Chai Lifeline, Inc.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2018

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Chai Lifeline, Inc.
New York, NY

We have audited the accompanying financial statements of Chai Lifeline, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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.

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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, 2018, and the changes in their net assets, functional expenses, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Roth & Company LLP

Roth & Company LLP
Brooklyn, New York
August 13, 2019

Chai Lifeline, Inc.
Statement of Financial Position
December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 952,180	$ -	$ 952,180
Contributions receivable, net	4,246,742	-	4,246,742
Other receivables	65,398	-	65,398
Prepaid expenses	154,570	-	154,570
TOTAL CURRENT ASSETS	5,418,890	-	5,418,890
FIXED ASSETS			
Land	1,821,854	-	1,821,854
Buildings and improvements	18,862,663	-	18,862,663
Furniture, fixtures and equipment	1,795,518	-	1,795,518
Computers and technology	1,476,786	-	1,476,786
Total fixed assets	23,956,821	-	23,956,821
Accumulated depreciation	(9,288,437)	-	(9,288,437)
NET FIXED ASSETS	14,668,384	-	14,668,384
OTHER ASSETS			
Certificates of deposit	11,474	250,000	261,474
Contributions receivable - long-term, net	408,552	-	408,552
Investments	23,678	461,517	485,195
Investment in real estate	788,000	-	788,000
Security deposit	44,749	-	44,749
TOTAL OTHER ASSETS	1,276,453	711,517	1,987,970
TOTAL ASSETS	$ 21,363,727	$ 711,517	$ 22,075,244

Chai Lifeline, Inc.
Statement of Financial Position
December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 2,465,871	$ -	$ 2,465,871
Accrued expenses	190,980	-	190,980
Capital lease obligations, current portion	29,384	-	29,384
Long-term debt, current portion	788,824	-	788,824
TOTAL CURRENT LIABILITIES	3,475,059	-	3,475,059
LONG-TERM LIABILITIES			
Line of credit	1,998,104	-	1,998,104
Capital lease obligations	12,749	-	12,749
Long-term debt, net	4,274,657	-	4,274,657
Deferred rent	131,996	-	131,996
TOTAL LONG-TERM LIABILITIES	6,417,506	-	6,417,506
TOTAL LIABILITIES	9,892,565	-	9,892,565
NET ASSETS	11,471,162	711,517	12,182,679
TOTAL LIABILITIES AND NET ASSETS	$ 21,363,727	$ 711,517	$ 22,075,244

Chai Lifeline, Inc.
Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2018

		Without Donor Restrictions	With Donor Restrictions	Total
REVENUES				
Contributions		$ 9,111,020	$ -	$ 9,111,020
Legacies and bequests		456,437	-	456,437
Government grants		150,000	-	150,000
Special events income	$ 17,000,501			
Less direct costs	(4,956,515)	12,043,986	-	12,043,986
In-kind contributions		1,351,921	-	1,351,921
TOTAL REVENUES		23,113,364	-	23,113,364
OPERATING EXPENSES				
Program services				
Camp Simcha		5,377,350	-	5,377,350
Hospital and home based services		4,726,901	-	4,726,901
Family and community programs		8,175,195	-	8,175,195
Grants to others		570,747	-	570,747
Total program services		18,850,193	-	18,850,193
Supporting services				
Management and general		1,704,364	-	1,704,364
Fundraising		2,387,092	-	2,387,092
Total Supporting services		4,091,456	-	4,091,456
TOTAL OPERATING EXPENSES		22,941,649	-	22,941,649
CHANGE IN NET ASSETS FROM OPERATIONS		171,715	-	171,715
OTHER INCOME				
Interest and dividend income		1,453	-	1,453
Net unrealized gain on investments		11,195	-	11,195
Miscellaneous income		11,760	-	11,760
TOTAL OTHER INCOME		24,408	-	24,408
CHANGE IN NET ASSETS		196,123	-	196,123
NET ASSETS - BEGINNING		11,275,039	711,517	11,986,556
NET ASSETS - ENDING		$ 11,471,162	$ 711,517	$ 12,182,679

