

CONSOLIDATED FINANCIAL STATEMENTS



FOR THE YEAR ENDED DECEMBER 31, 2019

MOISHE HOUSE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Moishe House
Encinitas, California

We have audited the accompanying consolidated financial statements of Moishe House and Moishe House UK (together, "Moishe House"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Moishe House as of December 31, 2019, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Gelman Rosenberg & Freedman". The signature is written in a cursive, flowing style.

September 14, 2020

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MOISHE HOUSE

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 9,070,876
Contributions and grants receivable	3,077,855
Prepaid expenses and other assets	<u>387,421</u>
Total current assets	<u>12,536,152</u>

PROPERTY AND EQUIPMENT

Computer equipment	1,180
Website	<u>101,715</u>
	102,895
Less: Accumulated depreciation and amortization	<u>(34,295)</u>
Net property and equipment	<u>68,600</u>

NONCURRENT ASSETS

Beneficial interest in assets held by community federation	1,028,856
Contributions and grants receivable, net of current portion	<u>236,872</u>
Total noncurrent assets	<u>1,265,728</u>

TOTAL ASSETS **\$ 13,870,480**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>953,044</u>
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NET ASSETS

Without donor restrictions:	
Undesignated	2,121,470
Board designated	<u>3,189,306</u>
Total without donor restrictions	5,310,776
With donor restrictions	<u>7,606,660</u>
Total net assets	<u>12,917,436</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 13,870,480**

MOISHE HOUSE

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 4,917,407	\$ 11,706,643	\$ 16,624,050
Meetings and events	245,415	-	245,415
In-kind contributions	59,400	-	59,400
Interest income	131,172	-	131,172
Change in value of beneficial interest	-	28,856	28,856
Other revenue	9,954	-	9,954
Net assets released from donor restrictions	<u>9,615,943</u>	<u>(9,615,943)</u>	<u>-</u>
Total support and revenue	<u>14,979,291</u>	<u>2,119,556</u>	<u>17,098,847</u>
EXPENSES			
Program Services	<u>10,950,487</u>	<u>-</u>	<u>10,950,487</u>
Supporting Services:			
General and Administrative	1,749,609	-	1,749,609
Fundraising	<u>1,578,896</u>	<u>-</u>	<u>1,578,896</u>
Total supporting services	<u>3,328,505</u>	<u>-</u>	<u>3,328,505</u>
Total expenses	<u>14,278,992</u>	<u>-</u>	<u>14,278,992</u>
Change in net assets	700,299	2,119,556	2,819,855
Net assets at beginning of year, as restated	<u>4,610,477</u>	<u>5,487,104</u>	<u>10,097,581</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,310,776</u>	<u>\$ 7,606,660</u>	<u>\$ 12,917,436</u>

MOISHE HOUSE

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 2,652,773	\$ 654,608	\$ 969,838	\$ 1,624,446	\$ 4,277,219
Benefits and taxes	524,031	132,580	197,305	329,885	853,916
Human resource management fees	-	178,965	-	178,965	178,965
Total personnel expenses	3,176,804	966,153	1,167,143	2,133,296	5,310,100
Rent subsidy	2,556,523	-	-	-	2,556,523
Direct programming	2,224,140	-	-	-	2,224,140
Meetings and events	1,609,229	-	73,747	73,747	1,682,976
Staff travel, accommodations and food	183,942	178,570	124,220	302,790	486,732
Retreat centers	285,327	18,848	-	18,848	304,175
Participant transportation	200,672	303	10,857	11,160	211,832
Rent	114,960	32,420	47,966	80,386	195,346
Technology	103,441	30,415	44,466	74,881	178,322
Marketing	96,119	20,289	57,876	78,165	174,284
Jewish educators	156,293	-	595	595	156,888
Accounting	-	140,966	-	140,966	140,966
Office supplies	1,858	136,129	-	136,129	137,987
Business operations and communications	74,797	21,167	31,269	52,436	127,233
Insurance	36,429	10,513	15,471	25,984	62,413
Evaluation	-	60,000	-	60,000	60,000
Donated rent and administrative services	-	59,400	-	59,400	59,400
Program supplies	53,236	4,379	314	4,693	57,929
Jewish learning fund	32,009	2,089	-	2,089	34,098
Special budget	30,714	3,167	48	3,215	33,929
Professional development	1,839	28,310	-	28,310	30,149
Depreciation	12,101	3,707	4,924	8,631	20,732
Recruitment and onboarding	-	16,294	-	16,294	16,294
Bad debt	-	7,012	-	7,012	7,012
Bank fees	-	3,822	-	3,822	3,822
Legal	-	3,686	-	3,686	3,686
Contract services	54	1,970	-	1,970	2,024
Total operating expenses	7,773,683	783,456	411,753	1,195,209	8,968,892
TOTAL EXPENSES	\$ 10,950,487	\$ 1,749,609	\$ 1,578,896	\$ 3,328,505	\$ 14,278,992

