

**MIKVA CHALLENGE GRANT
FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

MIKVA CHALLENGE GRANT FOUNDATION, INC.

YEARS ENDED JUNE 30, 2017 AND 2016

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Independent Auditors' Report

Board of Directors
Mikva Challenge Grant Foundation, Inc.

We have audited the accompanying financial statements of Mikva Challenge Grant Foundation, Inc. (the Foundation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mikva Challenge Grant Foundation, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ostrow Reisin Berk & Abrams, Ltd.

November 14, 2017

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30,	2017	2016
ASSETS		
Cash	\$ 1,025,675	\$ 532,324
Investments	1,147,446	1,157,297
Pledges receivable	190,019	204,000
Grants receivable	856,667	195,000
Other receivables	57,987	162,569
Prepaid expenses and deposits	116,993	102,059
Furniture and equipment, less accumulated depreciation of \$129,752 and \$105,179 as of June 30, 2017 and 2016, respectively	24,783	48,162
Total assets	\$ 3,419,570	\$ 2,401,411
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 157,344	\$ 127,380
Deferred rent	6,408	6,171
Total liabilities	163,752	133,551
Net assets:		
Unrestricted:		
Board-designated endowment funds	1,345,702	1,238,331
Undesignated	709,821	460,251
Total unrestricted	2,055,523	1,698,582
Temporarily restricted	1,200,295	569,278
Total net assets	3,255,818	2,267,860
Total liabilities and net assets	\$ 3,419,570	\$ 2,401,411

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30,	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Foundation and corporate grants	\$ 470,800	\$ 1,484,441	\$ 1,955,241	\$ 276,000	\$ 940,295	\$ 1,216,295
Individual contributions	315,600	338,018	653,618	405,680	204,000	609,680
Special events:						
Gross proceeds	1,140,852		1,140,852	1,093,364		1,093,364
Expenses	(103,215)		(103,215)	(79,768)		(79,768)
Contract services revenue	782,242		782,242	438,961		438,961
Interest and dividends	28,648		28,648	28,394		28,394
Net realized and unrealized gain (loss) on investments	(37,730)		(37,730)	48,801		48,801
Other income	2,697		2,697	8,036		8,036
Net assets released from restrictions:						
Satisfaction of restrictions	1,191,442	(1,191,442)		906,256	(906,256)	
Total revenue and support	3,791,336	631,017	4,422,353	3,125,724	238,039	3,363,763
Expenses:						
Program services	2,713,803		2,713,803	2,619,243		2,619,243
Management and general	263,944		263,944	242,263		242,263
Fundraising	456,648		456,648	384,531		384,531
Total expenses	3,434,395		3,434,395	3,246,037		3,246,037
Change in net assets	356,941	631,017	987,958	(120,313)	238,039	117,726
Net assets, beginning of year	1,698,582	569,278	2,267,860	1,818,895	331,239	2,150,134
Net assets, end of year	\$ 2,055,523	\$ 1,200,295	\$ 3,255,818	\$ 1,698,582	\$ 569,278	\$ 2,267,860

