

NECHAMA – JEWISH RESPONSE TO DISASTER

FINANCIAL STATEMENTS

December 31, 2012

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of NECHAMA – Jewish Response to Disaster (Organization) as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

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December 5, 2013

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NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF FINANCIAL POSITION
See Independent Accountant's Review Report

December 31, 2012

ASSETS

| | | |
|---|----------------|-------------------|
| Cash and cash equivalents | | \$ 442,130 |
| Investments and other | | 5,826 |
| Property and equipment | | |
| Office furniture and equipment | \$ 11,093 | |
| Transportation equipment | 107,175 | |
| | <u>118,268</u> | |
| Less accumulated depreciation | 118,265 | |
| Property and equipment, less accumulated depreciation | | <u>3</u> |
| | | <u>\$ 447,959</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | |
|---------------------|--|------------|
| Accounts payable | | \$ 5,519 |
| Accrued liabilities | | <u>227</u> |
| | | 5,746 |

NET ASSETS

| | | |
|--------------------------|----------------|-------------------|
| Unrestricted | \$ 149,701 | |
| Restricted – temporarily | <u>292,512</u> | |
| Total net assets | | <u>442,213</u> |
| | | <u>\$ 447,959</u> |

See notes to financial statements.

NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF ACTIVITIES
See Independent Accountant's Review Report

YEAR ENDED DECEMBER 31, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|--------------------------------------|---------------------|-----------------------------------|-------------------|
| REVENUE AND SUPPORT | | | |
| Contributions | \$ 169,544 | \$ 369,081 | \$ 538,625 |
| Investment and other | 5,690 | - | 5,690 |
| Gain on insurance recovery | 42,990 | - | 42,990 |
| Net assets released from restriction | <u>76,569</u> | <u>(76,569)</u> | <u>-</u> |
| Total Revenue and Support | <u>294,793</u> | <u>292,512</u> | <u>587,305</u> |
| EXPENSES | | | |
| Program services | 253,488 | - | 253,488 |
| Management and general | 78,926 | - | 78,926 |
| Fundraising | <u>12,222</u> | <u>-</u> | <u>12,222</u> |
| Total Expenses | <u>344,636</u> | <u>-</u> | <u>344,636</u> |
| INCREASE (DECREASE) IN NET ASSETS | (49,843) | 292,512 | 242,669 |
| NET ASSETS | | | |
| Beginning of year | <u>199,544</u> | <u>-</u> | <u>199,544</u> |
| End of year | <u>\$ 149,701</u> | <u>\$ 292,512</u> | <u>\$ 442,213</u> |

See notes to financial statements.

NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF FUNCTIONAL EXPENSES
See Independent Accountant's Review Report

YEAR ENDED DECEMBER 31, 2012

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Compensation | \$ 118,641 | \$ 32,954 | \$ - | \$ 151,595 |
| Payroll taxes | 11,294 | 3,520 | - | 14,814 |
| Employee benefits | - | 1,120 | - | 1,120 |
| Accounting and professional fees | 429 | 855 | - | 1,284 |
| Apparel | 6,369 | - | - | 6,369 |
| Conferences | - | 2,339 | - | 2,339 |
| Depreciation | 6,412 | - | - | 6,412 |
| Development | - | 3,340 | 11,820 | 15,160 |
| Equipment and supplies | 18,733 | - | - | 18,733 |
| Insurance | 18,604 | - | - | 18,604 |
| Occupancy | 15,802 | 16,017 | - | 31,819 |
| Office supplies and expense | - | 15,820 | - | 15,820 |
| Other deployment expense | 8,732 | - | - | 8,732 |
| Promotion | - | - | 402 | 402 |
| Travel | 18,715 | 2,961 | - | 21,676 |
| Vehicle and transportation expense | <u>29,757</u> | <u>-</u> | <u>-</u> | <u>29,757</u> |
| | <u>\$ 253,488</u> | <u>\$ 78,926</u> | <u>\$ 12,222</u> | <u>\$ 344,636</u> |

See notes to financial statements.

NECHAMA – JEWISH RESPONSE TO DISASTER

STATEMENT OF CASH FLOWS
See Independent Accountant's Review Report

YEAR ENDED DECEMBER 31, 2012

| | |
|--|--------------------------|
| OPERATING ACTIVITIES | |
| Increase in net assets | \$ 242,669 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation | 6,412 |
| Gain on insurance recovery | (42,990) |
| Changes in operating assets and liabilities: | |
| Investments and other | 3,587 |
| Accounts payable and accrued expenses | <u>5,772</u> |
| Net cash provided by operating activities | <u>215,450</u> |
| INVESTING ACTIVITY | |
| Proceeds from insurance recovery | <u>43,000</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 258,450 |
| CASH AND CASH EQUIVALENTS | |
| Beginning of year | <u>183,680</u> |
| End of year | <u><u>\$ 442,130</u></u> |

See notes to financial statements.

NECHAMA – JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS
See Independent Accountant's Review Report

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.

Financial Statement Presentation

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.

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

The Organization's programs are aided by a substantial number of volunteers. The value of the volunteers' donated services was not recorded in the financial statements, as there is no reasonable basis to determine the value of the donated services.

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.

(continued)

NECHAMA – JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS
See Independent Accountant's Review Report

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

Functional 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, except those held for long-term investment, 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.

Investments

Disclosures related to investments are not provided as the investment balances are not considered to be significant.

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.

Insurance Recovery

The Organization suffered losses of property and equipment in 2012 due to vandalism and theft. Insurance proceeds in excess of the depreciated basis of the effected assets was reported as gain on insurance recovery.

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 2009.

NECHAMA – JEWISH RESPONSE TO DISASTER

NOTES TO FINANCIAL STATEMENTS
See Independent Accountant's Review Report

2. Net Assets – Temporarily Restricted –

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

3. Donor Concentrations –

Approximately 17% of revenue and support for 2012 was provided by one donor.

4. Employee Benefit Plan –

The Foundation sponsors a 403(b) plan covering eligible employees. The Organization's contribution to the plan was \$1,120 for 2012.

5. Operating leases –

The Organization leases vehicles and warehouse space under operating leases – primarily on a temporary or month-to-month basis. Rent expense was \$29,199 for 2012.

6. Related Party Transactions –

Members of the Board of Directors contributed cash and services to the Organization during 2012.

7. Subsequent Events –

Management has evaluated subsequent events through December 5, 2013, the date the financial statements were available to be issued.