



PRIMARY CARE DEVELOPMENT CORPORATION

**Financial Statements
(Together with Independent Auditors' Report)**

For the Years Ended June 30, 2021 and 2020

and

**Single Audit Reports and Schedule as Required by the
Office of Management and Budget Uniform Guidance**

For the Year Ended June 30, 2021

PRIMARY CARE DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

AND

SINGLE AUDIT REPORTS AND SCHEDULE
AS REQUIRED BY THE OFFICE OF MANAGEMENT AND BUDGET UNIFORM GUIDANCE

FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Primary Care Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Primary Care Development Corporation ("PCDC"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021 and 2020, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards (shown on page 24) for the year ended June 30, 2021, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, on our consideration of PCDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCDC's internal control over financial reporting and compliance.

Marks Paneth LLP

New York, NY
October 28, 2021

PRIMARY CARE DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Notes 2C and 15B) | \$ 9,436,278 | \$ 5,416,663 |
| Restricted cash (Notes 2C, 12 and 15B) | 9,536,016 | 9,000,264 |
| Investments (Notes 2I, 4, 15B and 18) | 38,673,689 | 17,788,398 |
| Accounts receivable (Note 2F) | 718,165 | 299,867 |
| Grants and contributions receivable, net (Notes 2F, 2G and 7) | 1,271,389 | 870,855 |
| Loans receivable, net (Notes 2E, 2F, 6 and 15A) | 8,217,590 | 7,307,919 |
| Restricted lease payments, net (Note 14A) | 583,387 | 589,135 |
| Prepaid expenses and other assets | 282,877 | 337,344 |
| Total Current Assets | 68,719,391 | 41,610,445 |
| Non-Current Assets | | |
| Restricted cash (Notes 2C, 12 and 15B) | 9,784,927 | 10,217,145 |
| Restricted investments (Notes 2I, 4, 15B and 18) | 1,747,044 | 1,796,150 |
| Property and equipment, net (Notes 2D and 8) | 256,846 | 301,809 |
| Loans receivable, net (Notes 2E, 2F, 6 and 15A) | 44,650,288 | 42,354,551 |
| Restricted reserves (Notes 5 and 15B) | 4,134,881 | 4,176,783 |
| Investments in LLCs, net (Note 16) | 24,260 | 20,745 |
| TOTAL ASSETS | \$ 129,317,637 | \$ 100,477,628 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 1,842,105 | \$ 1,517,910 |
| Loans and other debt obligations (Note 10) | - | 485,587 |
| Due to New York City - bond program (Note 14A) | 583,387 | 589,135 |
| Other (Notes 6 and 13) | 59,754 | 125,576 |
| Deferred rent (Note 2J) | 47,120 | 34,191 |
| Total Current Liabilities | 2,532,366 | 2,752,399 |
| Non-Current Liabilities | | |
| Reserves and deposits payable (Note 5) | 4,134,880 | 4,181,855 |
| Loans and other debt obligations (Note 10) | 42,213,640 | 23,128,052 |
| Equity equivalent debt (Note 11) | 4,000,000 | 4,000,000 |
| Due to third party (Note 12) | 19,557,721 | 19,539,943 |
| Other (Notes 6 and 13) | 1,595,587 | 3,402,427 |
| Deferred rent (Note 2J) | 170,267 | 217,387 |
| TOTAL LIABILITIES | 74,204,461 | 57,222,063 |
| COMMITMENTS AND CONTINGENCIES (Notes 6, 14 and 16) | | |
| NET ASSETS (Note 2B) | | |
| Without donor restrictions | 28,372,673 | 25,175,562 |
| With donor restrictions (Notes 2B and 17): | 26,740,503 | 18,080,003 |
| TOTAL NET ASSETS | 55,113,176 | 43,255,565 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 129,317,637 | \$ 100,477,628 |

