

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

KESHET, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Keshet, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Keshet, Inc. (Keshet), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keshet as of December 31, 2018, and the change 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.

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Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Keshet's 2017 financial statements, which were audited by other auditors and, in their report dated November 15, 2018, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Freedman

September 9, 2019

KESHET, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 963,091	\$ 739,585
Grants and contributions receivable, net of allowance for doubtful accounts of \$3,600	708,014	1,270,722
Prepaid expenses	<u>35,945</u>	<u>64,076</u>
Total current assets	<u>1,707,050</u>	<u>2,074,383</u>
PROPERTY AND EQUIPMENT		
Computers and related software	112,123	111,418
Leasehold improvements	<u>20,623</u>	<u>4,260</u>
	132,746	115,678
Less: Accumulated depreciation and amortization	<u>(123,884)</u>	<u>(98,533)</u>
Net property and equipment	<u>8,862</u>	<u>17,145</u>
NONCURRENT ASSETS		
Grants and contributions receivable, net of current portion and present value discount	95,238	-
Security deposits	<u>12,033</u>	<u>12,523</u>
Total noncurrent assets	<u>107,271</u>	<u>12,523</u>
TOTAL ASSETS	<u>\$ 1,823,183</u>	<u>\$ 2,104,051</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 56,968	\$ 19,605
Accrued salaries and related benefits	<u>115,435</u>	<u>79,597</u>
Total current liabilities	<u>172,403</u>	<u>99,202</u>
NET ASSETS		
Without donor restrictions:		
Board designated	540,797	198,975
With donor restrictions	<u>1,109,983</u>	<u>1,805,874</u>
Total net assets	<u>1,650,780</u>	<u>2,004,849</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,823,183</u>	<u>\$ 2,104,051</u>

KESHET, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018					2017
	Without Donor Restrictions			With Donor Restrictions	Total	Total
	Undesignated	Board Designated	Total			
SUPPORT AND REVENUE						
Grants and contributions	\$ 1,485,859	\$ -	\$ 1,485,859	\$ 463,018	\$ 1,948,877	\$ 2,438,220
Training and consulting fees	53,762	-	53,762	-	53,762	42,643
Events, net of expenses totaling \$133,549	241,173	-	241,173	-	241,173	163,486
In-kind contributions	14,294	-	14,294	-	14,294	-
Other income	17,380	-	17,380	-	17,380	14,438
Net assets released from donor restrictions	1,158,909	-	1,158,909	(1,158,909)	-	-
Total support and revenue	2,971,377	-	2,971,377	(695,891)	2,275,486	2,658,787
EXPENSES						
Program Services	1,804,770	-	1,804,770	-	1,804,770	1,779,266
Supporting Services:						
General and Administrative	396,832	-	396,832	-	396,832	308,055
Fundraising and Development	427,953	-	427,953	-	427,953	252,718
Total supporting services	824,785	-	824,785	-	824,785	560,773
Total expenses	2,629,555	-	2,629,555	-	2,629,555	2,340,039
Change in net assets before other items	341,822	-	341,822	(695,891)	(354,069)	318,748
OTHER ITEMS						
Transfer to Board designated reserves	(235,000)	235,000	-	-	-	-
Adjustment to the Board designated reserves	(106,822)	106,822	-	-	-	-
Total other items	(341,822)	341,822	-	-	-	-
Change in net assets	-	341,822	341,822	(695,891)	(354,069)	318,748
Net assets at beginning of year	-	198,975	198,975	1,805,874	2,004,849	1,686,101
NET ASSETS AT END OF YEAR	\$ -	\$ 540,797	\$ 540,797	\$ 1,109,983	\$ 1,650,780	\$ 2,004,849

See accompanying notes to financial statements.

KESHET, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017		
	Supporting Services					
	Program Services	General and Administrative	Fundraising and Development	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 932,147	\$ 154,544	\$ 230,312	\$ 384,856	\$ 1,317,003	\$ 1,251,763
Payroll taxes and employee benefits	205,235	34,027	50,709	84,736	289,971	302,809
Professional fees	288,658	77,731	129,080	206,811	495,469	311,846
Occupancy	116,728	99,086	6,666	105,752	222,480	165,808
Travel and accommodations	98,001	6,317	18,477	24,794	122,795	109,330
Food and entertainment	26,364	3,307	46,091	49,398	75,762	69,711
Space rental	44,435	240	16,972	17,212	61,647	75,138
Office and program supplies	14,385	3,226	24,616	27,842	42,227	27,411
Postage and shipping	12,529	2,561	19,024	21,585	34,114	26,553
Printing and reproduction	11,786	1,285	15,672	16,957	28,743	47,491
Marketing and promotion	16,969	6,734	1,976	8,710	25,679	9,093
Miscellaneous	21,454	775	1,631	2,406	23,860	18,679
Merchant account fees	4,225	3,837	2	3,839	8,064	12,626
Event registration	5,802	-	-	-	5,802	3,319
Insurance	2,432	2,432	-	2,432	4,864	5,231
Professional development	1,847	360	250	610	2,457	1,711
Membership dues and subscriptions	1,773	370	24	394	2,167	7,765
Subtotal	1,804,770	396,832	561,502	958,334	2,763,104	2,446,284
Less: Special events	-	-	(133,549)	(133,549)	(133,549)	(106,245)
TOTAL	\$ 1,804,770	\$ 396,832	\$ 427,953	\$ 824,785	\$ 2,629,555	\$ 2,340,039

See accompanying notes to financial statements.

