Premier HealthCare

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2019 AND 2018

MARKS PANETH

ACCOUNTANTS & ADVISORS

PREMIER HEALTHCARE, INC.

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Premier Healthcare, Inc.

We have audited the accompanying financial statements of Premier Healthcare, Inc. (“PHC”), 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 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 PHC 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.

Marks Paneth LLP

New York, NY
November 13, 2020

PREMIER HEALTHCARE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C and 8)	$ 393,727	$ 481,755
Accounts receivable, net (Notes 2D and 4)	3,665,211	1,800,089
Prepaid expenses and other receivables	447,703	227,410
Property and equipment, net (Notes 2H and 5)	1,181,037	690,263
TOTAL ASSETS	$ 5,687,678	$ 3,199,517
LIABILITIES		
Accounts payable and accrued expenses	$ 706,451	$ 584,970
Accrued salary, vacation and benefits (Note 9)	854,704	891,291
Bank line of credit (Note 6)	2,542,330	1,282,330
Due to affiliate (Note 10)	8,049,589	6,407,226
Due to funding sources (Notes 7D and 11)	765,713	1,586,287
Deferred rent (Note 2K)	303,944	149,742
Capital lease obligation (Note 7B)	224,896	-
TOTAL LIABILITIES	13,447,627	10,901,846
COMMITMENTS AND CONTINGENCIES (Note 7)		
NET DEFICIT (Notes 2B and 12)		
Without Donor Restrictions	(7,759,949)	(7,702,329)
TOTAL NET DEFICIT	(7,759,949)	(7,702,329)
TOTAL LIABILITIES AND NET DEFICIT	$ 5,687,678	$ 3,199,517

PREMIER HEALTHCARE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUE AND SUPPORT		
Medicaid (Note 2E)	$ 14,375,163	$ 12,789,640
Medicare and client fees (Note 2E)	2,483,546	2,127,435
Grants and contracts (Note 2F)	165,744	324,744
Other income	1,881	22,964
TOTAL REVENUE AND SUPPORT	17,026,334	15,264,783
EXPENSES		
Program services	14,286,339	13,169,868
Management and general	2,367,103	2,596,530
TOTAL EXPENSES	16,653,442	15,766,398
CHANGE IN NET DEFICIT BEFORE DEPRECIATION - WITHOUT DONOR RESTRICTIONS	372,892	(501,615)
Depreciation (Notes 2H and 5)	430,512	459,324
CHANGE IN NET DEFICIT- WITHOUT DONOR RESTRICTIONS	(57,620)	(960,939)
Net Deficit - beginning of year - without donor restrictions	(7,702,329)	(6,741,390)
NET DEFICIT - END OF YEAR - WITHOUT DONOR RESTRICTIONS	$ (7,759,949)	$ (7,702,329)

PREMIER HEALTHCARE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Program Services	Management and General	Total 2019	Program Services	Management and General	Total 2018
Personnel services	$ 7,819,046	$ 120,640	$ 7,939,686	$ 7,925,772	$ 481,803	$ 8,407,575
Employee benefits and payroll taxes	1,352,102	20,862	1,372,964	1,623,787	95,017	1,718,804
Total personnel services and benefits	9,171,148	141,502	9,312,650	9,549,559	576,820	10,126,379
Contracted services	1,231,025	338,701	1,569,726	772,947	166,607	939,554
Professional fees	14,166	68,600	82,766	-	87,064	87,064
Program recreational and supplies	349,276	1,600	350,876	330,484	-	330,484
Food	1,713	-	1,713	383	-	383
Transportation	123,229	2,594	125,823	128,721	1,049	129,770
Office and expensed equipment	202,352	21,836	224,188	96,864	34,945	131,809
Staff development	117,557	9,293	126,850	67,960	8,507	76,467
Occupancy	1,565,235	-	1,565,235	1,303,104	18,892	1,321,996
Repairs and maintenance	311,438	-	311,438	262,432	29,201	291,633
Insurance	156,751	128,785	285,536	170,839	160,570	331,409
Utilities	87,561	-	87,561	85,218	1,907	87,125
Telephone	119,690	3,497	123,187	105,178	28,331	133,509
Information technology	824,539	114,021	938,560	185,748	26,855	212,603
Mortgage and capital interest	3,052	99,479	102,531	-	69,575	69,575
Bad debt	-	-	-	100,000	-	100,000
Miscellaneous	7,607	9,910	17,517	10,431	13,914	24,345
Support services (Note 10)	-	1,427,285	1,427,285	-	1,372,293	1,372,293
TOTAL EXPENSES BEFORE DEPRECIATION	14,286,339	2,367,103	16,653,442	13,169,868	2,596,530	15,766,398
Depreciation	426,899	3,613	430,512	455,494	3,830	459,324
TOTAL EXPENSES	$ 14,713,238	$ 2,370,716	$ 17,083,954	$ 13,625,362	$ 2,600,360	$ 16,225,722

The accompanying notes are an integral part of these financial statements.