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

PRIMARY CARE DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

| | For the Year Ended June 30, 2021 | | | For the Year Ended June 30, 2020 | | |
|---|----------------------------------|----------------------|----------------------|----------------------------------|----------------------|----------------------|
| | Without Donor | With Donor | 2021 | Without Donor | With Donor | 2020 |
| | Restrictions | Restrictions | Total | Restrictions | Restrictions | Total |
| OPERATING SUPPORT AND REVENUE (Note 2L): | | | | | | |
| Public Support: | | | | | | |
| Grants and contributions (Notes 2G and 7) | \$ 4,601,629 | \$ 9,422,500 | \$ 14,024,129 | \$ 3,264,600 | \$ 751,751 | \$ 4,016,351 |
| Special events (Note 2M) | 162,468 | - | 162,468 | 348,935 | - | 348,935 |
| Total Public Support | <u>4,764,097</u> | <u>9,422,500</u> | <u>14,186,597</u> | <u>3,613,535</u> | <u>751,751</u> | <u>4,365,286</u> |
| Revenue: | | | | | | |
| Program fees (Notes 2H and 16) | 4,475,667 | - | 4,475,667 | 6,290,574 | - | 6,290,574 |
| Interest on loans (Note 6) | 3,328,375 | - | 3,328,375 | 3,275,372 | - | 3,275,372 |
| Interest and dividends | 260,218 | - | 260,218 | 336,439 | - | 336,439 |
| Gain on disposal of property and equipment (Note 8) | 1,454 | - | 1,454 | - | - | - |
| Forgiveness of debt - PPP Loan (Note 10) | 1,075,319 | - | 1,075,319 | - | - | - |
| Other revenues (Notes 2F) | 450,017 | - | 450,017 | - | - | - |
| Total Revenue | <u>9,591,050</u> | <u>-</u> | <u>9,591,050</u> | <u>9,901,385</u> | <u>-</u> | <u>9,901,385</u> |
| Net Assets Released from Restrictions (Note 17) | <u>762,000</u> | <u>(762,000)</u> | <u>-</u> | <u>477,000</u> | <u>(477,000)</u> | <u>-</u> |
| TOTAL OPERATING SUPPORT AND REVENUE | <u>15,117,147</u> | <u>8,660,500</u> | <u>23,777,647</u> | <u>13,991,920</u> | <u>274,751</u> | <u>14,266,671</u> |
| OPERATING EXPENSES (Note 2K): | | | | | | |
| Program services | 9,537,362 | - | 9,537,362 | 12,112,802 | - | 12,112,802 |
| Management and general Development | 2,059,994 | - | 2,059,994 | 1,720,044 | - | 1,720,044 |
| | 69,937 | - | 69,937 | 142,727 | - | 142,727 |
| TOTAL OPERATING EXPENSES | <u>11,667,293</u> | <u>-</u> | <u>11,667,293</u> | <u>13,975,573</u> | <u>-</u> | <u>13,975,573</u> |
| CHANGE IN NET ASSETS FROM OPERATIONS | <u>3,449,854</u> | <u>8,660,500</u> | <u>12,110,354</u> | <u>16,347</u> | <u>274,751</u> | <u>291,098</u> |
| NON-OPERATING GAIN (LOSS) (Note 2L): | | | | | | |
| Realized loss on investment and restricted reserves | (72,746) | - | (72,746) | (629) | - | (629) |
| Unrealized (loss) gain on investments and restricted reserves | (179,997) | - | (179,997) | 188,491 | - | 188,491 |
| TOTAL NON-OPERATING (LOSS) GAIN | <u>(252,743)</u> | <u>-</u> | <u>(252,743)</u> | <u>187,862</u> | <u>-</u> | <u>187,862</u> |
| TOTAL CHANGE IN NET ASSETS | <u>3,197,111</u> | <u>8,660,500</u> | <u>11,857,611</u> | <u>204,209</u> | <u>274,751</u> | <u>478,960</u> |
| Net assets - beginning of year | <u>25,175,562</u> | <u>18,080,003</u> | <u>43,255,565</u> | <u>24,971,353</u> | <u>17,805,252</u> | <u>42,776,605</u> |
| NET ASSETS - END OF YEAR | <u>\$ 28,372,673</u> | <u>\$ 26,740,503</u> | <u>\$ 55,113,176</u> | <u>\$ 25,175,562</u> | <u>\$ 18,080,003</u> | <u>\$ 43,255,565</u> |

