

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

KESHET, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Keshet, Inc. (Keshet), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keshet as of December 31, 2021 and 2020, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Keshet and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Keshet's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Keshet's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Keshet's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

October 24, 2022

KESHET, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,776,626	\$ 2,165,183
Investments	1,509,292	-
Grants and contributions receivable, net of allowance for doubtful accounts of \$963 in 2021 and \$3,600 in 2020	2,378,556	1,910,365
Other receivables	70,173	141,262
Prepaid expenses	<u>55,989</u>	<u>64,489</u>
Total current assets	<u>5,790,636</u>	<u>4,281,299</u>
PROPERTY AND EQUIPMENT		
Computers and related software	<u>112,123</u>	<u>112,123</u>
	112,123	112,123
Less: Accumulated depreciation and amortization	<u>(112,123)</u>	<u>(112,123)</u>
Net property and equipment	<u>-</u>	<u>-</u>
NONCURRENT ASSETS		
Grants and contributions receivable, net of current portion and present value discount	254,732	1,057,140
Security deposits	<u>18,783</u>	<u>17,883</u>
Total noncurrent assets	<u>273,515</u>	<u>1,075,023</u>
TOTAL ASSETS	<u>\$ 6,064,151</u>	<u>\$ 5,356,322</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 58,710	\$ 39,913
Accrued salaries and related benefits	<u>122,317</u>	<u>134,023</u>
Total liabilities	<u>181,027</u>	<u>173,936</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	1,243,723	953,744
Board designated	<u>658,797</u>	<u>658,797</u>
Total net assets without donor restrictions	1,902,520	1,612,541
With donor restrictions	<u>3,980,604</u>	<u>3,569,845</u>
Total net assets	<u>5,883,124</u>	<u>5,182,386</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,064,151</u>	<u>\$ 5,356,322</u>

See accompanying notes to financial statements.

KESHET, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021				
	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total		
SUPPORT AND REVENUE					
Grants and contributions	\$ 945,613	\$ -	\$ 945,613	\$ 3,015,533	\$ 3,961,146
Training and consulting fees	77,975	-	77,975	-	77,975
Events, net of expenses totaling \$47,955	29,520	-	29,520	-	29,520
In-kind contributions	11,267	-	11,267	-	11,267
Other income	103	-	103	-	103
Net assets released from donor restrictions	2,604,774	-	2,604,774	(2,604,774)	-
Total support and revenue	3,669,252	-	3,669,252	410,759	4,080,011
EXPENSES					
Program Services	2,502,877	-	2,502,877	-	2,502,877
Supporting Services:					
General and Administrative	359,308	-	359,308	-	359,308
Fundraising and Development	526,061	-	526,061	-	526,061
Total supporting services	885,369	-	885,369	-	885,369
Total expenses	3,388,246	-	3,388,246	-	3,388,246
Changes in net assets before other item	281,006	-	281,006	410,759	691,765
OTHER ITEM					
Investment income	8,973	-	8,973	-	8,973
Changes in net assets after other item	289,979	-	289,979	410,759	700,738
Net assets at beginning of year	953,744	658,797	1,612,541	3,569,845	5,182,386
NET ASSETS AT END OF YEAR	\$ 1,243,723	\$ 658,797	\$ 1,902,520	\$ 3,980,604	\$ 5,883,124

See accompanying notes to financial statements.