Chai Lifeline, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services					Supporting Services			Total
	Camp Simcha	Hospital and Home Based Services	Family and Community Programs	Grants to Others	Total	Admin	Fundraising	Direct Costs of Special Events	
Salaries	$ 1,586,297	$ 1,962,426	$ 3,644,505	$ -	$ 7,193,228	$ 787,456	$ 844,709	$ 496,733	$ 9,322,126
Payroll taxes & employee benefits	268,946	417,089	774,593	-	1,460,628	285,605	169,695	120,440	2,036,368
Professional fees	466,606	175,420	200,097	-	842,123	107,391	217,471	570,342	1,737,327
Advertising & promotions	2,970	29,759	54,232	-	86,961	3,809	207,391	341,806	639,967
Supplies & materials	464,779	300,009	454,258	-	1,219,046	14,953	32,169	191,476	1,457,644
Printing and postage	7,152	60,796	58,781	-	126,729	74,887	214,935	226,197	642,748
Communications	32,213	50,062	109,175	-	191,450	76,423	22,702	500	291,075
Fees, dues & licenses	6,191	1,116	222	-	7,529	35,684	2,413	2,520	48,146
Repair & maintenance	257,466	116,431	35,745	-	409,642	17,590	11,707	25,713	464,652
Information technology	26,058	65,920	83,287	-	175,265	20,283	76,543	43,551	315,642
Occupancy	267,960	363,511	335,886	-	967,357	84,088	14,631	490,572	1,556,648
Transportation and lodging	387,658	382,943	430,843	-	1,201,444	85,935	162,974	1,286,688	2,737,041
Interest expense	211,140	34,112	59,656	-	304,908	56,694	-	-	361,602
Insurance	181,237	9,029	17,062	-	207,328	11,039	270	6,059	224,696
Food services	487,606	628,501	857,932	-	1,974,039	17,676	87,787	970,968	3,050,470
Events & entertainment	63,199	12,715	308,529	-	384,443	2,529	18,648	126,865	532,485
Processing fees	-	10,892	17,578	-	28,470	-	267,133	11,132	306,735
Grants to other organizations	-	-	-	570,747	570,747	-	-	-	570,747
Family subsidies	-	1,106	558,431	-	559,537	-	-	-	559,537
Depreciation expense	659,872	105,064	174,383	-	939,319	22,322	-	-	961,641
Miscellaneous	-	-	-	-	-	-	35,914	44,953	80,867
Sub-total	5,377,350	4,726,901	8,175,195	570,747	18,850,193	1,704,364	2,387,092	4,956,515	27,898,164
Direct costs of special events	-	-	-	-	-	-	-	(4,956,515)	(4,956,515)
Total operating expenses	$ 5,377,350	$ 4,726,901	$ 8,175,195	$ 570,747	$ 18,850,193	$ 1,704,364	$ 2,387,092	$ -	$ 22,941,649

Chai Lifeline, Inc.
Statement of Cash Flows
For The Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets		$ 196,123
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	$ 961,641	
Amortization of debt issuance costs included in interest	6,153	
Noncash contributions	(1,351,921)	
Noncash expenses	563,921	
Unrealized gain on investments	(11,195)	
Noncash interest and dividends	(1,453)	
Deferred rent	131,996	
Changes in operating assets and liabilities		
Contributions receivable, net	(108,714)	
Government grants receivable	150,000	
Other receivables	(65,398)	
Prepaid expenses	1,801	
Security deposits	(695)	
Accounts payable	457,721	
Accrued expenses	46,962	
Total adjustments		780,819
NET CASH PROVIDED BY OPERATING ACTIVITIES		976,942
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures for operations	(990,543)	
Proceeds from sales of investments	35,721	
NET CASH USED IN INVESTING ACTIVITIES		(954,822)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(3,099,756)	
Proceeds from line of credit	4,115,000	
Payments on capital lease obligations	(21,859)	
Payments on long-term debt	(672,350)	
NET CASH PROVIDED BY FINANCING ACTIVITIES		321,035
NET INCREASE IN CASH		343,155
CASH AT BEGINNING OF YEAR		609,025
CASH AT END OF YEAR		$ 952,180
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid		$ 355,449
NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital expenditures financed by long-term debt		$ 854,953

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTE 1 NATURE OF THE ORGANIZATION

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 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.

NOTE 1 NATURE OF THE ORGANIZATION (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.

NOTE 1 NATURE OF THE ORGANIZATION (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.

NOTE 1 NATURE OF THE ORGANIZATION (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.

Community education

Chai Lifeline offers information and educational presentations to community institutions, including schools, parent associations, and community centers, in times of untimely death or the diagnosis of serious illness of a young community member or leader. Professional trauma specialists tailor presentations to the needs of the community, focusing on helping them understand the situation, review options, and move forward with healing activities for children, families, and the entire community.

NOTE 1 NATURE OF THE ORGANIZATION (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.

NOTE 1 NATURE OF THE ORGANIZATION (continued)

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

Crisis Intervention Services (continued)

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.

- **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 2018, Chai Lifeline provided to AFOC grants as well as supportive and administrative services which amounted to $302,046.

