KESHET INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

KESHET INC.

CONTENTS

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 statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years 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.

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 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 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.

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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, 2015 and 2014, 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.

Marcum LLP

Needham, MA
August 3, 2016

KESHET INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

	2015	2014
Assets		
Cash	$ 182,383	$ 237,513
Contributions receivable, net	7,882	2,345
Grants receivable	275,500	789,500
Pledges receivable, net	33,112	52,692
Property and equipment, net	36,629	44,380
Security deposits	6,558	6,558
Prepaid expense	8,718	12,986
Total Assets	$ 550,782	$ 1,145,974
Liabilities and Net Assets		
Accounts payable	$ 63,013	$ 93,749
Accrued expenses	56,799	78,761
Total Liabilities	119,812	172,510
Net Assets (Deficit)		
Unrestricted	75,404	(14,310)
Temporarily restricted	355,566	987,774
Total Net Assets	430,970	973,464
Total Liabilities and Net Assets	$ 550,782	$ 1,145,974

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

KESHET INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 436,530	$ --	$ 436,530
Grants	136,300	249,089	385,389
Special events, net of expenses	313,161	--	313,161
Fundraising	38,175	--	38,175
Training and consulting fees	25,856	--	25,856
Other income	8,880	--	8,880
Net assets released from restriction	881,297	(881,297)	--
Total Support and Revenue	1,840,199	(632,208)	1,207,991
Expenses			
Program services	1,348,817	--	1,348,817
Support services			
General and administrative	143,842	--	143,842
Fundraising	257,826	--	257,826
Total Expenses	1,750,485	--	1,750,485
Increase (Decrease) in Net Assets	89,714	(632,208)	(542,494)
Net (Deficit) Assets at Beginning of Year	(14,310)	987,774	973,464
Net Assets at End of Year	$ 75,404	$ 355,566	$ 430,970

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

KESHET INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 546,338	$ --	$ 546,338
Grants	482,300	1,165,250	1,647,550
Special events, net of expenses	74,140	--	74,140
Fundraising	34,628	--	34,628
Training and consulting fees	17,150	--	17,150
Other income	13,272	--	13,272
Net assets released from restriction	313,757	(313,757)	--
Total Support and Revenue	1,481,585	851,493	2,333,078
Expenses			
Program services	1,307,488	--	1,307,488
Support services			
General and administrative	122,798	--	122,798
Fundraising	242,778	--	242,778
Total Expenses	1,673,064	--	1,673,064
Increase (Decrease) in Net Assets	(191,479)	851,493	660,014
Net Assets at Beginning of Year	177,169	136,281	313,450
Net (Deficit) Assets at End of Year	$ (14,310)	$ 987,774	$ 973,464

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

KESHET INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	General and Administration	Fundraising	Totals
Salaries	$ 702,121	$ 97,445	$ 153,865	$ 953,431
Program consultants	186,061	314	19,383	205,758
Payroll taxes and employee benefits	147,259	20,436	32,271	199,966
Events and meeting costs	46,999	661	51,281	98,941
Rent and utilities	70,154	7,547	11,919	89,620
Professional fees	36,685	5,093	41,656	83,434
Travel	38,537	669	17,902	57,108
Printing and publishing	15,028	20	27,623	42,671
Office and program supplies	17,335	1,831	14,626	33,792
Website	15,530	2,156	3,507	21,193
Postage and shipping	3,026	271	16,259	19,556
Depreciation	14,387	1,997	3,153	19,537
Miscellaneous expense and bad debt	10,866	964	2,340	14,170
Advertising and promotion	9,770	--	2,200	11,970
Computer and equipment	8,159	1,133	2,388	11,680
Telephone	9,371	875	1,383	11,629
Bank and credit card processing fees	8,480	1,176	1,891	11,547
Repairs and maintenance	5,092	705	1,113	6,910
Insurance	3,957	549	867	5,373
	1,348,817	143,842	405,627	1,898,286
Less special events	--	--	147,801	147,801
Total Functional Expenses	$ 1,348,817	$ 143,842	$ 257,826	$ 1,750,485

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

KESHET INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

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

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

KESHET INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ (542,494)	$ 660,014
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	19,537	18,039
Bad debt expense	5,954	3,471
Changes in operating assets and liabilities:		
Prepaid expenses	4,268	2,199
Contributions receivable	(11,491)	(5,065)
Grants receivable	514,000	(604,500)
Pledges receivable	19,580	(24,473)
Security deposits	--	(210)
Accounts payable	(30,736)	54,280
Accrued expenses	(21,962)	8,104
Deferred revenue	--	(37,000)
Total Adjustments	499,150	(585,155)
Net Cash (Used In) Provided by Operating Activities	(43,344)	74,859
Net Cash Used in Investing Activities		
Purchase of property and equipment	(11,786)	(15,087)
Net (Decrease) Increase in Cash	(55,130)	59,772
Cash at Beginning of Year	237,513	177,741
Cash at End of Year	$ 182,383	$ 237,513

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 an office in San Francisco, California 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, 2015 and 2014.

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.

AMOUNTS HELD FOR OTHERS

The Organization receives and distributes assets on behalf of other entities under agency arrangements. Management evaluates such agreements to determine whether the Organization is granted variance power. In the absence of variance power, amounts received on behalf of other entities are recorded as a liability, funds held for others, on the accompanying statements of financial position and amounts distributed on behalf of other entities reduce the liability. There were no funds held for other as of December 31, 2015 and 2014.