KESHET, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2020				
	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total		
SUPPORT AND REVENUE					
Grants and contributions	\$ 1,506,791	\$ -	\$ 1,506,791	\$ 4,522,972	\$ 6,029,763
Training and consulting fees	42,524	-	42,524	-	42,524
Events, net of expenses totaling \$56,977	79,406	-	79,406	-	79,406
In-kind contributions	7,874	-	7,874	-	7,874
Other income	157	-	157	-	157
Net assets released from donor restrictions	2,301,453	-	2,301,453	(2,301,453)	-
Total support and revenue	3,938,205	-	3,938,205	2,221,519	6,159,724
EXPENSES					
Program Services	2,226,876	-	2,226,876	-	2,226,876
Supporting Services:					
General and Administrative	369,541	-	369,541	-	369,541
Fundraising and Development	478,432	-	478,432	-	478,432
Total supporting services	847,973	-	847,973	-	847,973
Total expenses	3,074,849	-	3,074,849	-	3,074,849
Changes in net assets before other item	863,356	-	863,356	2,221,519	3,084,875
OTHER ITEM					
Investment income	-	-	-	-	-
Changes in net assets after other item	863,356	-	863,356	2,221,519	3,084,875
Net assets at beginning of year	90,388	658,797	749,185	1,348,326	2,097,511
NET ASSETS AT END OF YEAR	\$ 953,744	\$ 658,797	\$ 1,612,541	\$ 3,569,845	\$ 5,182,386

See accompanying notes to financial statements.

KESHET, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Supporting Services				Total Expenses
	Program Services	General and Administrative	Fundraising and Development	Total Supporting Services	
Salaries	\$ 1,341,088	\$ 172,426	\$ 402,326	\$ 574,752	\$ 1,915,840
Professional fees	421,926	59,196	41,814	101,010	522,936
Payroll taxes and employee benefits	343,593	44,176	103,078	147,254	490,847
Occupancy	172,501	8,112	(7,068)	1,044	173,545
Equipment and software expense	28,991	61,742	10,420	72,162	101,153
Travel and accommodations	29,647	115	469	584	30,231
Food and entertainment	14,781	183	2,447	2,630	17,411
Space rental	15,233	199	(563)	(364)	14,869
Printing and reproduction	24,127	442	9,399	9,841	33,968
Office and program supplies	27,698	1,393	1,038	2,431	30,129
Postage and shipping	15,225	1,084	3,258	4,342	19,567
Event registration	2,947	300	-	300	3,247
Merchant account fees	7,588	3,252	-	3,252	10,840
Membership dues and subscriptions	9,138	229	2,225	2,454	11,592
Marketing and promotion	15,477	66	4,998	5,064	20,541
Miscellaneous	20,201	3,976	103	4,079	24,280
Insurance	5,516	2,364	-	2,364	7,880
Professional development	7,200	53	72	125	7,325
Subtotal	2,502,877	359,308	574,016	933,324	3,436,201
Less: Special events	-	-	(47,955)	(47,955)	(47,955)
TOTAL	\$ 2,502,877	\$ 359,308	\$ 526,061	\$ 885,369	\$ 3,388,246

See accompanying notes to financial statements.

KESHET, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>		
Salaries	\$ 1,239,057	\$ 179,574	\$ 377,104	\$ 556,678	\$ 1,795,735
Professional fees	302,933	65,818	20,711	86,529	389,462
Payroll taxes and employee benefits	326,286	47,288	99,304	146,592	472,878
Occupancy	110,328	43,141	3,656	46,797	157,125
Equipment and software expense	57,443	22,462	1,904	24,366	81,809
Travel and accommodations	43,192	309	1,318	1,627	44,819
Food and entertainment	13,417	252	3,876	4,128	17,545
Space rental	14,508	214	1,560	1,774	16,282
Printing and reproduction	40,583	898	16,773	17,671	58,254
Office and program supplies	15,036	1,340	112	1,452	16,488
Postage and shipping	12,474	1,392	3,414	4,806	17,280
Event registration	1,671	(208)	-	(208)	1,463
Merchant account fees	8,448	4,057	-	4,057	12,505
Membership dues and subscriptions	9,457	-	17	17	9,474
Marketing and promotion	15,536	32	5,305	5,337	20,873
Miscellaneous	10,540	1,432	285	1,717	12,257
Insurance	2,671	1,257	-	1,257	3,928
Professional development	3,296	283	70	353	3,649
Subtotal	2,226,876	369,541	535,409	904,950	3,131,826
Less: Special events	-	-	(56,977)	(56,977)	(56,977)
TOTAL	<u>\$ 2,226,876</u>	<u>\$ 369,541</u>	<u>\$ 478,432</u>	<u>\$ 847,973</u>	<u>\$ 3,074,849</u>

See accompanying notes to financial statements.

