

**CHAI LIFELINE, INC.**  
**FINANCIAL STATEMENTS**  
**AND AUDITOR'S REPORT**  
**DECEMBER 31, 2016**

**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, 2016, 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, 2016, 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.

***Report on Summarized Comparative Information***

We have previously audited Chai Lifeline, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb + Troper LLP*

March 20, 2017

## CHAI LIFELINE, INC.

## BALANCE SHEET

DECEMBER 31, 2016

(With Summarized Financial Information for December 31, 2015)

ASSETS	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 613,217	\$ 523,517
Certificates of deposit	42,187	
Investments (Note 3)	6,080	4,529
Contributions receivable - net (Note 4)	4,044,051	3,174,108
Other receivables	13,152	182,000
Prepaid expenses	<u>106,957</u>	<u>156,192</u>
Total current assets	4,825,644	4,040,346
Certificates of deposit	490,682	508,155
Investments (Note 3)	220,835	212,644
Contributions receivable (Note 4)	281,471	138,246
Security deposits	44,054	40,694
Fixed assets - net (Note 5)	<u>13,379,409</u>	<u>12,775,254</u>
Total assets	<u>\$ 19,242,095</u>	<u>\$ 17,715,339</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,404,897	\$ 2,245,295
Credit line payable (Note 8)	696,043	700,000
Current portion of capital lease obligation (Note 9)	8,984	
Current portion of long-term debt (Note 7)	<u>398,269</u>	<u>295,163</u>
Total current liabilities	3,508,193	3,240,458
Long-term liabilities		
Capital lease obligation (Note 9)	22,580	
Long-term debt (Note 7)	<u>4,331,780</u>	<u>3,410,194</u>
Total liabilities	<u>7,862,553</u>	<u>6,650,652</u>
Net assets (Exhibit B)		
Unrestricted	10,088,498	9,962,001
Temporarily restricted (Note 13)	579,527	391,169
Permanently restricted (Note 14)	<u>711,517</u>	<u>711,517</u>
Total net assets	<u>11,379,542</u>	<u>11,064,687</u>
Total liabilities and net assets	<u>\$ 19,242,095</u>	<u>\$ 17,715,339</u>

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, 2016  
(With Summarized Financial Information  
for the Year Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Revenues and gains					
Contributions	\$ 8,466,449	\$ 281,193		\$ 8,747,642	\$ 8,130,173
Legacies and bequests	39,772			39,772	586,952
Special events income (including dinners, bike-a-thons, swim-a-thons, and marathons)	\$ 15,894,714				
Less direct costs	<u>(5,407,037)</u>	10,487,677		10,487,677	9,077,098
In-kind contributions (Note 6)	612,966			612,966	696,666
Investment income (loss) - net (Note 3)	(28)	30,656		30,628	10,612
Miscellaneous income	18,648			18,648	263,675
Net assets released from restriction (Note 13)	<u>123,491</u>	<u>(123,491)</u>			
Total revenues and gains	<u>19,748,975</u>	<u>188,358</u>		<u>19,937,333</u>	<u>18,765,176</u>
Expenses (Exhibit C)					
Program services					
Camp Simcha	5,369,911			5,369,911	5,213,682
Hospital and home based services	3,488,967			3,488,967	3,284,903
Family and community programs	6,948,431			6,948,431	6,620,779
Grants to others	<u>490,191</u>			<u>490,191</u>	<u>464,571</u>
Total program services	<u>16,297,500</u>			<u>16,297,500</u>	<u>15,583,935</u>

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CHAI LIFELINE, INC.

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016  
(With Summarized Financial Information  
for the Year Ended December 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Expenses (Exhibit C) (continued)					
Supporting services					
Management and general	\$ 1,727,564			\$ 1,727,564	\$ 1,851,963
Fund raising	<u>1,597,414</u>			<u>1,597,414</u>	<u>1,818,995</u>
Total supporting services	<u>3,324,978</u>			<u>3,324,978</u>	<u>3,670,958</u>
Total expenses	<u>19,622,478</u>			<u>19,622,478</u>	<u>19,254,893</u>
Change in net assets (Exhibit D)	126,497	\$ 188,358		314,855	(489,717)
Net assets - beginning of year	<u>9,962,001</u>	<u>391,169</u>	\$ 711,517	<u>11,064,687</u>	<u>11,554,404</u>
Net assets - end of year (Exhibit A)	<u>\$ 10,088,498</u>	<u>\$ 579,527</u>	<u>\$ 711,517</u>	<u>\$ 11,379,542</u>	<u>\$ 11,064,687</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016  
(With Summarized Financial Information  
for the Year Ended December 31, 2015)

