

**MIKVA CHALLENGE GRANT
FOUNDATION, INC.**

YEARS ENDED JUNE 30, 2014 AND 2013

MIKVA CHALLENGE GRANT FOUNDATION, INC.

YEARS ENDED JUNE 30, 2014 AND 2013

CONTENTS

	Page
Independent auditor's report	1-2
Financial statements:	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to the financial statements	7-13

Independent Auditor's Report

Board of Directors
Mikva Challenge Grant Foundation, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of Mikva Challenge Grant Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2014 and 2013 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.

Auditor's 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, 2014 and 2013 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 11, 2014

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

June 30,	2014	2013
ASSETS		
Cash	\$ 628,021	\$ 646,409
Investments	1,057,287	1,009,385
Grants and contributions receivable	140,000	14,500
Other receivables	144,608	76,647
Prepaid expenses and deposits	91,188	66,156
Furniture and equipment, less accumulated depreciation of \$58,065 and \$38,403 as of June 30, 2014 and 2013, respectively	36,739	45,983
Total assets	\$ 2,097,843	\$ 1,859,080
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 78,037	\$ 57,059
Deferred rent	5,933	5,815
Deferred revenue	35,000	10,000
Total liabilities	118,970	72,874
Net assets:		
Unrestricted:		
Board-designated endowment fund	925,376	879,672
Undesignated	630,066	539,450
Total unrestricted	1,555,442	1,419,122
Temporarily restricted	423,431	367,084
Total net assets	1,978,873	1,786,206
Total liabilities and net assets	\$ 2,097,843	\$ 1,859,080

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Years ended June 30,	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Foundation and corporate grants	\$ 170,000	\$ 858,646	\$ 1,028,646	\$ 29,000	\$ 592,500	\$ 621,500
Individual contributions	98,936		98,936	93,860		93,860
Special events:						
Gross proceeds	924,029		924,029	922,679		922,679
Expenses	(101,035)		(101,035)	(105,721)		(105,721)
Contract services revenue	490,456		490,456	357,561		357,561
Interest and dividends	28,833		28,833	28,267		28,267
Net realized and unrealized gain (loss) on investments	19,783		19,783	(34,469)		(34,469)
Other income	5,175		5,175	1,488		1,488
Net assets released from restrictions:						
Satisfaction of restrictions	802,299	(802,299)		788,334	(788,334)	
Total revenue and support	2,438,476	56,347	2,494,823	2,080,999	(195,834)	1,885,165
Expenses:						
Program services	1,767,386		1,767,386	1,548,694		1,548,694
Management and general	167,577		167,577	162,571		162,571
Fundraising	367,193		367,193	235,232		235,232
Total expenses	2,302,156		2,302,156	1,946,497		1,946,497
Change in net assets	136,320	56,347	192,667	134,502	(195,834)	(61,332)
Net assets, beginning of year	1,419,122	367,084	1,786,206	1,284,620	562,918	1,847,538
Net assets, end of year	\$ 1,555,442	\$ 423,431	\$ 1,978,873	\$ 1,419,122	\$ 367,084	\$ 1,786,206

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Years ended June 30,	2014					2013				
	Program services	Management and general	Fundraising	Direct benefit to donors	Total	Program services	Management and general	Fundraising	Direct benefit to donors	Total
Salaries and wages	\$ 837,503	\$ 93,564	\$ 244,649		\$ 1,175,716	\$ 820,678	\$ 84,495	\$ 160,012		\$ 1,065,185
Payroll taxes and employee benefits	187,445	15,469	29,782		232,696	172,867	14,402	24,575		211,844
	1,024,948	109,033	274,431		1,408,412	993,545	98,897	184,587		1,277,029
Travel and transportation	180,561	6,250	6,185		192,996	45,228	8,489	2,471		56,188
Grants, awards and stipends	185,291				185,291	165,171		1,317		166,488
Occupancy	115,086	6,844	15,055		136,985	109,427	7,978	15,965		133,370
Special events				\$ 101,035	101,035				\$ 105,721	105,721
Workshops and other program events	94,899		475		95,374	92,820				92,820
Other professional services	71,081	2,206	8,317		81,604	26,693	2,565	11,306		40,564
Publicity and marketing	12,167	408	30,663		43,238	10,212	306	2,610		13,128
Legal and accounting services		23,777			23,777		25,481			25,481
Telephone	18,120	1,243	2,515		21,878	16,323	1,482	2,254		20,059
Equipment and computer expenses	9,889	2,446	7,749		20,084	7,518	1,354	939		9,811
Supplies and office expense	8,763	1,665	3,204		13,632	8,098	1,223	2,638		11,959
Dues and subscriptions	723	11,222	1,495		13,440	1,060	11,557	3,854		16,471
Postage and delivery	3,608	293	8,864		12,765	2,172	231	2,683		5,086
Miscellaneous and other	12,069	181	206		12,456	8,299	400	1,050		9,749
Insurance	9,307	554	1,219		11,080	7,858	542	1,099		9,499
Campaign expenses			5,220		5,220	34,425		435		34,860
Education and training	3,385	212	665		4,262	1,193	577	1,105		2,875
Printing and design						3,889	258	509		4,656
Total expenses before depreciation	1,749,897	166,334	366,263	101,035	2,383,529	1,533,931	161,340	234,822	105,721	2,035,814
Depreciation	17,489	1,243	930		19,662	14,763	1,231	410		16,404
Total expenses	1,767,386	167,577	367,193	101,035	2,403,191	1,548,694	162,571	235,232	105,721	2,052,218
Less expenses included with revenue and support on the statement of activities				(101,035)	(101,035)				(105,721)	(105,721)
Total expenses included in the expense section of the statement of activities	\$ 1,767,386	\$ 167,577	\$ 367,193	\$ -	\$ 2,302,156	\$ 1,548,694	\$ 162,571	\$ 235,232	\$ -	\$ 1,946,497

