

HEALING THE CHILDREN, NORTHEAST, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

with

INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC

Certified Public Accountants

HEALING THE CHILDREN, NORTHEAST, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Healing the Children, Northeast, Inc.

We have audited the accompanying financial statements of Healing the Children, Northeast, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, 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 opinions 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, Northeast, Inc. as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the current coronavirus crisis in the United States and globally has resulted in substantial volatility in the financial markets and has disrupted many business operations both domestically and internationally. Due to the level of risk associated with this evolving situation, it is reasonably possible that changes in the Organization's operations will occur and that such changes could materially affect the future operations of the Organization. It is not possible to predict at this time the impact on the Organization's operations, if any. Our opinion is not modified with respect to this matter.

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Sandra E. Welwood, LLC
Danbury, Connecticut
May 15, 2020

HEALING THE CHILDREN, NORTHEAST, INC.

**STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 367,157	\$ 268,296
Prepaid expenses	61,197	55,740
Total current assets	428,354	324,036
Other assets:		
Building	30,000	30,000
Furniture and office equipment	28,643	28,643
Medical equipment	154,357	140,357
Less: accumulated depreciation	(157,909)	(150,066)
Total other assets	55,091	48,934
Total assets	\$ 483,445	\$ 372,970
<u>Liabilities and Net Assets</u>		
Liabilities		
Current liabilities:		
Accrued liabilities	\$ 22,599	\$ 16,728
Deferred revenue	50,021	36,709
Total current liabilities	72,620	53,437
Total liabilities	72,620	53,437
Net Assets		
Without donor restrictions	324,201	286,892
With donor restrictions	86,624	32,641
Total net assets	410,825	319,533
Total liabilities and net assets	\$ 483,445	\$ 372,970

See accompanying notes to the financial statements.

HEALING THE CHILDREN, NORTHEAST, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<u>Without Donor Restrictions</u>		
Revenues and other support:		
Contributions in-kind	\$ 7,568,711	\$ 8,875,147
Public contributions	118,397	350,340
Special events:		
Fundraising events, net of direct expenses of \$21,028 and \$19,156, respectively	90,154	79,526
Other special events	-	36,791
Interest income	131	15
Net assets released from restrictions	39,143	53,470
Total revenues and other support	7,816,536	9,395,289
Expenses:		
Program services	7,740,966	9,313,861
Management and general	35,885	33,796
Fundraising	2,376	2,159
Total expenses	7,779,227	9,349,816
Change in net assets without donor restrictions	37,309	45,473
 <u>With Donor Restrictions</u>		
Restricted contributions	93,126	62,716
Net assets released from restrictions	(39,143)	(53,470)
Change in net assets with donor restrictions	53,983	9,246
Total change in net assets	91,292	54,719
Net assets, beginning of year	319,533	264,814
Net assets, end of year	\$ 410,825	\$ 319,533

See accompanying notes to the financial statements.

HEALING THE CHILDREN, NORTHEAST, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Program Services	Management and General	Fundraising	2019	Program Services	Management and General	Fundraising	2018
Donated medical services	\$ 6,960,991	\$ -	\$ -	\$6,960,991	\$ 8,233,533	\$ -	\$ -	\$8,233,533
Donated supplies	468,509	-	-	468,509	638,713	-	-	638,713
Medical trip and travel expenses	188,143	-	-	188,143	316,103	-	-	316,103
Medical supplies	5,363	-	-	5,363	13,244	-	-	13,244
Employee salaries	57,514	10,404	294	68,212	52,091	9,737	243	62,071
Payroll taxes	4,999	904	26	5,929	4,464	834	21	5,319
Employee benefits	16,847	3,048	86	19,981	17,968	3,358	84	21,410
Telephone	4,026	474	237	4,737	4,781	563	282	5,626
Insurance	1,894	848	85	2,827	1,593	714	71	2,378
Professional fees	-	8,500	-	8,500	-	8,500	-	8,500
Office expenses	12,454	7,264	1,037	20,755	9,922	5,788	827	16,537
Postage	559	186	186	931	670	223	223	1,116
Occupancy	7,501	3,359	336	11,196	7,167	3,209	321	10,697
Dues and conferences	3,810	-	-	3,810	4,820	-	-	4,820
Scholarships	1,500	-	-	1,500	2,150	-	-	2,150
Total expenses before depreciation	7,734,110	34,987	2,287	7,771,384	9,307,219	32,926	2,072	9,342,217
Depreciation	6,856	898	89	7,843	6,642	870	87	7,599
Total expenses	\$ 7,740,966	\$ 35,885	\$ 2,376	\$7,779,227	\$ 9,313,861	\$ 33,796	\$ 2,159	\$9,349,816

See accompanying notes to the financial statements.

HEALING THE CHILDREN, NORTHEAST, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 91,292	\$ 54,719
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,843	7,599
Changes in assets and liabilities:		
Prepaid expenses	(5,457)	71,643
Accounts payable	5,871	(3,963)
Deferred revenue	13,312	(99,764)
Net cash provided by operating activities	112,861	30,234
Cash flows from investing activities:		
Purchases of equipment	(14,000)	(2,900)
Net cash used in investing activities	(14,000)	(2,900)
Net increase in cash and cash equivalents	98,861	27,334
Cash and cash equivalents, beginning of year	268,296	240,962
Cash and cash equivalents, end of year	\$ 367,157	\$ 268,296

See accompanying notes to the financial statements.