MOISHE HOUSE

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,819,855
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,732
Change in value of beneficial interest	(28,856)
Contributions restricted in perpetuity	(1,000,000)
Change in discount on long-term receivables	(16,985)
(Increase) in:	
Contributions and grants receivable	(1,330,806)
Prepaid expenses and other assets	(45,183)
Decrease in:	
Accounts payable and accrued liabilities	<u>5,679</u>
Net cash provided by operating activities	<u>424,436</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of computer equipment	(1,180)
Assets transferred to beneficial interest investment	<u>(1,000,000)</u>
Net cash used in investing activities	<u>(1,001,180)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions restricted in perpetuity	<u>1,000,000</u>
Net cash provided by financing activities	<u>1,000,000</u>
Net increase in cash and cash equivalents	423,256
Cash and cash equivalents at beginning of year, as restated	<u>8,647,620</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,070,876</u>

MOISHE HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

In 2006, a group of Jewish young adults had a problem. They wanted to more actively engage in the Jewish community and were too old for Jewish life on campus and too young for the traditional young adult and family programming being offered. Fortunately for those young adults, Morris Squire, a philanthropist in Santa Barbara gave them the opportunity to create it for themselves. David Cygielman, now CEO of Moishe House, worked with Morris and young adult Jewish friends in the Bay Area to host a Shabbat dinner. That one Shabbat dinner turned into a wide variety of peer-led Jewish programs and from there, the first Moishe House was born. It was a simple concept: a group of young Jewish adults, living together in a house, hosting Jewish programming for their friends and community. From that one house, the model spread and expanded its scope. Now, 11 years after those first Shabbat dinners in Oakland, the Moishe House network spans 27+ countries and reaches more than 60,000+ unique young adults around the world every year.

As Moishe House continues to grow, the organization pilots innovative initiatives to meet the interests and needs of the young adults participating (and those not yet engaged). Over the years, Moishe House has provided training for these community builders through Jewish Learning Retreats and created a platform for former residents and other strong leaders to host Moishe House-style programs from their own homes (now Moishe House Without Walls or MHWOW).

Moishe House is now the global leader in peer-led Jewish young adult engagement. Every year, thousands of young Jews experience innovative, engaging, exciting Jewish programming. All programming is planned and executed by their peers, creating countless opportunities for young adults to connect with their own Jewish identities, their friends and their wider communities. By 2020, Moishe House will dramatically extend its impact on Jewish young adults by scaling our community building programs, expanding alumni efforts and successfully experimenting with innovative programs that engage new segments of the young adult population. Moishe House is providing an important pathway for young adults to take part in -- and create -- Jewish homes and communities.

Principles of consolidation -

During 2012, Moishe House formed Moishe House UK. The objectives of Moishe House UK are to advance the Jewish faith, in particular, but not exclusively, amongst young adults, by encouraging them to explore and deepen their understanding, knowledge and practice of Judaism. During 2019, Moishe House determined that it maintained significant influence and exercised control over Moishe House UK, and therefore its financial activities were consolidated. Accordingly, an adjustment to the beginning net assets totaling \$137,175 was recorded in the accompanying financial statements in order to record the net assets of Moishe House UK as of January 1, 2019.

