PRIMARY CARE DEVELOPMENT CORPORATION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2020 and 2019

MARKS PANETH

ACCOUNTANTS & ADVISORS

PRIMARY CARE DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2020 AND 2019

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Primary Care Development Corporation

We have audited the accompanying financial statements of the Primary Care Development Corporation ("PCDC"), which comprise the statements of financial position as of June 30, 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 PCDC as of June 30, 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
October 23, 2020

PRIMARY CARE DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 2C and 15B)	$ 5,416,663	$ 4,023,418
Restricted cash (Notes 2C, 12 and 15B)	9,000,264	20,270,283
Investments (Notes 2I, 3, 15B and 18)	17,788,398	10,025,963
Accounts receivable (Note 2F)	299,867	1,249,624
Grants and contributions receivable, net (Notes 2F, 2G and 7)	870,855	718,146
Loans receivable, net (Notes 2E, 2F, 6 and 15A)	7,307,919	7,519,458
Restricted lease payments, net (Note 14A)	589,135	594,327
Prepaid expenses and other assets	337,344	399,354
Total Current Assets	41,610,445	44,800,573
Non-Current Assets		
Restricted cash (Notes 2C, 12 and 15B)	10,217,145	-
Restricted investments (Notes 2I, 4, 15B and 17)	1,796,150	1,972,070
Property and equipment, net (Notes 2D and 8)	301,809	241,221
Loans receivable, net (Notes 2E, 2F, 6 and 15A)	42,354,551	42,210,645
Restricted reserves (Notes 5 and 15B)	4,176,783	4,685,146
Investments in LLCs, net (Note 16)	20,745	20,748
TOTAL ASSETS	$ 100,477,628	$ 93,930,403
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,517,910	$ 1,334,998
Loans payable (Note 10)	485,587	494,578
Equity equivalent debt (Note 11)	-	4,000,000
Due to New York City - bond program (Note 14A)	589,135	594,325
Other (Notes 6 and 13)	125,576	54,208
Deferred rent (Note 2J)	34,191	20,541
Total Current Liabilities	2,752,399	6,498,650
Non-Current Liabilities		
Reserves and deposits payable (Note 5)	4,181,855	4,685,146
Loans payable (Note 10)	23,128,052	16,849,227
Equity equivalent debt (Note 11)	4,000,000	-
Due to third party (Note 12)	19,539,943	19,350,430
Other (Notes 6 and 13)	3,402,427	3,518,767
Deferred rent (Note 2J)	217,387	251,578
TOTAL LIABILITIES	57,222,063	51,153,798
COMMITMENTS AND CONTINGENCIES (Notes 6, 14 and 16)		
NET ASSETS (Note 2B)		
Without donor restrictions	25,175,562	24,971,353
With donor restrictions (Notes 2B and 17):		
Operating	873,751	399,000
Financing	17,206,252	17,406,252
TOTAL NET ASSETS	43,255,565	42,776,605
TOTAL LIABILITIES AND NET ASSETS	$ 100,477,628	$ 93,930,403

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

PRIMARY CARE DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30, 2020			For the Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	2020 Total	Without Donor Restrictions	With Donor Restrictions	2019 Total
OPERATING SUPPORT AND REVENUE (Note 2K):						
Public Support:						
Grants and contributions (Notes 2G and 7)	$ 3,264,600	$ 751,751	$ 4,016,351	$ 2,778,641	$ 314,000	$ 3,092,641
Special events	348,935	-	348,935	104,225	-	104,225
Total Public Support	3,613,535	751,751	4,365,286	2,882,866	314,000	3,196,866
Revenue:						
Program fees (Notes 2H and 16)	6,290,574	-	6,290,574	7,662,801	-	7,662,801
Interest on loans (Note 6)	3,275,372	-	3,275,372	2,793,791	-	2,793,791
Interest and dividends	335,439	-	335,439	347,997	-	347,997
Loss on disposal of property and equipment (Note 8)	-	-	-	(6,592)	-	(6,592)
Total Revenue	9,901,385	-	9,901,385	10,797,997	-	10,797,997
Net Assets Released from Restrictions (Note 17)	477,000	(477,000)	-	1,666,500	(1,666,500)	-
TOTAL OPERATING SUPPORT AND REVENUE	13,991,920	274,751	14,266,671	15,347,363	(1,352,500)	13,994,863
OPERATING EXPENSES (Note 2K):						
Program services	12,112,802	-	12,112,802	9,708,911	-	9,708,911
Management and general	1,720,044	-	1,720,044	1,632,686	-	1,632,686
Development	142,727	-	142,727	270,764	-	270,764
TOTAL OPERATING EXPENSES	13,975,573	-	13,975,573	11,612,361	-	11,612,361
CHANGE IN NET ASSETS FROM OPERATIONS	16,347	274,751.00	291,098	3,735,002	(1,352,500.00)	2,382,502
NON-OPERATING GAIN (LOSS) (Note 2L):						
Realized loss on investment and restricted reserves	(629)	-	(629)	(3,877)	-	(3,877)
Unrealized gain on investments and restricted reserves	188,491	-	188,491	182,045	-	182,045
TOTAL NON-OPERATING GAIN	187,862	-	187,862	178,168	-	178,168
TOTAL CHANGE IN NET ASSETS	204,209	274,751	478,960	3,913,170	(1,352,500)	2,560,670
Net assets - beginning of year	24,971,353	17,805,252	42,776,605	21,058,183	19,157,752	40,215,935
NET ASSETS - END OF YEAR	$ 25,175,562	$ 18,080,003	$ 43,255,565	$ 24,971,353	$ 17,805,252	$ 42,776,605

