

CHAI LIFELINE, INC.
FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
DECEMBER 31, 2017

CHAI LIFELINE, INC.

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Independent Auditor's Report

**Board of Directors
Chai Lifeline, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of Chai Lifeline, Inc., which comprise the balance sheet as of December 31, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

April 18, 2018

CHAI LIFELINE, INC.

BALANCE SHEET

DECEMBER 31, 2017

(With Summarized Financial Information for December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 609,025	\$ 613,217
Certificates of deposit		42,187
Investments (Note 3)	36,611	6,080
Contributions receivable - net (Note 4)	4,308,061	4,044,051
Government grants receivable	150,000	
Other receivables		13,152
Prepaid expenses	<u>156,371</u>	<u>106,957</u>
Total current assets	5,260,068	4,825,644
Certificates of deposit	260,094	490,682
Investments (Note 3)	473,037	220,835
Contributions receivable (Note 4)	238,519	281,471
Security deposits	44,054	44,054
Fixed assets - net (Note 5)	<u>13,681,200</u>	<u>13,379,409</u>
Total assets	<u>\$ 19,956,972</u>	<u>\$ 19,242,095</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 2,152,168	\$ 2,404,897
Credit line payable (Note 8)	982,860	696,043
Current portion of capital lease obligation (Note 9)	18,370	8,984
Current portion of long-term debt (Note 7)	<u>542,641</u>	<u>398,269</u>
Total current liabilities	3,696,039	3,508,193
Long-term liabilities		
Capital lease obligation (Note 9)	23,855	22,580
Long-term debt (Note 7)	<u>4,250,522</u>	<u>4,331,780</u>
Total liabilities	<u>7,970,416</u>	<u>7,862,553</u>
Net assets (Exhibit B)		
Unrestricted	10,697,577	10,088,498
Temporarily restricted (Note 13)	577,462	579,527
Permanently restricted (Note 14)	<u>711,517</u>	<u>711,517</u>
Total net assets	<u>11,986,556</u>	<u>11,379,542</u>
Total liabilities and net assets	<u>\$ 19,956,972</u>	<u>\$ 19,242,095</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, 2017
 (With Summarized Financial Information
 for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Revenues and gains					
Contributions	\$ 8,739,841	\$ 165,621		\$ 8,905,462	\$ 8,747,642
Legacies and bequests	184,725			184,725	39,772
Government grants	150,000			150,000	
Special events income (including dinners, bike-a-thons, swim-a-thons, and marathons)	\$ 16,044,826				
Less direct costs	<u>(4,768,392)</u>	11,276,434		11,276,434	10,487,677
In-kind contributions (Note 6)	639,344			639,344	612,966
Investment income (loss) - net (Note 3)	(36,569)	39,574		3,005	30,628
Miscellaneous income	42,286			42,286	18,648
Net assets released from restriction (Note 13)	<u>207,260</u>	<u>(207,260)</u>			
Total revenues and gains	<u>21,203,321</u>	<u>(2,065)</u>		<u>21,201,256</u>	<u>19,937,333</u>
Expenses (Exhibit C)					
Program services					
Camp Simcha	5,246,308			5,246,308	5,369,911
Hospital and home based services	3,536,245			3,536,245	3,488,967
Family and community programs	7,634,882			7,634,882	6,948,431
Grants to others	<u>611,006</u>			<u>611,006</u>	<u>490,191</u>
Total program services	<u>17,028,441</u>			<u>17,028,441</u>	<u>16,297,500</u>

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CHAI LIFELINE, INC.

EXHIBIT B

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017
(With Summarized Financial Information
for the Year Ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
Expenses (Exhibit C) (continued)					
Supporting services					
Management and general	\$ 1,621,415			\$ 1,621,415	\$ 1,727,564
Fund raising	<u>1,944,386</u>			<u>1,944,386</u>	<u>1,597,414</u>
Total supporting services	<u>3,565,801</u>			<u>3,565,801</u>	<u>3,324,978</u>
Total expenses	<u>20,594,242</u>			<u>20,594,242</u>	<u>19,622,478</u>
Change in net assets (Exhibit D)	609,079	\$ (2,065)		607,014	314,855
Net assets - beginning of year	<u>10,088,498</u>	<u>579,527</u>	\$ 711,517	<u>11,379,542</u>	<u>11,064,687</u>
Net assets - end of year (Exhibit A)	<u><u>\$ 10,697,577</u></u>	<u><u>\$ 577,462</u></u>	<u><u>\$ 711,517</u></u>	<u><u>\$ 11,986,556</u></u>	<u><u>\$ 11,379,542</u></u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017
(With Summarized Financial Information
for the Year Ended December 31, 2016)