PREMIER HEALTHCARE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net deficit	$ (57,620)	$ (960,939)
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Depreciation	430,512	459,324
Bad debt	-	100,000
Subtotal	372,892	(401,615)
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Accounts receivable	(1,865,122)	299,241
Prepaid expenses and other receivables	(220,293)	100,463
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	121,481	(449,910)
Accrued salary, vacation and benefits	(36,587)	(92,092)
Due to funding sources	(820,574)	(615,899)
Deferred rent	154,202	16,911
Net Cash Used in Operating Activities	(2,294,001)	(1,142,901)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(921,286)	(24,508)
Net Cash Used in Investing Activities	(921,286)	(24,508)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease purchases	245,341	-
Principal repayments of capital lease obligations	(20,445)	-
Borrowings on line of credit	1,260,000	-
Increase in due to affiliate	1,642,363	563,801
Net Cash Provided by Financing Activities	3,127,259	563,801
NET DECREASE IN CASH AND CASH EQUIVALENTS	(88,028)	(603,608)
Cash and cash equivalents - beginning of the year	481,755	1,085,363
CASH AND CASH EQUIVALENTS- END OF THE YEAR	$ 393,727	$ 481,755
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 102,531	$ 69,575

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Premier Healthcare, Inc. ("PHC") was incorporated in 1995 under the Not-for-Profit Corporation Law of New York State and commenced operations on April 1, 1997. PHC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. PHC has an equivalent exemption from income tax at the state and local level.

PHC is an outpatient diagnostic and treatment center offering health care services to the general public with a specialty in medical services for people with developmental and learning disabilities and their families in many sites throughout the New York area. PHC is a quality health care practice providing outpatient clinic services which include primary health, pediatrics, internal medicine, dentistry (including desensitization), nutrition, gynecology, neurology, podiatry, psychiatry, physical therapy, occupational therapy, ophthalmology, speech pathology and psychology. PHC's primary source of revenue is patient service fees received from Medicaid, Medicare and other third-party payers. YAI, a non-profit organization is the sole member of PHC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates -*** PHC's financial statements have been prepared on the accrual basis of accounting. PHC adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

B. ***Basis of Presentation -*** PHC maintains its net assets under the following two classes:

Without donor restrictions - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of PHC's operations over which the Board of Directors has discretionary control.

With donor restrictions - This represents net assets subject to donor-imposed stipulations that will be met by actions of PHC or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. As of December 31, 2019 and 2018, there were no net assets with donor restrictions.

C. ***Cash and Cash Equivalents -*** PHC considers highly liquid debt instruments with maturities of three months or less, when acquired, to be cash and cash equivalents.

D. ***Allowance for Uncollectible Receivables -*** PHC determines whether an allowance for uncollectible receivables should be provided for accounts receivable. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience and collections subsequent to year end. As of December 31, 2019 and 2018, PHC determined allowances of $135,517 and $219,370, respectively, were necessary for accounts receivable.

E. ***Service Revenue -*** Service revenue is derived from contracts with customers, and includes Fee for Service, Medicaid, and Patient fees on the statements of activities. PHC receives revenue from Medicaid, Medicare, and other third-party payors to provide health care services to the general public with a specialty in medical services for people with developmental and learning disabilities. These amounts are due from the government agencies, third-party payors (including government programs), individual benefits and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

Generally, PHC bills government agencies, third-party payors and individuals after the services are performed or they have completed their portion of the contract. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Performance obligations are determined based on the nature of the services provided by PHC in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. PHC measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations.

All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations or contract balances that are unsatisfied as of December 31, 2019. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. PHC determines the transaction price based on established rates and contracts for services provided. Program service fees consist of revenues for the following programs:

	Medicaid	Medicare and Client Fees	Total
Clinical Services	$ 13,731.518	$ 2,483,546	$ 16,215,064
Other	643,645	-	643,645
	$ 14,375,163	$ 2,483,546	$ 16,858,709

F. ***Grants and Contracts -*** Grants and contracts are nonexchange transactions and accounted for under Accounting Standards Update ("ASU") 2018-08. Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Grants and contracts amounted to $165,744 and $324,744 as of December 31, 2019 and 2018, respectively, and are included in the statements of activities. As of December 31, 2019, and 2018, PHC did not receive conditional grants and contracts or refundable advances.

G. ***Contributions -*** PHC reports contributions of cash and other assets as without donor restrictions support unless they are received with donor stipulations that limit the use of the donated assets, in which case they are reported as with donor restrictions support. Contributions, including cash and in-kind contributions, are recorded as revenue in the period in which the unconditional promise is received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the gift is received, PHC reports the support as without donor restrictions.

