HEALING THE CHILDREN, NORTHEAST, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

VICTOR BRUCE LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Healing The Children, Northeast, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and 2016 and the related statements of activities, functional expenses (including summary by activity), 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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, 2017 and 2016, 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.

Victor Bruce LLC

VICTOR BRUCE LLC

Stratford, Connecticut
June 18, 2018

HEALING THE CHILDREN, NORTHEAST, INC.

STATEMENTS OF FINANCIAL POSITION

As At December 31,

	2,017	2,016
ASSETS		
Cash and Cash Equivalents	$240,962	$227,970
Prepaid Expenses	127,383	62,413
Building	30,000	30,000
Furniture & Office Equipment	30,239	29,028
Medical Equipment	137,457	137,457
Less - Accumulated Depreciation	(144,063)	(134,937)
	53,633	61,548
Total Assets	$421,978	$351,931
LIABILITIES		
Current Payables and Accrued Liabilities	$20,691	$20,326
Deferred Revenue	136,473	87,376
Total Liabilities	157,164	107,702
NET ASSETS		
Unrestricted	53,633	61,548
Temporarily Restricted	211,181	182,681
Total Net Assets	264,814	244,229
Total Liabilities and Net Assets	$421,978	$351,931

See Accompanying Notes To Financial Statements.

HEALING THE CHILDREN, NORTHEAST, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

(SEE ALSO FUNCTIONAL EXPENSES BY ACTIVITY)

Year Ended December 31,

		2017		2016
Revenue and Other Support :				
Contributions In Kind		$4,537,198		$4,093,536
Public Contributions		271,446		133,069
Fundraising Activities		17,945		17,446
Special Event Revenue	85,964		93,362	
Less: Costs of Direct Benefits to Donors	(19,861)		(23,600)	
Net Revenues From Special Events		66,103		69,763
Thrift Shop Revenue:				
Contributions of Merchandise Sold	0		4,835	
Sales of Contributed Merchandise	0		4,835	
Less: Value of Merchandise Sold	0		(4,835)	
Net Sales Revenue from Thrift Shop		0		4,835
Return on Investments		10		32
Gain (Loss) on Disposal of Fixed Assets		0		(6,769)
Total Revenue and Other Support		4,892,702		4,311,911
Expenses:				
Fund Raising Expenses		4,976		1,782
Donated Airfare		0		56,027
Donated Medical Services & Supplies		4,537,198		4,007,816
Medical Trip &Travel Expense		191,323		66,820
Medical Supplies		2,020		1,535
Telephone		4,016		4,472
Postage		765		748
Salaries		59,639		62,338
Employee Benefits		15,174		11,698
Payroll Taxes		5,206		5,453
Audit Fees		5,000		5,000
Office Expenses		17,687		20,718
Insurance		2,495		2,604
Occupancy Expenses		11,600		11,507
National Dues & Conferences		4,892		4,427
Thrift Shop Expense		0		4,421
Depreciation		9,126		7,784
Scholarship Expense		1,000		0
Interest Expense		0		1
Total Expenses		4,872,117		4,275,149
Increase in Net Assets		$20,585		$36,762
Increase in Temporarily Restricted Net Assets		$28,499		$24,061
Temporarily Restricted Net Assets at Beginning of Year		182,681		158,621
Temporarily Restricted Net Assets at End of Year		211,180		182,681
(Decrease) Increase in Unrestricted Net Assets		(7,915)		12,702
Unrestricted Net Assets at Beginning of Year		61,548		48,846
Unrestricted Net Assets at End of Year		53,633		61,548
Net Assets at End of Year		$264,814		$244,229

See Accompanying Notes To Financial Statements.