Healing the Children, Northeast, Inc.
Notes to Financial Statements
December 31, 2019 (continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

Measure of Operations

The Statements of Activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, results could differ from those estimates.

Cash and Cash Equivalents

Cash and equivalents include investments in highly liquid financial instruments with original maturities of three months or less. The Organization maintains its cash in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor under the FDIC's general deposit insurance rules. As of December 31, 2019, the Organization has \$120,120 subject to credit risk with respect to its cash balances.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the Statements of Financial Position.

Furniture and Equipment

Furniture and equipment are recorded at cost. Expenditures for additions and improvements with a cost of greater than \$2,000 and an estimated useful life of greater than one year are capitalized. Minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations. Depreciation and amortization are computed on the straight-line method based on the estimated lives of the assets, which range from three to ten years.

The Organization evaluates all of its furniture and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of the assets is measured by a comparison of the carrying amount of the asset to the estimated fair value. If the carrying amount exceeds the estimated fair value, the asset is considered to be impaired. If an asset is considered to be impaired, it is written down to fair value.

Healing the Children, Northeast, Inc.
Notes to Financial Statements
December 31, 2019 (continued)

Contributions

The Organization recognizes contributions and bequests when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special Events revenue is recognized in the period the event takes place.

In-Kind Donations

The Organization receives donated medical goods and services from hospitals, pharmaceutical companies, doctors, and others. This is the value of medical and surgical health professional services provided and medical goods received, which have been performed on the patients that the Organization serves. Such amounts, which are based upon information provided by the third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as Contributions In-Kind in the Statements of Activities.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the Statements of Activities because they do not meet the necessary criteria for recognition under accounting principles generally accepted in the United States of America.

Income Taxes

The Organization is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. As of December 31, 2019, there are no uncertain positions taken, or expected to be taken, that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Organization is no longer subject to income tax examinations for years prior to 2016.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Employee salaries	Time and effort
Payroll taxes	Time and effort
Employee benefits	Time and effort
Telephone	Time and effort
Insurance	Facility usage
Office expenses	Time and effort
Postage	Time and effort
Occupancy	Facility usage
Depreciation	Facility usage

Healing the Children, Northeast, Inc.
Notes to Financial Statements
December 31, 2019 (continued)

New Accounting Pronouncements Adopted

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in the accompanying financial statements accordingly. The amendments have been applied retrospectively, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Note 3 – Availability and Liquidity

The following represents the Organization’s financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	<u>\$ 367,157</u>	<u>\$ 268,296</u>
Total financial assets	367,157	268,296
Less Donor-imposed restrictions:		
Net assets with donor restrictions	<u>86,624</u>	<u>32,641</u>
Net financial assets after donor-imposed restrictions	280,533	235,655
Less Board-designated funds	<u>14,060</u>	<u>16,631</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 266,473</u>	<u>\$ 219,024</u>

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. All board-designated funds can be made available to meet operating needs if necessary.

Note 4 – Operating Lease

The Organization leases office equipment under an operating lease expiring in September 2024 with a monthly rental of \$175.

At December 31, 2019, the aggregate minimum rental commitments under the operating lease is:

2020	\$ 2,094
2021	2,094
2022	2,094
2023	2,094
2024	1,396

Healing the Children, Northeast, Inc.
Notes to Financial Statements
December 31, 2019 (continued)

Note 5 – Net Assets

Net assets with donor restrictions were as follows for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific Purpose:		
Medical trips abroad program	\$ 54,644	\$ 31,251
Domestic program	6,480	1,390
Nursing grant	<u>25,500</u>	<u>-</u>
	<u>\$ 86,624</u>	<u>\$ 32,641</u>

Net assets without donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 310,141	\$ 270,261
Designated – International inbound program	<u>14,060</u>	<u>16,631</u>
	<u>\$ 324,201</u>	<u>\$ 286,892</u>

Net assets released from net assets with donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of Purpose Restrictions:		
Medical trips abroad program	\$ 32,876	\$ 39,511
International inbound program	25	11,912
Domestic program	1,742	2,047
Nursing grant	<u>4,500</u>	<u>-</u>
	<u>\$ 39,143</u>	<u>\$ 53,470</u>

Note 6 – Subsequent Events

The Organization evaluated subsequent events after the Statement of Financial Position date of December 31, 2019 through May 15, 2020, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

The current coronavirus crisis in the United States and globally has resulted in substantial volatility in the financial markets and has significantly disrupted many business operations, including travel domestically and internationally. Due to the level of risk associated with this evolving situation, it is reasonably possible that changes in the Organization’s operations will occur and that such changes could materially affect the future operations of the Organization. The full extent of this crisis, related business restrictions, and changes to behavior intended to reduce its spread are uncertain as this continues to evolve globally. Therefore, the full extent to which the coronavirus may impact the Organization’s results of operations, liquidity or financial position is uncertain. Management continues to monitor the impact on the Organization, the industry, and the economies in which the Organization operates. The Organization anticipates that its future results of operations will be impacted by the coronavirus outbreak. However, the related financial impact and duration cannot be reasonably estimated at this time.