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

PRIMARY CARE DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Program Services				Supporting Services				
	Capital Investment	Clinical Quality Partners*	Policy, Advocacy, Communications & Evaluation	Total Program Services	Management and General	Development	Total Supporting Services	Total 2020	Total 2019
Salaries	$ 1,520,881	$ 2,310,684	$ 801,459	$ 4,633,024	$ 1,092,747	$ 51,163	$ 1,143,910	$ 5,776,934	$ 5,894,221
Payroll taxes and employee benefits (Note 9)	295,822	507,900	164,242	967,964	210,782	8,039	218,821	1,186,785	1,167,443
Total Salaries and Related Costs	1,816,703	2,818,584	965,701	5,600,988	1,303,529	59,202	1,362,731	6,963,719	7,061,664
Provision for loan losses (Note 6)	2,119,964	-	-	2,119,964	-	-	-	2,119,964	271,516
Professional fees	131,849	815,476	114,279	1,061,604	25,638	10,501	36,139	1,097,743	1,362,968
Interest (Note 10)	980,553	-	-	980,553	2,070	-	2,070	982,623	772,952
Occupancy costs (Note 14B)	129,108	264,037	103,493	496,638	102,567	6,050	108,617	605,255	587,785
Provision for doubtful accounts	-	29,049	420,951	450,000	-	-	-	450,000	6,000
Legal and accounting fees	378,246	1,800	1,424	381,470	59,465	-	59,465	440,935	460,323
Grants	-	290,000	-	290,000	-	-	-	290,000	-
Equipment maintenance and rental	37,339	68,672	79,536	185,547	71,888	1,480	73,368	258,915	234,672
Travel	49,517	91,198	17,178	157,893	10,169	1,461	11,630	169,523	247,979
Other	50,970	57,271	12,659	120,900	23,548	989	24,537	145,437	73,891
Conferences, events and meetings	19,190	24,777	8,866	52,833	4,259	45,550	49,809	102,642	119,554
Supplies and printing	8,083	26,572	10,490	45,145	24,920	12,095	37,015	82,160	122,251
Depreciation and amortization (Note 8)	13,561	26,833	9,959	50,353	11,342	625	11,967	62,320	74,646
Telephone and internet	12,069	24,576	8,642	45,287	9,007	523	9,530	54,817	52,597
Dues and subscriptions	14,394	6,348	27,518	48,260	6,345	15	6,360	54,620	58,503
Insurance	500	-	-	500	50,102	-	50,102	50,602	36,452
Bank and miscellaneous fees	10,393	1,061	300	11,754	14,202	2,735	16,937	28,691	29,112
Postage and shipping	1,578	3,066	1,480	6,124	943	1,501	2,444	8,568	14,736
Training and development	1,615	4,614	760	6,989	50	-	50	7,039	24,760
Total Other Than Personnel Service	3,958,929	1,735,350	817,535	6,511,814	416,515	83,525	500,040	7,011,854	4,550,697
TOTAL EXPENSES	$ 5,775,632	$ 4,553,934	$ 1,783,236	$ 12,112,802	$ 1,720,044	$ 142,727	$ 1,862,771	$ 13,975,573	$ 11,612,361

* Formerly Performance Improvement

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

PRIMARY CARE DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	For the Year Ended June 30, 2019							
	Program Services				Supporting Services			
	Capital Investment	Clinical Quality Partners*	Policy, Advocacy, Communications & Evaluation	Total Program Services	Management and General	Development	Total Supporting Services	Total 2019
Salaries	$ 1,647,095	$ 2,152,017	$ 863,271	$ 4,662,383	$ 1,098,534	$ 133,304	$ 1,231,838	$ 5,894,221
Payroll taxes and employee benefits (Note 9)	306,921	494,051	156,967	957,939	175,390	34,114	209,504	1,167,443
Total Salaries and Related Costs	1,954,016	2,646,068	1,020,238	5,620,322	1,273,924	167,418	1,441,342	7,061,664
Professional fees	76,200	1,123,274	141,923	1,341,397	11,841	9,730	21,571	1,362,968
Interest (Note 10)	772,952	-	-	772,952	-	-	-	772,952
Occupancy costs (Note 14B)	126,328	253,330	95,354	475,012	95,982	16,791	112,773	587,785
Legal and accounting fees	398,463	2,288	-	400,751	59,572	-	59,572	460,323
Provision for loan losses (Note 6)	271,516	-	-	271,516	-	-	-	271,516
Travel	72,849	143,695	11,522	228,066	18,328	1,585	19,913	247,979
Equipment maintenance and rental	40,133	56,712	86,971	183,816	47,931	2,925	50,856	234,672
Supplies and printing	20,258	44,763	19,951	84,972	25,803	11,476	37,279	122,251
Conferences, events and meetings	27,503	23,097	23,363	73,963	6,611	38,980	45,591	119,554
Depreciation and amortization (Note 8)	16,627	31,213	11,788	59,628	12,779	2,239	15,018	74,646
Other	41,275	1,962	14,388	57,625	16,266	-	16,266	73,891
Dues and subscriptions	11,594	16,828	22,903	51,325	7,178	-	7,178	58,503
Telephone and internet	11,617	22,113	8,172	41,902	9,320	1,375	10,695	52,597
Insurance	500	-	-	500	35,952	-	35,952	36,452
Bank and miscellaneous fees	10,550	342	450	11,342	9,846	7,924	17,770	29,112
Training and development	4,719	12,172	7,349	24,240	520	-	520	24,760
Postage and shipping	4,381	4,750	451	9,582	833	4,321	5,154	14,736
Provision for doubtful accounts	-	-	-	-	-	6,000	6,000	6,000
Total Other Than Personnel Service	1,907,465	1,736,539	444,585	4,088,589	358,762	103,346	462,108	4,550,697
TOTAL EXPENSES	$ 3,861,481	$ 4,382,607	$ 1,464,823	$ 9,708,911	$ 1,632,686	$ 270,764	$ 1,903,450	$ 11,612,361

* Formerly Performance Improvement

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

PRIMARY CARE DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 478,960	$ 2,560,670
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provisions for loan losses and uncollectible receivables	2,569,964	271,516
Discounts on investments in LLCs	-	(1,357)
Loss on disposal of property and equipment	-	6,592
Depreciation and amortization	62,320	74,646
Realized loss on investments, restricted reserves and investments in LLCs	629	3,877
Unrealized gain on investments and restricted reserves	(188,491)	(182,045)
Subtotal	2,923,382	2,733,899
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	949,757	(461,223)
Grants and contributions receivable	(602,709)	95,980
Restricted reserves and lease payments	513,555	(240,444)
Prepaid expenses and other assets	62,010	22,476
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	182,912	196,621
Reserves and deposits payable	(503,291)	229,552
Deferred rent	(20,541)	3,148
Net Cash Provided by Operating Activities	3,505,075	2,580,009
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements under loan programs	(11,120,205)	(20,201,872)
Collections under loan programs	9,067,874	14,976,381
Purchases of investments and restricted reserves	(25,832,309)	(10,218,214)
Proceeds from the sale of investments and restricted reserves	18,434,684	9,755,277
Net investments in LLCs	(1,025)	(1,223)
Purchase of property and equipment	(122,908)	(13,944)
Net Cash Used in Investing Activities	(9,573,889)	(5,703,595)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Due to third party	189,513	199,990
Proceeds from loan payable	10,764,412	7,500,000
Repayments of loans	(4,494,578)	(6,535,365)
Receipts from loan participants	-	1,816,000
Repayments to loan participants	(44,972)	(43,025)
Due to New York City - bond program	(5,190)	10,883
Net Cash Provided by Financing Activities	6,409,185	2,948,483
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	340,371	(175,103)
Cash, cash equivalents and restricted cash - beginning of year	24,293,701	24,468,804
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 24,634,072	$ 24,293,701
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 982,621	$ 772,952

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Founded in 1993, the Primary Care Development Corporation ("PCDC") believes that primary care is transformational and a cornerstone of healthy, thriving communities. We catalyze excellence in primary care through strategic community investment, capacity building and policy initiatives to achieve health equity. PCDC strives to ensure that communities have the quality primary care they deserve by providing affordable capital for health facility development, integration of services and expansion, changing how care is delivered and advocating for greater public investment and favorable policies that support the delivery of care and services.