HEALING THE CHILDREN, NORTHEAST, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (INCLUDING SUMMARY BY ACTIVITY)

Year Ended December 31,

	Program Services				Support Services					
	Medical Trips Abroad	Int'l Inbound	Domestic	Total	Fund Raising	Special Events	Thrift Shop	Management and General	2017 Total	2016 Total
Revenue and Support										
Contributions In Kind	$4,533,800	$2,098	$1,300	$4,537,198					$4,537,198	$4,093,536
Public Contributions	244,034	5,083	1,144	250,261				$21,185	271,446	133,069
Fundraising					$17,945				17,945	17,446
Special events						$66,103			66,103	69,763
Thrift Shop							$0			4,835
Return on Investments								10	10	32
Gain (Loss) on Disposal of Fixed Assets										(6,769)
Total Year 2017	$4,777,834	$7,180	$2,444	$4,787,459	$17,945	$66,103	$0	$21,195	$4,892,702	
Total Year 2016	$4,146,603	$46,060	$230	$4,192,893	$17,446	$69,763	$4,835	$26,976		$4,311,911
Functional Expenses										
Fund Raising Expenses					$4,976				$4,976	$1,782
Donated Medical Services & Supplies	$4,533,800	$2,098	$1,300	$4,537,198				$0	4,537,198	4,007,816
Donated Airfare										56,027
Medical Trip & Travel Expense	184,982	6,341		191,323					191,323	66,820
Medical Supplies	1,615		405	2,020					2,020	1,535
Telephone	3,012	201	201	3,414	201			$402	4,016	4,472
Postage	383	38	38	459	153			153	765	748
Allocated Salary					923			2,770	3,694	12,288
Program Salaries	54,098	923	923	55,945					55,945	50,050
Employee Benefits	12,898	379	380	13,658	379			1,138	15,175	11,698
Payroll Taxes	4,740	78	78	4,895	78			233	5,206	5,453
Accounting Fees	2,500	500	500	3,500	750			750	5,000	5,000
Office Expenses	8,843	884	884	10,612	884			6,190	17,687	21,475
Insurance	1,497	87	87	1,672	75			749	2,495	2,604
Occupancy Expenses	6,960	406	406	7,772	348			3,480	11,600	15,171
National Dues and Conferences	2,935	171	171	3,278	147			1,468	4,892	4,427
Depreciation	7,733	122	122	7,977	104			1,045	9,126	7,784
Scholarship Expense			1,000	1,000					1,000	
Interest Expense										1
Total Year 2017	$4,825,996	$12,229	$6,496	$4,844,721	$9,019	$0	$0	$18,378	$4,872,117	
Total Year 2016	$4,173,748	$50,616	$0	$4,224,364	$7,213	$0	$5,578	$37,994		$4,275,149

See Accompanying Notes To Financial Statements.

HEALING THE CHILDREN, NORTHEAST, INC.

STATEMENTS OF CASH FLOWS

Year Ended December 31,

	2017	2016
Cash Provided (Used) by Operating Activities -		
Increase in Temporarily Restricted Net Assets	$28,499	$24,061
(Decrease) Increase in Unrestricted Net Assets	(7,915)	12,702
Charges to Income Not		
Requiring A Cash Outlay :		
Depreciation	9,126	7,784
In-Kind Donations of Equipment	0	(28,508)
Unrealized Loss on Investments	0	85
Loss on Asset Disposal	0	6,665
Increase in Current Payables	365	6,605
(Increase) in Prepaid Expenses	(64,970)	(22,021)
Increase in Deferred Revenue	49,098	45,792
	14,203	53,164
Cash Provided (Used) by Investing Activities		
Security Sale Proceeds	0	1,278
Purchases of Investments	0	(6)
Acquisition of Furniture & Equipment	(1,211)	0
	(1,211)	1,272
Increase in Cash and Cash Equivalents	$12,992	$54,436
Increase in Temporarily Restricted Cash	$12,992	$54,436
Temporarily Restricted Cash at Beginning of Year	227,970	173,534
Temporarily Restricted Cash at End of Year	240,962	227,970
Increase (Decrease) in Unrestricted Cash	0	0
Unrestricted Cash at Beginning of Year	0	0
Unrestricted Cash at End of Year	0	0
Cash and Cash Equivalents at End of Year	$240,962	$227,970
Supplemental Disclosures:		
Cash paid for interest	$0	$1
Fair value of medical services, supplies and		
travel donated by medical providers -		
Medical Missions	$4,533,800	$4,046,336
International Inbound	$2,098	$46,060
Domestic	$1,300	$0
Fair value of fund raising / special event items donated	$4,625	$2,625
Fair value of thrift store items donated	$0	$4,835
Fair value of office services donated	$0	$1,140

See Accompanying Notes To Financial Statements.