	Program Services				Supporting Services			Total		
	Camp Simcha	Hospital and Home Based Services	Family and Community Programs	Grants to Others	Total	Management and General	Fund Raising	Direct Cost of Special Events	2016	2015
Salaries	\$ 1,490,932	\$ 1,642,497	\$ 3,186,143		\$ 6,319,572	\$ 822,299	\$ 617,739	\$ 355,619	\$ 8,115,229	\$ 8,206,658
Payroll taxes and employee benefits	347,593	382,459	741,858		1,471,910	214,798	144,019	82,908	1,913,635	1,655,134
Professional fees (Note 6)	712,334	129,770	105,160		947,264	138,051	24,050	594,211	1,703,576	1,740,804
Advertising and promotions	600	12,636	29,713		42,949	3,458	138,257	437,255	621,919	183,757
Supplies and materials (Note 6)	374,262	90,395	366,130		830,787	77,192	19,980	387,377	1,315,336	1,009,846
Printing and postage	13,959	41,678	154,791		210,428	30,454	256,695	180,841	678,418	660,748
Communications	45,507	51,560	171,825		268,892	42,808	31,939	4,227	347,866	363,169
Fees, dues and licenses	16,412	931	23,661		41,004	25,232	4,276	5,302	75,814	38,583
Repairs and maintenance	275,618	54,932	44,997		375,547	59,127	2,752		437,426	578,526
Information technology	5,007	27,953	59,887		92,847	14,641	129,480	37,184	274,152	275,605
Occupancy (Note 11)	261,071	173,939	396,887		831,897	119,605	20,782	338,110	1,310,394	780,718
Transportation and lodging (Note 6)	425,549	402,556	300,666		1,128,771	49,245	48,592	1,327,705	2,554,313	2,327,972
Interest	209,125		31,609		240,734	33,977			274,711	273,734
Insurance	161,894	3,961	12,548		178,403	13,401	299	5,397	197,500	146,469
Food services	454,629	400,233	468,855		1,323,717	14,283	11,453	1,094,417	2,443,870	2,148,227
Events and entertainment	99,031	5,659	199,935		304,625	36	41,009	337,591	683,261	1,112,174
Data processing fees							84,145	193,697	277,842	194,965
Grants to other organizations (Note 1)				\$ 490,191	490,191				490,191	464,571
Family subsidies			516,218		516,218				516,218	409,871
Depreciation and amortization	475,612	65,590	133,130		674,332	62,890	15,129		752,351	740,392
Miscellaneous	776	2,218	4,418		7,412	6,067	6,818	25,196	45,493	23,692
	5,369,911	3,488,967	6,948,431	490,191	16,297,500	1,727,564	1,597,414	5,407,037	25,029,515	23,335,615
Direct cost of special events								(5,407,037)	(5,407,037)	(4,080,722)
Total expenses per Exhibit B	\$ 5,369,911	\$ 3,488,967	\$ 6,948,431	\$ 490,191	\$ 16,297,500	\$ 1,727,564	\$ 1,597,414	\$ -	\$ 19,622,478	\$ 19,254,893

See independent auditor's report.

The accompanying notes are an integral part of these statements.



## CHAI LIFELINE, INC.

## STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 314,855	\$ (489,717)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	752,351	740,392
Gains on investments	(8,163)	(10,522)
Contributions restricted to long-term investments		(11,848)
Decrease (increase) in assets		
Contributions receivable	(1,013,168)	(1,166,462)
Other receivables	168,848	(182,000)
Prepaid expenses	49,235	59,874
Security deposits	(3,360)	
Increase in liabilities		
Accounts payable and accrued expenses	159,602	346,868
Net cash provided (used) by operating activities	<u>420,200</u>	<u>(713,415)</u>
Cash flows from investing activities		
Purchase of investments	(51,796)	(170,442)
Proceeds from sales of investments	25,503	255,909
Fixed asset acquisitions	(1,318,034)	(1,557,814)
Net cash used by investing activities	<u>(1,344,327)</u>	<u>(1,472,347)</u>
Cash flows from financing activities		
Proceeds from permanently restricted contributions		11,848
Principal payments to line of credit	(3,596,070)	(2,360,471)
Proceeds from line of credit	3,592,113	3,057,471
Principal payments to capital lease obligation	(6,908)	
Principal payments on long-term debt	(972,059)	(227,499)
Proceeds from long-term debt	1,996,751	1,000,000
Net cash provided by financing activities	<u>1,013,827</u>	<u>1,481,349</u>
Net change in cash and cash equivalents	89,700	(704,413)
Cash and cash equivalents - beginning of year	<u>523,517</u>	<u>1,227,930</u>
Cash and cash equivalents - end of year	<u>\$ 613,217</u>	<u>\$ 523,517</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 274,711</u>	<u>\$ 273,734</u>
Fixed asset acquisitions financed through capital leases	<u>\$ 38,472</u>	<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, 2016**

**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.

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.

