

Chai Lifeline, Inc.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2019**



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, 2019, 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.

1428 36th Street Suite 200
Brooklyn, NY 11218

P (718) 236-1600
F (718) 236-4849

200 Central Avenue
Farmingdale, NJ 07727

P (732) 276-1220
F (732) 751-0505

info@rothcocpa.com
www.rothcocpa.com



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, 2019, 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
June 29, 2020

Chai Lifeline, Inc.
Statement of Financial Position
December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 743,840		\$ 743,840
Contributions receivable, net	4,327,508	-	4,327,508
Other receivable	5,000	-	5,000
Prepaid expenses	135,766	-	135,766
TOTAL CURRENT ASSETS	5,212,114	-	5,212,114
FIXED ASSETS			
Fixed assets	24,500,510		24,500,510
Accumulated depreciation	(10,269,844)	-	(10,269,844)
NET FIXED ASSETS	14,230,666	-	14,230,666
OTHER ASSETS			
Contributions receivable - long-term, net	255,297	-	255,297
Investments	33,351	-	33,351
Investment in real estate	2,131,483	711,517	2,843,000
Security deposit	49,249	-	49,249
TOTAL OTHER ASSETS	2,469,380	711,517	3,180,897
TOTAL ASSETS	\$ 21,912,160	\$ 711,517	\$ 22,623,677

Chai Lifeline, Inc.
Statement of Financial Position
December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 2,311,177	\$ -	\$ 2,311,177
Accrued expenses	235,439	-	235,439
Line of credit	2,647,857	-	2,647,857
Capital lease obligations, current portion	12,749	-	12,749
Long-term debt, current portion	643,975	-	643,975
Related party loans, current portion	179,863	-	179,863
TOTAL CURRENT LIABILITIES	6,031,060	-	6,031,060
LONG-TERM LIABILITIES			
Long-term debt, net	3,651,048	-	3,651,048
Related Party loans	180,970	-	180,970
Deferred rent	211,835	-	211,835
TOTAL LONG-TERM LIABILITIES	4,043,853	-	4,043,853
TOTAL LIABILITIES	10,074,913	-	10,074,913
NET ASSETS	11,837,247	711,517	12,548,764
TOTAL LIABILITIES AND NET ASSETS	\$ 21,912,160	\$ 711,517	\$ 22,623,677

Chai Lifeline, Inc.
Statement of Activities and Changes in Net Assets
For The Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 8,295,275	\$ -	\$ 8,295,275
Legacies and bequests	117,206	-	117,206
Government grants	30,000	-	30,000
Special events income	\$ 18,087,648		
Less direct costs	(5,114,192)	-	12,973,456
In-kind contributions	<u>2,775,775</u>	-	<u>2,775,775</u>
TOTAL REVENUES	<u>24,191,712</u>	-	<u>24,191,712</u>
OPERATING EXPENSES			
Program services			
Camp Simcha	5,554,546	-	5,554,546
Hospital and home based services	4,937,583	-	4,937,583
Family and community programs	8,491,202	-	8,491,202
Grants to others	<u>409,801</u>	-	<u>409,801</u>
Total program services	19,393,132	-	19,393,132
Supporting services			
Management and general	1,885,460	-	1,885,460
Fundraising	<u>2,608,005</u>	-	<u>2,608,005</u>
Total Supporting services	<u>4,493,465</u>	-	<u>4,493,465</u>
TOTAL OPERATING EXPENSES	<u>23,886,597</u>	-	<u>23,886,597</u>
CHANGE IN NET ASSETS FROM OPERATIONS	305,115	-	305,115
OTHER INCOME			
Interest and dividend income	1,257	-	1,257
Net realized gain on investments	6,452	-	6,452
Miscellaneous income	<u>53,261</u>	-	<u>53,261</u>
TOTAL OTHER INCOME	<u>60,970</u>	-	<u>60,970</u>
CHANGE IN NET ASSETS	366,085	-	366,085
NET ASSETS - BEGINNING	<u>11,471,162</u>	<u>711,517</u>	<u>12,182,679</u>
NET ASSETS - ENDING	<u>\$ 11,837,247</u>	<u>\$ 711,517</u>	<u>\$ 12,548,764</u>