	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 Costs of Special Events	2017	2016
Salaries	\$ 1,597,128	\$ 1,670,486	\$ 3,353,990		\$ 6,621,604	\$ 861,144	\$ 680,244	\$ 429,304	\$ 8,592,296	\$ 8,284,926
Payroll taxes and employee benefits	271,427	359,138	700,477		1,331,042	205,692	141,151	117,424	1,795,309	1,743,938
Professional fees (Note 6)	513,323	145,912	114,888		774,123	58,767	28,126	709,193	1,570,209	1,703,576
Advertising and promotions	6,025	29,171	99,637		134,833	2,145	136,038	493,626	766,642	621,919
Supplies and materials (Note 6)	451,922	96,000	484,699		1,032,621	65,970	26,142	349,503	1,474,236	1,315,336
Printing and postage	13,672	57,977	165,150		236,799	19,534	277,017	126,924	660,274	678,418
Communications	59,138	51,143	171,746		282,027	38,066	23,058		343,151	347,866
Fees, dues and licenses	4,750		7,116		11,866	28,428	9,533		49,827	75,814
Repairs and maintenance	232,146	33,866	57,545		323,557	64,228	8,710		396,495	437,426
Information technology	13,384	36,952	86,260		136,596	16,831	129,215		282,642	274,152
Occupancy (Note 11)	241,999	145,322	377,336		764,657	114,744	14,154	483,916	1,377,471	1,310,394
Transportation and lodging (Note 6)	391,543	370,791	307,602		1,069,936	45,936	86,862	947,992	2,150,726	2,554,313
Interest	204,939	5,955	13,894		224,788	35,240	18,314		278,342	274,711
Investment management fees						150			150	
Insurance	161,123	5,536	17,451		184,110	5,079	2,207	4,604	196,000	197,500
Food services	457,791	435,026	573,903		1,466,720	14,411	66,817	946,584	2,494,532	2,443,870
Events and entertainment	87,970	4,474	231,465		323,909		14,161	158,839	496,909	683,261
Data processing fees		5,811	13,558		19,369		269,635		289,004	277,842
Grants to other organizations (Note 1)				\$ 611,006	611,006				611,006	490,191
Family subsidies			648,309		648,309				648,309	516,218
Depreciation and amortization	526,585	80,769	188,462		795,816	45,200	9,778		850,794	752,351
Miscellaneous	11,443	1,916	21,394		34,753		3,224	483	38,460	45,493
	5,246,308	3,536,245	7,634,882	611,006	17,028,441	1,621,565	1,944,386	4,768,392	25,362,784	25,029,515
Investment management fees						(150)			(150)	
Direct cost of special events								(4,768,392)	(4,768,392)	(5,407,037)
Total expenses per Exhibit B	\$ 5,246,308	\$ 3,536,245	\$ 7,634,882	\$ 611,006	\$ 17,028,441	\$ 1,621,415	\$ 1,944,386	\$ -	\$ 20,594,242	\$ 19,622,478

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 607,014	\$ 314,855
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	850,794	752,351
Loss (gains) on investments	21,589	(8,163)
Decrease (increase) in assets		
Contributions receivable	(221,058)	(1,013,168)
Government grants receivable	(150,000)	
Other receivables	13,152	168,848
Prepaid expenses	(49,414)	49,235
Security deposits		(3,360)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(252,729)	159,602
Net cash provided by operating activities	<u>819,348</u>	<u>420,200</u>
Cash flows from investing activities		
Purchase of investments	(150,327)	(51,796)
Proceeds from sales of investments	118,780	25,503
Fixed asset acquisitions	(1,126,705)	(1,318,034)
Net cash used by investing activities	<u>(1,158,252)</u>	<u>(1,344,327)</u>
Cash flows from financing activities		
Principal payments to line of credit	(2,700,000)	(3,596,070)
Proceeds from line of credit	2,986,817	3,592,113
Principal payments to capital lease obligation	(15,219)	(6,908)
Principal payments on long-term debt	(470,207)	(972,059)
Proceeds from long-term debt	533,321	1,996,751
Net cash provided by financing activities	<u>334,712</u>	<u>1,013,827</u>
Net change in cash and cash equivalents	(4,192)	89,700
Cash and cash equivalents - beginning of year	<u>613,217</u>	<u>523,517</u>
Cash and cash equivalents - end of year	<u>\$ 609,025</u>	<u>\$ 613,217</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 278,342</u>	<u>\$ 274,711</u>
Fixed asset acquisitions financed through capital leases	<u>\$ 25,880</u>	<u>\$ 38,472</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, 2017

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, 2017

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, 2017

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, 2017

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.

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.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017****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 2017, Chai Lifeline provided grants of \$333,750 to AFOC.

Chai Lifeline provided supportive and administrative services to Congregation Chai Lifeline (“Congregation”) of \$157,526 for 2017.

Chai Lifeline provided financial assistance to Chai Lifeline England and Chai Lifeline Children’s Fund of \$10,000 and \$109,730, respectively, in 2017.

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, 2016, 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, 2017

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 and receivables - Chai Lifeline records revenue and receivable from government agencies based on claims for expense reimbursements. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon periodic review of the accounts by management.

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, 2017

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:

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, as compared to those used at December 31, 2016.

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.

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.

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.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through April 18, 2018, which is the date the financial statements were available to be issued.

