KESHET INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

KESHET INC.

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Keshet Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Keshet Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2014, 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.

Auditors' 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 audits 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 auditors' 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 auditors consider 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.

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keshet Inc. as of December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Keshet Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Needham, Massachusetts
July 20, 2015

KESHET INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	2014	2013
Assets		
Cash	$ 237,513	$ 177,741
Contributions receivable, net of allowance of $240 in 2014 and $600 in 2013	2,345	751
Grants receivable, net of allowance of $-0- in 2014 and 2013	789,500	185,000
Pledges receivable, net of allowance of $-0- in 2014 and 2013	52,692	28,219
Property and equipment, net	44,380	47,332
Security deposits	6,558	6,348
Prepaid expense	12,986	15,185
Total Assets	$ 1,145,974	$ 460,576
Liabilities and Net Assets		
Accounts payable	$ 93,749	$ 39,469
Accrued expenses	78,761	70,657
Deferred revenue	--	37,000
Total Liabilities	172,510	147,126
Net Assets (Deficit)		
Unrestricted	(14,310)	177,169
Temporarily restricted	987,774	136,281
Total Net Assets	973,464	313,450
Total Liabilities and Net Assets	$ 1,145,974	$ 460,576

The accompanying notes are an integral part of these financial statements.

KESHET INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
Support and Revenue				
Grants	$ 482,300	$ 1,165,250	$ 1,647,550	$ 601,500
Contributions	546,338	--	546,338	370,508
Fundraising	34,628	--	34,628	30,202
Special events, net of expenses	74,140	--	74,140	88,721
Training and consulting fees	17,150	--	17,150	19,155
Rental income	--	--	--	10,360
Other income	13,272	--	13,272	5,837
Net assets released from restriction	313,757	(313,757)	--	--
Total Support and Revenue	1,481,585	851,493	2,333,078	1,126,283
Expenses				
Program services	1,307,488	--	1,307,488	1,225,413
Support services				
General and administrative	122,798	--	122,798	117,220
Fundraising	242,778	--	242,778	239,448
Total Expenses	1,673,064	--	1,673,064	1,582,081
Increase (Decrease) in Net Assets	(191,479)	851,493	660,014	(455,798)
Net Assets at Beginning of Year	177,169	136,281	313,450	769,248
Net Assets at End of Year	$ (14,310)	$ 987,774	$ 973,464	$ 313,450

The accompanying notes are an integral part of these financial statements.

KESHET INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	Program Services	General and Administration	Fundraising	2014 Totals	2013 Totals
Salaries	$ 764,710	$ 87,061	$ 179,092	$ 1,030,863	$ 897,285
Payroll taxes and employee benefits	146,376	16,655	34,294	197,325	163,099
Events and meeting costs	71,699	406	82,231	154,336	111,011
Rent and utilities	76,753	6,430	13,229	96,412	96,632
Program consultants	79,149	443	13,464	93,056	128,281
Travel	33,080	416	26,322	59,818	50,278
Professional fees	31,904	3,632	20,340	55,876	66,306
Printing and publishing	14,842	160	14,230	29,232	31,707
Office and program supplies	12,200	989	10,588	23,777	26,017
Bank and credit card processing fees	13,013	1,448	4,326	18,787	15,261
Depreciation	13,382	1,523	3,134	18,039	15,233
Website	13,013	1,448	2,442	16,903	32,204
Postage and shipping	3,430	177	10,922	14,529	20,856
Telephone	9,881	664	1,367	11,912	9,555
Advertising and promotion	7,725	6	2,369	10,100	11,079
Miscellaneous expense and bad debt	4,321	44	2,475	6,840	8,680
Computer and equipment	3,938	396	1,764	6,098	4,316
Repairs and maintenance	4,368	483	995	5,846	6,961
Insurance	3,704	417	860	4,981	1,154
	1,307,488	122,798	424,444	1,854,730	1,695,915
Less special event	--	--	181,666	181,666	113,834
Total Functional Expenses	$ 1,307,488	$ 122,798	$ 242,778	$ 1,673,064	$ 1,582,081

The accompanying notes are an integral part of these financial statements.

