NECHAMA – JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

December 31, 2013

C O N T E N T S

Lurie Besikof Lapidus
& Company, LLP

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
NECHAMA – Jewish Response to Disaster
St. Louis Park, Minnesota

Report on Financial Statements

We have audited the accompanying financial statements of NECHAMA – Jewish Response to Disaster (Organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NECHAMA – Jewish Response to Disaster as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lurie Besikof Lapidus & Company, LLP

Lurie Besikof Lapidus & Company, LLP
Minneapolis, Minnesota

October 16, 2014

NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF FINANCIAL POSITION

December 31, 2013

ASSETS

Cash and cash equivalents		$ 285,672
Beneficial interest in funds at the Jewish Community Foundation		510,343
Prepaid expenses and other		5,923
Property and equipment		
Office furniture and equipment	$ 14,196	
Transportation equipment	130,899	
	145,095	
Less accumulated depreciation	120,948	
Property and equipment, less accumulated depreciation		24,147
		$ 826,085

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses		$ 14,157
NET ASSETS		
Unrestricted	$ 359,040	
Restricted – temporarily	452,888	
Total net assets		811,928
		$ 826,085

See notes to financial statements.

NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	$ 254,082	$ 830,089	$ 1,084,171
Increase in beneficial interest	4,817	-	4,817
Net assets released from restriction	669,713	(669,713)	-
Total Revenue and Support	928,612	160,376	1,088,988
EXPENSES			
Program services	648,223	-	648,223
Management and general	51,128	-	51,128
Fundraising	19,922	-	19,922
Total Expenses	719,273	-	719,273
INCREASE IN NET ASSETS	209,339	160,376	369,715
NET ASSETS			
Beginning of year	149,701	292,512	442,213
End of year	$ 359,040	$ 452,888	$ 811,928

See notes to financial statements.

NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	Program Services	Management and General	Fundraising	Total
Compensation	$ 233,547	$ 18,281	$ 8,550	$ 260,378
Payroll taxes	15,063	7,017	-	22,080
Employee benefits	17,016	8,124	-	25,140
Accounting and professional fees	-	7,116	-	7,116
Apparel	6,864	-	-	6,864
Conferences	380	1,519	-	1,899
Depreciation	2,683	-	-	2,683
Development	-	-	944	944
Equipment and supplies	50,084	-	-	50,084
Insurance	20,467	-	-	20,467
Occupancy	9,636	207	-	9,843
Office supplies and expense	7,982	7,560	8,202	23,744
Other deployment expense	129,076	-	-	129,076
Promotion	-	-	1,696	1,696
Travel	37,378	1,304	530	39,212
Vehicle and transportation expense	118,047	-	-	118,047
	$ 648,223	$ 51,128	$ 19,922	$ 719,273

See notes to financial statements.

NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

OPERATING ACTIVITIES	
Increase in net assets	$ 369,715
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	2,683
Noncash investment income	(4,517)
Changes in operating assets and liabilities:	
Prepaid expenses and other	(5,923)
Accounts payable and accrued expenses	8,411
Net cash provided by operating activities	370,369
INVESTING ACTIVITIES	
Purchases of property and equipment	(26,827)
Beneficial interest in funds at Jewish Community Foundation	(500,000)
Net cash used by investing activities	(526,827)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(156,458)
CASH AND CASH EQUIVALENTS	
Beginning of year	442,130
End of year	$ 285,672

See notes to financial statements.

1. Description of Organization and Summary of Significant Accounting Policies –

Organization

NECHAMA – Jewish Response to Disaster (NECHAMA or the Organization) is a nonprofit corporation established in 2001 to provide natural disaster preparedness, response, and recovery services throughout the United States. Since its inception, NECHAMA has brought comfort to disaster survivors by training and mobilizing thousands of volunteers to help communities after floods, tornadoes, and other natural disasters. The Organization's principal source of revenue is from public contributions.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared under Generally Accepted Accounting Principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets, classified based on donor imposed restrictions as follows:

Unrestricted – Resources over which the Board of Directors has discretionary control. Designated amounts, if any, represent those net assets which the Board has set aside for a particular purpose.

