

**HEALING THE CHILDREN NEW
JERSEY, INC.**

Independent Auditors' Report and
Financial Statements for the Years Ended
December 31, 2018 and 2017

HEALING THE CHILDREN NEW JERSEY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Healing the Children New Jersey, Inc.

We have audited the accompanying financial statements of Healing the Children New Jersey, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 Healing the Children New Jersey, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Healing the Children New Jersey, Inc's. 2017 financial statements, and our report dated June 24, 2018, expressed an unqualified opinion on those audited financial statements. In our opinion, the statements of financial position and summarized comparative statement of activities presented herein as of and for the year ended December 31, 2017, are consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Cullari Carrico LLC". The script is cursive and fluid.

Cullari Carrico, LLC

Fairfield, New Jersey

May 28, 2019

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 290,612	\$ 256,451
Unconditional promises to give, net	7,252	13,390
Investments	20,650	23,455
Prepaid expenses	3,972	2,225
Total current assets	<u>322,486</u>	<u>295,521</u>
 PROPERTY AND EQUIPMENT - NET	 <u>158,096</u>	 <u>169,943</u>
 TOTAL ASSETS	 <u>\$ 480,582</u>	 <u>\$ 465,464</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,851	\$ -
Accrued expenses	8,888	15,367
Deferred revenue	823	-
Long term debt - current portion	4,086	3,895
Total current liabilities	<u>18,648</u>	<u>19,262</u>
 LONG TERM LIABILITIES:		
Long term debt, less current portion	<u>73,322</u>	<u>77,422</u>
 Total liabilities	 <u>91,970</u>	 <u>96,684</u>
 NET ASSETS:		
Without donor restrictions	365,612	343,037
With donor restrictions	23,000	25,743
Total net assets	<u>388,612</u>	<u>368,780</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 480,582</u>	 <u>\$ 465,464</u>

HEALING THE CHILDREN NEW JERSEY, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS:				
Contributions	\$ 169,024	\$ -	\$ 169,024	\$ 135,677
Non-cash contributions	1,248,978	-	1,248,978	1,342,254
Fundraising activities	81,286	-	81,286	231,158
Grants	-	20,000	20,000	5,027
Net assets released from restrictions				
Satisfaction of purpose restrictions	22,743	(22,743)	-	-
Total public support, revenues, and reclassifications	1,522,031	(2,743)	1,519,288	1,714,116
EXPENSES:				
Program services:				
Domestic aid	33,405	-	33,405	29,822
International inbound aid	555,978	-	555,978	741,354
Medical teams abroad	799,575	-	799,575	728,315
Total program services	1,388,958	-	1,388,958	1,499,491
Supporting services:				
Management and general	52,264	-	52,264	60,730
Fundraising	63,388	-	63,388	87,327
Total supporting services	115,652	-	115,652	148,057
Total expenses	1,504,610	-	1,504,610	1,647,548
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITIES	17,421	(2,743)	14,678	66,568
NON-OPERATING ACTIVITIES:				
Investment income (loss)	5,154	-	5,154	2,588
CHANGE IN NET ASSETS	22,575	(2,743)	19,832	69,156
NET ASSETS, BEGINNING OF YEAR	343,037	25,743	368,780	299,624
NET ASSETS, END OF YEAR	\$ 365,612	\$ 23,000	\$ 388,612	\$ 368,780