KESHET INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	$ 660,014	$ (455,798)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	18,039	15,233
Change in allowance for doubtful accounts	(360)	--
Bad debt expense	3,471	--
Changes in operating assets and liabilities:		
Prepaid expenses	2,199	(15,185)
Contributions receivable	(4,705)	130,521
Grants receivable	(604,500)	300,000
Pledges receivable	(24,473)	(28,219)
Security deposits	(210)	--
Accounts payable	54,280	35,654
Accrued expenses	8,104	24,203
Deferred revenue	(37,000)	12,000
Total Adjustments	(585,155)	474,207
Net Cash Provided by Operating Activities	74,859	18,409
Net Cash Used in Investing Activities		
Purchase of property and equipment	(15,087)	(11,734)
Net Increase in Cash	59,772	6,675
Cash at Beginning of Year	177,741	171,066
Cash at End of Year	$ 237,513	$ 177,741

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

Keshet Inc. (the “Organization”) was organized under the laws of the Commonwealth of Massachusetts as a non-profit organization in 2001 for the specific purpose of working for the full equality and inclusion of gay, lesbian, bisexual, and transgender (LGBT) Jews in Jewish life. The Organization strives to cultivate the spirit and practice of inclusion in all parts of the Jewish community. The Organization began as a small, grassroots group working for change in the Greater Boston area, and is now a national organization with offices in San Francisco, California and Denver, Colorado in addition to its headquarters in Boston, Massachusetts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

BASIS OF PRESENTATION

The Organization is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

UNRESTRICTED NET ASSETS

Unrestricted net assets represent those assets which the Organization may use at its discretion.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a donor restriction expires or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of those assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets at December 31, 2014 and 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

GRANTS AND CONTRIBUTIONS

Grants and contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

PLEDGES

Unconditional pledges are recognized as revenues and as assets in the period received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the pledge becomes unconditional.

PLEDGES, GRANTS AND CONTRIBUTIONS RECEIVABLE

Pledges, grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges, grants and contributions receivable.

PROPERTY AND EQUIPMENT

All acquisitions of property and equipment in excess of $500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost less accumulated depreciation and are depreciated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are five years for equipment, furniture, and website development. Leasehold improvements are amortized over shorter of their estimated useful life or the terms of related leases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED REVENUE

Deferred revenues represent grant revenues for which the Organization must first meet certain criteria, which has been outlined in the individual grant agreements. Once the Organization has met these criteria, the revenue will be recognized in the year in which the criteria have been satisfied.

EXPENSE ALLOCATION

The operating costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from Massachusetts income taxes. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income at both the state and federal levels. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private organization under Section 509(a)(2).

The Organization evaluates all significant tax positions. As of December 31, 2014 and 2013, the Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Organization’s tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2014, the Organization’s federal and state tax returns generally remain open for examination for three years from the date filed with each taxing jurisdiction.

ADVERTISING COST

The Organization expenses advertising costs as incurred. Advertising expenses amounted to $10,100 and $11,079 for the years ended December 31, 2014 and 2013, respectively.

SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through July 20, 2015, the date the financial statements were available for issuance.

NOTE 3 – PLEDGES, GRANTS AND CONTRIBUTIONS RECEIVABLE

The following summarizes the expected collection schedule of pledges, grants and contributions receivable as of December 31:

	2014	2013
Contributions receivable, collectible in:		
Less than 1 year	$ 2,585	$ 1,351
Allowance for doubtful accounts	(240)	(600)
Contributions receivable, net	$ 2,345	$ 751
Grants receivable, collectible in:		
Less than 1 year	$ 524,500	$ 185,000
One to two years	265,000	--
Grants receivable, net	$ 789,500	$ 185,000
Pledges receivable, collectible in:		
Less than 1 year	$ 46,692	$ 28,219
One to two years	6,000	--
Pledges receivable, net	$ 52,692	$ 28,219

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2014	2013
Furniture and equipment	$ 30,723	$ 24,496
Website design	61,850	54,350
Leasehold improvements	4,260	2,900
	96,833	81,746
Accumulated depreciation	(52,453)	(34,414)
	$ 44,380	$ 47,332

NOTE 5 - ACCRUED EXPENSES

Accrued expenses consist of the following as of December 31:

	2014	2013
Accrued salaries	$ 33,601	$ 26,811
Accrued professional fees	16,738	20,400
Accrued vacation	24,576	21,582
Accrued payroll taxes	3,846	1,864
	$ 78,761	$ 70,657

NOTE 6 - RESTRICTED NET ASSETS

The Organization has no permanently restricted net assets at December 31, 2014 and 2013.

