

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

Independent Auditors' Report and  
Financial Statements for the Year Ended  
December 31, 2019 (with Comparative Totals for  
the Year Ended December 31, 2018)

# HEALING THE CHILDREN NEW JERSEY, INC.

## TABLE OF CONTENTS

---

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	7-15

## 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 statement of financial position as of December 31, 2019, 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.

### **Auditors' 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 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, 2019, and the changes in its net assets and its cash flows for the year 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. 2018 financial statements, and our report dated May 28, 2019, expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Quillari Caruso LLC*

Fairfield, New Jersey  
January 12, 2021

# HEALING THE CHILDREN NEW JERSEY, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 224,679	\$ 290,612
Unconditional promises to give, net	6,177	7,252
Investments	23,188	20,650
Prepaid expenses	7,104	3,972
Total current assets	<u>261,148</u>	<u>322,486</u>
 PROPERTY AND EQUIPMENT - NET	 <u>148,046</u>	 <u>158,096</u>
 TOTAL ASSETS	 <u>\$ 409,194</u>	 <u>\$ 480,582</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 10,959	\$ 4,851
Accrued expenses	11,266	8,888
Deferred revenue	4,000	823
Long term debt - current portion	4,287	4,086
Total current liabilities	<u>30,512</u>	<u>18,648</u>
 LONG TERM LIABILITIES:		
Long term debt, less current portion	<u>69,035</u>	<u>73,322</u>
 Total liabilities	 <u>99,547</u>	 <u>91,970</u>
 NET ASSETS:		
Without donor restrictions	272,141	365,612
With donor restrictions	37,506	23,000
Total net assets	<u>309,647</u>	<u>388,612</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 409,194</u>	 <u>\$ 480,582</u>

## HEALING THE CHILDREN NEW JERSEY, INC.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
<b>PUBLIC SUPPORT AND REVENUES:</b>				
Contributions	\$ 68,905	\$ -	\$ 68,905	\$ 169,024
Non-cash contributions	1,257,247	-	1,257,247	1,248,978
Fundraising activities	97,964	-	97,964	81,286
Grants	2,500	42,271	44,771	20,000
Net assets released from restrictions:				
Satisfaction of purpose restrictions	27,765	(27,765)	-	-
Total public support and revenues	1,454,381	14,506	1,468,887	1,519,288
<b>EXPENSES:</b>				
Program services:				
Domestic aid	30,622	-	30,622	33,405
International inbound aid	318,828	-	318,828	555,978
Medical teams abroad	1,060,723	-	1,060,723	799,575
Total program services	1,410,173	-	1,410,173	1,388,958
Supporting services:				
Management and general	67,074	-	67,074	52,264
Fundraising	73,321	-	73,321	63,388
Total supporting services	140,395	-	140,395	115,652
Total expenses	1,550,568	-	1,550,568	1,504,610
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITIES	(96,187)	14,506	(81,681)	14,678
NON-OPERATING ACTIVITIES:				
Investment income (loss)	2,716	-	2,716	5,154
CHANGE IN NET ASSETS	(93,471)	14,506	(78,965)	19,832
NET ASSETS, BEGINNING OF YEAR	365,612	23,000	388,612	368,780
NET ASSETS, END OF YEAR	\$ 272,141	\$ 37,506	\$ 309,647	\$ 388,612

