KESHET INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

KESHET INC.

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MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Keshet Inc.
Jamaica Plain, Massachusetts

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, 2013, and the related statements of activities, functional expenses and cash flows for the year ended December 31, 2013, 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 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 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.

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, 2013, and the changes in its net assets and its cash flows for the year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Needham, Massachusetts
August 12, 2014

MARCUMGROUP
MEMBER

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KESHET INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

Assets		
Cash	$	177,741
Contributions receivable, net of allowance of $600		751
Grants receivable, net of allowance of $-0-		185,000
Pledges receivable, net of allowance of $-0-		28,219
Property and equipment, net		47,332
Security deposits		6,348
Prepaid expense		15,185
Total Assets	$	460,576
Liabilities and Net Assets		
Accounts payable	$	39,469
Accrued expenses		70,657
Deferred revenue		37,000
Total Liabilities		147,126
Net Assets		
Unrestricted		177,169
Temporarily restricted		136,281
Total Net Assets		313,450
Total Liabilities and Net Assets	$	460,576

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

KESHET INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Grants	$ 336,500	$ 265,000	$ 601,500
Contributions	370,508	--	370,508
Fundraising	30,202	--	30,202
Special events, net of expenses	88,721	--	88,721
Training and consulting fees	19,155	--	19,155
Rental income	10,360	--	10,360
Other income	5,837	--	5,837
Net assets released from restriction	611,679	(611,679)	--
Total Support and Revenue	1,472,962	(346,679)	1,126,283
Expenses			
Program services	1,225,413	--	1,225,413
Support services			
General and administrative	117,220	--	117,220
Fundraising	239,448	--	239,448
Total Expenses	1,582,081	--	1,582,081
Decrease in Net Assets	(109,119)	(346,679)	(455,798)
Net Assets at Beginning of Year (See Note 10)	286,288	482,960	769,248
Net Assets at End of Year	$ 177,169	$ 136,281	$ 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, 2013

	Program Services	General and Administration	Fundraising	Totals
Salaries	$ 703,964	$ 70,081	$ 123,240	$ 897,285
Payroll taxes and employee benefits	128,042	12,696	22,361	163,099
Program consultants	81,587	2,828	43,866	128,281
Events and meeting costs	39,909	156	70,946	111,011
Rent and utilities	80,173	5,966	10,493	96,632
Professional fees	28,624	17,514	20,168	66,306
Travel	38,485	441	11,352	50,278
Website	26,349	2,122	3,733	32,204
Printing and publishing	11,691	185	19,831	31,707
Office and program supplies	19,108	761	6,148	26,017
Postage and shipping	7,435	160	13,261	20,856
Bank and credit card processing fees	12,119	1,139	2,003	15,261
Depreciation	11,952	1,189	2,092	15,233
Advertising and promotion	10,778	--	301	11,079
Telephone	8,363	432	760	9,555
Miscellaneous expense and bad debt	7,012	605	1,063	8,680
Repairs and maintenance	5,462	543	956	6,961
Computer and equipment	3,436	319	561	4,316
Insurance	924	83	147	1,154
	1,225,413	117,220	353,282	1,695,915
Less special event	--	--	113,834	113,834
Total Functional Expenses	$ 1,225,413	$ 117,220	$ 239,448	$ 1,582,081

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

KESHET INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows from Operating Activities	
Decrease in net assets	$ (455,798)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Depreciation expense	15,233
Changes in operating assets and liabilities:	
Prepaid expenses	(15,185)
Contributions receivable	130,521
Grants receivable	300,000
Pledges receivable	(28,219)
Accounts payable	35,654
Accrued expenses	24,203
Deferred revenue	12,000
Total Adjustments	474,207
Net Cash Provided by Operating Activities	18,409
Cash Flows from Investing Activities	
Purchase of property and equipment	(11,734)
Net Cash Used in Investing Activities	(11,734)
Net Increase in Cash	6,675
Cash at Beginning of Year	171,066
Cash at End of Year	$ 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, 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, and seven years for leasehold improvements.

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, 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, 2013, 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 $11,079 for the year ended December 31, 2013.

NOTE 3 – PLEDGES, GRANTS AND CONTRIBUTIONS RECEIVABLE

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

Collectible in:	December 31, 2013
Less than 1 year	213,970

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2013:

Furniture and equipment	$	24,496
Website design		54,350
Leasehold improvements		2,900
		81,746
Accumulated depreciation		(34,414)
	$	47,332

NOTE 5 - ACCRUED EXPENSES

Accrued expenses consist of the following as of December 31, 2013:

Accrued salaries	$	26,811
Accrued professional fees		20,400
Accrued vacation		21,582
Accrued payroll taxes		1,864
	$	70,657

NOTE 6 - RESTRICTED NET ASSETS

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

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

	December 31, 2012	Investment Income: Interest and Dividends	Investment Income: 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. All cash is insured as of December 31, 2013. Cash balances fluctuate throughout the year not exceeding insured balances limits.

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

The Organization received 17% of its support from 1 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 December 31, 2013.
- Denver, Colorado expired December 31, 2013.
- San Francisco, California expired July 20, 2013. The Organization continued to occupy the office space as a tenant at will through December 31, 2013.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Rent expense incurred during the year ended December 31, 2013 amounted to $90,259. Starting May 1, 2013, the Organization has been leasing its office space in Jamaica Plain on a month-to-month basis. Starting July 21, 2013, the Organization has been leasing its office space in San Francisco on a month-to-month basis. As of December 31, 2013, the Organization occupied all three office spaces on a month-to-month basis and had no leasing arrangements requiring future minimum lease payments.

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 did not incur any costs in relation to the management of the plan for the year ended December 31, 2013.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

Unrestricted net assets, as of December 31, 2012, have been increased in the amount of $100,000 to account for proper recognition of grant revenues. Temporarily restricted net assets, as of December 31, 2012, have been increased in the amount of $20,000 to account for proper recognition of grant revenues. As a result, grants receivable as of December 31, 2012 has increased by $120,000 (prior period adjustment, below).

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
Net assets as previously reported, at December 31, 2012	$ 186,288	$ 462,960	$ 649,248
Prior period adjustment	100,000	20,000	120,000
Adjusted net asset balances, at December 31, 2012	$ 286,288	$ 482,960	$ 769,248
Net assets at beginning of year, as reported on the Statement of Activities for the year ended December 31, 2013	$ 286,288	$ 482,960	$ 769,248

NOTE 11 – SPECIAL EVENTS

Special events consist of the following for the year ended December 31, 2013:

Gross special event revenue	$	202,555
Cost of direct benefits to donors		113,834
Special events revenue, net of expenses	$	88,721

NOTE 12 – SUBSEQUENT EVENTS

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. Minimum lease payments for this period amount to $3,600.

On May 1, 2014, the Organization entered into a lease agreement for its office space in Jamaica Plain, Massachusetts for the five-year period May 1, 2014 through May 1, 2019. Minimum annual lease payments for this period amount to $66,576, in year one and $67,914, in year five with insignificant increases in years two through four.

The Organization has evaluated all subsequent events through August 12, 2014, the date the financial statements were available for issuance.