Chai Lifeline, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	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	\$ 1,646,418	\$ 2,118,715	\$ 3,934,756	\$ -	\$ 7,699,889	\$ 927,928	\$ 956,544	\$ 535,702	\$ 10,120,063
Payroll Taxes & employee benefits	292,728	430,168	798,884	-	1,521,780	282,965	186,301	109,654	2,100,700
Professional fees	491,051	76,651	392,105	-	959,807	93,358	343,912	642,338	2,039,415
Advertising and Promotions	1,734	40,948	65,787	-	108,469	3,550	177,861	579,157	869,037
Bad debt	37,779	35,081	62,066	-	134,926	-	-	-	134,926
Supplies & materials	360,024	436,685	454,302	-	1,251,011	19,986	29,396	266,304	1,566,697
Printing and Postage	5,887	47,559	59,061	-	112,507	88,475	189,904	226,399	617,285
Communications	43,817	44,236	105,975	-	194,028	75,766	20,862	2,193	292,849
Fees, dues & licenses	5,520	9,494	3,018	-	18,032	30,250	7,061	29,814	85,157
Repair & Maintenance	288,096	89,880	36,093	-	414,069	17,817	1,680	41,429	474,995
Information Technology	12,065	54,196	81,178	-	147,439	15,994	47,479	63,612	274,524
Occupancy	264,986	396,763	370,999	-	1,032,748	111,981	61,519	441,929	1,648,177
Transportation and lodging	367,762	320,422	493,059	-	1,181,243	141,551	84,271	1,090,302	2,497,367
Interest Expense	209,962	57,725	89,971	-	357,658	42,743	-	-	400,401
Insurance	192,512	11,840	18,278	-	222,630	14,160	465	4,253	241,508
Food Services	518,880	630,338	623,570	-	1,772,788	12,666	119,391	925,362	2,830,207
Events & Entertainment	85,688	17,112	222,454	-	325,254	2,158	38,090	119,790	485,292
Credit Card Processing Fees	-	14,741	23,144	-	37,885	-	321,202	19,791	378,878
Grants to other organizations	-	-	-	409,801	409,801	-	-	-	409,801
Family subsidies	-	4,261	503,213	-	507,474	-	-	-	507,474
Depreciation	727,959	97,629	153,289	-	978,877	2,530	-	-	981,407
Miscellaneous	1,678	3,139	-	-	4,817	1,582	22,067	16,163	44,629
Sub-total	5,554,546	4,937,583	8,491,202	409,801	19,393,132	1,885,460	2,608,005	5,114,192	29,000,789
Direct Cost of Special Events	-	-	-	-	-	-	-	(5,114,192)	(5,114,192)
	<u>\$ 5,554,546</u>	<u>\$ 4,937,583</u>	<u>\$ 8,491,202</u>	<u>\$ 409,801</u>	<u>\$19,393,132</u>	<u>\$ 1,885,460</u>	<u>\$ 2,608,005</u>	<u>\$ -</u>	<u>\$ 23,886,597</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Chai Lifeline, Inc.
Statement of Cash Flows
For The Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	366,085
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	\$	981,407
Amortization of debt issuance costs included in interest		6,154
Bad debt		134,926
Noncash contributions		(2,775,775)
Noncash expenses		720,775
Deferred rent		79,839
Changes in operating assets and liabilities		
Contributions receivable, net		(62,437)
Other receivables		60,398
Prepaid expenses		18,804
Security deposits		(4,500)
Accounts payable		(154,694)
Accrued expenses		44,459
Total adjustments		<u>(950,644)</u>
NET CASH USED BY OPERATING ACTIVITIES		<u>(584,559)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures for operations		(543,689)
Proceeds from sales of investments		713,318
NET CASH PROVIDED IN INVESTING ACTIVITIES		<u>169,629</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on line of credit		(2,751,372)
Proceeds from line of credit		3,401,125
Payments on capital lease obligations		(29,384)
Payments on long-term debt		(774,612)
Proceeds from related party loans		360,833
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>206,590</u>

NET DECREASE IN CASH (208,340)

CASH AT BEGINNING OF YEAR 952,180

CASH AT END OF YEAR \$ 743,840

SUPPLEMENTAL CASH FLOW DISCLOSURE

Interest paid \$ 394,247

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.

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

NOTE 1 NATURE OF THE ORGANIZATION (continued)

with healing activities for children, families, and the entire community.

• **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

NOTE 1 NATURE OF THE ORGANIZATION (continued)

schools, synagogues, and community groups.

- **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 2019, Chai Lifeline provided to AFOC grants as well as supportive and administrative services which amounted to \$213,931.