## HEALING THE CHILDREN NEW JERSEY, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Program Services				Supporting Services		Total	
	Domestic aid	International inbound aid	Medical teams abroad	Total	Management and general	Fundraising	2019	2018
Personnel costs:								
Salaries and wages	\$ 11,387	\$ 39,336	\$ 16,562	\$ 67,285	\$ 12,421	\$ 23,809	\$ 103,515	\$ 92,829
Benefits	11	40	17	68	12	24	104	1,435
Payroll taxes	926	3,199	1,347	5,472	1,010	1,936	8,418	7,900
Total personnel costs	12,324	42,575	17,926	72,825	13,443	25,769	112,037	102,164
Donated airfare	-	-	115,508	115,508	-	-	115,508	84,495
Donated medical services	-	222,558	726,027	948,585	-	-	948,585	814,191
Donated medical supplies	-	39,399	128,528	167,927	-	-	167,927	350,292
Medical supplies and assistance	15,005	2,917	22,759	40,681	-	-	40,681	41,006
Travel and meetings	-	-	41,663	41,663	-	-	41,663	9,970
Shipping and postage	-	-	-	-	888	-	888	2,691
Stationery and office expense	-	-	-	-	26,208	2,539	28,747	14,164
Events auctioneer and auction items	-	-	-	-	-	16,238	16,238	11,302
Event photographer	-	-	-	-	-	-	-	2,800
Events banquet	-	-	-	-	-	21,888	21,888	19,038
Professional fees	1,349	4,661	1,962	7,972	1,472	2,821	12,265	11,380
Dues and subscriptions	-	-	-	-	4,150	-	4,150	4,600
Informational technology	-	-	-	-	1,180	-	1,180	789
Utilities	439	1,515	638	2,592	478	917	3,987	2,318
Publicity	-	-	-	-	3,195	-	3,195	3,345
Repairs and maintenance	-	-	-	-	6,930	-	6,930	3,226
Interest	400	1,384	582	2,366	437	837	3,640	3,800
Insurance	-	-	3,522	3,522	5,717	-	9,239	9,826
Miscellaneous	-	-	-	-	1,770	-	1,770	1,365
Total expenses before depreciation	29,517	315,009	1,059,115	1,403,641	65,868	71,009	1,540,518	1,492,762
Depreciation	1,105	3,819	1,608	6,532	1,206	2,312	10,050	11,848
Total expenses	\$ 30,622	\$ 318,828	\$ 1,060,723	\$ 1,410,173	\$ 67,074	\$ 73,321	\$ 1,550,568	\$ 1,504,610

# HEALING THE CHILDREN NEW JERSEY, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from contributions and grants	\$ 113,676	\$ 189,024
Cash received from fundraising	97,964	81,286
Cash paid to employees and vendors	(245,743)	(236,319)
Net cash (used in) provided by operating activities	<u>(34,103)</u>	<u>33,991</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	367	21,126
Interest and dividends received	756	2,598
Purchases of investments	(25,227)	(15,845)
Net cash (used in) provided by investing activities	<u>(24,104)</u>	<u>7,879</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of long term debt	(4,086)	(3,909)
Interest paid	(3,640)	(3,800)
Net cash (used in) financing activities	<u>(7,726)</u>	<u>(7,709)</u>
<b>NET (DECREASE ) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	(65,933)	34,161
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD</b>	<u>290,612</u>	<u>256,451</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD</b>	<u>\$ 224,679</u>	<u>\$ 290,612</u>



# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

---

### 1. NATURE OF ACTIVITIES

Healing the Children New Jersey, Inc. (the “Organization”) is a nonprofit organization that 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.

### 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. Accordingly, revenues are recognized when received and expenses are recognized when incurred.

**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, 2019 AND 2018 (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, 2019 and 2018, 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 were no changes in methods or assumptions during the year ended December 31, 2019 and 2018.

# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (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.

**Restricted cash** --- Restricted cash is the portion of cash that will be used to cover expenditures that have been purpose restricted by the donor and reflected as net assets with donor restrictions.

**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 income 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** ---

**Fundraising** --- Fundraising revenue is considered an exchange transaction and accordingly, amounts are recognized when the event takes place and matched against expenses. Additionally, funds received in advance of the event(s) are accounted for as deferred revenue in the statement of financial position.

# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONT.)

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### **Revenue and support recognition (cont.)---**

*Contributions* --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for 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 due in the next year 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 risk-free interest rates applicable to the years in which the promises are to be received.

*Non-cash contributions - Donated services* --- Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During the years ended December 31, 2019 and 2018, the Organization was provided with volunteer services of skilled doctors and nurses, donated hospital care, and host family expenditures valued at \$1,116,512 and \$1,164,483 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.

*Donated goods* - 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, 2019 and 2018, the Organization received donations of airfare of \$140,735 and \$84,495, respectively.

**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. Fundraising expenses relate to the cost of accumulating contributions.

Allocated indirect expenditures include salaries and related payroll expenses, which are allocated on the basis of estimates of time and effort. The indirect labor hours cost pool serves as the basis for allocating all other indirect costs.

# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONT.)

---

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

**Income taxes** --- The Organization is a not-for-profit 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 Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. 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, 2019 and 2018, 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 subject to tax examinations generally within three years from the latest filing date.

**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.

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

**Prior year summarized 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 the Organization’s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Management evaluation** --- Management has evaluated subsequent events through January 12, 2021, the date on which the financial statements were available to be issued, and have determined that except as detailed in Note 12, there are no subsequent events that require disclosure.