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Program Services				Supporting Services		Total	
	Domestic aid	International inbound aid	Medical teams abroad	Total	Management and general	Fundraising	2018	2017
Personnel costs:								
Salaries and wages	\$ 10,211	\$ 35,275	\$ 14,853	\$ 60,339	\$ 11,138	\$ 21,352	\$ 92,829	\$ 93,548
Benefits	158	545	230	933	172	330	1,435	-
Payroll taxes	869	3,002	1,264	5,135	948	1,817	7,900	9,283
Total personnel costs	11,238	38,822	16,347	66,407	12,258	23,499	102,164	102,831
Donated airfare	-	-	84,495	84,495	-	-	84,495	85,068
Donated medical services	-	351,778	462,413	814,191	-	-	814,191	1,146,328
Donated medical supplies	-	151,347	198,945	350,292	-	-	350,292	110,858
Medical supplies and assistance	18,939	2,880	19,187	41,006	-	-	41,006	34,924
Travel and meetings	-	-	9,970	9,970	-	-	9,970	34,060
Shipping and postage	-	-	-	-	2,691	-	2,691	2,000
Stationery and office expense	-	-	-	-	14,164	-	14,164	15,779
Events auctioneer and auction items	-	-	-	-	-	11,302	11,302	19,666
Event photographer	-	-	-	-	-	2,800	2,800	600
Events banquet	-	-	-	-	-	19,038	19,038	37,080
Professional fees	1,252	4,324	1,821	7,397	1,366	2,617	11,380	7,625
Dues and subscriptions	-	-	-	-	4,600	-	4,600	4,940
Informational technology	-	-	-	-	789	-	789	3,890
Utilities	255	881	371	1,507	278	533	2,318	2,272
Publicity	-	-	-	-	3,345	-	3,345	7,283
Repairs and maintenance	-	-	-	-	3,226	-	3,226	2,472
Interest	418	1,444	608	2,470	456	874	3,800	4,014
Insurance	-	-	3,522	3,522	6,304	-	9,826	9,903
Miscellaneous	-	-	-	-	1,365	-	1,365	2,344
Total expenses before depreciation	32,102	551,476	797,679	1,381,257	50,842	60,663	1,492,762	1,633,937
Depreciation	1,303	4,502	1,896	7,701	1,422	2,725	11,848	13,611
Total expenses	\$ 33,405	\$ 555,978	\$ 799,575	\$ 1,388,958	\$ 52,264	\$ 63,388	\$ 1,504,610	\$ 1,647,548

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services		Total
	Domestic aid	International inbound aid	Medical teams abroad	Total	Management and general	Fundraising	
Personnel costs:							
Salaries and wages	\$ 10,290	\$ 35,548	\$ 14,968	\$ 60,806	\$ 11,225	\$ 21,517	\$ 93,548
Payroll Taxes	1,021	3,528	1,486	6,035	1,114	2,134	9,283
Total personnel costs	11,311	39,076	16,454	66,841	12,339	23,651	102,831
Donated airfare	-	-	85,068	85,068	-	-	85,068
Donated medical services	-	627,268	519,060	1,146,328	-	-	1,146,328
Donated medical supplies	-	60,661	50,197	110,858	-	-	110,858
Medical supplies and assistance	15,483	3,891	15,550	34,924	-	-	34,924
Travel and meetings	-	-	34,060	34,060	-	-	34,060
Shipping and postage	-	-	-	-	2,000	-	2,000
Stationery and office expense	-	-	-	-	15,779	-	15,779
Events	-	-	-	-	-	57,346	57,346
Professional fees	839	2,898	1,220	4,957	914	1,754	7,625
Dues and subscriptions	-	-	-	-	4,940	-	4,940
Informational technology	-	-	-	-	3,890	-	3,890
Utilities	250	863	364	1,477	273	522	2,272
Publicity	-	-	-	-	7,283	-	7,283
Repairs and maintenance	-	-	-	-	2,472	-	2,472
Interest	442	1,525	642	2,609	482	923	4,014
Insurance	-	-	3,522	3,522	6,381	-	9,903
Miscellaneous	-	-	-	-	2,344	-	2,344
Total expenses before depreciation	28,325	736,182	726,137	1,490,644	59,097	84,196	1,633,937
Depreciation	1,497	5,172	2,178	8,847	1,633	3,131	13,611
Total expenses	\$ 29,822	\$ 741,354	\$ 728,315	\$ 1,499,491	\$ 60,730	\$ 87,327	\$ 1,647,548