The accounts of Moishe House have been consolidated with Moishe House UK (together, "Moishe House") in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that controlled and financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated in consolidation.

MOISHE HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Basis of presentation -

The accompanying consolidated 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** - Net assets may be subject to donor-imposed stipulations that are more restrictive than Moishe House mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

New accounting pronouncements adopted -

During 2019, Moishe House adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way Moishe House recognized revenue; however, the presentation and disclosures of revenue have been enhanced. Moishe House has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, Moishe House adopted ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. Moishe House adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

Moishe House 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, Moishe House maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

MOISHE HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Cash and cash equivalents - (continued)

Moishe House maintained \$131,734 of cash and cash equivalents in financial institutions in the United Kingdom as of December 31, 2019. The majority of funds held in foreign bank accounts are uninsured.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Consolidated Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. Moishe House's policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions and grants receivable -

Contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Grants 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. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Costs incurred in connection with developing the website have been capitalized and included in "Property and Equipment" in the accompanying Consolidated Statement of Financial Position. Capitalized website costs are amortized over five years. Costs incurred for the ongoing maintenance of the website are expensed as incurred. Depreciation expense for the year ended December 31, 2019 totaled \$20,732.

Income taxes -

Moishe House is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. Moishe House is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, Moishe House 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 consolidated financial statements.

MOISHE HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Revenue recognition -

The majority of Moishe House'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. Moishe House performs an analysis of each award to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For awards qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have 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 consolidated financial statements. Funds received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

Awards qualifying as conditional contributions contain a right of return (or a right of release) and significant performance barriers. Revenue is recognized when the condition or conditions are satisfied. Accordingly, Moishe House recognizes revenue under conditional contributions when a barrier has been overcome. Funds received in advance under conditional awards are recorded as refundable advances.

Revenue classified as an exchange transaction follows ASU 2014-09, *Revenue from Contracts With Customers*, and revenue is realized when the performance obligations are met; revenue is recorded directly to "without donor restrictions" and the transaction price is based on the criteria stipulated in the agreements.

In-kind contributions -

In-kind contributions consist of donated office space and administrative services. In-kind contributions are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to Moishe House; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

Foreign currency translation -

The U.S. Dollar is the functional currency for Moishe House' worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position.

Use of estimates -

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

MOISHE HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Marketing -

Moishe House expenses marketing costs as incurred. Marketing expenses were \$174,284 for the year ended December 31, 2019.

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 Moishe House 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.

Fair value measurement -

Moishe House adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Moishe House accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *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 Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is 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.

Moishe House plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FEDERATION

Moishe House has transferred assets to the Jewish Federation of San Francisco (the "Federation"), and the Federation is holding those assets as an agency fund ("the Fund") for the benefit of Moishe House. Moishe House has granted the Federation variance power, which grants the Federation's Board of Trustees the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Federation's investment and spending policies, and its agreement with the Federation calls for a distribution of a 4% annual payout calculated on the average balance of the Fund over 12 trailing quarters (or such shorter period of time as the Fund has been in existence), to be disbursed to Moishe House by January 31 of the following calendar year.

MOISHE HOUSE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FEDERATION (Continued)

Investment income, including interest earned on cash and cash equivalents and activity in the beneficial interest totaled \$160,028 for the year ended December 31, 2019. See Note 10 for additional disclosures related to the beneficial interest.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2019, contributors to Moishe House have made written promises to give, of which \$3,318,399, remained due and outstanding. Amounts due beyond one year of the consolidated Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 1.55%.