Restricted - Temporarily – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Restricted – Permanently – Those resources subject to a donor imposed restriction to be maintained permanently by the Organization. The donors of these resources permit use of the income earned, including capital appreciation, for unrestricted or temporarily restricted purposes.

Contribution and Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions or other stipulations. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets, by the Organization fulfilling the donor stipulations or by the passage of a specified time period, are reported as net assets released from restrictions.

Contributions are recorded when received. Contributions other than cash are recorded at their estimated fair value.

The Organization's programs are aided by a substantial number of volunteers. The value of this time is not recorded in the accompanying financial statements, as the services either do not require specialized skills or would not typically be purchased had they not been donated.

(continued)

1. Description of Organization and Summary of Significant Accounting Policies – (continued)

Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Allocation of Expenses

Salaries are allocated based on management's estimate of time spent on program services, general administration and fundraising. In addition, other expenses are allocated based on management's classification of the activity performed.

Cash Equivalents and Credit Risk

All highly liquid investments with an original maturity when purchased of three months or less are considered to be cash equivalents.

Cash balances are maintained in one financial institution. Balances may, at times, exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in these accounts and management believes there is not a significant credit risk on cash balances.

Valuation of Beneficial Interest

The beneficial interest in funds at the Jewish Community Foundation is reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated fair value if donated. Depreciation is recorded using straight-line and accelerated methods over the estimated useful lives of the assets.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and comparable state regulations. Therefore, the financial statements do not reflect a provision for income taxes. The Organization has been classified as an organization that is not a private foundation under the Internal Revenue Code and contributions by donors are considered tax deductible.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2010.

2. Beneficial Interest in Funds at the Jewish Community Foundation –

The Organization has a designated beneficiary fund held by the Jewish Community Foundation in its investment pool. The funds are legally owned by Jewish Community Foundation. However, distributions from the fund are limited to NECHAMA, creating a beneficial interest.

3. Fair Value Measurements –

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under *Financial Accounting Standards Board* (FASB) *Accounting Standards Codification* (ASC) 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

(continued)

3. Fair Value Measurements – (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Beneficial interest in funds held at Jewish Community Foundation: Valued at the amount reported by Jewish Community Foundation (Foundation). The funds are held in the balanced pool portfolio of the Foundation. The pool is managed as a single investment with investment earnings being allocated on a pro-rata basis across the individual funds that make up the pool. Investments consist primarily of debt and equity securities and mutual funds. Investments in marketable debt and equity securities and mutual funds are carried at fair value based on quoted market prices. Certain investments held in alternative structures are estimated by the respective investment managers as market values are not readily determinable. Alternative investments consist of limited liability corporations, limited partnerships, funds of funds and hedge funds. Disclosure of the significant inputs used to value the alternative investments have not been disclosed as they are not readily available.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Organization management has utilized level 3 within the fair value hierarchy to determine the fair value of the beneficial interest at the Jewish Community Foundation.

<u>Level 3 Gains and Losses</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets. The net change in fair value is included in the statement of activities.

	Beneficial Interest
Balance as of December 31, 2012	$ 5,826
Net appreciation in fair value	4,517
Purchase	500,000
Balance as of December 31, 2013	$ 510,343

4. Net Assets – Temporarily Restricted –

Temporarily restricted net assets are restricted for future expenses in specific disaster areas.

NECHAMA – JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS

5. Donor Concentrations –

Approximately 18%, 14%, and 12% of revenue and support for 2013 were provided by three donors, respectively.

6. Employee Benefit Plan –

The Foundation sponsors a 403(b) plan covering eligible employees. The Organization's contribution to the plan was $1,324 for 2013.

7. Operating leases –

The Organization leases vehicles and warehouse space under operating leases – primarily on a temporary or month-to-month basis. Rent expense was approximately $61,900 for 2013.

In 2013, the Organization entered into an office lease agreement. Future minimum lease payments are expected to be $24,000 in 2014 and $18,000 in 2015.

8. Related Party Transactions –

Members of the Board of Directors contributed cash and services to the Organization during 2013.

9. Subsequent Events –

Management has evaluated subsequent events through October 16, 2014, the date the financial statements were available to be issued.