KESHET, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 700,738	\$ 3,084,875
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized gains and on investments	(8,624)	-
Realized losses on sales of donated stock	319	-
Change in discount on noncurrent receivables	(56,192)	(22,197)
Donated stock	(31,414)	-
Sale of donated stock	31,095	-
Forgiveness of debt	-	(345,536)
Decrease (increase) in:		
Grants and contributions receivable	390,409	(1,845,017)
Other receivables	71,089	(112,163)
Prepaid expenses	8,500	(27,298)
Security deposits	(900)	(5,370)
Increase (decrease) in:		
Accounts payable and accrued liabilities	18,797	(51,727)
Accrued salaries and related benefits	<u>(11,706)</u>	<u>56,477</u>
Net cash provided by operating activities	<u>1,112,111</u>	<u>732,044</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(1,500,668)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,500,668)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan proceeds received	<u>-</u>	<u>344,000</u>
Net cash provided by financing activities	<u>-</u>	<u>344,000</u>
Net (decrease) increase in cash and cash equivalents	(388,557)	1,076,044
Cash and cash equivalents at beginning of year	<u>2,165,183</u>	<u>1,089,139</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,776,626</u>	<u>\$ 2,165,183</u>

KESHET, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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 Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 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 Statements of Activities and Changes 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.

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.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income the accompanying Statements of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. Keshet's policy is to liquidate all gifts of investments as soon as possible after the gift.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Grants and contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. 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. There was no depreciation or amortization expense during the years ended December 31, 2021 and 2020.

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 years ended December 31, 2021 and 2020, 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.

Revenue recognition -

The majority of Keshet's revenue is received through awards from individuals, foundations, corporations, and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. Keshet performs an analysis of each award to determine if the revenue is a contribution or exchange transaction, depending on whether the transaction is reciprocal or nonreciprocal.

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Awards qualifying as unconditional contributions 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/or satisfaction of time restrictions; such funds in excess of expenses incurred are shown as "net assets with donor restrictions" in the accompanying financial statements.

KESHET, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

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

Revenue recognition (continued) -

Conditional promises to give are not recognized until the condition on which they depend are substantially met. Awards qualifying as conditional contributions contain a right of return (and/or right of release) and a barrier (i.e. awards received where the entity has limited discretion how the funds transferred should be spent, including awards for the acquisition of specific assets or other property, awards requiring matching contributions, and awards requiring performance obligations to specific beneficiaries.) Revenue is deemed to be unconditional (and recognized as an award) when a barrier has been overcome (or the condition or conditions) are satisfied. Funds received in advance of revenue recognition are recorded as refundable advances.

During the years ended December 31, 2021 and 2020, Keshet did not receive any conditional awards whose conditions had not been met by December 31, 2021 and 2020, and consequently there were no refundable advances as of either date.

Training and consulting fees are recorded as revenue when the performance obligation is met, which coincides with the time the service is rendered. The revenue is recognized as "without donor restrictions" and thus transaction price is based on criteria stipulated in the agreements.

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 under generally accepted accounting principles.

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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes 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 Program work (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, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

New accounting pronouncements (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842), 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 Statements of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities with fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

Keshet plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2021 and 2020:

	2021	2020
	Fair Value	Fair Value
Money Market Funds	\$ 1,016,045	\$ -
Mutual Funds - Equities	326,521	-
Mutual Funds - Fixed Income	166,726	-
TOTAL INVESTMENT	\$ 1,509,292	\$ -

Included in investment income are the following at December 31, 2021 and 2020:

	2021	2020
Interest and dividends	\$ 668	\$ -
Unrealized gain on investments	8,624	-
Realized loss on sales of donated stock	(319)	-
TOTAL INVESTMENT INCOME	\$ 8,973	\$ -