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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

| | Program Services | | | | Supporting Services | | | Total 2020 |
|--|-----------------------|------------------------------|---|------------------------------|---------------------------|------------------|---------------------------------|----------------------|
| | Capital Investment | Clinical Quality Partners | Strategy & Public Affairs* & Special Projects | Total Program Services | Management and General | Development | Total Supporting Services | |
| Salaries | \$ 1,754,607 | \$ 2,291,553 | \$ 867,239 | \$ 4,913,399 | \$ 1,291,722 | \$ 31,487 | \$ 1,323,209 | \$ 6,236,608 |
| Payroll taxes and employee benefits (Note 9) | 373,177 | 551,311 | 175,248 | 1,099,736 | 247,828 | 5,909 | 253,737 | 1,353,473 |
| Total Salaries and Related Costs | 2,127,784 | 2,842,864 | 1,042,487 | 6,013,135 | 1,539,550 | 37,396 | 1,576,946 | 7,590,081 |
| Interest (Note 10) | 1,140,221 | - | - | 1,140,221 | 8,837 | - | 8,837 | 1,149,058 |
| Legal and accounting fees | 565,879 | - | - | 565,879 | 77,029 | - | 77,029 | 642,908 |
| Occupancy costs (Note 14B) | 137,131 | 223,152 | 91,940 | 452,223 | 115,288 | 3,755 | 119,043 | 571,266 |
| Professional fees | 182,854 | 202,042 | 76,902 | 461,798 | 23,469 | 10,265 | 33,734 | 495,532 |
| Other | 173,046 | 41,097 | 26,666 | 240,809 | 76,209 | 4,560 | 80,769 | 321,578 |
| Equipment maintenance and rental | 45,874 | 76,994 | 89,336 | 212,204 | 73,530 | 2,920 | 76,450 | 288,654 |
| Provision for loan losses (Note 6) | 170,783 | - | - | 170,783 | - | - | - | 170,783 |
| Supplies and printing | 20,172 | 31,584 | 11,986 | 63,742 | 36,868 | 7,671 | 44,539 | 108,281 |
| Dues and subscriptions | 29,477 | 10,861 | 27,627 | 67,965 | 9,464 | - | 9,464 | 77,429 |
| Depreciation and amortization (Note 8) | 16,186 | 25,053 | 10,751 | 51,990 | 13,519 | 417 | 13,936 | 65,926 |
| Insurance | 500 | - | - | 500 | 61,215 | - | 61,215 | 61,715 |
| Telephone and internet | 13,473 | 22,500 | 8,651 | 44,624 | 9,695 | 317 | 10,012 | 54,817 |
| Conferences, events and meetings | 6,132 | 7,436 | 24,973 | 38,541 | 1,185 | - | 1,185 | 39,726 |
| Bank and miscellaneous fees | 10,204 | 1,754 | 877 | 12,835 | 13,682 | 2,636 | 16,318 | 29,153 |
| Travel | 12 | 101 | - | 113 | 454 | - | 454 | 567 |
| Provision for doubtful accounts | - | - | - | - | - | - | - | - |
| Grants | - | - | - | - | - | - | - | - |
| Total Other Than Personnel Service | 2,511,944 | 642,574 | 369,709 | 3,524,227 | 520,444 | 32,541 | 552,985 | 4,077,212 |
| TOTAL EXPENSES | \$ 4,639,728 | \$ 3,485,438 | \$ 1,412,196 | \$ 9,537,362 | \$ 2,059,994 | \$ 69,937 | \$ 2,129,931 | \$ 11,667,293 |
| | | | | | | | | \$ 13,975,573 |

