

CHAI LIFELINE, INC.
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
DECEMBER 31, 2014

CHAI LIFELINE, INC.

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Independent Auditor's Report

Board of Directors Chai Lifeline, Inc.

We have audited the accompanying financial statements of Chai Lifeline, Inc., which comprise the balance sheet as of December 31, 2014, 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 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 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 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 Chai Lifeline, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Loeb & Troper LLP

April 13, 2015

EXHIBIT A**CHAI LIFELINE, INC.****BALANCE SHEET****DECEMBER 31, 2014****ASSETS**

Current assets	
Cash and cash equivalents	\$ 1,227,930
Certificates of deposit	100,604
Contributions receivable - net (Note 4)	2,060,244
Prepaid expenses	216,066
Security deposits	40,694
	<hr/>
Total current assets	3,645,538
Certificates of deposit	252,547
Investments (Note 3)	447,122
Contributions receivable (Note 4)	85,648
Fixed assets - net (Note 5)	11,957,832
	<hr/>
Total assets	\$ 16,388,687
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LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	\$ 1,898,427
Current portion of long-term debt (Note 7)	103,558
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Total current liabilities	2,001,985
Long-term liabilities	
Long-term debt (Note 7)	2,832,298
	<hr/>
Total liabilities	4,834,283
	<hr/>
Net assets (Exhibit B)	
Unrestricted	10,390,425
Temporarily restricted (Note 11)	464,310
Permanently restricted (Note 12)	699,669
	<hr/>
Total net assets	11,554,404
	<hr/>
Total liabilities and net assets	\$ 16,388,687
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See independent auditor's report.

The accompanying notes are an integral part of these statements.

CHAI LIFELINE, INC.**EXHIBIT B****STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and losses				
Contributions (including \$67,936 of donated stocks)	\$ 8,662,888	\$ 575,136		\$ 9,238,024
Legacies and bequests	569,696		\$ 499,669	1,069,365
Special events income (including dinners, bike-a-thons, swim-a-thons, and marathons)	\$ 10,324,225			
Less direct costs	<u>(3,227,934)</u>	7,096,291		7,096,291
In-kind contributions (Note 6)	505,346			505,346
Investment income (loss) - net (Note 3)	331	(1,527)		(1,196)
Insurance proceeds - net	152,272			152,272
Miscellaneous income	36,505			36,505
Net assets released from restriction (Note 11)	<u>513,021</u>	<u>(513,021)</u>		
Total revenues, gains and losses	<u>17,536,350</u>	<u>60,588</u>	<u>499,669</u>	<u>18,096,607</u>
Expenses (Exhibit C)				
Program services				
Camp Simcha	4,361,997			4,361,997
Hospital and home based	2,940,690			2,940,690
Family and community programs	6,594,233			6,594,233
Grants to others	<u>586,882</u>			<u>586,882</u>
Total program services	<u>14,483,802</u>			<u>14,483,802</u>