PCDC is certified as a Community Development Financial Institution ("CDFI") by the United States Treasury and has received a four-star impact performance rating with Policy Plus and an AA+ financial strength rating from the CDFI rating agency Aeris. PCDC has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been determined by the Internal Revenue Service to be a "publicly supported" organization of the type described in Section 509(a)(1) of the Code.

Capital Investment: PCDC provides capital to increase access to primary care in underserved communities and to date has financed primary care projects through direct investment and leverage of more than $1.2 billion. This investment has created the capacity to provide over 4.1 million medical visits annually to meet the primary care needs of more than one million patients throughout the United States. PCDC's investment has transformed over two million square feet of space into fully functioning primary care practices and created or preserved 5,391 construction jobs and 11,087 permanent jobs in low-income communities. PCDC has experienced no loan losses in its portfolio in its 27-year history.

PCDC offers affordable and flexible financial products to support primary care practices' capital projects and business expansion across the country. PCDC's loan programs include:

- **Traditional financing** –
  - Pre-development financing to support site acquisition, project planning, and development
  - Bridge financing to manage timing of receiving proceeds from foundation grants and capital campaign pledges
  - Construction financing
  - Short-term loans
  - Permanent financing, including recapitalization and term financing
- **New Markets Tax Credit Financing**
- **Community Health Care Revolving Capital Fund** (New York State only)
- **Bond financing** (New York State only)
- **Transformation Loan Fund**
- **Provider Recruitment & Retention**

Clinical & Quality Partners (formerly Performance Improvement): PCDC strengthens service delivery through its programs and tailors its services to meet the unique needs and circumstance of each client as they transform the way they provide care to be more coordinated, patient-centered, and efficient. To date, we have partnered with more than 4,400 primary care organizations and trained more than 10,000 providers and staff, and provided technical assistance to nearly 900 practices throughout the U.S. to adopt a patient-centered model of care that maximizes patient access, meaningful use of health IT, care coordination and patient experience. With extensive experience and proven strategies PCDC helps providers to understand their challenges, develop customized plans for change, define and achieve measurable outcomes and sustain improvements over the long run. PCDC's services include: project consulting and management, practice coaching and facilitation, business and strategic planning, staff training and exercises, operational assessments and analysis, work plan development and community-based initiatives.

PCDC helps providers with:

- **Practice Transformation and Certification** to implement and sustain Patient-Centered Medical Home Recognition and other transformation initiatives.

- **Efficiency and Patient Access** to expand access and maximize encounter volume through improved workflows, appointment availability, and other initiatives.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

- **Integration of Behavioral Health and Primary Care** to implement whole-person approaches to care and integrate behavioral health and primary care.

- **HIV Prevention and Treatment** to support health care organizations to integrate HIV prevention and treatment best practices into their clinical settings.

- **Care Management and Coordination** to build and deploy care teams for effective care management, population management and referral tracking.

- **Sustainable Finances and Operations** to develop and execute effective business, financial and staffing plans as well as enhance billing and coding practices.

- **Telemedicine Training & Assistance** to implement and improve virtual care during and beyond the COVID-19 pandemic.

Policy, Advocacy, Communications: Working with key policymakers, trade associations, health care organizations, and industry leaders, PCDC promotes policies that strengthen primary care to improve health outcomes, reduce costs and lessen disparities in a rapidly transforming health care delivery and payment system. Our policy expertise is built upon a deep knowledge of and experience investing in and strengthening primary care practices in underserved communities. PCDC regularly provides guidance and expertise through meetings with policymakers, public testimony, and commentary on key policy issues.

In New York State, PCDC is launching an advocacy effort to measure, report, and increase the proportion of health care spending that is allocated to primary care.

Nationally, PCDC's policy and advocacy focuses on federal policies impacting primary care providers in all settings, including community health centers, to increase availability of capital, adequate reimbursement, and high-quality care.

Evaluation and Analytics: When developing resources that will enhance the health care system, it is essential to have data that examines disparities in access to and availability of primary care. PCDC conducts applied research to further understanding of primary care access and to support policies that increase accessibility and reduce health inequities. In 2020, this unit produced two new briefs within the *Points on Care* series: COVID-19 and Health Inequities in NYC, which identifies deepening health disparities and calls for rapid response through the primary care system and is accompanied by an interactive dashboard, and California Primary Care Access, which examines aspects of primary care access across the state of California and reveals disparities aligned with socioeconomic indicators. In addition, the team published the report, Primary Care Access in New York City, which identified marked disparities in primary care access in New York City, measured on a City Council District level. By examining all 51 districts, the profile provides a multidimensional view of gaps in access, helps support advocacy for additional services, and informs siting of new primary care facilities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** - PCDC's financial statements have been prepared on the accrual basis of accounting. PCDC 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 reporting period. Actual results could differ from those estimates.

B. ***Basis of Presentation*** - PCDC maintains and reports its net assets and changes therein as follows:

   Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. Such resources are available for support of PCDC's operations over which the Board of Directors has discretionary control.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions - Net assets include all assets received with donor designated restrictions whether they are perpetual in nature, or purpose or time restricted. Donor-imposed restrictions are released when stipulated time restriction ends or purpose restriction is accomplished, or both. PCDC reports donor restricted contributions as an increase in net assets without donor restrictions, provided the restrictions are met in the same year the contributions are recognized.

C. ***Cash, Cash Equivalents and Restricted Cash*** - Cash equivalents consist of all highly liquid instruments with maturities of 90 days or less, when acquired, except for certain cash, money market funds and short-term government securities held for long-term investment purposes, which are included in investments.

Restricted cash represents funds that are designated by funders for specific grant or project purposes as part of PCDC's operations.

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that total to the same amounts shown in the statements of cash flows.

	2020	2019
Cash and cash equivalents	$ 5,416,663	$ 4,023,418
Restricted cash – current	9,000,264	20,270,283
Restricted cash – non-current	10,217,145	-
Total	$ 24,634,072	$ 24,293,701

D. ***Property and Equipment*** - Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. PCDC capitalizes all property and equipment having a useful life of greater than one year and a cost of $5,000 or more. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, with any net gain or loss reflected in the statements of activities for the period. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

E. ***Loans*** - A loan is considered past due when payment of scheduled principal or interest is not received within 30 days from the payment due date. PCDC's policy places a loan on non-accrual status when payments of principal or interest are 90 days past due or more unless the loan is in the process of collection and management reasonably expects full collection. Management may place a loan on non-accrual whether the loan is past due or not when it is evident that full payment of the loan is not expected. Interest previously accrued and not paid will be reversed and applied to principal when paid.

A non-accrual loan will be returned to accrual status when all past due payments are brought current and management believes repayment of contractual owed principal and interest is reasonably assured.

F. ***Allowance for Doubtful Accounts*** - As determined by PCDC, an allowance for loan loss reserve ("ALLR") of $3,436,633 and $1,316,669 was provided for loans receivable as of June 30, 2020 and 2019, respectively. An allowance for doubtful accounts of $450,000 was provided for grants and contributions receivable as of June 30, 2020. PCDC's estimates are based on management's assessment of the aged basis of its funding sources, creditworthiness of its borrowers, donors and customers, current economic conditions, loan repayment status of the project, the adequacy of the collateral and historical information.

