

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

Independent Auditors' Report and
Financial Statements for the
Year Ended December 31, 2021
(with Comparative Totals for the Year Ended
December 31, 2020)

HEALING THE CHILDREN NEW JERSEY, INC.

TABLE OF CONTENTS

	Page
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	7-16

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Healing the Children New Jersey, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing the Children New Jersey, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Healing the Children New Jersey, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Healing the Children New Jersey, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Healing the Children New Jersey, Inc. 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Fairfield, New Jersey
November 4, 2022

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 143,684	\$ 161,255
Unconditional promises to give, net	26,199	8,983
Investments	68,394	62,330
Total current assets	<u>238,277</u>	<u>232,568</u>
PROPERTY AND EQUIPMENT - NET	<u>137,337</u>	<u>139,747</u>
TOTAL ASSETS	<u><u>\$ 375,614</u></u>	<u><u>\$ 372,315</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ -	\$ 1,384
Accrued expenses	17,207	14,499
Deferred revenue	-	2,549
Long term debt - current portion	64,623	4,498
Total current liabilities	<u>81,830</u>	<u>22,930</u>
LONG TERM LIABILITIES:		
Paycheck protection program	-	23,345
Long term debt, less current portion	-	64,606
Total long term liabilities	<u>-</u>	<u>87,951</u>
Total liabilities	<u>81,830</u>	<u>110,881</u>
NET ASSETS:		
Without donor restrictions	245,992	213,928
With donor restrictions	47,792	47,506
Total net assets	<u>293,784</u>	<u>261,434</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 375,614</u></u>	<u><u>\$ 372,315</u></u>

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
PUBLIC SUPPORT AND REVENUES:				
Contributions	\$ 79,816	\$ 12,500	\$ 92,316	\$ 87,901
Non-cash contributions	3,650	-	3,650	35,200
Fundraising activities	42,014	-	42,014	11,384
Grants	-	-	-	10,000
Net assets released from restrictions:				
Satisfaction of purpose restrictions	12,214	(12,214)	-	-
Total public support and revenues	137,694	286	137,980	144,485
EXPENSES:				
Program services:				
Domestic aid	22,040	-	22,040	33,058
International inbound aid	33,018	-	33,018	79,751
Medical teams abroad	49,324	-	49,324	24,178
Total program services	104,382	-	104,382	136,987
Supporting services:				
Management and general	28,833	-	28,833	31,140
Fundraising	19,601	-	19,601	33,916
Total supporting services	48,434	-	48,434	65,056
Total expenses	152,816	-	152,816	202,043
CHANGE IN NET ASSETS BEFORE NON- OPERATING ACTIVITIES	(15,122)	286	(14,836)	(57,558)
NON-OPERATING ACTIVITIES:				
Forgiveness of Paycheck Protection Program loans	41,100	-	41,100	-
Miscellaneous income	1,930	-	1,930	-
Investment income (loss)	4,156	-	4,156	9,345
	47,186	-	47,186	9,345
CHANGE IN NET ASSETS	32,064	286	32,350	(48,213)
NET ASSETS, BEGINNING OF YEAR	213,928	47,506	261,434	309,647
NET ASSETS, END OF YEAR	\$ 245,992	\$ 47,792	\$ 293,784	\$ 261,434

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Program Services				Supporting Services		Total	
	Domestic aid	International inbound aid	Medical teams abroad	Total	Management and general	Fundraising	2021	2020
Personnel costs:								
Salaries and wages	\$ 10,569	\$ 14,634	\$ 29,267	\$ 54,470	\$ 15,446	\$ 11,383	\$ 81,299	\$ 84,892
Payroll taxes	891	1,204	2,484	4,579	1,307	944	6,830	7,172
Total personnel costs	11,474	15,887	31,772	59,133	16,768	12,357	88,258	92,064
Donated medical services	-	9,209	-	9,209	-	-	9,209	-
Medical supplies and assistance	5,514	925	-	6,439	-	-	6,439	56,127
Travel and meetings	-	-	36	36	-	-	36	2,149
Shipping and postage	-	-	-	-	247	-	247	1,141
Stationery and office expense	1,587	2,197	4,395	8,179	2,320	1,709	12,208	5,538
Events auctioneer and auction items	-	-	-	-	-	388	388	7,310
Professional fees	1,105	1,530	3,060	5,695	1,615	1,190	8,500	7,726
Dues and subscriptions	-	-	-	-	1,100	-	1,100	1,150
Informational technology	-	-	-	-	1,084	-	1,084	823
Utilities	331	459	918	1,708	484	357	2,549	4,134
Advertising	-	-	-	-	-	1,414	1,414	3,050
Repairs and maintenance	677	937	1,875	3,489	990	729	5,208	1,185
Interest	420	581	1,163	2,164	614	452	3,230	3,452
Insurance	-	-	3,522	3,522	2,249	-	5,771	4,808
Miscellaneous	-	-	-	-	-	-	-	3,087
Total expenses before depreciation	21,108	31,726	46,741	99,575	27,470	18,596	145,641	193,744
Depreciation	932	1,292	2,583	4,807	1,363	1,005	7,175	8,299
Total expenses	<u>\$ 22,040</u>	<u>\$ 33,018</u>	<u>\$ 49,324</u>	<u>\$ 104,382</u>	<u>\$ 28,833</u>	<u>\$ 19,601</u>	<u>\$ 152,816</u>	<u>\$ 202,043</u>