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CHAI LIFELINE, INC.**EXHIBIT B****-2-****STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Expenses (Exhibit C) (continued)				
Supporting services				
Management and general	\$ 1,463,392			\$ 1,463,392
Fund raising	<u>1,987,637</u>			<u>1,987,637</u>
Total supporting services	<u>3,451,029</u>			<u>3,451,029</u>
Total expenses	<u>17,934,831</u>			<u>17,934,831</u>
Change in net assets (Exhibit D)	(398,481)	\$ 60,588	\$ 499,669	161,776
Net assets - beginning of year	<u>10,788,906</u>	<u>403,722</u>	<u>200,000</u>	<u>11,392,628</u>
Net assets - end of year (Exhibit A)	<u>\$ 10,390,425</u>	<u>\$ 464,310</u>	<u>\$ 699,669</u>	<u>\$ 11,554,404</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services				Supporting Services					
	Camp Simcha	Hospital and Home Based	Family and Community Programs	Grants to Others	Total	Management and General	Fund Raising	Direct Cost of Special Events	Total	Total
Salaries	\$ 1,196,736	\$ 1,360,545	\$ 2,908,993		\$ 5,466,274	\$ 769,026	\$ 714,687	\$ 213,706	\$ 1,697,419	\$ 7,163,693
Payroll taxes and employee benefits	287,439	278,004	591,528		1,156,971	157,563	143,779	50,768	352,110	1,509,081
Professional fees (Note 6)	291,922	100,209	496,283		888,414	127,701	241,800	641,272	1,010,773	1,899,187
Advertising and promotions	14,488	6,611	14,899		35,998	5,395	151,244	217,753	374,392	410,390
Supplies and materials (Note 6)	241,991	69,858	371,686		683,535	13,201	14,506	10,258	37,965	721,500
Printing and postage	23,096	27,383	89,015		139,494	34,320	349,808	119,187	503,315	642,809
Communications	75,096	60,118	173,725		308,939	22,832	38,417		61,249	370,188
Fees, dues and licenses	799	1,088	948		2,835	26,187	4,493		30,680	33,515
Repairs and maintenance	310,613	17,238	57,893		385,744	28,133	16,397	47,986	92,516	478,260
Information technology	52,409	42,145	47,040		141,594	38,464	64,181	40,671	143,316	284,910
Occupancy (Note 9)	292,435	194,514	208,179		695,128	43,628	24,477		68,105	763,233
Transportation and lodging (Note 6)	444,433	315,695	399,550		1,159,678	23,223	73,938	781,710	878,871	2,038,549
Interest	119,402		58,759		178,161	38,775			38,775	216,936
Insurance	81,427	30,334	21,748		133,509	4,614	2,895	5,994	13,503	147,012
Food services	384,249	320,391	251,027		955,667	11,371	20,439	590,195	622,005	1,577,672
Events and entertainment	47,398	11,453	345,654		404,505		49,791	392,476	442,267	846,772
Data processing fees						45,972	56,650	115,958	218,580	218,580
Grants to other organizations (Note 1)				\$ 586,882	586,882		3,000		3,000	589,882
Family subsidies			441,775		441,775					441,775
Depreciation and amortization	487,202	97,301	97,301		681,804	50,995	17,135		68,130	749,934
Bad debt expense						21,735			21,735	21,735
Miscellaneous	10,862	7,803	18,230		36,895	257			257	37,152
	4,361,997	2,940,690	6,594,233	586,882	14,483,802	1,463,392	1,987,637	3,227,934	6,678,963	21,162,765
Direct cost of special events								(3,227,934)	(3,227,934)	(3,227,934)
Total expenses (Exhibit B)	\$ 4,361,997	\$ 2,940,690	\$ 6,594,233	\$ 586,882	\$ 14,483,802	\$ 1,463,392	\$ 1,987,637	\$ -	\$ 3,451,029	\$ 17,934,831

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CHAI LIFELINE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 161,776
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	749,934
Losses on investments	1,527
Contributions restricted to long-term investments	(499,669)
Decrease (increase) in assets	
Contributions receivable	63,916
Prepaid expenses	(216,066)
Security deposits	1,569
Increase in liabilities	
Accounts payable and accrued expenses	290,438
	<u>553,425</u>
Net cash provided by operating activities	
Cash flows from investing activities	
Purchase of investments	(862,646)
Proceeds from sales of investments	389,668
Fixed asset acquisitions	(341,141)
	<u>(814,119)</u>
Net cash used by investing activities	
Cash flows from financing activities	
Proceeds from permanently restricted contribution	499,669
Principal payments on long-term debt	(2,672,535)
Proceeds from long-term debt	2,510,000
	<u>337,134</u>
Net cash provided by financing activities	
Net change in cash	76,440
Cash - beginning of year	<u>1,151,490</u>
Cash - end of year	\$ <u><u>1,227,930</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ <u><u>216,936</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - NATURE OF ENTITY

Since incorporation in 1988, the mission of Chai Lifeline, Inc. (“Chai Lifeline”) has been to restore the light of childhood to children whose innocence ended when life-threatening or lifelong illness was diagnosed. Through programs that address the emotional, social, and financial needs of seriously ill children, their families, and communities, Chai Lifeline restores normalcy to family life, and better enables families to withstand the crises and challenges of serious pediatric illness. Chai Lifeline has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been held to be a publicly supported organization, and not a private foundation under Section 509(a).