HEALING THE CHILDREN, NORTHEAST, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of the Business and Summary of Significant Accounting Policies:

Organizational Status:

Healing The Children, Northeast, Inc. (the Organization) is a Connecticut based not-for-profit, volunteer organization whose main purpose is to secure, make available and finance specialized medical and surgical health care to indigent children who are unable to receive it in their local (foreign or domestic) environment. The organization receives all of its funding from non-governmental public sources, no one provider donating over 5% of revenue.

The Organization accomplishes its purposes under three main programs -

(1) Medical Trips Abroad Program - This program is one of several ways in which the Organization reaches across national borders to provide the world's children with desperately needed medical care. The Organization assembles teams of medical and surgical health professionals who volunteer their time and services to provide health screening and on-site surgery to children in the lesser-developed countries. These teams pay their own airfare and related expenses to the host countries. The Organization provides medical supplies, in-country housing, food and transportation in cooperation with the local participants.

(2) International Inbound Program - This program brings host country children to the United States where they are matched with hospitals, doctors and medical resources that are willing and able to donate their services and products. In addition, the Organization promotes a sponsorship program that provides funding to those children who have been to the United States for medical treatment and need ongoing medical assistance. The program also provides to them food, clothing and sometimes educational services in their respective homeland.

(3) Domestic Program - This program provides in the New York and New England areas medical treatment and assistance to children who are unable to get these services due to a lack of financial resources. This program was inactive for 2016 and restarted on a limited basis during 2017.

The Organization had opened a thrift shop on June 2, 2014 at a separate location in New Milford, Connecticut to assist in financially supporting its programs. The Organization closed this store on April 30, 2016.

The Organization was incorporated in November 1985 and, in that year became a Chapter in the National Organization, "Healing The Children".

The following is a summary of the Organization's significant accounting policies:

Financial Statement Presentation:

The financial statements of Healing The Children, Northeast, Inc. are presented in accordance with the provisions of the Financial Accounting Standard Board Codification topic "Financial Statements of Not-for-Profit Organizations" ASC 958-205. This pronouncement requires not-for-profit organizations to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Represent resources over which the Board of Directors has discretionary control.

Temporarily restricted with respect to time or purpose - Represent resources subject to a donor-imposed restriction which will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted - Represents resources subject to a donor-imposed restriction that they be maintained permanently. At this time the Organization has no such permanently restricted resources.

Basis of Accounting:

The Organization prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. The financial statements of the Organization include their program services and supporting activities. The statement of activities set forth separately, where appropriate, revenues earned and related program expenses of the Organization, giving recognition to their separate responsibilities as described in the Organizations Certificate of Incorporation and By-Laws.

Program expenses include salaries, expenses of the medical teams and children and a reasonable allocation of functional expenses. Support services of the Organization such as management, accounting, occupancy the computer systems include direct and allocated functional expenses.

Risks, Uncertainties and Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year then ended. Actual results could differ from those estimates.

At times the balances in the Organization's bank accounts accounts may exceed the insured limits of the institutions. It is the Organization's belief that the size and reputation of these institutions minimize the risk.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Receivables:

The Organization does not engage in the usual fund raising activities that give rise to pledges resulting in accounts receivable and allowances for doubtful accounts. Hence, the financial statements do not reflect amounts for such accounts.

Contributions:

Cash and non-cash donations from supporters are recognized at the time of their receipt. Substantially all donations are temporarily restricted for program activities that ordinarily occur in the then current year. Accordingly, these contributions are classified as unrestricted revenues. Due to the nature of the Organization's tax-exempt function, they receive many recognized contributions of medical goods and services from hospitals, pharmaceutical companies, doctors and others with the fair values determined primarily using information obtained from the participating doctors, hospitals and suppliers based on rates they otherwise charged. The financial statements do not reflect the value of unidentified personal property and personal services because they do not meet the recognition criteria of FASB ASC 958-605-50 "Accounting for Contributions Received and Contributions Made". However, if such unidentified amounts were recorded, there would be no effect on excess revenue and support over expenses for the year.

