MOISHE HOUSE
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

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HEALY AND ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

May 28, 2019

Board of Directors
Moishe House
Encinitas, California

I have audited the financial statements of Moishe House (a nonprofit public benefit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

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Board of Directors
Moishe House
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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moishe House as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Healy and Associates

Healy and Associates
Concord, California

MOISHE HOUSE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 8,505,360
Promises to give	1,512,026
Prepaid expenses and security deposit advances	295,861
Total current assets	10,313,247
OTHER ASSETS	
Fixed assets, net	88,153
Deposits	46,377
Long-term promises to give, net	454,910
Total other assets	589,440
TOTAL ASSETS	$ 10,902,687
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 942,281
TOTAL LIABILITIES	942,281
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Without donor restrictions	
Undesignated	1,283,996
Board designated	3,189,306
Total net assets without donor restrictions	4,473,302
With donor restrictions	5,487,104
TOTAL NET ASSETS	9,960,406
TOTAL LIABILITIES AND NET ASSETS	$ 10,902,687

See Notes to Financial Statements

MOISHE HOUSE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and foundation grants	$ 7,337,837	$ 8,317,908	$ 15,655,745
Special event	160,853	-	160,853
In-kind support	40,000	-	40,000
Interest	25,346	-	25,346
Other income	11,304	-	11,304
Net assets released from restriction	5,504,290	(5,504,290)	-
Total revenue and support	13,079,630	2,813,618	15,893,248
EXPENSES			
Program	9,885,357	-	9,885,357
General and administrative	1,294,958	-	1,294,958
Fundraising	1,579,984	-	1,579,984
Total expenses	12,760,299	-	12,760,299
Change in net assets	319,331	2,813,618	3,132,949
NET ASSETS, beginning of year	4,153,971	2,673,486	6,827,457
NET ASSETS, end of year	$ 4,473,302	$ 5,487,104	$ 9,960,406

MOISHE HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program	General and Administrative	Fundraising	Total
EXPENSES:				
Salaries	$ 2,144,921	$ 548,343	$ 1,034,878	$ 3,728,142
Payroll taxes	246,269	52,749	98,198	397,216
Employee benefits	250,951	99,614	102,968	453,533
HR management fees	2,089	178,759	806	181,654
TOTAL PERSONNEL EXPENSES	2,644,230	879,465	1,236,850	4,760,545
Direct programming	5,294,153	2,705	5,688	5,302,546
Scholarships	1,138,971	-	-	1,138,971
Staff travel, accommodations, and food	266,797	66,800	141,099	474,696
Telecom and tech support	144,588	28,651	54,987	228,226
Marketing	139,315	18,227	31,586	189,128
Occupancy	88,547	19,442	35,924	143,913
Contract services	763	83,966	22,691	107,420
Accounting	-	95,072	-	95,072
Business operations	43,288	10,786	18,435	72,509
Supplies	47	35,666	13,966	49,679
Special budget	36,706	8,168	-	44,874
In-kind expense	40,000	-	-	40,000
Insurance	19,056	12,854	7,402	39,312
Evaluation	20,489	4,134	7,991	32,614
Recruitment	-	13,675	-	13,675
Depreciation	8,407	1,797	3,358	13,562
Postage and shipping	-	9,793	7	9,800
Bank fees	-	2,583	-	2,583
Legal	-	1,174	-	1,174
	7,241,127	415,493	343,134	7,999,754
TOTAL EXPENSES	$ 9,885,357	$ 1,294,958	$ 1,579,984	$ 12,760,299

MOISHE HOUSE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 3,132,949
Adjustment to reconcile change in net assets to cash provided by operating activities:	
Depreciation	13,562
CHANGES IN ASSETS AND LIABILITIES:	
(Increase) decrease in assets:	
Promises to give	(430,511)
Prepaid expenses	3,600
Deposits	51,266
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	379,052
NET PROVIDED BY OPERATING ACTIVITIES	3,149,918
CASH FLOWS FROM INVESTING ACTIVITIES:	
Expenditures on fixed assets	(21,892)
NET CASH USED BY INVESTING ACTIVITIES	(21,892)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,128,026
CASH AND CASH EQUIVALENTS, beginning of year	5,377,334
CASH AND CASH EQUIVALENTS, end of year	$ 8,505,360

NOTE A – NATURE OF ACTIVITIES

Moishe House (Organization) is a California nonprofit public benefit corporation, established in 2006 to operate a network of Jewish communal hubs throughout the globe. Currently, there are 108 houses across 27 different countries, which provide resources and training to create a peer-based young adult Jewish community. The Organization maintains significant resources in Jewish educational training in addition to operating Moishe House Without Walls.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
>
> **Net assets with donor restrictions**: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates and those differences could be material.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
Cash and cash equivalents include all monies in banks, certificates of deposits, and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fixed Assets
Fixed asset additions in excess of $5,000 are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Donated Services and In-Kind Contributions
The Organization receives goods and services, which are donated for carrying out its mission. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. The Organization receives the use of facilities, furniture, and equipment at its office in Encinitas, California from a private foundation. The value of the use of those facilities, furniture and equipment is $40,000, as reflected in the accompanying financial statements.