Chai Lifeline is supported primarily by contributions and special event revenues.

Chai Lifeline is affiliated with American Friends of Chaiyanu, Inc. (“AFOC”). The majority of the Board of Directors of AFOC is comprised of members of Chai Lifeline’s executive staff. In 2014, Chai Lifeline provided grants of \$332,425 to AFOC.

In addition, Chai Lifeline provided supportive and administrative services to Congregation Chai Lifeline (“Congregation”) of \$254,457 for 2014.

The major programs and services of Chai Lifeline consist of the following:

- **CAMP SIMCHA**

Camp Simcha, established in 1987, provides a medically supervised summer overnight camp vacation to children and teens with cancer and other blood-related illnesses. Its sister camp, Camp Simcha Special, was the first overnight camp designed to meet the medical and social needs of children and teens with multiple chronic medical conditions and disabilities.

Each camp runs two sessions of approximately two weeks each at our 125-acre, fully handicapped accessible campground in Glen Spey, New York. Activities include adapted sports, swimming, boating, crafts, workshops and special events like concerts, shows, motorcycle and helicopter rides.

The camp environment facilitates friendships with peers and counselors and encourages campers to stretch their emotional, social and physical boundaries. Children return home with new skills, higher self-esteem and confidence, and the tools and courage to continue to fight adversity.

Children served in 2014: 457

Staff to camper ratio in 2014: 2:1

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CHAI LIFELINE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 1 - NATURE OF ENTITY (continued)****• HOSPITAL AND HOME-BASED SERVICES**

1. *Case management/patient navigation.* Case managers provide ongoing emotional support and are the portal to all Chai Lifeline services. They identify needs and look for internal and external resources to assure the family's well-being.

3,923 children and 4,341 families served.

2. *Volunteer support.* Trained Chai Lifeline volunteers visit hospitals to cheer the spirits of children and provide support to parents. Some volunteers sleep in the hospital so parents can tend to their families and their own needs. Volunteers also visit children's homes, bringing joy to ill children and their siblings and enabling parents to focus on other needs.

5,639 volunteers visited children and brought respite to parents in 2014.

3. *Transportation assistance.* Lack of transportation has been directly related to inadequate treatment compliance. Chai Lifeline offers families a comfortable, reliable source of door-to-door transportation to medical appointments.

27,172 rides provided in 2014.

4. *Meal support.* Illness can diminish a patient's appetite, particularly if the food is unfamiliar or unappealing. Many parents refuse to leave their child's bedside, even for meals. Chai Lifeline delivers nutritious, tasty meals for patients and caregivers to hospital rooms, works with hospitals to create dedicated kosher pantries where parents can access snacks for themselves and their children without leaving the hospital, and delivers meals to homes when a child is homebound.

48,313 meals served in 2014.

5. *Insurance advocacy.* Insurance advocates help families understand their coverage, fight denials and turndowns, and complete paperwork accurately.

535 hours of insurance advocacy provided to 222 families.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - NATURE OF ENTITY (continued)

- **HOSPITAL AND HOME-BASED SERVICES (continued)**

6. *Advocacy, information, and referrals.* Chai Lifeline professionals offer information, consultations, links to online resources, referrals to agencies providing additional services, and help securing timely appointments with appropriate physicians.

10,568 referrals, links to online resources, and advocacy contacts helped 1,818 families find the resources they needed.

7. *Chai House.* Chai Lifeline maintains a three-bedroom apartment only a few blocks away from The Children's Hospital of Philadelphia. Up to three families can use the fully stocked apartment simultaneously.

567 family overnight visits to Chai House in 2014.

- **FAMILY AND COMMUNITY PROGRAMS**

- **Family Programs and Services**

1. *Big Brothers/Big Sisters.* Big Brothers and Big Sisters are mentors and friends to seriously ill children and their siblings.