G. ***Grants and Contributions*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under ASU 2018-08, grants and contributions awarded by government agencies and other donors are generally considered as conditional grants, non-exchange transactions restricted for specific purposes and are recognized as revenue when qualifying expenses are incurred. As of June 30, 2020 and 2019, PCDC received conditional grants from government agencies in the amount of $950,000 and $1,029,000, respectively. As of June 30, 2020 and 2019, $480,000 and $1,029,000 of such grants are available for future revenue recognition provided that certain performance related conditions are met, respectively. The government agencies are not obligated to release funds allotted under the grant agreements if performance goals are not met and PCDC may be required to return any advance grant funds received.

H. ***Program fees*** – PCDC earns program fees from consulting and asset management services. Performance obligations and price is defined within the contracts and obligations are determined to have been met by PCDC upon completion of contracted deliverables or alternatively, according to a service schedule stipulated in the contract. Fees are earned over time as PCDC meets these performance obligations. The following table program fees disaggregated by program:

Financing	$ 2,536,138
Consulting	3,754,436
	$ 6,290,574

I. ***Investments and Fair Value Measurements*** - Investments are recorded at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 18.

J. ***Deferred Rent*** - PCDC leases real property under operating leases expiring at various dates in the future. For the years ended June 30, 2020 and 2019, PCDC recorded an adjustment to rent expense to reflect the difference between the rent paid and the average rent to be paid over the term of the lease, which amounted to $20,541 and $3,148, respectively, and recorded such amounts as a decrease and an increase in occupancy expense. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.

K. ***Functional Allocation of Expenses*** - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocable expenses include salaries, benefits, general office supplies, telephone, copying, equipment leasing and maintenance, depreciation and occupancy. These expenses are accounted in one cost center to be allocated to each project monthly based on staff pro rata actual hours charged to that project in any given month. Staff hours charged on each project are derived from staff timesheets as recorded in PCDC's timekeeping system.

L. ***Operating and Non-Operating Activities*** - PCDC includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Realized and unrealized gains and losses on investments are recognized as non-operating activities.

M. ***Special Events -*** PCDC conducts special events in which a portion of the gross proceeds paid by donors represents payment for the direct cost of the benefits received by donors at the events. All proceeds received, net of exchange revenue of $41,820 and $32,705 for the years ended June 30, 2020 and 2019, respectively, are recorded as contribution revenue in the accompanying statements of activities.

N. ***Recently Enacted Accounting Standards*** - Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, *"Revenue from Contracts with Customers"* (Topic 606) was adopted by PCDC for the year ended June 30, 2020. 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. This guidance applies only to contracts with customers that are generally considered as exchange transactions. Exchange transactions involve reciprocal transfer between two entities that results in one of the entities acquiring assets or services or incurring other obligations. The adoption of the ASU did not affect net assets as previously reported.

NOTE 3 – LIQUIDITY AND AVAILABILITY

PCDC 's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date, are as follows:

	2020	2019
Cash and cash equivalents	$ 5,416,663	$ 4,023,418
Investments	17,788,398	10,025,963
Accounts receivable	299,867	1,249,624
Grants and contributions receivable, net	870,855	718,146
	24,375,783	16,017,151
Less: Investments not available for general expenditures	(2,067,834)	-
Less: Grants and contributions receivable not available for general expenditures	(220,000)	(276,500)
	$ 22,087,949	$ 15,740,651

PCDC's liquidity management ensures unencumbered liquidity equal to or greater than six months of operating expenses, which is consistent with various credit and grant agreements that require PCDC to maintain an operating liquidity ratio of at least one indicating that cash, cash equivalents, and highly liquid investments equal to or greater than six months of operating expenses (see Note 10).

As of June 30, 2020 and 2019, PCDC maintains sufficient operating liquidity to cover 23.7 months and 16.4 months of operating expenses (including interest expense) respectively.

As part of PCDC's liquidity management plan, PCDC invests idle cash in excess of operating requirements in short-term investments, and money market funds. To achieve maximum yield, PCDC determines assets available for investing in a ten-year ladder according to PCDC's investment policy. All investments in the ten-year ladder are easily sold if needed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, net assets held for loan funds are not considered available for the general expenditures. Disbursed loan funds are reflected as loans receivable in the statements of financial position. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs.

NOTE 4 – INVESTMENTS

Investments consist of the following as of June 30:

	2020	2019
U.S. government securities	$ 1,767,203	$ 1,727,805
Corporate obligations	3,436,482	2,702,545
Money market accounts	14,380,863	7,567,683
Total investments	19,584,548	11,998,033
Less: restricted investments (described below)	(1,796,150)	(1,972,070)
Total current unrestricted investments	$ 17,788,398	$ 10,025,963

Investments are subject to market volatility that could change their carrying value in the near term.

Restricted investments are investments that have been pledged as collateral in connection with PCDC's participation in its bond financing program (see Note 14A), its credit agreements (see Note 10) and New Markets Tax Credit Program (see Note 16).

NOTE 4 – INVESTMENTS (Continued)

Restricted investments consist of the following as of June 30:

	2020	2019
PCDC bond reserve (See Note 14A)	$ 1,747,032	$ 1,747,036
PCDC PCCF reserve (See Note 10)	49,118	99,236
NMTC reserve (See Note 16)	-	125,798
	$ 1,796,150	$ 1,972,070

NOTE 5 – RESERVES AND DEPOSITS PAYABLE

The restricted reserves primarily represent borrowers' reserve deposits held by PCDC, pursuant to loan agreements or subleases (Bond Program). As of June 30, 2020 and 2019, restricted reserves consist primarily of cash or money market accounts.

As of June 30, 2020 and 2019, reserves and deposits payable consist of the following:

	2020	2019
Bond program sponsors' reserve deposits (See Note 14A)	$ 1,966,398	$ 2,024,848
PCCF borrowers' reserve deposits (See Note 10)	250,000	250,000
PCDC borrowers' reserve deposits	1,938,981	2,376,905
Interest payable to project sponsors and borrowers	26,476	33,393
	$ 4,181,855	$ 4,685,146

NOTE 6 – LOANS RECEIVABLE, NET

Loans receivable consist of the following:

A. Primary Care Capital Fund
PCDC, through its Primary Care Capital Fund ("PCCF"), provided long-term loans for facility project financing. These loans were financed through a credit agreement between PCDC and a consortium of banks (see Note 10). The terms of the end borrowers' loans were consistent with those for PCDC's loans payable to the bank consortium. PCDC no longer offers financing through PCCF.

B. Pre-development and Acquisition Loans
Pre-development and acquisition loans are provided for the payment of certain facility related project costs to support site acquisition, project planning, and due diligence. The loans are typically repaid from the proceeds of financing provided through PCDC's construction and permanent financing programs or from other sources.

