



**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**PREMIER HEALTHCARE, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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## 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, 2020 and 2019, 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, 2020 and 2019, 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 15, 2021

**PREMIER HEALTHCARE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 8)	\$ 840,870	\$ 393,727
Accounts receivable, net (Notes 2D and 4)	1,983,295	3,665,211
Prepaid expenses and other receivables	486,642	447,703
Property and equipment, net (Notes 2H and 5)	875,613	1,181,037
<b>TOTAL ASSETS</b>	<b>\$ 4,186,420</b>	<b>\$ 5,687,678</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 704,652	\$ 706,451
Accrued salary, vacation and benefits (Note 9)	1,176,691	854,704
Note payable (Note 6)	2,552,235	2,542,330
Due to affiliate (Note 10)	7,902,886	8,049,589
Due to funding sources (Note 7D)	279,431	765,713
Deferred rent (Note 2K)	553,679	303,944
Capital lease obligation (Note 7B)	163,561	224,896
<b>TOTAL LIABILITIES</b>	<b>13,333,135</b>	<b>13,447,627</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 7)</b>		
<b>NET DEFICIT (Notes 2B and 11)</b>		
Without Donor Restrictions	(9,146,715)	(7,759,949)
<b>TOTAL NET DEFICIT</b>	<b>(9,146,715)</b>	<b>(7,759,949)</b>
<b>TOTAL LIABILITIES AND NET DEFICIT</b>	<b>\$ 4,186,420</b>	<b>\$ 5,687,678</b>

**PREMIER HEALTHCARE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>REVENUE AND SUPPORT</b>		
Medicaid (Note 2E and 2J)	\$ 9,867,207	\$ 14,375,163
Medicare and client fees (Note 2E)	2,560,723	2,483,546
Grants and contracts (Note 2F)	1,547,521	165,744
Other income	<u>8,320</u>	<u>1,881</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>13,983,771</u>	<u>17,026,334</u>
<b>EXPENSES</b>		
Program services	12,786,248	14,286,339
Management and general	<u>2,272,242</u>	<u>2,367,103</u>
<b>TOTAL EXPENSES</b>	<u>15,058,490</u>	<u>16,653,442</u>
<b>CHANGE IN NET DEFICIT WITHOUT DONOR RESTRICTIONS BEFORE DEPRECIATION</b>	(1,074,719)	372,892
Depreciation (Notes 2H and 5)	<u>312,047</u>	<u>430,512</u>
<b>CHANGE IN NET DEFICIT- WITHOUT DONOR RESTRICTIONS</b>	(1,386,766)	(57,620)
Net Deficit without donor restrictions - beginning of year	<u>(7,759,949)</u>	<u>(7,702,329)</u>
<b>NET DEFICIT WITHOUT DONOR RESTRICTIONS - END OF YEAR</b>	<u>\$ (9,146,715)</u>	<u>\$ (7,759,949)</u>

**PREMIER HEALTHCARE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Program Services	Management and General	Total 2020	Program Services	Management and General	Total 2019
Personnel services	\$ 6,524,583	\$ 209,611	\$ 6,734,194	\$ 7,819,046	\$ 120,640	\$ 7,939,686
Employee benefits and payroll taxes	<u>1,313,170</u>	<u>39,243</u>	<u>1,352,413</u>	<u>1,352,102</u>	<u>20,862</u>	<u>1,372,964</u>
<b>Total personnel services and benefits</b>	7,837,753	248,854	8,086,607	9,171,148	141,502	9,312,650
Contracted services	1,148,904	401,278	1,550,182	1,231,025	338,701	1,569,726
Professional fees	4,801	72,988	77,789	14,166	68,600	82,766
Program recreational and supplies	526,713	9,190	535,903	349,276	1,600	350,876
Food	753	-	753	1,713	-	1,713
Transportation	41,062	921	41,983	123,229	2,594	125,823
Office and expensed equipment	101,785	7,077	108,862	202,352	21,836	224,188
Staff development	16,419	1,588	18,007	117,557	9,293	126,850
Occupancy	1,768,854	-	1,768,854	1,565,235	-	1,565,235
Repairs and maintenance	237,218	3,380	240,598	311,438	-	311,438
Insurance	390,241	62,736	452,977	156,751	128,785	285,536
Utilities	39,659	171	39,830	87,561	-	87,561
Telephone	78,977	10,336	89,313	119,690	3,497	123,187
Information technology	483,775	16,443	500,218	824,539	114,021	938,560
Mortgage and capital interest	9,323	109,987	119,310	3,052	99,479	102,531
Bad debt	99,960	-	99,960	-	-	-
Miscellaneous	51	24,413	24,464	7,607	9,910	17,517
Support services (Note 10)	<u>-</u>	<u>1,302,880</u>	<u>1,302,880</u>	<u>-</u>	<u>1,427,285</u>	<u>1,427,285</u>
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	12,786,248	2,272,242	15,058,490	14,286,339	2,367,103	16,653,442
Depreciation	<u>308,928</u>	<u>3,119</u>	<u>312,047</u>	<u>426,899</u>	<u>3,613</u>	<u>430,512</u>
<b>TOTAL EXPENSES</b>	<u>\$ 13,095,176</u>	<u>\$ 2,275,361</u>	<u>\$ 15,370,537</u>	<u>\$ 14,713,238</u>	<u>\$ 2,370,716</u>	<u>\$ 17,083,954</u>