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. The valuation allowance for contributions receivable amounts to $0 and $240 at December 31, 2015 and 2014, respectively. The valuation allowance for pledges and grants receivable is $3,600 and $0 at December 31, 2015 and 2014, respectively. Management has determined that no valuation allowance is required for grants receivable at December 31, 2015 and 2014.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2015 and 2014, 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.

ADVERTISING COST

The Organization expenses advertising costs as incurred. Advertising expenses amounted to $11,970 and $10,100 for the years ended December 31, 2015 and 2014, respectively.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year’s financial statement presentation to correspond to the current year’s format. These reclassifications had no effect on the previously reported change in net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through August 3, 2016, the date the financial statements were available for issuance.

On February 22, 2016, the Organization entered into a lease agreement for its office space in San Francisco, California. The agreement commenced February 1, 2016 with a term of five months expiring on June 30, 2016 with a monthly payment amounting to $1,050, payable in advance. The Organization continues to lease the office space on a month-to-month basis as a tenant at will.

NOTE 3 – PLEDGES, GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	2015	2014
Contributions receivable, collectible in:		
Less than 1 year	$ 7,882	$ 2,585
Allowance for doubtful accounts	--	(240)
Contributions receivable, net	$ 7,882	$ 2,345
Grants receivable, collectible in:		
Less than 1 year	$ 200,500	$ 524,500
One to two years	75,000	265,000
Grants receivable	$ 275,500	$ 789,500
Pledges receivable, collectible in:		
Less than 1 year	$ 36,712	$ 46,692
One to two years	--	6,000
Allowance for doubtful accounts	(3,600)	--
Pledges receivable, net	$ 33,112	$ 52,692

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2015	2014
Furniture and equipment	$ 42,509	$ 30,723
Website design	61,850	61,850
Leasehold improvements	4,260	4,260
	108,619	96,833
Accumulated depreciation	(71,990)	(52,453)
	$ 36,629	$ 44,380

NOTE 5 - ACCRUED EXPENSES

Accrued expenses consist of the following as of December 31:

	2015	2014
Accrued salaries	$ 6,793	$ 33,601
Accrued professional fees	17,915	16,738
Accrued vacation	28,605	24,576
Accrued payroll taxes	3,486	3,846
	$ 56,799	$ 78,761

NOTE 6 - RESTRICTED NET ASSETS

The Organization has no permanently restricted net assets at December 31, 2015 and 2014. Temporarily restricted net assets consist of the following at December 31, 2015:

		Investment Income				
	December 31, 2014	Interest and Dividends	Appreciation	Grants and Contributions	Appropriations and Expenditures	December 31, 2015
Temporarily Restricted Net Assets						
Temporarily restricted (timing)	$ 510,000	$ --	$ --	$ --	$ (310,000)	$ 200,000
Teen work project	5,000	--	--	94,589	(32,089)	67,500
Leadership project	290,245	--	--	12,500	(235,245)	67,500
Infastructure	91,434	--	--	--	(76,434)	15,000
New Jersey	--	--	--	18,000	(14,279)	3,721
Miami	--	--	--	1,000	--	1,000
Translation project	845	--	--	--	--	845
San Francisco	90,250	--	--	123,000	(213,250)	--
Total Temporarily Restricted Net Assets	$ 987,774	$ --	$ --	$ 249,089	$ (881,297)	$ 355,566

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						
Temporarily restricted (timing)	$ 10,000	$ --	$ --	$ 510,000	$ (10,000)	$ 510,000
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
Teen Work project	25,000	--	--	5,000	(25,000)	5,000
Translation project	845	--	--	--	--	845
Keshet Parent and Family Connection Prograr	20,000	--	--	--	(20,000)	--
Total Temporarily Restricted Net Assets	$ 136,281	$ --	$ --	$ 1,165,250	$ (313,757)	$ 987,774

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of temporary cash investments and pledges, grants and contributions 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 62% of its grants and contributions receivable due from two donors as of December 31, 2015. The Organization has 77% of its grants and contributions receivable due from three donors as of December 31, 2014.

The Organization received 14% of its support from one donor for the year ended December 31, 2015. The Organization received 40% of its support from two donors for the year ended December 31, 2014.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

- The Organization occupied the office space in Jamaica Plain, Massachusetts 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.

- On January 20, 2014, the Organization entered into a lease agreement for its office space in Denver, Colorado 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.

- Starting July 21, 2013, the Organization has been leasing its office space in San Francisco, California, on a month-to-month basis. On June 30, 2015, the Organization entered into a lease agreement for its office space in San Francisco, California. The agreement commenced August 1, 2015 with a term of six months expiring January 31, 2016 with a monthly payment amounting to $1,050, payable in advance.

Rent expense incurred during the years ended December 31, 2015 and 2014 amounted to $81,358 and $90,483, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Future minimum lease payments as of December 31, 2015 are as follows:

2016	$ 67,236
2017	67,692
2018	67,920
2019	22,640
	$ 225,488

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 $2,475 and $2,220 in relation to the maintenance of the plan for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 – SPECIAL EVENTS

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

	2015	2014
Gross special event revenue	$ 460,962	$ 255,806
Cost of direct benefits to donors	147,801	181,666
Special events revenue, net of expenses	$ 313,161	$ 74,140