C. Bridge and Other Loans
Bridge financing is provided in advance of the receipt of proceeds from grants or other committed payments. PCDC also provides loans to assist borrowers with other needs, such as equipment purchases, organizational investments, and practice acquisitions.

D. Permanent and Construction Loans
Permanent loans consist of medium-term loans that typically finance facility projects, and may include refinancing of debt, such as short-term construction loans and debt paired with other financing such as New Markets Tax Credit. PCDC also provides construction loans which consist of short-term loans to finance the construction or renovation of a facility.

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

Loans receivable consist of the following as of June 30:

	June 30, 2020					
	PCCF	Acquisition/ Predevelopment Loans	Bridge & Other Loans	Permanent & Constructions Loans	General	Total
Loans receivable	$ 491,130	$ 3,564,025	$ 3,979,730	$ 45,064,218	$ -	$ 53,099,103
Less: allowance for loan losses	-	(178,201)	(145,534)	(2,245,404)	(867,494)	(3,436,633)
Loans receivable, net	$ 491,130	$ 3,385,824	$ 3,834,196	$ 42,818,814	$ (867,494)	$ 49,662,470

	June 30, 2019					
	PCCF	Acquisition/ Predevelopment Loans	Bridge & Other Loans	Permanent & Constructions Loans	General	Total
Loans receivable	$ 990,403	$ 2,648,544	$ 2,739,322	$ 44,668,503	$ -	$ 51,046,772
Less: allowance for loan losses	-	-	(46,314)	(1,270,355)	-	(1,316,669)
Loans receivable, net	$ 990,403	$ 2,648,544	$ 2,693,008	$ 43,398,148	$ -	$ 49,730,103

The following is a summary of the scheduled principal repayments to be received on all of PCDC's loans (after the allowance for loan loss reserves) for the five fiscal years subsequent to June 30, 2020 and thereafter:

2021	$ 7,307,919
2022	7,223,031
2023	6,271,190
2024	10,156,838
2025	5,071,625
Thereafter	13,631,867
	$ 49,662,470

As of June 30, 2020, loans approved and committed for future funding totaled approximately $25,289,000.

PCDC was the lead lender in certain loan participation agreements with other third-party organizations. If certain conditions for true sale of participating interest under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 860 were met, these loan participations were accounted for as a sale and the participation interest (loans receivable) was removed from PCDC's statements of financial position. If the conditions were not met, the full loan receivable was recorded, and the participation interest was recorded as other liabilities. As of June 30, 2020 and 2019, loan participations of approximately $3.5 million and $3.6 million, respectively, are included in loans receivable and offset by approximately $3.5 and $3.6 million of other liabilities, respectively (Note 13).

E. Loan Origination/Risk Management

PCDC has lending policies and procedures to safeguard capital investment and manage credit risk. Management reviews and updates these policies and procedures on a regular basis. Risk mitigation strategies include:

1. A thorough, disciplined underwriting process;
2. Loan structures which incorporate terms typical for commercial transactions and the industry to protect the investment;
3. Decision authority which is designated by the PCDC Board of Directors and delimited by borrower risk rating, exposure, and security;
4. Oversight by PCDC's management, Loan Committee and Board of Directors and;
5. Prudent asset management standards and practices.

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

E. Loan Origination/Risk Management (Continued)

Loan and portfolio reports supplement the loan review process by providing management with documentation of internal borrower ratings, overall quality of the portfolio, loan delinquencies, non-performing and potential problem loans, and relevant analysis.

An aged analysis of loans segregated by loan program (before any allowance) as of June 30, 2020 follows:

	Accruing Current	Accruing 30 Days+ Past Due	Non-Accrual	2020 Total
PCCF	$ 491,130	$ -	$ -	$ 491,130
Acquisition/Predevelopment	3,564,025	-	-	3,564,025
Bridge & Other Loans	3,979,730	-	-	3,979,730
Permanent & Constructions Loans	45,064,218	-	-	45,064,218
Loans receivable	$ 53,099,103	$ -	$ -	$ 53,099,103

An aged analysis of loans segregated by loan program (before any allowance) as of June 30, 2019 follows:

	Accruing Current	Accruing 30 Days+ Past Due	Non-Accrual	2019 Total
PCCF	$ 990,403	$ -	$ -	$ 990,403
Bridge & Other Loans	537,500	-	-	537,500
Permanent & Constructions Loans	49,192,751	-	326,118	49,518,869
Loans receivable	$ 50,720,654	$ -	$ 326,118	$ 51,046,772

F. Credit Quality Indicators

PCDC uses an internal rating system to determine borrower credit risk which includes an evaluation of such factors as financial strength and performance of the borrower, credit quality indicators, loan repayment and status of the project. Each borrower is scored against six key areas: Management, Financial Profile, Liquidity, Visit Volumes, Reserves and Compliance (including timeliness of payments and reporting). These scores are weighted and summarized into a final score which is used to determine the borrower's risk rating. The risk rating level assigned determines frequency of asset reviews and informs PCDC's evaluation of the adequacy of the allowance for loan losses. The borrower's risk rating is reviewed quarterly and upon subsequent credit events (i.e., new loan requests or amendments). The initial loan loss reserve allocated to an individual loan is based on the standard percentages defined for each risk rating and adjusted as facts regarding potential risks to repayment are disclosed or uncovered by the lender through ongoing portfolio management, including covenant compliance monitoring, risk rating reviews and regular contact with the borrower. The initial ratings and any subsequent changes are recommended by the loan officers or portfolio managers and approved by the Chief Credit Officer.

The definitions of the risk rating levels are summarized below:

Risk Ratings of "Strong" (1) and "Acceptable" (2) are used for borrowers that have the best credit metrics, including deep experience, strong management and board of directors; dependable profitability, liquidity and debt service coverage, cash flow, fully funded reserves if applicable, consistent payment and reporting history. They are performing and meet all covenants per the loan documents.

A risk rating of "Special Mention" (3) is assigned to borrowers who start to exhibit financial, operational, management or other challenges and potential weaknesses that require management's attention (e.g., persistent late payments, significant changes in management, declining trends in operational or financial metrics). If left uncorrected, the potential weaknesses may result in deterioration of the credit and impair repayment of the loan.

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

F. Credit Quality Indicators (Continued)
A risk rating of "Substandard" (4) is for borrowers who have a well-defined weakness (e.g. financial deterioration, cash flow is unreliable or insufficient to repay the loan) that could jeopardize the repayment of the debt and have the potential for loss if the deficiencies are not corrected.

A risk rating of "Doubtful" (5) is assigned to borrowers having identifiable weaknesses which may include deteriorated financial and cash flow metrics, and based on current facts full repayment is deemed questionable or improbable.

Loans rated 4 or 5 require additional oversight with regular reporting to management and the Loan Committee including borrower's operational and financial weaknesses, borrower's plans for addressing deficiencies, PCDC staff's strategy for risk mitigation and collection.