See notes to financial statements.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Years ended June 30,	2014	2013
Operating activities:		
Change in net assets	\$ 192,667	\$ (61,332)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	19,662	16,404
Net realized and unrealized (gain) loss on investments	(19,783)	34,469
(Increase) decrease in operating assets:		
Grants and contributions receivable	(125,500)	371,150
Other receivables	(67,961)	(5,767)
Prepaid expenses and deposits	(25,032)	(6,544)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	20,978	(18,073)
Deferred rent	118	119
Deferred revenue	25,000	
Cash provided by operating activities	20,149	330,426
Investing activities:		
Purchases of furniture and equipment	(10,418)	(10,389)
Purchases of investments	(28,119)	(27,827)
Cash used in investing activities	(38,537)	(38,216)
Increase (decrease) in cash	(18,388)	292,210
Cash, beginning of year	646,409	354,199
Cash, end of year	\$ 628,021	\$ 646,409

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 peoples' 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 is expanding portions of its programs and services as a pilot in California beginning in late 2014.

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 on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of presentation:

The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Foundation is required to report 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.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

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.

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 statement of activities as net assets released from restrictions.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Expense allocation:

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

Expenses incurred for program services were allocated to the following programs during the years ended June 30, 2014 and 2013:

<u>Years ended June 30,</u>	<u>2014</u>	<u>2013</u>
Activism Programs	\$ 146,528	\$ 145,145
Center for Action Civics	293,046	276,351
Elections Program	166,501	181,480
Leadership Programs	116,687	105,417
Policymaking Programs	1,044,624	840,301
Total	\$ 1,767,386	\$ 1,548,694

Cash:

The Foundation maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2014 and 2013, cash in excess of these limits totaled approximately \$417,000 and \$450,000, respectively. The Foundation has not experienced any losses in such accounts. 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 statement of activities.

Grants and contributions receivable:

Grants and contributions receivable consist of unconditional promises to give. At June 30, 2014, \$77,500 is due within one year and \$62,500 is due in one to two years. At June 30, 2013, \$14,500 was due within one year. An allowance for uncollectible accounts is not considered necessary 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:

In accordance with generally accepted accounting principles, 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 statement of financial position.

Deferred revenue:

Special event proceeds received by June 30 that will not be earned until after June 30 are recognized as deferred revenue in the statement 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.

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, 2014 and 2013. Federal and state tax and/or information returns of the Foundation are subject to examinations by the Internal Revenue Service and state taxing authorities, generally for three years after the returns were filed. Management believes that the Foundation is no longer subject to income tax examinations by taxing authorities for years ended prior to June 30, 2011.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Investments

Investments consisted of the following, reported at fair value:

June 30,	2014	2013
Vanguard Intermediate-Term Bond Index Fund	\$ 925,376	\$ 879,672
Vanguard Short-Term Bond Index Fund	131,911	129,713
Total investments	\$ 1,057,287	\$ 1,009,385

5. Board-designated endowment fund

As of June 30, 2014 and 2013, the Board of Directors had designated \$925,376 and \$879,672, respectively, of unrestricted net assets as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is 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 fund will be used to support the programs and operating expenses of the Foundation. 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 endowment assets are invested in the Vanguard Intermediate-Term Bond Index Fund.

Composition of and changes in Board-designated endowment fund net assets for the years ended June 30, 2014 and 2013 were as follows:

Years ended June 30,	2014	2013
Beginning of year	\$ 879,672	\$ 886,906
Investment income	26,616	26,773
Net appreciation (depreciation)	19,088	(34,007)
End of year	\$ 925,376	\$ 879,672

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Temporarily restricted net assets

Temporarily restricted net assets are available as follows:

June 30,	2014	2013
Center for Action Civics	\$ 112,501	\$ 25,000
Policymaking Programs	310,930	342,084
Total temporarily restricted net assets	\$ 423,431	\$ 367,084

During the years ended June 30, 2014 and 2013, the following net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions or by occurrence of other events specified by the donors:

Years ended June 30,	2014	2013
Satisfaction of purpose restrictions:		
Activism Programs	\$ 45,333	\$ 74,000
Center for Action Civics	142,500	85,000
Elections Program	15,000	1,000
Policymaking Programs	599,466	628,334
Total net assets released from restrictions	\$ 802,299	\$ 788,334

7. Leases

The Foundation has entered into the following operating lease agreements:

- Office space which calls for monthly base rent at \$11,392 plus operating expenses beginning January 2012 and increasing approximately 2% annually through December 2017. Rent for the month of January in each of the years 2012 through 2017 will be abated. The lease contains one renewal option for five years.
- Copier equipment at \$660 per month through December 31, 2018.
- Telephone equipment and service at \$1,455 per month through May 31, 2014.

MIKVA CHALLENGE GRANT FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Leases (continued)

Future minimum lease payments (net of abatement) as of June 30, 2014 are as follows:

Year ending June 30:	Office space	Equipment	Total
2015	\$ 131,838	\$ 7,920	\$ 139,758
2016	134,449	7,920	142,369
2017	137,060	7,920	144,980
2018	69,183	3,960	73,143
Total	\$ 472,530	\$ 27,720	\$ 500,250

Rent expense for the years ended June 30, 2014 and 2013 was \$158,862 and \$153,978, 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, 2014 and 2013 were \$19,881 and \$16,218, respectively.

9. Subsequent events

Management of the Foundation has reviewed and evaluated subsequent events from June 30, 2014, the financial statement date, through November 11, 2014, the date the financial statements were available to be issued. Except as discussed in Note 1, no events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.