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

**PREMIER HEALTHCARE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net deficit	\$ (1,386,766)	\$ (57,620)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Depreciation	312,047	430,512
Bad debt	99,960	-
	(974,759)	372,892
Changes in operating assets and liabilities:		
(Increase)/decrease in assets:		
Accounts receivable	1,581,956	(1,865,122)
Prepaid expenses and other receivables	(38,939)	(220,293)
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(1,799)	121,481
Accrued salary, vacation and benefits	321,987	(36,587)
Due to funding sources	(486,282)	(820,574)
Deferred rent	249,735	154,202
	651,899	(2,294,001)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>651,899</b>	<b>(2,294,001)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(6,623)	(921,286)
	(6,623)	(921,286)
<b>Net Cash Used in Investing Activities</b>	<b>(6,623)</b>	<b>(921,286)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital lease purchases	-	245,341
Principal repayments of capital lease obligations	(61,335)	(20,445)
Borrowings on line of credit	9,905	1,260,000
Advances from (repayments to) due to affiliate	(146,703)	1,642,363
	(198,133)	3,127,259
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(198,133)</b>	<b>3,127,259</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>447,143</b>	<b>(88,028)</b>
Cash and cash equivalents - beginning of the year	393,727	481,755
<b>CASH AND CASH EQUIVALENTS- END OF THE YEAR</b>	<b>\$ 840,870</b>	<b>\$ 393,727</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	\$ 119,310	\$ 102,531

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

**PREMIER HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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, audiology, 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. Young Adult Institute, Inc., (“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 or 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 restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As of December 31, 2020 and 2019, 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, 2020 and 2019, PHC determined allowances of \$235,477 and \$135,517, respectively, were necessary for accounts receivable.

**E. *Service Revenue*** - Service revenue is derived from contracts with customers, and includes Medicaid, Medicare, and client 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.



**PREMIER HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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, 2020 and 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:

	2020			2019		
	Medicaid	Medicare and Client Fees	Total	Medicaid	Medicare and Client Fees	Total
Clinical	\$ 9,235,145	\$ 2,560,723	\$ 11,795,868	\$13,731,518	\$ 2,483,546	\$ 16,215,064
Other	632,062	-	632,062	643,645	-	643,645
	<u>\$ 9,867,207</u>	<u>\$ 2,560,723</u>	<u>\$ 12,427,930</u>	<u>\$14,375,163</u>	<u>\$ 2,483,546</u>	<u>\$ 16,858,709</u>

- F. *Grants and Contracts*** – Certain 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 \$1,547,521 and \$165,744 as of December 31, 2020 and 2019, respectively, and are included in the statements of activities. As of December 31, 2020, and 2019, PHC did not receive conditional grants and contracts or refundable advances.
- G. *Contributions*** - PHC reports contributions of cash and other assets as without donor restricted support unless they are received with donor stipulations that limit the use of the donated assets, in which case they are reported as support with donor restrictions. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

**PREMIER HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**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. For the years ended December 31, 2020 and 2019, (decreases)/increases of approximately \$(395,000) and \$472,000 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, 2020 and 2019, this amounted to \$553,679 and \$303,944, respectively.