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30,	2017					2016				
	Program services	Management and general	Fundraising	Direct benefit to donors	Total	Program services	Management and general	Fundraising	Direct benefit to donors	Total
Campaign expenses	\$ 35,934				\$ 35,934	\$ 96,161			\$ 3,049	\$ 99,210
Depreciation	23,315	\$ 875	\$ 383		24,573	24,942	\$ 1,352		420	26,714
Dues and subscriptions	1,768	12,786	8,965		23,519	2,702	10,543		8,534	21,779
Education and training	3,558	1,788	1,656		7,002	11,957	4,890		1,623	18,470
Equipment and computer expenses	17,017	1,709	3,765		22,491	16,302	1,456		4,089	21,847
Grants, awards and stipends	334,142				334,142	244,015				244,015
Insurance	10,202	554	1,218		11,974	9,531	567		1,248	11,346
Legal and accounting services		55,543			55,543	869	25,402			26,271
Miscellaneous and other	2,506	818	2,756		6,080	7,355	370		1,459	9,184
Occupancy	158,794	8,782	19,118		186,694	150,416	8,110		17,821	176,347
Other professional services	37,503	7,713	14,020		59,236	74,289	6,884		13,758	94,931
Payroll taxes and employee benefits	301,658	24,103	39,684		365,445	276,099	21,948		33,630	331,677
Postage and delivery	2,809	286	8,807		11,902	2,838	602		6,982	10,422
Printing and design	1,686		9,231		10,917	263			14,333	14,596
Publicity and marketing	7,141	34	46,152		53,327	21,435	43		26,921	48,399
Salaries and wages	1,488,768	134,411	281,213		1,904,392	1,371,069	147,235		218,719	1,737,023
Special events			1,099	\$ 103,215	104,314				2,674	\$ 79,768
Supplies and office expense	10,593	1,579	10,392		22,564	7,558	2,306		15,508	25,372
Travel and transportation	112,308	12,213	8,139		132,660	140,360	10,524		13,514	164,398
Workshops and other program events	164,101	750	50		164,901	161,082	31		249	161,362
 Total expenses	 2,713,803	 263,944	 456,648	 103,215	 3,537,610	 2,619,243	 242,263	 384,531	 79,768	 3,325,805
 Less expenses included with revenue and support on the statements of activities	 	 	 (103,215)	 (103,215)	 	 	 	 (79,768)	 (79,768)	
 Total expenses included in the expense section on the statements of activities	 \$ 2,713,803	 \$ 263,944	 \$ 456,648	 \$ -	 \$ 3,434,395	 \$ 2,619,243	 \$ 242,263	 \$ 384,531	 \$ -	 \$ 3,246,037

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 987,958	\$ 117,726
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,573	26,714
Net realized and unrealized (gain) loss on investments	37,730	(48,801)
Deferred rent	237	118
(Increase) decrease in operating assets:		
Pledges receivable	13,981	(204,000)
Grants receivable	(661,667)	(132,500)
Other receivables	104,582	22,377
Prepaid expenses and deposits	(14,934)	1,057
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	29,964	(7,345)
Net cash provided by (used in) operating activities	522,424	(224,654)
Cash flows from investing activities:		
Purchases of furniture and equipment	(1,194)	(25,271)
Purchases of investments	(27,879)	(27,591)
Net cash used in investing activities	(29,073)	(52,862)
Net increase (decrease) in cash	493,351	(277,516)
Cash, beginning of year	532,324	809,840
Cash, end of year	\$ 1,025,675	\$ 532,324

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization and operations

Mikva Challenge Grant Foundation, Inc. (the Foundation) was formed in 1997 to foster and encourage young people's interest in politics and civic affairs. Through its Elections, Activism, Policymaking and Leadership Programs and Center for Action Civics, the Foundation works with teachers in the Chicago metropolitan area to develop curriculum and implement educational programs which offer students a variety of civic activities. Students learn about the political process and have the opportunity to participate in political forums, internships, policy councils, leadership and public policy development workshops, voter registration drives, voter education, election judging, polling and research. The Foundation itself administers a summer internship program which places high school students in the offices of federal, state and local lawmakers. The Foundation has expanded portions of its programs and services in California and in Washington, D.C.

The Foundation was incorporated as a not-for-profit corporation under the laws of the state of Maryland in November 1997.

2. Summary of significant accounting policies

Basis of accounting:

The Foundation's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The Foundation reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted - Unrestricted net assets are available to finance the general operations of the Foundation. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates and the purposes specified in its Articles of Incorporation. Voluntary resolutions by the Board of Directors to designate a portion of the Foundation's unrestricted net assets for specified purposes do not result in restricted funds. Since designations are voluntary and may be reversed by the Board of Directors at any time, designated net assets are included under the caption "unrestricted net assets." Board-designated net assets include assets over which the Board retains control and may, at its discretion, subsequently use for other purposes. Board-designated net assets represent assets to fund future special projects or other programs of the Foundation. See Note 5.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

Temporarily restricted - Temporarily restricted net assets represent those for which the use by the Foundation has been limited by donors to a specific time period or purpose. See Note 6.