PCDC's loan portfolio is summarized below by loan program and internally assigned credit quality ratings as of June 30:

	June 30, 2020				
	PCCF	Acquisition/ Predevelopment Loans	Bridge & Other Loans	Permanent & Constructions Loans	Total
Strong	$ 491,130	$ 1,500,000	$ -	$ -	$ 1,991,130
Acceptable	-	-	1,841,340	23,597,703	25,439,043
Special Mention	-	2,064,025	2,138,390	12,025,700	16,228,115
Substandard	-	-	-	9,440,815	9,440,815
Loans receivable, net	$ 491,130	$ 3,564,025	$ 3,979,730	$ 45,064,218	$ 53,099,103

	June 30, 2019				
	PCCF	Acquisition/ Predevelopment Loans	Bridge & Other Loans	Permanent & Constructions Loans	Total
Strong	$ 990,403	$ -	$ -	$ 5,310,000	$ 6,300,403
Acceptable	-	-	314,968	30,212,735	30,527,703
Special Mention	-	2,148,544	2,424,354	6,619,651	11,192,549
Substandard	-	500,000	-	2,200,000	2,700,000
Doubtful	-	-	-	326,117	326,117
Loans receivable, net	$ 990,403	$ 2,648,544	$ 2,739,322	$ 44,668,503	$ 51,046,772

G. Allowance for Loan Loss Reserve ('ALLR")
The ALLR is established based on characteristics of each loan program and the nature of the loans and underlying projects in each program, including the risk ratings assigned to individual loans and management's evaluation of the overall adequacy of the allowance for loan losses for the portfolio. The allowance is adjusted at the end of each reporting period based on recommendations from the Chief Credit Officer and management's best estimate. This includes an assessment of such factors as projected growth and changes in the portfolio, industry and market trends, economic forecasts and environmental factors. The allowance is increased by a non-cash provision for loan losses. Because of uncertainties inherent in the estimation process, management's estimate of future losses in the loan portfolio and the related allowance may change in the near term. Due to market uncertainty and risk related to the Covid-19 pandemic, additional provision for loan loss reserve was provided and included in PCDC's financial statements as of June 30, 2020.

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

G. Allowance for Loan Loss Reserve ("ALLR") (Continued)

In addition to the ALLR, PCDC maintains a restricted cash reserve of $1,334,562 as of June 30, 2019, to cover potential losses in the PCDC direct funded NYC loan portfolio. The cash reserve was converted to a non-cash provision for loan losses during fiscal year 2020.

For the one loan under the PCCF program, through which PCDC made long-term loans, PCDC holds cash reserves from the borrower. As of June 30, 2020 and 2019, those cash reserves were adequately funded so an allowance for uncollectible loans was deemed not necessary.

An analysis of the allowance for loan losses as of June 30, 2020 by loan program is summarized as follows:

	PCCF	Acquisition/ Predevelopment	Bridge & Other Loans	Permanent & Constructions Loans	General	Total
Beginning balance	$ -	$ -	$ 46,314	$ 1,270,355	$ -	$ 1,316,669
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Increase in provision for loan losses	-	178,201	99,220	975,049	867,494	2,119,964
Ending balance	$ -	$ 178,201	$ 145,534	$ 2,245,404	$ 867,494	$ 3,436,633

An analysis of the allowance for loan losses as of June 30, 2019 by loan program is summarized as follows:

	PCCF	Acquisition/ Predevelopment	Bridge & Other Loans	Permanent & Constructions Loans	General	Total
Beginning balance	$ -	$ -	$ 59,095	$ 986,058	$ -	$ 1,045,153
Charge-offs	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
(Decrease) increase in provision for loan losses	-	-	(12,781)	284,297	-	271,516
Ending balance	$ -	$ -	$ 46,314	$ 1,270,355	$ -	$ 1,316,669

NOTE 7 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are due in less than one year and consist of the following as of June 30:

	2020	2019
Government	$ 1,055,855	$ 548,146
Corporations and others	265,000	170,000
Total	1,320,855	718,146
Less: provision for doubtful accounts	(450,000)	-
Net grants and contributions receivable	$ 870,855	$ 718,146

NOTE 8 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of June 30:

	2020	2019	Estimated Useful Lives
Leasehold improvements	$ 375,349	$ 375,349	See Note 2D
Computer equipment and software	177,887	177,887	3-5 years
Furniture and fixtures	117,352	47,351	5-10 years
Projects in progress	52,907	-	
Total cost	723,495	600,587	
Less: accumulated depreciation and amortization	(421,686)	(359,366)	
Net book value	$ 301,809	$ 241,221	

Depreciation and amortization amounted to $62,320 and $74,646 for the years ended June 30, 2020 and 2019, respectively. Projects in progress as of June 30, 2020 included network servers upgrade to be completed in November 2020, with a total cost of completion of approximately $57,000.

NOTE 9 – RETIREMENT PLAN

PCDC sponsors a defined contribution retirement plan covering all eligible employees. PCDC contributes an amount equal to 5% of all eligible employees' salaries. The contribution rate was increased from 3% to 5% effective January 2019. Retirement plan expenses for the years ended June 30, 2020 and 2019 amounted to $215,821 and $148,704, respectively.

NOTE 10 – LOANS PAYABLE

PCDC is a party to unsecured credit agreements (the "Agreements") with commercial lenders. The loans are to be used to provide financing to primary health care providers. Each initial drawdown is evidenced by a notice of borrowing. The interest rate varies by agreement. Variable interest rate is based on 200 to 250 basis points plus a selected London Interbank Offered Rate ("LIBOR") index if applicable. PCDC is fully liable for all funds drawn and outstanding under the credit agreements. As of June 30, 2020, interest rates (variable and fixed) on outstanding balances of revolving credit lines range from 3.0% to 4.227%.

The Agreements with the PCCF Consortium (see Note 5, the "PCCF Borrowers' Reserve Deposits") require PCDC to maintain a debt service reserve account generally equal to 10-20% of outstanding principal. In addition, borrowers must post reserves. PCDC is fully liable for all funds drawn and outstanding under the credit agreements. As of June 30, 2020, there remains a single loan outstanding from this funding source with an interest rate of 7.19%.

PCDC also has an unsecured loan of $3,863,640 with an institution. The note bears an interest rate of 3% with a maturity date of October 31, 2024. The loan will be repaid in four annual installments starting October 31, 2021. PCDC is fully liable for all funds drawn and outstanding under the credit agreement.

On April 16, 2020, PCDC was granted a loan from an authorized SBA lender in the amount of $1,064,412 pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Stability Act ("CARES Act"), which was enacted on March 27, 2020. The loan was in the form of a Note with a maturity date on April 16, 2022 and bears interest at a rate of 1% per annum and payable monthly commencing on November 22, 2020. Management has opted to account for the proceeds as a loan under FASB ASC 470 until the loan is, in part or wholly, forgiven and PCDC has been "legally released". Proceeds from the loan may only be used for certain qualified expenses under the CARES act in order to be eligible for loan forgiveness. PCDC's use of the funds comply with the requirements of the program so PCDC expects the loan will be fully forgiven in fiscal year 2021.