H. ***Property and Equipment -*** Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. Property and equipment is capitalized by PHC provided its cost is $5,000 or more and its useful life is greater than one year.

I. ***Functional Expenses -*** The costs of providing program and supporting services of PHC have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and general supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. ***Prior Period Revenue -*** There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to retroactive rate adjustments, funding source audit findings, additional monies available over and above original contract amounts, rate appeal results, etc. As of December 31, 2019, and 2018, increases/(decreases) of approximately $472,000 and $(2,000) respectively, of prior year revenues relating to such adjustments are included in Medicaid revenue.

K. ***Deferred Rent -*** PHC leases real property under various operating leases. The leases include rent escalations. Since the rent increases over time, PHC records an adjustment to rent expense each year to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position. As of December 31, 2019 and 2018, this amounted to $303,944 and $149,742, respectively.

L. ***Recent Accounting Pronouncements -*** Financial Accounting Standards Board ("FASB") ASU 2014-09, "*Revenue from Contracts with Customers*" (Topic 606) was adopted by PHC for the year ended December 31, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services as described in Note 2E.

FASB ASU 2018-08, "*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*" (Topic 958) was also adopted by PHC for the year ended December 31, 2019. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution or government grant is conditional as described in Notes 2F and 2G.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31:

	2019	2018
Cash and cash equivalents	$ 393,727	$ 481,755
Accounts receivable, net	3,665,211	1,800,089
Other receivables	16,767	-
	$ 4,075,705	$ 2,281,844

PHC has budgeted at breakeven, which will allow expenses to be covered by income. In order to manage liquidity, PHC relies on collection of accounts receivable for general expenditures. As stated in Note 6, PHC has a line of credit available for short-term needs that is used for general expenditures when there are timing or collection issues of accounts receivable.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consists of the following as of December 31:

	2019	2018
Due from Medicaid	$ 2,723,610	$ 1,341,844
Due from Medicare	651,433	336,586
Due from private pay	117,841	9,557
Due from other sources	307,844	331,472
Subtotal	3,800,728	2,019,459
Less: Allowance for doubtful accounts	(135,517)	(219,370)
	$ 3,665,211	$ 1,800,089

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

	2019	2018	Estimated Useful Lives
Leasehold improvements	$ 3,952,858	$ 3,397,500	5-25 years
Medical equipment	912,465	719,503	5 years
Office equipment	427,881	451,050	5 years
Furniture and fixtures	274,653	194,954	5 years
Computer software	2,107,563	2,107,563	3-5 years
	7,675,420	6,870,570	
Less: accumulated depreciation and amortization	(6,494,383)	(6,180,307)	
	$ 1,181,037	$ 690,263	

Depreciation and amortization expense amounted to $430,512 and $459,324 for the years ended December 31, 2019 and 2018, respectively. For the year ended December 31, 2019, fully depreciated fixed assets with total cost and total accumulated depreciation of $116,436 were disposed of.

NOTE 6 – BANK LINE OF CREDIT

On November 3, 2017, PHC received a $3 million uncommitted discretionary line of credit from a bank. It will expire on November 30, 2021. As of December 31, 2019 and 2018, the balance due on the line of credit was $2,542,330 and $1,282,330, respectively. The line has an interest rate of one half percent above the prime rate (amounting to an interest rate of 6.0% as of both December 31, 2019 and 2018, respectively). Borrowings are guaranteed by YAI. PHC must comply with certain administrative and financial covenants, which it has done. Interest expense for the years ended December 31, 2019 and 2018 amounted to $102,531 and $69,575, respectively. As of May 4, 2020, the line of credit was paid off in full by YAI and closed.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

A. PHC has several operating lease agreements. The difference between straight-lining the rental charge and actual payments is reported as deferred rent in the accompanying statements of financial position. Annual future minimum rentals payable for real property, principally under long-term noncancelable operating leases expiring at varying dates through 2050, are as follows:

2020	$ 1,332,281
2021	1,392,541
2022	1,353,262
2023	1,210,893
2024	1,215,216
Thereafter	21,260,764
	$ 27,764,957

Rent expense for the years ended December 31, 2019 and 2018 amounted to $1,565,235 and $1,165,737, respectively.

B. PHC has capital leases for electronic equipment that mature in 2023 with the following future annual payments:

2020	$ 61,335
2021	61,335
2022	61,335
2023	40,891
	$ 224,896

NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)

C. PHC believes it has no uncertain tax positions as of December 31, 2019 and 2018 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

D. PHC receives a significant portion of its revenue for services provided from third-party reimbursement through government agencies and Medicaid. These revenues are based on pre-determined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the government. PHC, when appropriate, records an estimated liability to governmental agencies for any excess reimbursement over allowable costs and underspending of interim rates.