Following is a schedule of amounts due, by year, as of December 31, 2019:

Less than one year	\$ 3,077,855
One to five years	<u>240,544</u>
Total	3,318,399
Less: Allowance to discount balance to present value	<u>(3,672)</u>
NET RECEIVABLES	<u>\$ 3,314,727</u>

4. BOARD DESIGNATED NET ASSETS

Moishe House's Board of Directors established an operating reserve fund during the year ended December 31, 2018. As of December 31, 2019, net assets designated by the Board of Directors totaled \$3,189,306.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

Subject to expenditure for specified purpose	\$ 3,209,758
Subject to passage of time	3,368,046
Beneficial interest to be invested in perpetuity	<u>1,028,856</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 7,606,660</u>

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:

Purpose restrictions accomplished	\$ 9,080,943
Timing restrictions accomplished	<u>535,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 9,615,943</u>

MOISHE HOUSE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 9,070,876
Contributions and grants receivable	<u>3,077,855</u>
Subtotal financial assets available within one year	12,148,731
Less: Donor restricted funds	(7,606,660)
Less: Board-designated funds	(3,189,306)
Add: Beneficial interest to be invested in perpetuity	1,028,856
Add: Time restricted funds to be released within one year	<u>3,127,502</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,509,123</u>

The Moishe House 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, the Moishe House 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 Moishe House'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, 2019, Moishe House has financial assets equal to approximately five months of operating expenses.

7. LEASE COMMITMENTS

Moishe House leases office space in various locations. The majority of leases are short term (less than one year), including its principal office space in Encinitas, California. The lease agreement for office space in Charlotte, North Carolina requires monthly payments of \$5,829 and expires in 2022. The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2020	\$ 111,580
2021	69,948
2022	<u>69,948</u>
	<u>\$ 251,476</u>

Rent expense for the year ended December 31, 2019 was \$195,346.

8. RETIREMENT PLAN

Moishe House provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. Moishe House provides a 100% match of each eligible employee's contribution, up to 3% of covered compensation. Contributions to the plan during the year ended December 31, 2019 totaled \$64,761.

MOISHE HOUSE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. CONCENTRATION OF REVENUE

Approximately 59% of Moishe House's revenue for the year ended December 31, 2019 was derived from four foundations. Moishe House has no reason to believe that relationships with these donors will be discontinued in the foreseeable future.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Moishe House 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 Consolidated Statement 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 Moishe House 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 have been no changes in the methodologies used as of December 31, 2019. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2019.

- *Funds held by regional Jewish Federation* - The beneficial interest in assets held by the Jewish Federation of San Francisco has been valued at the fair value of the Moishe House's share of the Federation's investment pool as of the measurement date, utilizing valuations provided by the Federation. The Federation values securities and other financial instruments on a fair value basis of accounting. The beneficial interest in assets held at the Federation is not redeemable by Moishe House.

The table below summarizes, by level within the fair value hierarchy and those invested and measured at NAV for practical expedient as of December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2019</u>
Asset Class:				
Moishe House Endowment Fund Held by Jewish Federation of San Francisco	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,028,856</u>	\$ <u>1,028,856</u>

MOISHE HOUSE

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10. FAIR VALUE MEASUREMENT (Continued)

The following table provides a summary of changes in fair value of Moishe House's financial assets for the year ended December 31, 2019:

	<u>Level 3</u> <u>Investments</u>
Beginning balance as of January 1, 2019	\$ -
Invested with the Jewish Federation of San Francisco	1,000,000
Realized and unrealized gains	59,128
Interest and dividends	15,279
Distributions and fees	<u>(45,551)</u>
BALANCE AS OF DECEMBER 31, 2019	<u>\$ 1,028,856</u>

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Moishe House has evaluated events and transactions for potential recognition or disclosure through September 14, 2020, the date the consolidated financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may impact Moishe House's operations. The overall potential impact is unknown at this time.

On April 25, 2020, Moishe House entered into a two-year promissory note agreement in the amount of \$864,540 (with a 1% fixed interest rate) under the Paycheck Protection Program. The promissory note requires 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 in whole or in part.