790 Big Brothers and Big Sisters made life brighter for our children.

2. *Recreational activities.* Recreational activities for children, siblings, parents, and families give participants a chance to escape the routines of illness, make friends, and offer and receive peer support.

253 recreational programs impacted thousands of children in 2014.

3. *Holiday parties and family days.* Holiday parties enable families to celebrate together with peers and Chai Lifeline friends. Family days, held in amusement parks and other venues, are days of fun for new and veteran families.

40 family days and holiday parties gave 23,800 children and families a chance to be together during 2014.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - NATURE OF ENTITY (continued)

- **FAMILY AND COMMUNITY PROGRAMS (continued)**

Family Programs and Services (continued)

4. *Sibling activities.* Special programs for siblings help brothers and sisters find friendship among others living with illness and express the often-conflicting but normal emotions of being a sibling of an ill child.

1,248 sibling activities enabled brothers and sisters to connect to peers.

5. *Counseling.* Professional counseling helps families return to the level of previous levels of functioning. Options include individual and family counseling and telephone support groups for mothers or fathers of sick or deceased children.

1,897 hours of counseling assisted children and parents as they struggled through pediatric illness.

Trips

1. *Wish at the Wall.* This annual trip for teens who have completed cancer treatment or who can successfully manage their chronic illnesses during an intensive, ten-day trip to Israel is a symbol of autonomy and success over sickness for young adults who have navigated the shoals of life-threatening or chronic disease.

26 teens and parents had a special experience at 2014 Wish at the Wall.

2. *Trip to Disney World.* Every year Chai Lifeline brings a group of children on active treatment for cancer to Orlando for four days of delight. Accompanied by volunteer counselors and medical staff, the children are treated as VIPs at Orlando theme parks. They return home happy and armed with new friends who will help them fight despair and loneliness during the months of painful treatments.

35 very sick children enjoyed every minute of their 2014 Disney World trip.

3. *Teen trips.* Peer travel is usually impossible for chronically ill teens. Teen trips organized by groups of volunteers with professionals enable teens with physical limitations to visit Niagara Falls, Canada, upstate New York, and Washington, DC.

110 teens had a great time during 4 teen travel adventures in 2014.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - NATURE OF ENTITY (continued)

• FAMILY AND COMMUNITY PROGRAMS (continued)

Retreats

Chai Lifeline's active retreat program provides sustained peer and professional support for selected groups of clients and/or families.

1. *National Winter Retreat.* Chai Lifeline's major annual retreat, the Winter Retreat, helps parents and young patients cope with the challenges of their lives.
2. *Bereavement retreats.* Bereavement retreats offer grieving parents a chance to share their emotions in an intensely personal and supportive environment. Parents learn from one another as they share strategies for coping with loss and continuing to live full lives.
3. *Mothers' retreats.* Mothers come together for one to three days of rest, relaxation, and renewal. These programs allow them to focus on themselves instead of others, engage them in fun and activity, encourage friendships, and offer ideas for maintaining their focus during difficult times.
4. *Family Center.* Located on the Camp Simcha campus, the Family Center hosts smaller groups of families throughout the fall, winter, and spring months.
5. *Friends 'n Fun (Community) weekends.* Friends 'n Fun weekends give sick children a taste of the fun and camaraderie of Camp Simcha/Camp Simcha Special, and bring the totality of pediatric illness to communities and their leadership.
6. *Sibling retreats.* Designed to meet the social and emotional needs of children living with illness in their homes, sibling weekends take brothers and sisters out of their environment and into an atmosphere of friendship and camaraderie.
7. *River Retreat.* The River Retreat is a single-family retreat center in a semi-rural area of northern New Jersey. The Center offers families a comfortable home in the midst of outdoor recreational facilities and time away from lives that revolve around illness, treatment, or disability. Families can spend up to a week resting, enjoying the area, and gaining strength to continue to confront the pain and isolation of illness.