Chai Lifeline provided supportive and administrative services to Congregation Chai Lifeline (“Congregation”) which amounted to \$195,870 in 2019.

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.

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, 2019, as compared to those used in prior years.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fair Value Measurements (continued)

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, 2016 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.

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.

Chai Lifeline, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 3 FIXED ASSETS

The following fixed assets are stated at cost and depreciated on a straight-line method over their useful lives. Useful lives range from 5 - 40 years.

Land	\$ 1,874,107
Building and improvements	19,317,013
Furniture, fixtures and equipment	1,648,884
Automobiles	183,720
Computer and technology	<u>1,476,786</u>
Total fixed assets	24,500,510
Accumulated depreciation	<u>(10,269,844)</u>
Net fixed assets	<u>\$ 14,230,666</u>

NOTE 4 INVESTMENTS

The following are investments held at December 31, 2019 by fair value level:

	<u>Level 1</u>	<u>Total</u>
Common stock	\$ 997	\$ 997
Equity mutual funds	32,192	32,192
Alternate investments mutual funds	112	112
Total assets at fair value	<u>\$ 33,301</u>	<u>\$ 33,301</u>
Cash equivalents		<u>50</u>
Total investments		<u>\$ 33,351</u>

Investment income as of December 31, 2019 was as follows:

Interest and dividends	\$ 1,257
Net realized gain	<u>6,452</u>
Total investment income	<u>\$ 7,709</u>

Chai Lifeline, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE 5 INVESTMENTS IN REAL ESTATE

Investments in real estate are presented at their carrying value, specifically, cost if purchased and fair value at the date of the contributions, if contributed.

NOTE 6 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 2%. Contributions receivable are due as follows:

Current and due within one year	\$ 5,775,959
Due in one to five years	<u>270,200</u>
	6,046,159
Less allowance for doubtful accounts	(1,448,451)
Less discount to present value	<u>(14,903)</u>
	<u>\$ 4,582,805</u>

NOTE 7 IN-KIND CONTRIBUTIONS

Chai Lifeline received donated items for the holiday toy drive and other programmatic activities. Donated goods in the amount of \$263,109 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, 2019, amounted to \$406,025, 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). However, Chai Lifeline recognizes contributions for mileage and tolls contributed by the volunteered transportation service and then recognizes related expense with transportation expense on the statement of functional expenses. Chai Lifeline uses the IRS allowable rate to estimate value of the contributed miles.

Chai Lifeline, Inc.
Notes to the Financial Statements
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NOTE 7 IN-KIND CONTRIBUTIONS (continued)

In addition, in 2019, Chai Lifeline received donations of real estate valued, by an independent third party appraiser at \$2,055,000. The donated property is included within investments in real estate on the statement of financial position.

NOTE 8 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, 2019, the mortgage had an outstanding balance of \$3,360,245.

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 <u>12/31/2019</u>	<u>Maturity date</u>	Annual <u>interest rate</u>	Monthly Installment <u>Payment</u>
	\$ 43,751	3/25/2020	4%	\$ 14,681
	39,706	11/15/2020	4%	3,682
	41,384	6/15/2020	4%	6,972
	199,975	5/16/2021	4.5%	12,162
	190,589	5/17/2021	5.5%	5,110
	<u>381,825</u>	6/1/2022	5.4%	13,635
Total	<u>\$ 897,230</u>			

Chai Lifeline, Inc.
Notes to the Financial Statements
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NOTE 8 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	Maturity date	Annual interest rate	Monthly Installment Payment
	<u>12/31/2019</u>			
	\$ 19,444	12/28/2021	4.99%	\$ 853
	17,201	1/17/2021	0%	1,323
	32,977	11/21/2025	3.99%	520
	<u>8,695</u>	7/4/2021	4.29%	500
Total	<u>\$ 78,317</u>			

Future principal payments due are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 643,975
2021	3,506,863
2022	144,485
2023	30,392
2024	<u>10,077</u>
Total	4,335,792
Unamortized debt issuance costs	<u>(40,769)</u>
Total	<u>\$ 4,295,023</u>

Financing Costs

Net deferred financing costs of \$40,769 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, 2019 is \$20,769. Amortization expense of \$6,154 is included as a component of interest expense.