**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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 840,870	\$ 393,727
Accounts receivable, net	1,983,295	3,665,211
Other receivables	<u>117,570</u>	<u>16,767</u>
	<u>\$ 2,941,735</u>	<u>\$ 4,075,705</u>

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:

	<u>2020</u>	<u>2019</u>
Due from Medicaid	\$ 757,584	\$ 2,723,610
Due from Medicare	559,713	651,433
Due from private pay	349,048	117,841
Due from other sources	<u>552,427</u>	<u>307,844</u>
Subtotal	2,218,772	3,800,728
Less: Allowance for doubtful accounts	<u>(235,477)</u>	<u>(135,517)</u>
	<u>\$ 1,983,295</u>	<u>\$ 3,665,211</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 3,952,858	\$ 3,952,858	5-25 years
Medical equipment	912,465	912,465	5 years
Office equipment	434,504	427,881	5 years
Furniture and fixtures	274,653	274,653	5 years
Computer software	<u>2,107,563</u>	<u>2,107,563</u>	3-5 years
	7,682,043	7,675,420	
Less: accumulated depreciation and amortization	<u>(6,806,430)</u>	<u>(6,494,383)</u>	
	<u>\$ 875,613</u>	<u>\$ 1,181,037</u>	

**PREMIER HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 5 – PROPERTY AND EQUIPMENT (Continued)**

Depreciation and amortization expense amounted to \$312,047 and \$430,512 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 6 – BANK LINE OF CREDIT**

On November 3, 2017, PHC received a \$3 million uncommitted discretionary line of credit from a bank. As of December 31, 2019, the balance due on the line of credit was \$2,542,330 and is included as note payable in the statement of financial position. The line has an interest rate of one-half percent above the prime rate (amounting to an interest rate of 6.0% as of December 31, 2019). Borrowings were guaranteed by YAI. PHC complied with certain administrative and financial covenants. Interest expense for the year ended December 31, 2019 amounted to \$102,531. As of May 4, 2020, the amount owed on the line of credit was transferred to the YAI network line of credit.

**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:

2021	\$	1,421,917
2022		1,353,262
2023		1,210,893
2024		1,215,216
2025		1,234,765
Thereafter		<u>20,026,000</u>
	\$	<u>26,462,052</u>

Rent expense for the years ended December 31, 2020 and 2019 amounted to \$1,768,854 and \$1,565,235, respectively.

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

2021	\$	61,335
2022		61,335
2023		<u>40,891</u>
	\$	<u>163,561</u>

C. PHC believes it has no uncertain tax positions as of December 31, 2020 and 2019 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 which amounted to \$230,568 as of December 31, 2020.

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, 2020 and 2019 were \$48,863 and \$765,713, respectively.

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.

**PREMIER HEALTHCARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 7 – COMMITMENTS AND CONTINGENCIES (Continued)**

F. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which spread throughout the United States. PHC’s operations were disrupted by COVID-19 during the year ended December 31, 2020. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on PHC’s mission, programs, financial condition and results of operations 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.

On March 27, 2020, in response to the pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Provider Relief Fund. Participating in the Provider Relief Fund enabled PHC to obtain a grant from United States Department of Health and Human Services. The grant amounted to \$1,132,065 for the year ended December 31, 2020 and is included under grants and contracts in the accompanying statements of activities.

**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, 2020 and 2019, there was \$630,384 and 235,320, 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.

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 years ended December 31, 2020 and 2019 the employer matching contribution was \$71,690 and \$39,263, respectively.

**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, 2020 and 2019, PHC incurred management fee expenses amounting to \$1,302,880 and \$1,427,285, respectively. The total amounts outstanding as of December 31, 2020 and 2019 were \$7,902,886 and \$8,049,589, respectively.

PHC entered into 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 \$470,000 and \$150,000 for the years ended December 31, 2020 and 2019, respectively.

YAI is the sole corporate member of PHC. PHC transferred debt and borrowed on the YAI network line of credit to fund operations during 2020. Proceeds from the line of credit amounted to \$2,552,235 as of December 31, 2020 and is included as note payable in the statement of financial position.

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**NOTE 11 – DEFICIT NET ASSETS**

As of December 31, 2020, and 2019, PHC has a deficit net asset balance of \$9,146,715 and \$7,759,949, 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 \$7,902,886 and \$8,049,589 as of December 31, 2020 and 2019, respectively. YAI agreed not to recoup any monies from PHC for one year from the report date.

For the years ended December 31, 2020, and 2019, PHC had a decrease in net assets without donor restrictions amounting to approximately \$1,400,000 and \$58,000, respectively. Management expects that during the year ended December 31, 2021, 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 12 – SUBSEQUENT EVENTS**

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through November 15, 2021, the date the financial statements were available to be issued.