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions and grants	\$ 189,024	\$ 140,704
Cash received from fundraising	81,286	231,158
Cash paid to employees and vendors	(236,319)	(289,759)
Net Cash Provided By Operating Activities	<u>33,991</u>	<u>82,103</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	21,126	-
Interest and dividends received	2,598	928
Purchase of property and equipment	-	(2,240)
Purchases of investments	(15,845)	(1,928)
Net Cash Provided by (Used For) Investing Activities	<u>7,879</u>	<u>(3,240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long term debt	(3,909)	(3,697)
Interest paid	(3,800)	(4,014)
Net Cash (Used For) Financing Activities	<u>(7,709)</u>	<u>(7,711)</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	34,161	71,152
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>256,451</u>	<u>185,299</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 290,612</u>	<u>\$ 256,451</u>

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. NATURE OF ACTIVITIES

Healing the Children New Jersey, Inc. (the “Organization”) is a nonprofit organization which arranges for donated medical services for needy children who otherwise could not afford such treatment. There are children in this world who do not receive necessary medical care because of inadequate resources in the area in which they live. There are concerned individuals and organizations willing and able to provide the necessary medical care for these children. The Organization acts as a referral agency for the purpose of placing these children with appropriate medical resources and families that will support their needs.

In addition, the Organization facilitates the connection between the children and the necessary medical care by locating these needy children, identifying their specific medical needs, recruiting medical personnel and facilities to provide the required care, arranging for temporary placement of children with host families who will furnish loving support for the children in the community where the care will be provided, coordinating logistics between all involved parties and cooperate with other local, national or international agencies in meeting the medical and placement needs of the children, and raising the funds necessary to do so.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting --- The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation --- The Organization prepares its financial statements utilizing the American Institute of Certified Public Accountants’ Audit and Accounting Guide, *Nonprofit Organizations*, and other pronouncements applicable to nonprofit organizations. The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Paragraphs 958-205-45-2(a) through (d), which establishes standards for external financial reporting by nonprofit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions; net assets with donor restrictions and net assets without donor restrictions.

ASC Paragraphs 958-605-45-3 through 7, *Contributions Received*, requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

Accordingly, net assets of the Organization and changes therein would be classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. This represents the portion of expendable funds available to support the Organization’s programs and activities.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of Presentation (Cont.) ---

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Fair Value (Hierarchy) of Financial Instruments --- The Organization measures fair value of its assets and liabilities as defined by FASB ASC Topic 820, *Fair Value Measurement and Disclosure*. This ASC Topic defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The three fair value hierarchy levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

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;

Level 3 – Inputs are unobservable inputs for the assets and liabilities. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

Unless otherwise noted, the fair values of financial instruments approximate their carrying values. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value. FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs are used to measure fair value within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements.

As of December 31, 2018 and 2017, except for investments, none of the assets and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative instruments, including cash, accounts receivable, unconditional promises to give, accounts payable and accrued expenses, approximate fair value, due to the short term nature of these financial instruments. There are no changes in methods or assumptions during the year ended December 31, 2018 and 2017.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash and cash equivalents --- For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments --- The Organization invests in marketable securities which are classified as available for sale. Realized gains and losses on investments, interest and dividends are included in non-operating activities in the accompanying statements of activities.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Property and equipment --- Property and equipment are recorded at cost and are depreciated using the straight-line basis over the approximate useful lives. The Organization's policy is to capitalize property and equipment with a purchase price of \$1,000 or more and a useful life of one year or more. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Major renewals, improvements and expenditures which increase the useful lives of assets are capitalized.

The Organization uses the following estimated useful lives:

Asset Class	Years
Building and improvements	7-39
Office furniture and fixtures	5
Medical equipment	7-10

Impairment of Long-lived assets --- The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of property and equipment in accordance with the provisions of ASC 360-10-05, *Impairment or Disposals of Long-Lived Assets*.