2,855 lives were changed by retreat programs in 2014.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - NATURE OF ENTITY (continued)

- **FAMILY AND COMMUNITY PROGRAMS (continued)**

Educational Support

1. *After-school activities.* After-school programs give children living with illness or loss in their homes a safe, fun environment that helps them overcome loneliness and sorrow. After-school centers are currently operating in Nassau County, NY (i-Shine); Teaneck, NJ (i-Shine); Brooklyn, NY (i-Shine); Chicago, IL (MY Kids); and Toronto, CA (Super Stars).

350 children spent 13,567 hours in a safe environment and fun place to go after school.

2. *Webcam connections.* Webcam connections between school and homebound or hospitalized students enable children to maintain critically important school-based relationships.
3. *Laptop loans.* Chai Lifeline makes laptop computers or tablet and keyboard combinations available to children who need them for school work. Homebound or hospitalized students can receive schoolwork and send completed assignments back to teachers, interact via Skype with friends, and even read textbooks online.
4. *Tutoring.* Personalized tutoring in specific subjects helps children remain on grade level and prepares them for their return to the classroom.

More than 681 hours of educational support eased the way back to school for children incapacitated by illness in 2014.

Crisis Intervention Services

Project CHAI, Chai Lifeline's crisis intervention program, has become the "go-to" group when a child or young parent passes suddenly. The group's multi-layered approach includes working with schools, community organizations, and community leadership to help children and adults cope with the shock, sadness, and horror of unforeseen and tragic events.

1. *Schools.* Working together with principals, mental health staff and teachers, Project CHAI teams help children impacted by a diagnosis of life-threatening illness or death share their feelings, plan for a classmate's return to the classroom, and/or create appropriate memorials.

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CHAI LIFELINE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 1 - NATURE OF ENTITY (continued)**

- **FAMILY AND COMMUNITY PROGRAMS (continued)**

- **Crisis Intervention Services (continued)**

2. *Community.* Project CHAI programs inside communities offer unprecedented support for close-knit communities reeling from untimely death. Team members meet with affected family members and work with community leadership to arrange symposia that provide tools for parents to explain and comfort children of all ages.
3. *Professional consultations.* Project CHAI leadership consult with community leaders in times of tragedy and untimely death, educating them and supporting their efforts to offer comfort and direction to schools, synagogues, and community groups.
4. *First responder training.* Project CHAI first responder training enables community leadership to respond immediately in times of crisis or untimely death. To date, eight first responder teams have been trained in communities across North America.

218 Project CHAI workshops and programs in schools and community organizations directly impacted the lives of 2,565 children and adults in 2014. The “ripple effect” of these interventions, as children learn how to cope with sadness and adults reach other peers and professionals means that the effect is multiplied several times.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents include certain investments in highly liquid instruments with original maturities, when acquired, of three months or less.

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CHAI LIFELINE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Certificates of deposit - Certificates of deposit with maturities greater than three months when originally acquired are considered investments for cash flow purposes.

Investments - Investments are recorded at fair value. Fair value for limited partnerships is determined by the investment manager. Chai Lifeline invests in various types of investment securities. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could affect the amounts reported in Chai Lifeline's financial statements.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those 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 contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Allowance for doubtful accounts - Chai Lifeline determines whether an allowance should be provided for uncollectible receivables. Factors used to determine whether an allowance should be recorded include the age of the receivable, a review of payments subsequent to year end and current economic conditions. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of December 31, 2014, Chai Lifeline had \$928,511 recorded as allowance for doubtful accounts.

Fixed assets - Fixed assets are stated at cost and depreciated or amortized on the straight-line method over their estimated useful lives. Items with costs in excess of \$2,500 with estimated useful lives of more than one year are capitalized. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the term of the lease or the estimated useful life of the improvement.

Unrestricted net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

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CHAI LIFELINE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Temporarily and permanently restricted net assets - Temporarily restricted net assets are those whose use by Chai Lifeline has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Chai Lifeline in perpetuity.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

In-kind contributions - In-kind contributions, including services and merchandise, are recorded at fair value at the date of donation. Donated services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation.

Rent expense - Rent is expensed on the straight-line basis over the term of the lease. Deferred rent is recorded where there are material differences between the fixed payment and the rent expense.

Advertising - Advertising costs are expensed when incurred.