Fair Value Measurements
The Organization's financial instruments include cash, cash equivalents, and certificates of deposit measured using Level 1 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3— Unobservable inputs that cannot be corroborated by observable market data.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition
The Organization is supported primarily through contributions from foundations. In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities,* contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As permitted by ASC 958, donor-restricted contributions whose restrictions are met in the same year may be reported as unrestricted support.

Promises to Give
The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designated to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2018, the allowance was $0.

Tax Exemption Status
The Organization has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses
The costs of program activities and supporting services have been summarized on a functional basis in the statement of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited, either based upon square footage or personnel time records.

Change in Accounting Principles
During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"), required for annual reporting periods beginning after December 15, 2017. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provide about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability has also been added.

Recent Accounting Pronouncements
In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards ("IFRS"), the FASB issued 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and will become effective for private companies for annual periods beginning after December 15, 2018.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)
The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2018 to January 1, 2019, while allowing for early adoption as of January 1, 2018 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); and iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow-Scope Improvements and Practical Expedients*, to address certain narrow aspects of the guidance including collectability criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating impact of adopting this new guidance on its financial statements.

NOTE C – PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at December 31, 2018:

To be received within One year	$1,512,026
To be received in Two to Three Years	475,567
	1,987,593
Less: discount to net present value at rates ranging from 3.63% to 3.48%	(20,657)
	$1,966,936

At December 31, 2018, four donors accounted for 54% of total promises to give. Two contributors accounted for approximately 33% of total contribution revenue for the year ended December 31, 2018.

NOTE D – FIXED ASSETS

Website development costs, at cost less accumulated depreciation and amortization, consist of the following at December 31, 2018:

Website development costs	$ 101,715
Accumulated depreciation	(13,562)
	$ 88,153

Depreciation expense amounted to $13,562 for the year ending December 31, 2018.

NOTE E – EMPLOYEE BENEFITS

Accumulated unpaid benefits for paid time off are recognized as liabilities of the Organization, when accrued. Accumulated paid time off payable at December 31, 2018, is $121,789 and is reflected in the accounts payable and accrued expenses line item in the accompanying Statement of Financial Position.

In addition, the Organization offers a 401(k) salary deferral option to its full-time employees. The employer contribution for the year ended December 31, 2018 is $62,325.

NOTE F – CONCENTRATIONS

Financial instruments that potentially subject Moishe House to concentrations of credit risk consist of cash and cash equivalents accounts in financial institutions. Cash and cash equivalents exceeding federally insured limits totaled $7,195,235 at December 31, 2018. It is the opinion of management that the solvencies of the referenced financial institutions are not of concern at this time. Additionally, the Finance Committee of the Board monitors the credit worthiness of the financial institutions where deposits are located.

NOTE G – OPERATING LEASES

The Organization leases office space in various locations throughout the United States. Rent expense for the year ended December 31, 2018 is $143,913. Future minimum operating lease payments are as follows:

Year ended December 31	
2019	$61,232
2020	$11,519

NOTE H – COMMITMENTS AND CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management believes the Organization has complied with the terms of all grants.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 include the following:

Specific Purpose	12/31/2017	Income	Releases	12/31/2018
Houses	$ 1,498,533	$ 3,840,592	$ (3,415,037)	$ 1,924,088
General	506,546	2,904,000	(314,305)	3,096,241
Programming	330,047	256,816	(544,288)	42,575
Fiscal	338,360	1,316,500	(1,230,660)	424,200
Total	$ 2,673,486	$ 8,317,908	$ (5,504,290)	$ 5,487,104

NOTE J – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	$8,505,360
Promises to give, net	1,966,936
Total Financial Assets	10,472,296
Promises to give due after one year, net	(454,910)
Board designations: operating reserves	(3,189,306)
Financial assets available to meet cash needs for general expenditures within one year	$6,828,080

The board-designated reserve is $3,189,306 as of December 31, 2018. Although they do not intend to spend from this board-designated reserve (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events for recognition and disclosure through May 28, 2019, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2018, that required recognition or disclosure in the financial statements.