Revenue and support recognition --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates consistent with unsecured individual credit rates applicable to the years in which the promises to give are to be received. The Organization accounts for fundraising in the statement of activities to the extent that expenses have been incurred for the purpose specified by the customer during the period.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Donated goods and services --- To provide additional support for its medical assistance to children, the Organization solicits and receives donations of supplies, equipment, and volunteer support. During the years ended December 31, 2018 and 2017, the Organization received donations of airfare of \$84,495 and \$85,068, respectively. During the years ended December 31, 2018 and 2017, the Organization was provided with volunteer services of skilled doctors and nurses, donated hospital care, and host family expenditures valued at \$1,164,483 and \$1,257,186 respectively. The value of contributed medical services was determined by the following methods: For procedures performed by the medical teams abroad, the value was determined based upon Medicare rates for the procedures performed and the actual cost as provided by receipts of airfare and medical supplies. For the international inbound program, the Organization obtained a value for the medical care from the participating doctors and hospitals for each case.

Functional Allocation of Expenses --- Expenses are charged to the Organization's major programs based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to the programs based on units of service and support or by methods considered by management to be reasonable. Program expenses are those related to Domestic Aid, International Inbound and Medical Teams Abroad services. Management and general expenses relate to administrative expenses incurred to operate the programs.

Income taxes --- The Organization is a nonprofit organization described under Section 501(c)(3) of the Internal Revenue Code ("I.R.C.") and is therefore exempt from federal income taxes under Section 501(a) of the I.R.C. The Organization is also exempt under corresponding state statutes in New Jersey. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements

The Organization adheres to FASB ASC Topic 740, *Income Taxes*, which provides guidance and clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. For the years ended December 31, 2018 and 2017, the Organization has no material uncertain tax positions to be accounted for in the financial statements.

Annually, the Organization files an informational return with the United States Internal Revenue Service. The Organization also files an annual charitable registration with the State of New Jersey, Division of Consumer Affairs. All required tax returns have been filed. The Organization is no longer subject to tax examinations for tax years ended December 31, 2014 and prior.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Reclassifications --- Certain amounts from prior year financial statements have been reclassified to conform to current year presentation.

Management evaluation --- Management has evaluated subsequent events through May 28, 2019, the date on which the financial statements were available to be issued and have determined that there are no subsequent events that require disclosure.

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31, 2018 and 2017 .

	<u>2018</u>	<u>2017</u>
Unconditional promises	\$ 7,252	\$ 13,390
Net unconditional promises to give	<u>\$ 7,252</u>	<u>\$ 13,390</u>

Promises to give due in more than one year are recognized at fair value, using present value techniques and discount rates of approximately 13% - 17% based on risk adjusted credit ratings. These rates are adjusted annually based on the market.

	<u>2018</u>	<u>2017</u>
<i>Amounts due:</i>		
Less than one year	\$ 7,252	\$ 13,390
Unconditional promises to give, net	<u>\$ 7,252</u>	<u>\$ 13,390</u>

4. INVESTMENTS

The cost basis and estimated fair value of investments held as available for sale by the Organization at December 31, 2018 and 2017 are as follows:

December 31, 2018

	<u>Cost</u>	<u>Unrealized Holdings Gains</u>	<u>Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 21,928</u>	<u>\$ -</u>	<u>\$ 1,278</u>	<u>\$ 20,650</u>

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

4. INVESTMENTS (CONT.)

December 31, 2017

	<u>Cost</u>	<u>Unrealized Holdings Gains</u>	<u>Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual Funds	\$ 22,177	\$ 1,278	\$ -	\$ 23,455

The composition of investment returns included in all funds in the statements of activities for the years ended December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 2,598	\$ 928
Realized gains	-	-
Change in net unrealized gains/ (losses)	2,556	1,660
Total All Funds	<u>\$ 5,154</u>	<u>\$ 2,588</u>

In evaluating unrealized losses for other-than-temporary impairment, management considers the severity of the unrealized loss for the individual securities. All unrealized losses were less than one year, and there were no investments that experienced declines in value that management believes are other than temporary in nature.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The asset'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.