KESHET, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (354,069)	\$ 318,748
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	25,351	9,632
Change in discount on noncurrent receivables	4,762	-
Bad debt expense	-	9,610
Decrease (increase) in:		
Grants and contributions receivable	462,708	14,782
Prepaid expenses	28,131	(15,232)
Security deposits	490	(5,465)
Increase (decrease) in:		
Accounts payable and accrued liabilities	37,363	(8,377)
Accrued salaries and related benefits	<u>35,838</u>	<u>40,071</u>
Net cash provided by operating activities	<u>240,574</u>	<u>363,769</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(17,068)</u>	<u>(7,062)</u>
Net cash used by investing activities	<u>(17,068)</u>	<u>(7,062)</u>
Net increase in cash and cash equivalents	223,506	356,707
Cash and cash equivalents at beginning of year	<u>739,585</u>	<u>382,878</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 963,091</u>	<u>\$ 739,585</u>

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Keshet, Inc. (Keshet) is a non-profit organization incorporated in the Commonwealth of Massachusetts and located in Boston, Massachusetts. Keshet's mission is to work for the full equality of lesbian, gay, bisexual, transgender and queer (LGBTQ) Jews and their families in Jewish life. Keshet strengthens Jewish communities. Keshet equips Jewish organizations with the skills and knowledge to build LGBTQ-affirming communities; creates spaces in which all queer Jewish youth feel seen and valued; and advances LGBTQ rights nationwide.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

Cash and cash equivalents -

Keshet considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Keshet maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

Property and equipment -

Property and equipment acquisitions in excess of \$2,500 are capitalized and stated at cost. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2018 totaled \$25,351.

Income taxes -

Keshet is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Keshet is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, Keshet has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grant funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

Contributed services and materials -

Contributed services and materials consist of donated legal services. Contributed services and materials are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to Keshet; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Keshet are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

During the annual budgeting process, each staff member provides an estimate of the percentage of time they project to spend conducting work in Programming (including specific program areas that are tracked); Administration and Fundraising respectively. These time estimates are reviewed and tested by management. The dollar value of their time in each functional area is then calculated as a percentage of the total salary pool; those percentages are then applied to allocate taxes and fringe benefits proportionately to functional areas.

Keshet allocates 50% of Administration and Fundraising expenses, less personnel expenses, to Programs (and sub-programs) based on the same percentage of the total of personnel costs.

During the year, management periodically reviews the budget time-estimates to actual performance as reported by staff and reviewed by supervisors; these estimates are based on informal time studies.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$198,975 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$1,805,874, are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. Keshet has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Keshet has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Keshet plans to adopt the new ASUs at the respective required implementation dates.

2. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2018, contributors to Keshet have made written promises to give, of which \$810,009, remained due and outstanding. Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 5%.

Following is a schedule of amounts due, by year, as of December 31, 2018:

Less than one year	\$ 711,614
One to five years	<u>100,000</u>
Subtotal	811,614
Less: Allowance to discount balance to present value	(4,762)
Less: Reserve for uncollectable grants	<u>(3,600)</u>
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET OF ALLOWANCE AND RESERVE	<u>\$ 803,252</u>

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2018, all net assets without donor restrictions have been designated by the Board of Directors. The minimum amount to be designated as operating reserve will be established in an amount sufficient to maintain ongoing operations and programs for a set period of time, measured in months.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

3. BOARD DESIGNATED NET ASSETS (Continued)

The operating reserve serves a dynamic role and will be reviewed and adjusted in response to internal and external changes. The Board Designated Reserve Fund may be used to smooth over regular cash fluctuations and serve as bridge funding for operations expenses necessitated by the timing of expected cash receipts. The Board may also authorize its use to build capacity as part of a strategic plan or initiative. The target minimum Board Designated Reserve Fund is equal to four months of average operating costs.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Program Services	\$ <u>1,109,983</u>
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The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Program Services	\$ <u>1,158,909</u>
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5. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 963,091
Grants and contributions receivable	<u>708,014</u>
Subtotal financial assets available within one year	1,671,105
Less: Donor restricted funds	(1,109,983)
Less: Board designated funds	<u>(540,797)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>20,325</u>

Keshet is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Keshet must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Keshet's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

There is a Board Designated Fund, established by the governing board, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. OCCUPANCY

Keshet leases office space in Boston and San Francisco under short-term operating leases (none with future minimum lease payments expected to be paid beyond December 31, 2019). Occupancy expense (including rent and other related costs) during the year ended December 31, 2018 totaled \$222,480.

7. RETIREMENT PLAN

Keshet participates in a defined contribution pension plan as defined under Section 401(k) of the U.S. Internal Revenue Code. Keshet offers the Plan to all of its employees. Contributions to the Plan during the year ended December 31, 2018 totaled \$26,307.

8. SUBSEQUENT EVENTS

In preparing these financial statements, Keshet has evaluated events and transactions for potential recognition or disclosure through September 9, 2019, the date the financial statements were issued.