Property , Furniture & Equipment:

Property, furniture and equipment are stated at cost at date of acquisition or at fair value at date of donation. Expenditures for betterment in excess of $400 are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation is computed over the estimated useful lives of the respective assets ranging between 5 to 39 years by utilizing both the straight-line and accelerated methods. At the time property or equipment is retired or disposed of, the asset and the related accumulated depreciation accounts are relieved of the applicable amounts and any gain or loss is credited or charged to its activity.

Property and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values.

Income Taxes:

The Organization is exempt from federal and state income taxes under an approved Section 501(C)(3) of the Internal Revenue Code exemption and is not aware of any actions to revoke that exemption. Moreover, there are no unrelated income activities resulting in federal or state income taxes.

The Organization follows the provisions of ASC 740 requiring disclosure of uncertain tax positions. There have been no interest or penalties recognized in the Statements of Activities nor in the Statements of Financial Position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2014.

Fair Value Measurements:

The Organization has adopted fair value measurement as required by ASC 820, Fair Value Measurements, for its financial assets and liabilities. In accordance to the statement, fair value is defined as the price that the Organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A three-tier hierarchy was established by the ASC to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 - Inputs that are unobservable, including the Organization's own assumptions in determining the fair value of investments.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the investment in its entirety falls is determined based on the lowest level input that is significant to the investment in its entirety. Assessing the significance of a particular input to the investment in its entirety requires judgment and considers factors specific to the investment. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of liquidity profile of that investment.

The fair value of financial instruments including cash and cash equivalents, prepaid expenses, accounts payable, accrued liabilities and deferred revenue approximate carrying value due to the short-term nature of these accounts.

ASC 820 also requires the Organization to measure certain nonfinancial assets and nonfinancial liabilities at fair value on a nonrecurring basis. These assets and liabilities include assets acquired and liabilities assumed in an acquisition or in a nonmonetary exchange and property and equipment that are written down to fair value when they are held for sale or determined to be impaired. During the years ended December 31, 2017 and 2016, the Organization does not have any nonfinancial assets or liabilities that were measured at fair value on a nonrecurring basis.

Subsequent Events Policy:

In accordance with ASC 855, subsequent events have been evaluated through June 18, 2018 which is the date the financial statements were available to be issued.

Fund Balances:

The Organization has both restricted and unrestricted general fund balances comprising temporarily restricted cash and of unrestricted accumulated earnings from November 26, 1985 (date of incorporation) to December 31, 2017.

Note 2. Deferred Revenue

The deferred revenue of $136,473 represents trip revenue received in 2017 for 2018 medical trips and $87,376 of trip revenue and membership dues received in 2016 for 2017 medical trips.

Note 3. Operating Leases

The Organization leased a building on a month to month basis for its thrift store with rent expense amounting to $2,400 for 2016. In addition, the Organization leases office equipment under a non cancelable operating lease agreement having an initial term of greater than one year. The expected future minimum lease payments for the office equipment lease is as follows:

Year ending December 31:	
2018	$1,311
Thereafter	-
	$1,311

Total office equipment lease expense amounted to $1,748 for the years ended December 31, 2017 and 2016.

Note 4. Net Assets

Net assets consist of the following for the years ended:

	December 31, 2017	December 31, 2016
Unrestricted:		
Invested in Building, Furniture, Office And Medical Equipment	$ 53,633	$ 61,548
Total Unrestricted	53,633	61,548
Temporarily Restricted		
Cash and Investments for Program Purposes	211,181	182,681
Total Net Assets	$264,814	$244,229

Note 6. Board Designated Endowment Fund

The Board of Directors had established an unrestricted Endowment Fund which was invested in conservative common stock and bond funds with Vanguard. During the year 2016 the fund ceased to exist as it was completely drawn down to support the Organization's operations. The following summarizes the Fund's activity for the year ended:

	December 31, 2016
January 1 Beginning Balance	$ 1,253
Withdrawals	(1,280)
Interest & Dividend Income	8
Realized Gain	104
Unrealized Appreciation (Depreciation)	(85)
December 31 Ending Balance	$ -

Note 7. Related Party Transactions

The Organization paid annual dues to the national affiliate Healing the Children National in the amount of $4,420 for the year ended December 31, 2017 and $4,020 for the year ended December 31, 2016.

Note 8. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.