E. PHC is subject to legal proceedings and claims which have arisen in the ordinary course of its business and which have not been fully adjudicated. Management does not believe there will be a material adverse effect on the financial position of PHC.

NOTE 8 – CONCENTRATION

Cash and cash equivalents that potentially subject PHC to a concentration of credit risk include cash and short-term investment accounts with five banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to $250,000 per depositor. As of December 31, 2019 and 2018, there was $235,320 and $350,757, respectively, of cash and cash equivalents held by one bank that exceeded FDIC limits.

NOTE 9 – RETIREMENT PLAN

On July 1, 2015, PHC adopted the YAI Network Affiliates 401(a) Plan. Employees are eligible to participate in the plan upon completion of one year of service after July 1, 2015, and of which the employee worked at least 1,000 hours. Contributions and costs of the plan are based on amounts determined in accordance with the Internal Revenue Code Section 415 on an annual basis. The plan ended June 30, 2019 with a final contribution of $94,630 made using forfeiture balances. For the year ended December 31, 2018, there were employer contributions to the plan of $90,615.

On January 1, 2019, PHC adopted the YAI Network Affiliates 403(b) Plan. All common law employees are eligible to make salary reduction contributions into the plan. Employees who complete 1,000 hours of service during the plan year and are employed on the last day of the Plan Year are eligible for employer matching contributions. The Employer Matching Contribution will be equal to 50% of the first 6% employee compensation deferral made to the Plan for periods on or after July 1, 2019. For the year ended December 31, 2019 the employer matching contribution was $39,263.

NOTE 10 – RELATED-PARTY TRANSACTIONS

PHC has a management agreement with YAI to provide management services which include, but are not limited to, accounting and financial operations, administrative and program support, human resources, education and training, information technology and general management. For the years ended December 31, 2019 and 2018, PHC incurred management fee expenses amounting to $1,427,285 and $1,372,293, respectively. The total amounts outstanding as of December 31, 2019 and 2018 were $8,049,589 and $6,407,226, respectively.

For the years ended December 31, 2019 and 2018, PHC received rental income from YAI which amounted to $0 and $9,836, respectively. PHC entered an amendment of sublease with YAI on March 1, 2008. PHC subleased two properties from YAI. The rent expense for the two properties is 34% of base rent that YAI is liable for as of both December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the sublease rent expense amounted to approximately $450,000 and $600,000 for the years ended December 31, 2019 and 2018, respectively. This lease was terminated effective September 1, 2019.

PHC entered an amendment of sublease with YAI on June 18, 2020, effective retroactive to September 1, 2019. The sublease will expire on February 28, 2050 and has fixed rent payments. The sublease rent expense amounted to approximately $150,000 for the year ended December 31, 2019.

NOTE 11 – DUE TO FUNDING SOURCES

As required by statute, the New York State Department of Health ("DOH") has begun transitioning Medicaid payments to diagnostic and treatment centers licensed under Article 28 of the New York Public Health Law ("D&TCs") to the Ambulatory Patient Group ("APG") payment methodology. On February 25, 2013, PHC along with other D&TCs, received notice from the DOH that the capital component of PHC's Medicaid payment rate for the period September 1, 2009 through December 31, 2012 had been retroactively rebased, purportedly in accordance with annual D&TC cost reports submitted by PHC for successive years. The amounts outstanding as of December 31, 2019 and 2018 were $765,713 and $1,586,287, respectively.

NOTE 12 – DEFICIT NET ASSETS

As of December 31, 2019, and 2018, PHC has a deficit net asset balance of $7,759,949 and $7,702,329, respectively. This deficit is an accumulation of losses incurred by PHC in prior years. These deficits were covered by YAI, as the fiscal agent of PHC, resulting in the liability to YAI amounting to $8,049,589 and $6,407,226 as of December 31, 2019 and 2018, respectively. YAI agreed not to recoup any monies from PHC until January 1, 2022.

For the year ended December 31, 2019, PHC had a decrease in without donor restriction net assets amounting to approximately $58,000. For the year ended December 31, 2018, PHC had an increase in without donor restriction net assets amounting to approximately $961,000. Management expects that during the year ended December 31, 2020, cash flow will be sufficient to cover operating costs and other needs of PHC. PHC has implemented changes to operations with the goal of improving financial performance and ensuring short-term and long-term financial stability. As the financial performance continues to improve, PHC will work with YAI on a repayment plan through a series of revenue enhancing activities and operational efficiencies.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 13, 2020, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. PHC could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the mission, financial condition and results of operations of PHC will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, PHC cannot predict the extent to which its financial condition and results of operations will be affected.