Reclassification - Salaries and payroll taxes and employee benefits for 2016 have been reclassified on the statement of functional expenses to conform to current presentation.

NOTE 3 - INVESTMENTS

The following are investments held at December 31, 2017 by fair value level:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Common stock	\$ 6,104		\$ 6,104
Mutual funds			
Equities	15,100		15,100
Alternative investments	11,085		11,085
Structured certificates of deposit	<u> </u>	\$ <u>233,225</u>	<u>233,225</u>
Total assets reported on the fair value hierarchy	\$ <u>32,289</u>	\$ <u>233,225</u>	265,514
Investments measured at net asset value - limited partnership*			237,312
Cash equivalents			<u>6,822</u>
Total investments			\$ <u>509,648</u>

* 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.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 3 - INVESTMENTS (continued)

Investment income as of December 31, 2017 was as follows:

Interest and dividends	\$ 24,744
Realized loss	(141)
Unrealized loss	(21,448)
Investment fees	<u>(150)</u>
Total investment income	<u>\$ 3,005</u>

The following table summarizes investments measured at fair value using NAV as a practical expedient as of December 31, 2017:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnership	\$ <u>237,312</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	\$ 5,195,337
Due in one to five years	<u>254,000</u>
	5,449,337
Less allowance for doubtful accounts	(887,276)
Less discount to present value	<u>(15,481)</u>
	<u>\$ 4,546,580</u>

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 5 - FIXED ASSETS

		<u>Estimated Useful Life</u>
Land	\$ 1,821,854	
Land improvements	1,030,339	25 years
Building and improvements	16,207,281	15-40 years
Leasehold improvements	20,373	3 years
Computers and technology	1,436,103	3-5 years
Leased equipment	64,353	3-7 years
Furniture and equipment	<u>1,368,239</u>	5-7 years
	21,948,542	
Accumulated depreciation - leased equipment	(22,624)	
Accumulated depreciation and amortization	<u>(8,244,718)</u>	
	<u>\$ 13,681,200</u>	

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 6 - IN-KIND CONTRIBUTIONS

Chai Lifeline received donated items for the holiday toy drive and other programmatic activities. Donated goods in the amount of \$172,202 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, 2017 amounted to \$413,075, 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 \$54,067 for the year ended December 31, 2017 are recognized within transportation and lodging on the statement of functional expenses.

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. | \$ 3,633,045 |
| 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. | 378,528 |
| 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. | 121,467 |

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 7 - LONG-TERM DEBT (continued)

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.	\$ 198,739
E. Note payable - Signature Bank. The \$533,321 note is payable in monthly installments of \$12,162. The note bears interest at 4.5%, and matures in May 2021. The note is collateralized by equipment at Camp Simcha campgrounds in Glen Spey, NY.	<u>461,384</u>
	<u>\$ 4,793,163</u>

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

2018	\$ 542,641
2019	564,739
2020	408,608
2021	<u>3,277,175</u>
	<u>\$ 4,793,163</u>

NOTE 8 - CREDIT LINE PAYABLE

Chai Lifeline maintains a revolving \$3,000,000 line of credit with Sterling National Bank expiring on July 31, 2018. The line bears interest at .5% above the prime rate, which is 5% as of December 31, 2017. The line is secured by the River Retreat in Mahwah, NJ. The balance drawn on the line of credit as of December 31, 2017 was \$982,860.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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:

2018	\$	21,510
2019		16,328
2020		8,160
2021		<u>1,532</u>
Total lease payments (undiscounted)		47,530
Less amount representing interest		<u>(5,305)</u>
Present value of new lease payments		\$ <u>42,225</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.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Chai Lifeline leases office and program space under various noncancelable leases expiring between 2018 and 2029. Rent expense for the year ended December 31, 2017 was \$552,366. Future minimum aggregate annual rental payments are as follows:

2018	\$	311,207
2019		332,528
2020		352,087
2021		347,952
2022		330,195
Thereafter		<u>2,324,622</u>
		\$ <u>3,998,591</u>

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 \$119,301 for the year ended December 31, 2017.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Family subsidies	\$ 317,329
Future periods	<u>260,133</u>
	<u>\$ 577,462</u>

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

Lapse of time restrictions	\$ <u>207,260</u>
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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 Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

**NOTE 14 - ENDOWMENT FUNDS AND PERMANENTLY 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 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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2017

The endowment net asset composition was:

Permanently restricted	
General operations	\$ <u>711,517</u>
Temporarily restricted	
General operations	\$ <u>21,614</u>

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CHAI LIFELINE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 14 - ENDOWMENT FUNDS AND PERMANENTLY RESTRICTED NET ASSETS
(continued)Changes in Endowment Net Assets for the Year Ended December 31, 2017

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 711,517	\$ 711,517
Interest and dividends	23,127	-	23,127
Gains on investments	16,447	-	16,447
Appropriations for expenditure	<u>(17,960)</u>	<u>-</u>	<u>(17,960)</u>
Endowment net assets, end of year	<u>\$ 21,614</u>	<u>\$ 711,517</u>	<u>\$ 733,131</u>