Permanently restricted - Permanently restricted net assets (generally referred to as donor-restricted endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the entity to use up all of the income or other economic benefits derived from the donated assets. The Foundation does not have any permanently restricted net assets.

Unrestricted and restricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contract services revenue:

Revenue from contract services is recognized when the services have been performed under the contract.

Expense allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Expense allocation: (continued)

Expenses incurred for program services were allocated to the following programs during the years ended June 30, 2017 and 2016:

Years ended June 30,	2017	2016
Activism Programs	\$ 244,774	\$ 182,305
Center for Action Civics	284,320	246,130
Elections Program	205,713	308,951
Leadership Programs		132,731
Policymaking Programs	1,978,996	1,749,126
 Total	 \$ 2,713,803	 \$ 2,619,243

Cash:

The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2017 and 2016, cash in excess of these limits totaled approximately \$717,000 and \$358,000, respectively. Management believes that the Foundation is not subject to any significant credit risk on cash.

Investments:

Investments are carried at fair value based on quoted prices in active markets (all Level 1 measurements). Realized and unrealized gains and losses are reported in the statements of activities.

Pledges and grants receivable:

Pledges and grants receivable consist of unconditional promises to give. Amounts due on dates that are more than one year in the future are recorded net of a present value discount (1.55% at June 30, 2017). The Foundation provides for losses on unconditional promises to give using the allowance method. The allowance is based on experience and knowledge of circumstances that may affect the ability of donors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with agreed upon terms. No allowance for doubtful accounts has been provided as management believes that all unconditional promises to give are fully collectible.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Pledges and grants receivable: (continued)

Unconditional promises to give consist of the following:

June 30,	2017	2016
Unconditional promise to give	\$ 1,071,686	\$ 399,000
Less:		
Discount	(25,000)	
Net unconditional promises to give	\$ 1,046,686	\$ 399,000
Amounts due in:		
Less than one year	\$ 478,186	\$ 312,000
One to five years	568,500	87,000
Total	\$ 1,046,686	\$ 399,000
Pledges receivable	\$ 190,019	\$ 204,000
Grants receivable	856,667	195,000
Total pledges and grants receivable	\$ 1,046,686	\$ 399,000

Other receivables:

Other receivables consist of accounts receivable based on contract services revenue. All amounts are due within one year and are stated at unpaid balances, less an allowance for doubtful accounts, if necessary. The Foundation provides for losses on other receivables using the allowance method. The allowance is based on experience, third-party contracts, and knowledge of circumstances that may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. At June 30, 2017 and 2016, all amounts are considered fully collectible and an allowance for doubtful accounts is considered unnecessary and is not provided.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Furniture and equipment:

Furniture and equipment are stated at cost, if purchased or fair value at date of donation, if donated. Depreciation of furniture and equipment is provided over five years using the straight-line method. Major additions and betterments of \$500 or more are capitalized, while maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred.

Deferred rent:

The Foundation records monthly rent expense equal to total minimum payments due over the lease term, divided by the number of months in the lease term. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent which is reflected in the statements of financial position.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Reclassifications:

Certain amounts from the prior year have been reclassified in order to conform to the current year's presentation.

3. Tax status

The Foundation is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Foundation is not a private foundation within the meaning of Section 509(a) of the Code. The Foundation has adopted the requirements for accounting for uncertain tax positions and management has determined that the Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2017 and 2016.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Investments

Investments consisted of the following, reported at fair value:

June 30,	2017	2016
Vanguard Intermediate-Term Bond Index Fund	\$ 1,010,493	\$ 1,020,409
Vanguard Short-Term Bond Index Fund	136,953	136,888
Total investments	\$ 1,147,446	\$ 1,157,297

5. Board-designated endowment funds

As of June 30, 2017 and 2016, the Foundation has two endowment funds, a general endowment fund and an Ab and Zoe Legacy Fund.