KESHET, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

2. INVESTMENTS (Continued)

In accordance with FASB ASC 820, *Fair Value Measurement*, Keshet has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Keshet has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Keshet are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Keshet are deemed to be actively traded.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2021 and 2020, contributors to Keshet have made written promises to give, of which \$2,654,519 and \$3,047,565, respectively, remained due and outstanding. Amounts due beyond one year of the Statements 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 2,379,519	\$ 1,913,965
One to five years	<u>275,000</u>	<u>1,133,600</u>
Subtotal	2,654,519	3,047,565
Less: Allowance to discount balance to present value	(20,268)	(76,460)
Less: Reserve for uncollectable grants (current)	<u>(963)</u>	<u>(3,600)</u>
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET OF ALLOWANCE AND RESERVE	<u>\$ 2,633,288</u>	<u>\$ 2,967,505</u>

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

4. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On April 13, 2020, Keshet entered into a two-year promissory note agreement in the amount of \$344,000 (with a 1% fixed interest rate) under the Paycheck Protection Program (PPP). The promissory note required monthly principal and interest payments amortized over the term of the promissory note beginning November 2020, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration (SBA) in whole or in part. On April 5, 2021, Keshet was notified (by the SBA) that the full outstanding principal and accrued interest was forgiven. Accordingly, as of December 31, 2020, Keshet has recognized the entire amount of \$344,000 (plus \$1,536 of accrued interest) as a conditional award (in which all conditions have been met, and recorded as without donor restrictions). The total amount of the forgiven loan and interest is included in grants and contributions income in the accompanying 2020 Statement of Activities and Changes in Net Assets.

5. BOARD DESIGNATED NET ASSETS

As of December 31, 2021 and 2020, net assets without donor restrictions have been designated by the Board of Directors as an operating reserve. 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.

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.

Total Board designated net assets aggregated \$658,797 as of December 31, 2021 and 2020.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Time restricted for general operating support	\$ 3,234,289	\$ 3,359,624
Program services	<u>746,315</u>	<u>210,221</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 3,980,604</u>	<u>\$ 3,569,845</u>

Included in net assets restricted for program services are funds received under fiscal sponsorship for the Hineni LGBTQ Jewish Leadership Fellowship, Joyous Justice Koach Fellowship, and Ma'agal. The balances of these programs at December 31, 2021 totaled \$103,246 and \$62,537, respectively.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

	2021	2020
Program services	\$ 193,832	\$ 339,043
Passage of time	2,410,942	1,962,410
NET ASSETS RELEASED FROM RESTRICTIONS	\$ 2,604,774	\$ 2,301,453

7. LIQUIDITY AND AVAILABILITY

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

	2021	2020
Cash and cash equivalents	\$ 1,776,626	\$ 2,165,183
Investments	1,509,292	-
Grants and contributions receivable	2,378,556	1,910,365
Other receivables	70,173	141,262
Subtotal financial assets available within one year	5,734,647	4,216,810
Less: Donor restricted funds (net of time restricted funds to be released within one year)	(746,315)	(210,221)
Less: Board designated funds	(658,797)	(658,797)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 4,329,535	\$ 3,347,792

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 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. As of December 31, 2021 and 2020, Keshet maintained 15 and 13 months, respectively, of financial assets available for operating activities.

Additionally, Keshet maintains a Board Designated Fund 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.

8. OCCUPANCY

Keshet leases office space in Boston, San Francisco, Maryland, and New York under month-to-month agreements (none with future minimum lease payments expected to be paid beyond December 31, 2022 and only 30-days notice is required to vacate those spaces). Occupancy expense (including rent and other related costs) during the years ended December 31, 2021 and 2020 totaled \$173,545 and \$157,125, respectively.

KESHET, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

9. 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 after three months of eligible experience. Keshet provides a 100% match of each eligible employee's contribution, up to 4% of covered compensation. Contributions to the Plan during the years ended December 31, 2021 and 2020 totaled \$61,937 and \$55,996, respectively.

10. SUBSEQUENT EVENTS

In preparing these financial statements, Keshet has evaluated events and transactions for potential recognition or disclosure through October 24, 2022, the date the financial statements were issued.

In recent months, the global financial markets have experienced significant declines. As of the date of this report, Keshet's investments have declined by approximately 17% (\$253,000) since December 31, 2021.