The interest expense excluding loan participations for the years ended June 30, 2020 and 2019, amounted to $831,974 and $668,257, respectively.

NOTE 10 – LOANS PAYABLE (Continued)

There are certain financial covenants and reporting requirements under each credit or loan agreement. As of June 30, 2020 and 2019, PCDC was in compliance with all financial and reporting covenants.

Aggregate principal payments to be paid are as follows for the five years after June 30, 2020 and thereafter:

2021	$	485,587
2022		5,030,322
2023		2,615,910
2024		4,515,910
2025		965,910
Thereafter		10,000,000
	$	23,613,639

NOTE 11 – EQUITY EQUIVALENT DEBT (EQ2)

PCDC entered into separate EQ2 agreements with two financial institutions totaling $4 million during the year ended June 30, 2020. EQ2 investments are fully subordinated, unsecured obligations that carry a fixed interest rate and a maturity date. Proceeds of the EQ2 are used to support and expand financing and lending activities in PCDC's target markets.

PCDC's $4 million EQ2 debt with the Small Business Lending Fund of the US Department of Treasury was repaid in full in fiscal year 2020.

NOTE 12 – DUE TO THIRD PARTY

In January 2017, PCDC entered into an agreement with the Dormitory Authority of the State of New York ("DASNY") to serve as the administrator of the community health care revolving loan fund (the "Fund"), which is intended to facilitate investment to expand and improve primary care capacity in New York State by providing affordable loan capital for eligible health care providers to support quality primary care expansion and integration of services within the State. The Fund's proceeds shall be held in trust by PCDC and used in accordance with the terms of the agreement. The initial term of the agreement is ten years, subject to renewal. Upon termination, PCDC shall return proceeds remaining in the Fund to DASNY. The proceeds held by PCDC amounted to $18,367,146 and $18,812,931 as of June 30, 2020 and 2019, respectively, and are included in restricted cash in the accompanying statements of financial position. As of June 30, 2020 and 2019, approximately $19.5 million and $19 million, respectively, due to third party included in the accompanying statements of financial position represents the initial loan capital and accrued interest available for use.

NOTE 13 – OTHER LIABILITIES

As of June 30, 2020 and 2019, other liabilities include approximately $3.5 million and $3.6 million, respectively, in loan participations that did not meet the conditions for true sale of participating interest under FASB ASC 860 (Note 6). These loan participations were offset by loans receivable of $3.5 million and $3.6 million, respectively, net at June 30, 2020 and 2019. PCDC retains the servicing rights on these participations.

Interest expense associated with loan participations amounted to $150,649 and $104,695, respectively, for the years ended June 30, 2020 and 2019.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. PCDC arranges financing for certain primary health care facilities through lease revenue bonds issued by DASNY. As of June 30, 2020 and 2019, DASNY has $15.7 million and $18.4 million, respectively, of such bonds outstanding for six facilities. PCDC is contingently liable for lease payments due pursuant to these bond issues.

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

These bonds are structured so that the debt is repaid through a chain of leases. DASNY leased the facilities to the City of New York, which is fully responsible for repayment of the bonds through lease payments. The City, in turn, entered into sublease agreements with PCDC, which is obligated to make lease payments to the City. Finally, PCDC entered into operating lease agreements with the project sponsors, who must operate the facilities and make lease payments to PCDC.

The asset (restricted lease payments received) represents lease payments made by sponsors to PCDC and not yet remitted to the City. "Due to New York City – Bond Program" is the liability that offsets this asset and reflects lease payments due to New York City.

In addition, PCDC is required to establish a reserve fund equal to six months' lease payments for each bond-financed project. As of June 30, 2020 and 2019, PCDC is in compliance with this requirement and has deposited $1,747,032 and $1,747,036, respectively, in the PCDC bond reserve account (see Note 4), and has received reserves of $1,966,398 and $2,024,848, respectively from sponsors as of June 30, 2020 and 2019 (as further discussed in Note 5).

In the event of a failure by a project sponsor to make lease payments to PCDC, PCDC has the following protections:

- PCDC would have the right to evict the sponsor from the facility and replace the sponsor with another operator/lessee.
- PCDC typically holds a first lien on the real estate and equipment of each project and would have the right to foreclose on this collateral.
- During any nonpayment/eviction period, PCDC would first use reserves posted by the project sponsor that failed to make a lease payment. As of June 30, 2020 and 2019, PCDC holds $1,966,398 and $2,024,848, in such reserves (see Note 5).

In the event of bankruptcy by a project sponsor, PCDC's liability to make lease payments to New York City is typically limited to reserves posted by the project sponsor and PCDC. Under other circumstances, should PCDC fail to make the required lease payments, New York City would have recourse against the remaining assets of PCDC, excluding restricted contributions and grants.

In the event of default under all of the lease agreements, PCDC is liable to the City of New York for the total amount of future lease payments including principal, interest and fees, as follows:

2021	$ 3,516,666
2022	3,511,448
2023	3,186,701
2024	1,674,732
2025	762,699
Thereafter	7,492,067
	$ 20,144,313

B. PCDC is obligated, pursuant to various lease agreements, to approximate future minimum annual rentals for each of the years subsequent to June 30, 2020 as follows:

	Total	Real Property	Personal Property
2021	$ 635,823	$ 517,155	$ 118,668
2022	540,018	530,084	9,934
2023	552,816	543,336	9,480
2024	565,610	556,920	8,690
2025	237,173	237,173	-
	$ 2,531,440	$ 2,384,668	$ 146,772

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2020 and 2019, rent expense amounted to approximately $483,000 for real property. During the years ended June 30, 2020 and 2019, personal property expense amounted to approximately $144,000 and $151,000, respectively.

C. Pursuant to PCDC's contractual relationships with certain governmental funding sources, governmental agencies have the right to examine the books and records of PCDC that involve transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances.

D. PCDC believes it has no uncertain tax positions as of June 30, 2020 and 2019 in accordance with FASB ASC Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

E. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. Subsequent to year-end, the spread of COVID-19 continues around the world which has caused significant disruptions to the global economy and markets. There is considerable uncertainty around the breadth and duration of business disruptions related to COVID-19. PCDC is closely monitoring its operations and is actively working with the clients to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to PCDC’s financial position is not known.

NOTE 15 – CONCENTRATIONS

A. PCDC makes loans to not-for-profit operators of primary health care facilities. PCDC minimizes its credit risk as sponsors under its bond program and borrowers under its Primary Care Capital Fund are required to post with PCDC cash reserves equal to debt service payments of six months to a year. In addition, PCDC secures its position through, as appropriate, a mortgage, and/or collateral assignments of leases of the facilities. As of June 30, 2020, the largest concentrations of loans receivable are with three borrowers and amount to approximately $4.5 million, $4.1 million and $3.8 million, representing approximately 9%, 8% and 8% of PCDC’s total loan portfolio, respectively. Taking into consideration PCDC’s contingent liabilities from bond issues as well as the assets associated with the bond issues, the concentration of risk for the top three relationships is approximately $7.8 million, $5.9 million and $5.4 million, representing approximately 12%, 9%, and 8%, respectively, of PCDC’s total loan portfolio. As of June 30, 2019, the largest concentrations of loans receivable are with three borrowers and amount to approximately $5.8 million, $3.8 million and $3.5 million, representing approximately 12%, 8% and 7% of PCDC’s total loan portfolio, respectively. Taking into consideration PCDC’s contingent liabilities from bond issues as well as the assets associated with the bond issues, the concentration of risk for the top three relationships is approximately $8.1 million, $7.6 million and $5.3 million, representing approximately 12%, 11% and 8%, respectively, of PCDC’s total loan portfolio. (see Note 14A).