Temporarily restricted net assets consist of the following at December 31, 2014:

		Investment Income				
	December 31, 2013	Interest and Dividends	Appreciation	Grants and Contributions	Appropriations and Expenditures	December 31, 2014
Temporarily Restricted Net Assets						
Translation project	$ 845	$ --	$ --	$ --	$ --	$ 845
Teen Work project	25,000	--	--	5,000	(25,000)	5,000
Keshet Parent and Family Connection Program	20,000	--	--	--	(20,000)	--
Leadership Project	--	--	--	300,000	(9,755)	290,245
Infastructure	--	--	--	100,000	(8,566)	91,434
San Francisco	80,436	--	--	250,250	(240,436)	90,250
Temporarily restricted (timing)	10,000	--	--	510,000	(10,000)	510,000
Total Temporarily Restricted Net Assets	$ 136,281	$ --	$ --	$ 1,165,250	$ (313,757)	$ 987,774

Temporarily restricted net assets consist of the following at December 31, 2013:

		Investment Income				
	January 1, 2013	Interest and Dividends	Appreciation	Grants and Contributions	Appropriations and Expenditures	December 31, 2013
Temporarily Restricted Net Assets						
Children's book	$ 1,618	$ --	$ --	$ --	$ (1,618)	$ --
Translation project	4,176	--	--	--	(3,331)	845
Teen Work project	--	--	--	25,000	--	25,000
Keshet Parent and Family Connection Program	20,000	--	--	--	--	20,000
San Francisco	189,579	--	--	240,000	(349,143)	80,436
Temporarily restricted (timing)	267,587	--	--	--	(257,587)	10,000
Total Temporarily Restricted Net Assets	$ 482,960	$ --	$ --	$ 265,000	$ (611,679)	$ 136,281

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of temporary cash investments and accounts receivable.

The Organization has a potential concentration of credit risk in that it maintains deposits with a financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Beginning on January 1, 2013, the FDIC insures up to $250,000, per depositor, per insured depository institution for each account ownership category.

The Organization has 77% and 74% of its grants and contributions receivable due from three donors as of December 31, 2014 and 2013, respectively.

The Organization received 40% of its support from two donors for the year ended December 31, 2014. The Organization received 17% of its support from one donor for the year ended December 31, 2013.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Organization has entered into three operating leases for the use of office space. The expiration dates of these leasing arrangements are as follows:

- Jamaica Plain, Massachusetts expired April 30, 2013. The Organization continued to occupy the office space as a tenant at will through April 30, 2014. On May 1, 2014, the organization entered into a lease agreement for its office space in Jamaica plain, Massachusetts expiring May 1, 2019. The agreement commenced on May 1, 2014 with a term of 5 years.
- Denver, Colorado expired December 31, 2013. On January 20, 2014, the Organization entered into a lease agreement for the six-month period February 1, 2014 through August 1, 2014. The Organization leased the office space in Denver on a month-to-month basis as a tenant at will through December 2014. The Denver office was closed in December 2014.
- San Francisco, California expired July 20, 2013. Starting July 21, 2013, the Organization has been leasing its office space in San Francisco on a month-to-month basis. The Organization continued to occupy the office space as a tenant at will through December 31, 2014.

Rent expense incurred during the year ended December 31, 2014 and 2013 amounted to $90,483 and $90,259, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum lease payments as of December 31, 2014 are as follows:

2015	$ 67,016
2016	67,236
2017	67,692
2018	67,920
2019	22,640
	$ 292,504

NOTE 9 - PENSION PLAN

The Organization participates in a defined contribution pension plan as defined under Section 401(k) of the U.S. Internal Revenue Code. The Organization offers the plan to all of its employees, and funding of the plan if provided solely by employee contributions. The Organization incurred $2,220 and $1,870 in relation to the maintenance of the plan for the years ended December 31, 2014 and 2013, respectively.

NOTE 10 – SPECIAL EVENTS

Special events consist of the following for the years ended December 31:

	2014	2013
Gross special event revenue	$ 255,806	$ 202,555
Cost of direct benefits to donors	181,666	113,834
Special events revenue, net of expenses	$ 74,140	$ 88,721

NOTE 11 – COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.