**CHAI LIFELINE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****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.
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.
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.
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.
5. *Insurance advocacy.* Insurance advocates help families understand their coverage, fight denials and turndowns, and complete paperwork accurately.
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.
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.

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## NOTE 1 - NATURE OF ENTITY (continued)

## • 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.
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.
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.
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.
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.

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.
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.
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.

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## 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.

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## 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. i-Shine after-school centers are currently operating in Nassau, Rockland and Orange Counties in NY; Teaneck, NJ; Brooklyn, NY; Los Angeles, CA; and Chicago, IL. In addition, Chicago, IL has a second program specifically for siblings (MY Kids).
2. *Tablet loans.* Chai Lifeline makes tablets available so that homebound or hospitalized students can receive schoolwork and send completed assignments back to teachers, interact via Skype with friends, and read textbooks online.
3. *Tutoring.* Personalized tutoring in specific subjects helps children remain on grade level and prepares them for their return to the classroom.

**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.
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.

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## NOTE 1 - NATURE OF ENTITY (continued)

## • GRANTS TO OTHERS

Chai Lifeline is affiliated with American Friends of Chaiyanu, Inc. (“AFOC”). The majority of the Board of Directors of AFOC comprises members of Chai Lifeline’s executive staff. In 2016, Chai Lifeline provided grants of \$286,972 to AFOC.

Chai Lifeline provided supportive and administrative services to Congregation Chai Lifeline (“Congregation”) of \$106,049 for 2016.

Chai Lifeline provided financial assistance to Chai Lifeline Antwerp and Chai Lifeline Children’s Fund of \$7,858 and \$89,312, respectively, in 2016.

## 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.

***Summarized financial information*** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Chai Lifeline’s financial statements for the year ended December 31, 2015, from which the summarized information was derived.

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

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

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investments** - Investments are recorded at fair value. 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.

**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.

**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.

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Leases** - Leases are classified as operating or capital leases in accordance with the terms of the underlying agreements. Capital leases are recorded at the lower of the fair market value of the assets or the present value of the minimum lease payments and are amortized over the lease term or estimated useful life of the assets, whichever is shorter, unless the lease provides for transfer of title or includes a bargain purchase option, in which case the lease is amortized over the estimated useful life of the asset. Operating lease payments are charged to rental expense. Rent expense is recorded on the straight-line basis. 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:

-continued-

## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## 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 methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016, as compared to those used at December 31, 2015.

**Common stock** - Valued at the closing price recorded on the active market on which the individual securities are traded.

**Limited partnership** - Valued at the net asset value (NAV) of shares held at year end as determined by asset managers.

The methods 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 methods are 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, 2013 and subsequent remain subject to examination by applicable taxing authorities.

**Subsequent events** - Subsequent events have been evaluated through March 20, 2017, which is the date the financial statements were available to be issued.

**Reclassification** - Security deposits for 2015 have been reclassified as noncurrent assets to conform with current year presentation.

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## NOTE 3 - INVESTMENTS

The following are investments held at December 31, 2016 by fair value level:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 5,972		\$ 5,972
Limited partnership		\$ 220,835	220,835
Total assets reported on the fair value hierarchy	<u>\$ 5,972</u>	<u>\$ 220,835</u>	226,807
Cash equivalent			<u>108</u>
Total investments			<u>\$ 226,915</u>

Investment income as of December 31, 2016 was as follows:

Interest and dividends	\$ 22,465
Realized loss	(1,830)
Unrealized gains	<u>9,993</u>
Total investment income	<u>\$ 30,628</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, 2016:

	<b><u>Limited Partnership</u></b>
Balance, beginning of year	\$ 212,644
Unrealized gains relating to instruments still held at the reporting date	<u>8,191</u>
Balance, end of year	<u>\$ 220,835</u>
The amount of total gains for the period included in changes in net assets attributable to the change in unrealized gains relating to assets still held at the reporting date	<u>\$ 8,191</u>

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

**NOTE 3 - INVESTMENTS (continued)**

The following table summarizes investments measured at fair value using NAV as a practical expedient as of December 31, 2016:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnership	\$ <u>220,835</u>	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:

Current and due within one year	\$ 4,810,368
Due in one to five years	<u>304,300</u>
	5,114,668
Less allowance for doubtful accounts	(766,317)
Less discount to present value	<u>(22,829)</u>
	\$ <u>4,325,522</u>

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## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

## NOTE 5 - FIXED ASSETS

		<u>Estimated Useful Life</u>
Land	\$ 1,821,854	
Land improvements	1,030,339	25 years
Building and improvements	15,338,672	15-40 years
Leasehold improvements	20,373	3 years
Computers and technology	1,272,974	3-5 years
Leased equipment	38,472	3-7 years
Furniture and equipment	<u>1,273,273</u>	5-7 years
	20,795,957	
Accumulated depreciation - leased equipment	(853)	
Accumulated depreciation and amortization	<u>(7,415,695)</u>	
	<u>\$ 13,379,409</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 \$146,666 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, 2016 amounted to \$389,450, 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* (GAAP) (ASC Topic 958-605-25-16), the related mileage at the IRS allowable rate and tolls paid by the volunteers of \$76,850 for the year ended December 31, 2016 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, 2016**

