Credit for the second and third quarters of the year ended December 31, 2020. Based on the refiled payroll tax returns for the year, the estimated tax credit will be approximately \$214,000 and will not be received until the last quarter of the year 2021 or the first quarter of the year 2022.

The Organization was eligible for a Second Draw PPP Loan, and on January 27, 2021 they received a second loan in the amount of \$844,000. The loan has the same general loan terms as the loan received in April 2020 (see Note I). The Organization projects that 80% of the loan will be eligible for loan forgiveness, upon meeting certain requirements.

HAZON, INC.

SUPPLEMENTARY INFORMATION
SCHEDULE OF PROGRAM SERVICE EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>National</u> <u>Programs</u>	<u>Isabella</u> <u>Freedman</u> <u>Retreat Center</u>	<u>Total</u> <u>Program</u> <u>Service</u> <u>Expenses</u>
Salaries and related costs	\$1,072,156	\$1,540,035	\$2,612,191
Donated program services, Hakhel	633,295	-	633,295
Grants to other organizations	273,733	601	274,334
Consulting fees	86,686	124,515	211,201
Program supplies and costs	99,330	111,766	211,096
Depreciation and amortization	8,682	147,589	156,271
Insurance	55,563	79,810	135,373
Miscellaneous	53,667	77,086	130,753
Repairs and maintenance	-	129,133	129,133
Utilities	-	113,321	113,321
Travel and accommodations	107,727	385	108,112
Information technology	39,147	56,230	95,377
Dining and food costs	-	78,880	78,880
Conferences and meetings	72,259	874	73,133
Occupancy, donated services	26,558	38,974	65,532
Temporary staffing	41,130	7,402	48,532
Permits and registration fees	198	41,593	41,791
Occupancy	15,931	22,058	37,989
Interest expense	3,703	31,475	35,178
Telephone and internet	14,380	20,656	35,036
Credit card and processing fees	2,139	32,079	34,218
Housekeeping	-	33,758	33,758
Vehicle costs	7,147	19,115	26,262
Office supplies	9,788	14,059	23,847
Marketing and communications	8,466	12,161	20,627
Meals and entertainment	6,894	6,721	13,615
Payroll services	3,602	5,173	8,775
Dues and subscriptions	2,812	4,038	6,850
Professional recruitment	2,608	3,747	6,355
Postage	1,625	2,334	3,959
Printing and copying	1,506	1,355	2,861
Sales and merchandise	86	124	210
Totals	<u>\$2,650,818</u>	<u>\$2,757,047</u>	<u>\$5,407,865</u>