Functional allocation of expenses - The costs of providing Chai Lifeline's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Chai Lifeline has the ability to access. Level 2 inputs to the valuation methodology include:

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CHAI LIFELINE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements (continued)***

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2014, as compared to that used at December 31, 2013.

Limited partnership - Valued at the NAV of shares held at year end as determined by asset managers.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Chai Lifeline believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Uncertainty in income taxes - Chai Lifeline has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2011 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through April 13, 2015, which is the date the financial statements were available to be issued.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 3 - INVESTMENTS

The following are investments held at December 31, 2014 by fair value level:

	<u>Level 3</u>
Limited partnership	\$ <u>447,122</u>
Total assets at fair value	\$ <u>447,122</u>

Investment income as of December 31, 2014 was as follows:

Interest and dividends	\$ 331
Realized gains	11,897
Unrealized losses	(3,197)
Investment management fees	<u>(10,227)</u>
Total investment income (loss)	\$ <u>(1,196)</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Level 3 assets for the year ended December 31, 2014:

	<u>Limited Partnership</u>
Balance, beginning of year	\$ 263,550
Unrealized losses relating to instruments still held at the reporting date	(3,197)
Purchases	423,646
Sales	(226,654)
Investment management fees	<u>(10,223)</u>
Balance, end of year	\$ <u>447,122</u>
The amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	\$ <u>(3,197)</u>

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 3 - INVESTMENTS (continued)

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnership	\$ 447,122	None	Monthly	30 days

Limited partnership - The Fund's primary investment strategy is to identify (1) companies that the Investment Manager believes are growing faster than average with upside to their valuations, and (2) overvalued companies that the Investment Manager believes will experience a slowdown in revenue and/or growth.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Chai Lifeline received promises to give for its various campaigns. These contributions have been discounted over the payment period using a discount rate of 5%. Contributions receivable are due as follows:

Less than one year	\$ 2,988,755
One to five years	<u>90,050</u>
	3,078,805
Less allowance for doubtful accounts	(928,511)
Less discount to present value	<u>(4,402)</u>
	<u>\$ 2,145,892</u>

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 5 - FIXED ASSETS

		<u>Estimated Useful Life</u>
Land	\$ 1,720,362	
Building and improvements	13,932,953	15-40 years
Computers	997,319	3-5 years
Furniture and equipment	1,086,306	5-7 years
Construction in progress	<u>144,697</u>	
	17,881,637	
Less accumulated depreciation and amortization	<u>(5,923,805)</u>	
	<u>\$ 11,957,832</u>	

NOTE 6 - IN-KIND CONTRIBUTIONS

Chai Lifeline received donated items for the holiday toy drive and annual auction. Donated goods in the amount of \$39,368 are included in materials and supplies on the statement of functional expenses.

Chai Lifeline received donated services consisting primarily of physicians and medics. These donated services have been valued at the standard market rates that would have been incurred by Chai Lifeline had they not been donated and are reported as both revenue and expense in the accompanying financial statements because they meet the criteria as prescribed by accounting principles generally accepted in the United States of America. The value of the donated volunteer hours for the year ended December 31, 2014 amounted to \$374,820, and is included in professional fees on the statement of functional expenses.

Chai Lifeline volunteers provided transportation services to the clients of Chai Lifeline. While these services are not reflected in these financial statements, since the services provided do not meet the criteria for recognition under *Generally Accepted Accounting Principles* (ASC Topic 958-605-25-16), the related mileage at the IRS allowable rate and tolls paid of \$91,158 for the year ended December 31, 2014 are recognized within transportation and lodging on the statement of functional expenses.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 7 - LONG-TERM DEBT