The general endowment fund is designated by the Board of Directors to support the mission of the Foundation. The Ab and Zoe Legacy Fund is an endowment fund designated by the Board of Directors to support the Elections Program. Since the amounts in the endowment funds resulted from an internal designation and are not donor-restricted, the Board-designated endowment funds are classified and reported as unrestricted net assets.

The Foundation has a spending policy that all or a portion of the income and/or capital appreciation from the endowment funds will be used to support the programs and operating expenses of the Foundation or in the case of the Ab and Zoe Legacy Fund, to support the Elections Program. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return. To achieve that objective, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. The general endowment fund is invested in the Vanguard Intermediate-Term Bond Index Fund. The Ab and Zoe Legacy Fund is currently included in cash and will be invested in the future.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Board-designated endowment funds (continued)

Composition of and changes in Board-designated endowment funds for the years ended June 30, 2017 and 2016 were as follows:

Years ended June 30,	2017	2016
General endowment fund:		
Beginning of year	\$ 1,020,409	\$ 947,379
Investment income	27,814	28,686
Net realized and unrealized gain (loss) on investments	(37,730)	44,344
End of year	1,010,493	1,020,409
Ab and Zoe Legacy Fund:		
Beginning of year	217,922	58,600
Contributions	117,287	159,322
End of year	335,209	217,922
Total Board-designated endowment funds	\$ 1,345,702	\$ 1,238,331

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purpose and time restrictions as follows:

June 30,	2017	2016
Purpose restrictions:		
Activism Programs	\$ 15,777	\$ 42,778
Center for Action Civics	6,667	87,917
Elections Program	25,000	60,416
Policymaking Programs	197,833	174,167
Time restrictions:		
Operating grants	765,000	
Pledge receivable - other	25,000	
Pledges receivable - Ab and Zoe Legacy Fund	165,018	204,000
Total temporarily restricted net assets	\$ 1,200,295	\$ 569,278

During the years ended June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions as follows:

Years ended June 30,	2017	2016
Purpose restrictions:		
Activism Programs	\$ 50,400	\$ 84,431
Center for Action Civics	94,584	151,233
Elections Program	85,417	57,292
Policymaking Programs	869,541	613,300
Time restrictions:		
Pledges receivable - Ab and Zoe Legacy Fund	91,500	
Total net assets released from restrictions	\$ 1,191,442	\$ 906,256

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Leases

The Foundation has entered into an office space lease agreement in Chicago, Illinois which calls for monthly base rent at \$11,392 plus operating expenses beginning January 2012 and increasing approximately 2% annually through December 2017. The lease contains one renewal option for five years.

Subsequent to June 30, 2017, the Foundation entered into an office space lease agreement in Chicago, Illinois for monthly base rent of \$8,812 beginning January 2018 and increasing approximately 2% annually through December 2024. The lease includes a rent abatement for seven months and an option to renew for five years.

The Foundation has also entered into an office space lease agreement in Los Angeles, California which calls for monthly rent of \$539 that is paid month-to-month.

The Foundation has also entered into an office space lease in the District of Columbia, which called for monthly rent of \$680, that expired on July 31, 2017. The lease was renewed through September 30, 2018 at \$967 per month.

Future minimum lease payments as of June 30, 2017 are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 88,137
2019	2,901
Total	\$ 91,038

Rent expense for the years ended June 30, 2017 and 2016 was \$149,835 and \$146,517, respectively.

8. Retirement plan

The Foundation has a Simple IRA plan (the Plan) covering all full-time employees with at least one year of service who agree to make contributions to the Plan. The Foundation matches participants' contributions to the Plan equal to 3% of the individual participant's annual compensation. Total contributions paid by the Foundation to the Plan during the years ended June 30, 2017 and 2016 were \$31,739 and \$33,321, respectively.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Subsequent events

Management of the Foundation has reviewed and evaluated subsequent events from June 30, 2017, the financial statement date, through November 14, 2017, the date the financial statements were available to be issued.