**NOTE 7 - LONG-TERM DEBT**

A. Mortgage payable - Sterling National Bank. In 2016, Chai Lifeline refinanced an existing mortgage held with Sterling National Bank and drew additional funds to fully pay off a mortgage with Wells Fargo Bank and pay down its credit line payable. The new mortgage is payable in monthly installments over five years. The mortgage bears interest at 3.99% and matures in August 2021 with a balloon payment of \$3,130,245 due at maturity, or a 5-year extension option. The mortgage is collateralized by the Camp Simcha campgrounds in Glen Spey, NY.	\$ 3,761,045
B. Note payable - Signature Bank. The \$800,000 note is payable in monthly installments of \$14,681. The note bears interest at 4%, and matures in March 2020. The note is collateralized by equipment at Camp Simcha campgrounds in Glen Spey, NY.	536,188
C. Note payable - Signature Bank. The \$200,000 note is payable in monthly installments of \$3,682. The note bears interest at 4%, and matures in November 2020. The note is collateralized by equipment at Camp Simcha campgrounds in Glen Spey, NY.	159,967
D. Note payable - Signature Bank. The \$308,844 note is payable in monthly installments of \$6,972. The note bears interest at 4%, and matures in June 2020. The note is collateralized by equipment at Camp Simcha campgrounds in Glen Spey, NY.	<u>272,849</u>
	<u>\$ 4,730,049</u>

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

2017	\$ 398,269
2018	414,850
2019	431,078
2020	268,807
2021	<u>3,217,045</u>
	<u>\$ 4,730,049</u>

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**CHAI LIFELINE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****NOTE 8 - CREDIT LINE PAYABLE**

Chai Lifeline maintains a revolving \$2,500,000 line of credit with Sterling National Bank expiring on July 31, 2017. The line bears interest at .5% above the prime rate, which is 4.25% as of December 31, 2016. The line is secured by the River Retreat in Mahwah, NJ. The balance drawn on the line of credit as of December 31, 2016 was \$696,043.

**NOTE 9 - CAPITAL LEASES**

Chai Lifeline finances certain purchases of fixed assets under variable terms, with capital lease payments required through March of 2021. Future noncancelable lease payments are due as follows:

2017	\$	11,779
2018		11,779
2019		6,597
2020		6,127
2021		<u>1,532</u>
Total lease payments (undiscounted)		37,814
Less amount representing interest		<u>(6,250)</u>
Present value of new lease payments		<u>\$ 31,564</u>

**NOTE 10 - 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.

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**CHAI LIFELINE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****NOTE 11 - COMMITMENTS AND CONTINGENCIES**

Chai Lifeline leases office and program space under various noncancelable leases expiring between 2017 and 2021. Rent expense for the year ended December 31, 2016 was \$524,376. Future minimum aggregate annual rental payments are as follows:

2017	\$ 256,892
2018	249,113
2019	97,644
2020	40,697
2021	<u>27,375</u>
	\$ <u>671,721</u>

**NOTE 12 - 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 \$109,195 for the year ended December 31, 2016.

**NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

Family subsidies	\$ 298,056
Future periods	<u>281,471</u>
	\$ <u>579,527</u>

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

Komen grant	\$ 11,091
Lapse of time restrictions	<u>112,400</u>
	\$ <u>123,491</u>

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**CHAI LIFELINE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2016****NOTE 14 - ENDOWMENT FUNDS AND PERMANENTLY RESTRICTED NET ASSETS****General**

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

As required by 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 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.

**Return Objectives and Strategies Employed**

The objective of Chai Lifeline is to maintain the principal endowment funds while providing a stream of funding to programs supported by its endowment. The investment policy to achieve this objective is to invest in a limited partnership as well as certificates of deposit. 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.

## CHAI LIFELINE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 14 - ENDOWMENT FUNDS AND PERMANENTLY RESTRICTED NET ASSETS  
(continued)*Endowment Net Asset Composition by Type of Fund as of December 31, 2016*

The endowment net asset composition was:

Permanently restricted	
General operations	\$ <u>711,517</u>

*Changes in Endowment Net Assets for the Year Ended December 31, 2016*

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 711,517	\$ 711,517
Interest and dividends	22,465	-	22,465
Gains on investments	8,191	-	8,191
Appropriations for expenditure	<u>(30,656)</u>	<u>-</u>	<u>(30,656)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 711,517</u>	<u>\$ 711,517</u>