NOTE 9 RELATED PARTY LOANS

Chai Lifeline is party to a bequest and has obtained several interest-free loans from several board members against the future receipt of the bequest. The loans are unsecured and have monthly or quarterly repayment requirements beginning in January 2020 through 2021. As of December 31, 2019, loan amounts of \$360,833 remain outstanding.

Chai Lifeline, Inc.
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NOTE 10 LINE OF CREDIT

Chai Lifeline maintains a revolving \$3,000,000 line of credit with Sterling National Bank expiring on May 2, 2020. The line bears interest at .5% above the prime rate, which is 5.25% as of December 31, 2019. The line is secured by the River Retreat in Mahwah, NJ. The line of credit must satisfy a bank covenant that there be 30 consecutive day clean drawdown period to a maximum \$1,000,000 principal balance. The balance drawn on the line of credit as of December 31, 2019 was \$2,647,857. On June 10, 2020, the line of credit was extended through May 2, 2021 and the allowed balance during the draw down period was increased to \$2,000,000.

NOTE 11 CAPITAL LEASES

Chai Lifeline finances certain purchases of fixed assets under variable terms. The balance due as of December 31, 2019 was \$12,749.

NOTE 12 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, 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash	\$ 743,840
Other receivable	5,000
Contributions receivable	<u>4,327,508</u>
Total	<u>\$ 5,076,348</u>

Chai Lifeline, Inc.
Notes to the Financial Statements
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NOTE 13 COMMITMENTS AND CONTINGENCIES

Chai Lifeline leases office and program space under various noncancelable leases expiring between 2020 and 2029. Rent expense for the year ended December 31, 2019 was \$895,328. Future minimum aggregate annual rental payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 565,971
2021	453,166
2022	364,640
2023	340,673
2024	347,728
Thereafter	<u>1,730,652</u>
Total	<u>\$ 3,802,830</u>

NOTE 14 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 15 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 2019 amounted to \$205,139.

NOTE 16 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 16 **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, certificates of deposit or real estate.

Funds with Deficiencies

Chai Lifeline does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2019

The endowment net asset composition was:

Permanently restricted	
General operations	\$ 711,517

NOTE 17 **SUBSEQUENT EVENTS**

The organization has evaluated subsequent events June 29, 2020, the date these financial statements were available to be issued. Other than the credit line extension discussed in Note 10 and the matters discussed below, there were no additional material subsequent events that required recognition or additional disclosure in these financial statements.

NOTE 17 SUBSEQUENT EVENTS (continued)

Sale of donated property:

On June 2, 2020, Chai Lifeline sold a property that was donated in 2019, for approximately \$1,189,000. The property had a carrying value on the attached balance sheet of \$1,750,000.

Coronavirus Pandemic and PPP Loan:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Multiple jurisdictions in the U.S. declared a state of emergency, limiting travel and commerce for non-essential businesses. Chai Lifeline's business offices operated remotely. During the pandemic, with the exception of group events, Chai Lifeline continues to provide the majority of their services. The majority of the staff has been working remotely. Camp Simcha will be operating in the summer of 2020 as a day camp, providing campers a full day experience. While the full impact on Chai Lifeline's operations is still undetermined, it is expected that short to mid-term future operations will be back to normal.

If conditions from the pandemic do not improve, or conditions worsen, future potential impacts may include disruptions or restrictions on Chai Lifeline's employee's ability to provide services. Additionally, Chai Lifeline's ability to fundraise may be impacted as a result of an economic downturn or other pandemic related issues. The future effects of these issues are unknown.

On April 4, 2020, the company received a \$1,911,925 loan (the "PPP Loan") under the Paycheck Protection Program, within the Coronavirus Aid Relief and Economic Security Act (the "CARES Act"). The terms of the PPP Loan are subject to the CARES Act, which includes, among other terms, interest at a rate of 1.00% per annum. The CARES Act provides that the PPP Loan may be partially or wholly forgiven, if the funds are used for qualifying expenses and certain conditions are met. Chai Lifeline intends to use the proceeds of the PPP Loan only for permissible purposes. Amounts of the PPP Loan that are not forgiven, are subject to monthly principal and interest payments. The Paycheck Protection Program Flexibility Act allows the maturity date of the PPP Loan to be modified, so that the loan matures 5 years from origination. As of the audit report date, most of the funds received have been disbursed, all on qualifying expenses as required by the CARES Act guidelines. Chai Lifeline expects the loan to be fully forgiven, however, Chai Lifeline provides no assurances that they will be eligible for forgiveness, in whole or in part.