A. Mortgage payable - Wells Fargo Bank. The mortgage is payable in monthly installments of \$7,514. The mortgage bears interest at 7.86% and matures in September 2017 with a balloon payment of \$627,136 due at maturity. The mortgage is collateralized by the River Retreat in Mahwah, NJ.	\$ 719,907
B. Mortgage payable - Sterling National Bank. In 2014, the mortgage was refinanced to pay off \$1,000,000 outstanding on a line of credit (Note C). The mortgage is payable in monthly installments of \$15,687. The mortgage bears interest at 5.5% and matures in February 2019 with a balloon payment of \$1,925,969 due at maturity. The mortgage is collateralized by the Camp Simcha campgrounds in Glen Spey, NY.	2,212,949
C. Line of credit - Sterling National Bank. A line of credit of up to \$2,250,000 is available through January 31, 2015 and bears interest at .5% above the bank's base rate, which is 5.5% as of December 31, 2014. The line is secured by the Camp Simcha campgrounds in Glen Spey, NY, as well as \$100,000 of cash equivalents (certificates of deposit) held with the bank.	
Subsequent to year end, the line of credit was extended to October 31, 2015 and increased to \$2,500,000. The new agreement requires an additional \$400,000 of certificates of deposit held as collateral, and utilizes the existing interest rate.	<u>3,000</u>
	<u>\$ 2,935,856</u>

The aggregate amount of required minimum annual principal payments on loans payable is:

2015	\$ 103,558
2016	106,679
2017	723,552
2018	78,599
2019	<u>1,923,468</u>
	<u>\$ 2,935,856</u>

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CHAI LIFELINE, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 8 - CONCENTRATIONS**

Financial instruments which potentially subject Chai Lifeline to a concentration of credit risk are cash accounts with a financial institution in excess of FDIC insurance limits.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Chai Lifeline leases office and program space under various noncancelable leases expiring between 2015 and 2019. Rent expense for the year ended December 31, 2014 was \$395,004. Future minimum aggregate annual rental payments are as follows:

2015	\$	231,786
2016		229,791
2017		198,538
2018		202,357
2019		<u>50,960</u>
	\$	<u>913,432</u>

NOTE 10 - PENSION PLAN

Chai Lifeline maintains a defined contribution pension plan on behalf of its employees. Employees may contribute to this plan up to the maximum permitted by law. Chai Lifeline matches each employee's contribution, up to a maximum 3% of gross compensation. Employer contributions amounted to \$97,665 for the year ended December 31, 2014.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Credit line collateral	\$	100,000
Moving On: Transition program		75,000
Komen grant		19,729
Family subsidies		174,712
Time restrictions		<u>94,869</u>
	\$	<u>464,310</u>

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS (continued)

During the year, temporarily restricted net assets were released from restriction by satisfying donor stipulations as follows:

Komen grant	\$ 44,599
Family subsidies	397,702
Time restrictions	<u>70,720</u>
	<u>\$ 513,021</u>

NOTE 12 - ENDOWMENT FUNDS AND PERMANENTLY RESTRICTED NET ASSETS**General**

Chai Lifeline's permanently restricted net assets consist of endowment fund assets to be held in perpetuity. The income from the assets can be used to support Chai Lifelines's general activities.

As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Chai Lifeline has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. Chai Lifeline is governed by the NYPMIFA spending policy, which establishes a standard maximum spending limit of 7%, except where specifically directed by the donor. As a result of this interpretation, Chai Lifeline classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 12 - ENDOWMENT FUNDS AND PERMANENTLY RESTRICTED NET ASSETS
(continued)**Return Objectives and Strategies Employed**

The objective of Chai Lifeline is to grow the principal endowment funds and to provide a predictable stream of funding to programs supported by its endowment. The investment policy to achieve this objective is to invest a limited partnership. Investment income earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon appropriation by the Board of Directors.

Funds with Deficiencies

Chai Lifeline does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

The endowment net asset composition was:

Permanently restricted		
General operations		\$ <u>699,669</u>
Temporarily restricted		
Unappropriated accumulation of investment income on endowments		\$ <u>9,221</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 24,298	\$ 200,000	\$ 224,298
Contributions		499,669	499,669
Gains on investments	8,700		8,700
Investment expenses	(10,227)		(10,227)
Appropriations for expenditure	<u>(13,550)</u>		<u>(13,550)</u>
Endowment net assets, end of year	\$ <u>9,221</u>	\$ <u>699,669</u>	\$ <u>708,890</u>