The following table presents the Organization's financial assets which are measured and recorded at fair value on a recurring basis:

<u>December 31, 2018</u>	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>
Available for sale securities		
Mutual Funds:		
Short-term bonds	\$ 10,440	\$ 10,440
Multisector bonds	10,210	10,210
Total	<u>\$ 20,650</u>	<u>\$ 20,650</u>

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

5. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

<i>December 31, 2017</i>	<u>Fair value</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>
Available for sale securities		
Mutual Funds:		
Short-term bonds	\$ 10,443	\$ 10,443
Multisector bonds	13,012	13,012
	<hr/>	<hr/>
Total	<u>\$ 23,455</u>	<u>\$ 23,455</u>

6. PROPERTY AND EQUIPMENT

A summary of the Organization's property and equipment as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 184,791	\$ 184,791
Land	33,900	33,900
Office furniture and fixtures	29,111	29,111
Medical equipment	60,651	60,651
	<hr/>	<hr/>
	308,453	308,453
Less: accumulated depreciation	150,357	138,510
Total	<u>\$ 158,096</u>	<u>\$ 169,943</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$11,848 and \$13,611 respectively.

7. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
Mortgage payable to Columbia Bank bearing interest at 4.75%, payable in monthly payments, including interest, of \$643 for 10 years and a balloon payment due September 1, 2022, collateralized by the office building in Hawthorne, NJ.	\$ 77,408	\$ 81,317
Less: current portion	4,086	3,895
Long term portion	<u>\$ 73,322</u>	<u>\$ 77,422</u>

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

7. LONG TERM DEBT (CONT.)

The required future principal payments are as follows:

2019	\$	4,086
2020		4,287
2021		4,498
2022		64,537
	\$	<u>77,408</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Nurse's Recognition Award	\$ 23,000	\$ 23,000
Medical Trips	<u>-</u>	<u>2,743</u>
Total net assets available for use	<u>\$ 23,000</u>	<u>\$ 25,743</u>

In December 2001, an endowment of \$23,000 was established to fund an annual nurse's recognition award.

Net assets were released from net assets with donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Medical Trips	\$ 22,743	\$ 23,150
Nurse of the Year Award	<u>-</u>	<u>500</u>
Total restrictions released	<u>\$ 22,743</u>	<u>\$ 23,650</u>

9. RELATED PARTY TRANSACTIONS (AFFILIATE ORGANIZATIONS)

National dues and donations --- The Organization pays annual dues and contributions to the projects of the national affiliate Healing the Children National. The Organization paid dues to the affiliate of \$4,600 and \$4,400 for the years 2018 and 2017 respectively.

10. CONCENTRATIONS OF CREDIT RISK

Arising from cash deposits in excess of insured limits --- The Organization maintains the majority of its cash accounts in two financial institutions located in northern New Jersey. During the year, cash balances can exceed federally insured limits of \$250,000. Management believes that the Organization has no significant risk of loss on these amounts due to the failure of the institutions.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (CONT.)

10. CONCENTRATIONS OF CREDIT RISK (CONT.)

Funding dependence --- All of the funding for the Organization comes from donor assistance. This funding is dependent upon monies from individuals and other nonprofits or foundations, accordingly there is no guarantee that such funding will continue.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management anticipates meeting general expenditures within one year of the date of the statement of financial position through contributions and fundraising activities. The following reflects the Organization's financial assets as of the balance sheet dates, reduced by amounts not available for general use:

	<u>2018</u>	<u>2017</u>
Financial assets at year-end	\$ 322,486	\$ 295,521
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted grant agreement	<u>23,000</u>	<u>25,743</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 299,486</u>	<u>\$ 269,778</u>