B. PCDC maintains cash and cash equivalents in several major financial institutions. Financial instruments that potentially subject PCDC to a concentration risk include cash held in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance limits by approximately $43,283,000 and $35,985,000 as of June 30, 2020 and 2019, respectively. Such funds include cash and money market funds held as part of the investment portfolio and restricted reserves.

NOTE 16 – RELATED PARTIES

Between fiscal years 2007 and 2017, PCDC was awarded $248 million in New Markets Tax Credit (“NMTC”) allocation to finance the construction of health centers in low-income communities. The program, administered by the Community Development Financial Institutions Fund (“CDFI Fund”), a branch of the U.S. Department of the Treasury, requires that nonprofit award recipients create a for-profit entity or entities through which the tax credit allocation flows. As such, PCDC created 29 such entities: PCDC Empire State Health Opportunities Fund LLC I-IV and PCDC Health Opportunities Fund LLC V-XXIX, all of which are multi-member Limited Liability Companies. As of June 30, 2020, PCDC Empire State Health Opportunities Fund LLC IV and PCDC Health Opportunities Fund LLC V through XXVII are in use and active.

Pursuant to the amended operating agreements for active LLCs, PCDC retains a 0.01% ownership interest when an investor member is identified in each entity. At that time, the investor member became the 99.99% owner making the necessary Qualified Equity Investment (“QEI”) in the LLC while PCDC remains the managing member.

NOTE 16 – RELATED PARTIES (Continued)

In the indemnification agreements with each investor PCDC agrees to indemnify investors if there is a loss of New Market Tax Credits related to their QEI triggered by certain recapture events as defined under the Code. The indemnification amounts vary with each agreement.

Absent gross or willful misconduct, PCDC's liability is subject to the aforementioned indemnification limit in each agreement with an estimated amount totaling $15.2 million.

PCDC has systematic monitoring procedures in place to avoid recapture events through tracking and testing of transaction payments, review of quarterly financial statements, confirmation of compliance certificates and regular meetings of the PCDC NMTC Advisory Board.

As managing members of each of the aforementioned LLCs, PCDC is entitled to asset management fees. Total asset management fees amounted to approximately $1,147,000 and $1,047,000 for the fiscal years ended June 30, 2020 and 2019, respectively, and are included in program fees on the statements of activities. In addition, during fiscal year 2020, PCDC earned a total of approximately $731,000 in financing fees through NMTC loan transactions. These amounts are reported as program fees on the statements of activities.

Under the terms of the amended operating agreements, PCDC made a proportional equity contribution based on each QEI and PCDC's .01% membership interest in each LLC.

PCDC's equity contributions net of returns in LLC I through XXVII consist of the following as of June 30:

	2020	2019
LLCs under New Market Tax Credit Program		
PCDC Empire State Health Opportunities Fund LLC I	$ -	$ 729
PCDC Empire State Health Opportunities Fund LLC II	-	762
PCDC Empire State Health Opportunities Fund LLC IV	959	966
PCDC Health Opportunities Fund LLC V	925	930
PCDC Health Opportunities Fund LLC VI	725	729
PCDC Health Opportunities Fund LLC VII	651	660
PCDC Health Opportunities Fund LLC VIII	381	385
PCDC Health Opportunities Fund LLC IX	488	491
PCDC Health Opportunities Fund LLC X	1,168	1,176
PCDC Health Opportunities Fund LLC XI	1,201	1,214
PCDC Health Opportunities Fund LLC XII	821	840
PCDC Health Opportunities Fund LLC XIII	1,253	1,265
PCDC Health Opportunities Fund LLC XIV	829	834
PCDC Health Opportunities Fund LLC XV	637	641
PCDC Health Opportunities Fund LLC XVI	786	791
PCDC Health Opportunities Fund LLC XVII	1,073	1,086
PCDC Health Opportunities Fund LLC XVIII	986	991
PCDC Health Opportunities Fund LLC XIX	864	878
PCDC Health Opportunities Fund LLC XX	542	546
PCDC Health Opportunities Fund LLC XXI	698	699
PCDC Health Opportunities Fund LLC XXII	891	896
PCDC Health Opportunities Fund LLC XXIII	983	994
PCDC Health Opportunities Fund LLC XXIV	793	798
PCDC Health Opportunities Fund LLC XXV	647	650
PCDC Health Opportunities Fund LLC XXVI	995	-
PCDC Health Opportunities Fund LLC XXVII	949	-
	$ 20,245	$ 19,951

For the fiscal years ended June 30, 2020 and 2019, the net present value of PCDC's equity contributions reported as investments in LLC's were at approximately $20,000 in each year.

NOTE 16 – RELATED PARTIES (Continued)

In December 2013, PCDC entered into an agreement with two other CDFI's to form HealthCo Participant, LLC ("HealthCo") as a financing vehicle to provide indirect facility financing for federally qualified healthcare centers. PCDC is one of three equal members at 33.33%. Under the limited liability company agreement, any income or expense of HealthCo is shared equally by the three members. As of June 30, 2020 and 2019, PCDC's investment in HealthCo of $500 was reported in the accompanying financial statements as Investments in LLCs.

NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	2020	2019
Subject to purpose restrictions:		
Financing	$ 17,206,252	$ 17,406,252
Operating	873,751	399,000
	$ 18,080,003	$ 17,805,252

Net assets with donor restrictions for financing are net assets restricted for use in PCDC's financing and lending activities. Net assets with donor restrictions for operations include net assets that are restricted for operating expenses of specific programs.

During the years ended June 30, 2020 and 2019, PCDC satisfied purpose restrictions in the amount of $477,000 and $1,666,500, respectively, associated with grants and contributions, and these amounts were released from net assets with donor restrictions.

NOTE 18 – FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models or similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining fair value, PCDC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in money market funds, corporate obligation and government bonds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers between fair value levels occurred.

NOTE 18 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at June 30 are classified as Level 1 in the fair value hierarchy in the table as follows:

	2020	2019
ASSETS CARRIED AT FAIR VALUE		
Restricted and Unrestricted Investments:		
Money market funds	$ 14,380,863	$ 7,567,683
Bonds:		
Corporate obligations	3,436,482	2,702,545
U.S. government securities	1,767,203	1,727,805
TOTAL ASSETS AT FAIR VALUE	$ 19,584,548	$ 11,998,033

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through October 23, 2020, the date the financial statements were available to be issued.