Chai Lifeline provided supportive and administrative services to Congregation Chai Lifeline ("Congregation") which amounted to $229,287 in 2018.

Chai Lifeline provided supportive and administrative services to Chai Lifeline Children's Fund which amounted to $39,414 in 2018.

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 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.

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.

Government grants

Chai Lifeline records revenue from government agencies based on claims for expense reimbursements.

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.

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 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, 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, merchandise and real estate, 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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time spent on each function.

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

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:

- 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, 2018, as compared to those used at December 31, 2017.

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

Mutual funds **-** Valued at the net asset value (NAV) of shares held at year end.

Structured certificates of deposit - Valued at the closing price recorded on the active market of underlying publicly traded common stocks.

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

Fair Value Measurements (continued)

Limited partnership - Valued at the NAV of shares held at year end as determined by asset managers. The NAV is used as a practical expedient to estimate fair value. The NAV is based upon the fair value of the underlying investments held less any liability. The practical expedient is not used when it is determined to be probable that the investments will be sold for an amount different than reported at NAV.

Real estate- Held at fair value, as valued by a professional appraiser using a sales comparison approach, discounted for partial ownership of the asset.

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, 2015 and subsequent remain subject to examination by applicable taxing authorities.

Deferred Financing Costs

Financing costs incurred in connection with loan originations are amortized over the terms of the related loans. The amortization is charged to interest expense. The unamortized financing costs are presented on the statement of financial position as a direct deduction from the related loan balance.

Classes of Net Assets

The organization reports information regarding its financial position and activities in two classes of net assets:

Net assets without donor restrictions – net assets that are not subject to any donor-imposed stipulations;

Net assets with donor restrictions – that specify a use for a contributed asset that is more specific than the broad limits resulting from the nature of the not-for-profit entity, the environment in which it operates or the purposes specified in its articles of incorporation or by laws or comparable documents.

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

Classes of Net Assets (continued)

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in the reporting period in which the revenue is recognized. Donations of long lived assets are recorded without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Recently Adopted Accounting Pronouncement

In 2019 the organization adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* This ASU requires entities to:

Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the previously required three classes.

Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than the previously required three classes.

Provide enhanced disclosures about governing board designations of net assets, the composition of net assets with donor restrictions and qualitative and quantitative information about how an NFP manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date.

Report expenses by both their natural classification and their functional classification and disclose the method used to allocate costs among program and support functions.

As the ASU effects presentation of the financial statements only, adoption had no impact on the reported change in net assets.

NOTE 3 INVESTMENTS

The following are investments held at December 31, 2018 by fair value level:

	Level 1	Level 2	Level 3	Total
Common stock	$ 425	$ -	$ -	$ 425
Equity mutual funds	146	-	-	146
Alternate investments mutual funds	146	-	-	146
Structured certificates of deposits	-	231,053		231,053
Investments in real estate	-	-	788,000	788,000
Total assets at fair value	$ 717	$ 231,053	$ 788,000	$ 1,019,770
Investments measured at net asset value – limited partnership*				250,851
Cash equivalents				2,574
Total investments				$ 1,273,195

* In accordance with ASU 2015-07, certain investments that were measured using the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line item presentation on the balance sheet.

Investment income as of December 31, 2018 was as follows:

Interest and dividends	$ 39
Net unrealized gain	11,195
Total investment income	$ 11,234

NOTE 3 INVESTMENTS (continued)

The following table summarizes investments measured at fair value using NAV as a practical expedient as of December 31, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership	$ 250,851	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 rate of 3.6%. Contributions receivable are due as follows:

Current and due within one year	$ 4,924,004
Due in one to five years	428,000
	5,352,004
Less allowance for doubtful accounts	(677,262)
Less discount to present value	(19,448)
	$ 4,655,294

NOTE 5 IN-KIND CONTRIBUTIONS

Chai Lifeline received donated items for the holiday toy drive and other programmatic activities. Donated goods in the amount of $114,749 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, 2018 amounted to $393,575, and is included in professional fees on the statement of functional expenses.

NOTE 5 IN-KIND CONTRIBUTIONS (continued)

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 $55,597 for the year ended December 31, 2018 are recognized within transportation and lodging on the statement of functional expenses.

Chai Lifeline received donated real estate. The value of donated real estate for the year ended December 31, 2018, amounted to $788,000 and is included in investment in real estate on the statement of financial position.