HEALING THE CHILDREN NEW JERSEY, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions and grants	\$ 92,316	\$ 97,901
Cash received from fundraising	42,014	11,384
Cash paid to employees and vendors	(160,450)	(158,220)
Net cash (used in) operating activities	(26,120)	(48,935)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	663	12,382
Interest and dividends received	3,106	638
Purchase of property and equipment	(4,766)	-
Purchases of investments	(498)	(43,184)
Net cash (used in) investing activities	(1,495)	(30,164)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	17,755	23,345
Payment of long term debt	(4,481)	(4,218)
Interest paid	(3,230)	(3,452)
Net cash provided by financing activities	10,044	15,675
NET (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(17,571)	(63,424)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	161,255	224,679
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	\$ 143,684	\$ 161,255

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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, 2021 and 2020, 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, 2021 and 2020.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (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 statement 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. 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, 2021 AND 2020 (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.

Donated goods --- To provide additional support for its medical assistance to children, the Organization solicits and receives donations of supplies, equipment, and volunteer support.

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.

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, 2021 and 2020, the Organization has no material uncertain tax positions to be accounted for in the financial statements.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONT.)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Income taxes (cont.) --- 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, 2020 from which the summarized information was derived.

Management evaluation --- Management has evaluated subsequent events through November 4, 2022, the date on which the financial statements were available to be issued, and have determined that except as detailed in Note 14, 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 \$1,000 and \$1,000 for the years ended December 31, 2021 and 2020, respectively.

4. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net unconditional promises to give		
<i>Amounts due:</i>		
Less than one year	\$ 26,199	\$ 8,983
Net unconditional promises to give	<u>\$ 26,199</u>	<u>\$ 8,983</u>

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONT.)

5. INVESTMENTS

The cost basis and estimated fair value of investments held as available for sale by the Organization at December 31, 2021 and 2020 are as follows:

<u>December 31, 2021</u>	<u>Cost</u>	<u>Unrealized Holdings Gains</u>	<u>Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual Funds	\$ 62,639	\$ 5,863	\$ 108	\$ 68,394

<u>December 31, 2020</u>	<u>Cost</u>	<u>Unrealized Holdings Gains</u>	<u>Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual Funds	\$ 60,824	\$ 2,018	\$ 512	\$ 62,330

The composition of investment returns included in all funds in the statement of activities for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 3,106	\$ 638
Realized gains	663	5,197
Change in net unrealized gains	387	3,510
Total	<u>\$ 4,156</u>	<u>\$ 9,345</u>

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.

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONT.)

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

	2021	2020
Available for sale securities		
Mutual Funds:		
Short-term bonds	\$ 38,822	\$ 48,150
Multisector bonds	29,572	14,180
Total	<u>\$ 68,394</u>	<u>\$ 62,330</u>

7. PROPERTY AND EQUIPMENT

A summary of the Organization's property and equipment as of December 31, 2021 and 2020 are as follows:

	2021	2020
Building and improvements	\$ 184,791	\$ 184,791
Land	33,900	33,900
Office furniture and fixtures	33,877	29,111
Medical equipment	60,651	60,651
	<u>313,219</u>	<u>308,453</u>
Less: accumulated depreciation	175,882	168,706
Total	<u>\$ 137,337</u>	<u>\$ 139,747</u>

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$7,175 and \$8,299 respectively.

8. LONG TERM DEBT

	2021	2020
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 January 1, 2023, collateralized by the office building in Hawthorne, NJ.	\$ 64,623	\$ 69,104
Less: current portion	-	4,498
Long term portion	<u>\$ 64,623</u>	<u>\$ 64,606</u>

The required future principal payments are as follows:

2022	\$ 64,623
thereafter	-
	<u>\$ 64,623</u>

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONT.)

9. PAYCHECK PROTECTION PROGRAM LOAN

Pursuant to the terms of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) enacted March 27, 2020, the Organization obtained a Paycheck Protection Program loan in the amount of \$23,345 in April, 2020. On February 19, 2021, the Organization obtained a second Paycheck Protection Program loan in the amount of \$17,755. 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 February, 2026. Interest is specified at a rate of 1%. The funding is uncollateralized.

On March 11, 2021, management applied for and received forgiveness on the \$23,345 Paycheck Protection Program loan. Finally, in December 2021, the Organization received forgiveness on the \$17,755 Paycheck Protection Program loan and recorded the forgiveness or \$41,100 as non-operating income on the statement of activities.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Nurse’s recognition award	\$ 22,500	\$ 22,500
Medical mission to Ecuador	10,000	10,000
Purchase of property and equipment	214	-
Domestic assistance initiative	72	-
Medical trips	12,506	15,006
Total net assets with donor restrictions	\$ 47,792	\$ 47,506

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:

	2021	2020
Domestic assistance initiative	\$ 7,428	\$ -
Purchase of property and equipment	4,786	-
Total restrictions released	\$ 12,214	\$ -

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONT.)

11. NON-CASH CONTRIBUTIONS

During the years ended December 31, 2021 and 2020, the Organization was provided with volunteer services of skilled doctors and nurses, donated hospital care, and host family expenditures valued at \$3,650 and \$35,200 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.

12. 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.

13. 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>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 238,277	\$ 232,568
Less those unavailable for general expenditures within one year, due to:		
Board designated restrictions		
Donor-restricted grant agreement	<u>47,792</u>	<u>47,506</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 190,485</u>	<u>\$ 185,062</u>

HEALING THE CHILDREN NEW JERSEY, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONT.)

14. 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.