### 3. 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 \$4,150 and \$4,600 for the years ended December 31, 2019 and 2018, respectively.

# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONT.)

### 4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net unconditional promises to give	\$ 6,177	\$ 7,252
	<u>2019</u>	<u>2018</u>
<i>Amounts due:</i>		
Less than one year	\$ 6,177	\$ 7,252
Unconditional promises to give, net	<u>\$ 6,177</u>	<u>\$ 7,252</u>

### 5. INVESTMENTS

The cost basis and estimated fair value of investments held as available for sale by the Organization at December 31, 2019 and 2018 are as follows:

<u>December 31, 2019</u>	<u>Cost</u>	<u>Unrealized Holdings Gains</u>	<u>Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual Funds	<u>\$ 22,675</u>	<u>\$ 957</u>	<u>\$ 444</u>	<u>\$ 23,188</u>
<u>December 31, 2018</u>	<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>

The composition of investment returns included in all funds in the statements of activities for the years ended December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 756	\$ 2,598
Realized gains	367	-
Change in net unrealized gains	<u>1,593</u>	<u>2,556</u>
Total	<u>\$ 2,716</u>	<u>\$ 5,154</u>

# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONT.)

### 6. 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 are descriptions of the valuation techniques applied to the Organization's major categories of assets measured at fair value on a recurring basis:

*Mutual Funds:* Investments traded in an active market for which daily closing prices are measured primarily on a net asset value basis.

The following table presents the Organization's financial assets which are measured and recorded at fair value on a recurring basis. All investments are in active markets and have been assessed by management as level 1 securities.

	<u>2019</u>	<u>2018</u>
Available for sale securities		
Mutual Funds:		
Short-term bonds	\$ 10,481	\$ 10,440
Multisector bonds	12,707	10,210
	<u>23,188</u>	<u>20,650</u>
Total	<u>\$ 23,188</u>	<u>\$ 20,650</u>

### 7. PROPERTY AND EQUIPMENT

A summary of the Organization's property and equipment as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</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
	<u>308,453</u>	<u>308,453</u>
Less: accumulated depreciation	160,407	150,357
Total	<u>\$ 148,046</u>	<u>\$ 158,096</u>

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$10,050 and \$11,848 respectively.

# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONT.)

### 8. LONG TERM DEBT

	<u>2019</u>	<u>2018</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.	\$ 73,322	\$ 77,408
Less: current portion	<u>4,287</u>	<u>4,086</u>
Long term portion	<u>\$ 69,035</u>	<u>\$ 73,322</u>

The required future principal payments are as follows:

2020	\$ 4,287
2021	4,498
2022	<u>64,537</u>
	<u>\$ 73,322</u>

### 9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Nurse's Recognition Award	\$ 22,500	\$ 23,000
Medical Trips	<u>15,006</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 37,506</u>	<u>\$ 23,000</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>2019</u>	<u>2018</u>
Medical Trips	\$ 27,265	\$ 22,743
Nurse of the Year Award	<u>500</u>	<u>-</u>
Total restrictions released	<u>\$ 27,765</u>	<u>\$ 22,743</u>



# HEALING THE CHILDREN NEW JERSEY, INC.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONT.)

---

### 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.

**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 (i.e. prepaid expenses):

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 261,148	\$ 322,486
Less those unavailable for general expenditures within one year, due to:		
Prepaid expenses	7,104	3,972
Donor-restricted grant agreement	<u>37,506</u>	<u>23,000</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 216,538</u>	<u>\$ 295,514</u>

### 12. SUBSEQUENT EVENT

**COVID-19** --- The Organization is evaluating the impact of COVID-19 and its pervasive impact to the overall economy and has determined it cannot reasonably estimate the financial impact, if any, on its operations, assets, and material accounting estimates at this time.

**Payment Protection Program** --- In April, 2020, the Organization obtained a Paycheck Protection Program loan in the amount of \$23,000, pursuant to the terms of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") enacted March 27, 2020. So long as the Organization incurs certain qualifying expenses, they may apply for the loan to be forgiven by the Small Business Administration ("SBA") in whole or in part. Unless otherwise forgiven, the loan is due April, 2022. Interest is specified at a rate of 1%. The funding is uncollateralized. Management has not yet determined whether the full amount of the loan will be forgiven.