NOTE 6 LONG-TERM DEBT

Long term debt consists of the following:

In 2016, Chai Lifeline refinanced its existing mortgages and entered into a mortgage with Sterling National Bank. The mortgage is payable in monthly installments over five years, bears interest at 3.99% and matures in August 2021, with a balloon payment of $3,130,245 due at maturity. Chai Lifeline has an option to extend the maturity date by exercising one, 5-year extension. The mortgage is collateralized by the Camp Simcha campgrounds in Glen Spey, NY. As of December 31, 2018, the mortgage had an outstanding balance of $3,499,445.

The organization entered into several loan agreements with Signature Bank, secured by equipment located at Camp Simcha campgrounds in Glen Spey , NY. Details of the loans are as follows:

	Principle outstanding as of 12/31/2018	Maturity date	Annual interest rate	Monthly installment payment
	$ 214,469	3/25/2020	4%	$ 14,681
	81,402	11/15/2020	4%	3,682
	121,613	6/15/2020	4%	6,972
	333,593	5/16/2021	4.5%	12,162
	239,939	5/17/2021	5.5%	5,110
	520,756	6/1/2022	5.4%	13,635
Total	$ 1,511,772			

NOTE 6 LONG-TERM DEBT (continued)

The organization entered into several auto loans secured by several vehicles. Details of the loans are as follows:

	Principle outstanding as of 12/31/2018	Maturity date	Annual interest rate	Monthly installment payment
	$ 28,062	12/28/2021	4.99%	$ 853
	33,079	1/17/2021	0%	1,323
	23,852	3/8/2023	1.98%	488
	14,195	12/17/2019	4.29%	500
Total	$ 99,188			

Future principal payments due are as follows:

Year	Amount
2019	$ 788,824
2020	643,975
2021	3,506,863
2022	144,485
2023	26,258
Unamortized debt issuance costs	(46,924)
Total	$ 5,063,481

Financing Costs

Net deferred financing costs of $46,924 are included as a reduction to the mortgage liability. All costs are considered to be long-term. The amounts are being amortized over the term of the mortgage. Accumulated amortization as of December 31, 2018 is $14,615. Amortization expense of $6,153 is included as a component of interest expense.

NOTE 7 LINE OF CREDIT

Chai Lifeline maintains a revolving $3,000,000 line of credit with Sterling National Bank expiring on January 3, 2020. The line bears interest at .5% above the prime rate, which is 6% as of December 31, 2018. The line is secured by the River Retreat in Mahwah, NJ. The balance drawn on the line of credit as of December 31, 2018 was $1,998,104.

NOTE 8 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:

Year	Amount
2019	$ 33,134
2020	12,789
2021	511
Total lease payments (undiscounted)	$ 46,434
Less amount representing interest	(4,301)
Present value of new lease payments	$ 42,133

NOTE 9 LIQUIDITY AND AVAILABILITY

The organization regularly monitors the availability of resources required to meet its operating needs and contractual commitments. The organization may use the unused portion of its credit line and revolving lines of credit to fund short term shortfalls. In addition, the organization uses historical data to forecast revenues from recurring events and campaigns and align expenditures with the projected cash inflows. As many of the organization's program expenditures are discretionary, the organization has the ability to curtail such activities if projected funds are not available.

The organization's governing body has not placed restrictions or limitations on the use of the organization's resources.

As of December 31, 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	$ 952,180
Other receivable	65,398
Contributions receivable	4,246,742
Total	$ 5,264,320

NOTE 10 COMMITMENTS AND CONTINGENCIES

Chai Lifeline leases office and program space under various noncancelable leases expiring between 2019 and 2029. Rent expense for the year ended December 31, 2018 was $752,996. Future minimum aggregate annual rental payments are as follows:

Year	Amount
2019	$ 633,706
2020	602,185
2021	502,797
2022	429,408
2023	407,384
Thereafter	2,176,074
Total	$ 4,751,554

NOTE 11 CONCENTRATIONS OF CREDIT RISK

At times, the organization may maintain cash balances in excess of the Federal Deposit Insurance Corporation's insured limits. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash.

NOTE 12 PENSION PLAN

Chai Lifeline has a 401(k) retirement plan for eligible employees. Chai Lifeline makes the minimum mandatory contributions necessary to meet the safe harbor plan requirements. Contributions to the plan for 2018 amounted to $140,051.

NOTE 13 ENDOWMENT FUNDS AND RESTRICTED NET ASSETS

General

Chai Lifeline's 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 Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 13 ENDOWMENT FUNDS AND RESTRICTED NET ASSETS (continued)

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 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.

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.

Funds with Deficiencies

Chai Lifeline does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2018

The endowment net asset composition was:

Permanently restricted	
General operations	$ 711,517

NOTE 14 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through August 13, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.