* Formerly Policy, Advocacy, Communications & Evaluation

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

For the Year Ended June 30, 2020

| | Program Services | | | | Supporting Services | | | Total 2020 |
|--|-----------------------|------------------------------|---|------------------------------|---------------------------|-------------------|------------------------|----------------------|
| | Capital Investment | Clinical Quality Partners | Policy, Advocacy, Communications & Evaluation | Total Program Services | Management and General | Development | Supporting Services | |
| Salaries | \$ 1,520,881 | \$ 2,310,684 | \$ 801,459 | \$ 4,633,024 | \$ 1,092,747 | \$ 51,163 | \$ 1,143,910 | \$ 5,776,934 |
| Payroll taxes and employee benefits (Note 9) | 295,822 | 507,900 | 164,242 | 967,964 | 210,782 | 8,039 | 218,821 | 1,186,785 |
| Total Salaries and Related Costs | <u>1,816,703</u> | <u>2,818,584</u> | <u>965,701</u> | <u>5,600,988</u> | <u>1,303,529</u> | <u>59,202</u> | <u>1,362,731</u> | <u>6,963,719</u> |
| Provision for loan losses (Note 6) | 2,119,964 | - | - | 2,119,964 | - | - | - | 2,119,964 |
| Professional fees | 131,849 | 815,476 | 114,279 | 1,061,604 | 25,638 | 10,501 | 36,139 | 1,097,743 |
| Interest (Note 10) | 980,553 | - | - | 980,553 | 2,070 | - | 2,070 | 982,623 |
| Occupancy costs (Note 14B) | 129,108 | 264,037 | 103,493 | 496,638 | 102,567 | 6,050 | 108,617 | 605,255 |
| Provision for doubtful accounts | - | 29,049 | 420,951 | 450,000 | - | - | - | 450,000 |
| Legal and accounting fees | 378,246 | 1,800 | 1,424 | 381,470 | 59,465 | - | 59,465 | 440,935 |
| 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 |
| Travel | 49,517 | 91,198 | 17,178 | 157,893 | 10,169 | 1,461 | 11,630 | 169,523 |
| Other | 52,585 | 61,885 | 13,419 | 127,889 | 23,598 | 989 | 24,587 | 152,476 |
| Conference, events and meeting | 19,190 | 24,777 | 8,866 | 52,833 | 4,259 | 45,550 | 49,809 | 102,642 |
| Supplies and printing | 9,661 | 29,638 | 11,970 | 51,269 | 25,863 | 13,596 | 39,459 | 90,728 |
| Depreciation and amortization (Note 8) | 13,561 | 26,833 | 9,959 | 50,353 | 11,342 | 625 | 11,967 | 62,320 |
| Telephone and internet | 12,069 | 24,576 | 8,642 | 45,287 | 9,007 | 523 | 9,530 | 54,817 |
| Dues and subscriptions | 14,394 | 6,348 | 27,518 | 48,260 | 6,345 | 15 | 6,360 | 54,620 |
| Insurance | 500 | - | - | 500 | 50,102 | - | 50,102 | 50,602 |
| Bank and miscellaneous fees | 10,393 | 1,061 | 300 | 11,754 | 14,202 | 2,735 | 16,937 | 28,691 |
| Total Other Than Personnel Service | <u>3,958,929</u> | <u>1,735,350</u> | <u>817,535</u> | <u>6,511,814</u> | <u>416,515</u> | <u>83,525</u> | <u>500,040</u> | <u>7,011,854</u> |
| TOTAL EXPENSES | <u>\$ 5,775,632</u> | <u>\$ 4,553,934</u> | <u>\$ 1,783,236</u> | <u>\$ 12,112,802</u> | <u>\$ 1,720,044</u> | <u>\$ 142,727</u> | <u>\$ 1,862,771</u> | <u>\$ 13,975,573</u> |

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, 2021 AND 2020

| | 2021 | 2020 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 11,857,611 | \$ 478,960 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Provisions for loan losses and uncollectible receivables | (279,217) | 2,569,964 |
| Forgiveness of debt - PPP Loan | (1,075,319) | - |
| Gain on disposal of property and equipment | (1,454) | - |
| Depreciation and amortization | 65,926 | 62,320 |
| Realized loss on investments, restricted reserves and investments in LLCs | 72,746 | 629 |
| Unrealized loss (gain) on investments and restricted reserves | 179,997 | (188,491) |
| Subtotal | 10,820,290 | 2,923,382 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | (418,298) | 949,757 |
| Grants and contributions receivable | 49,466 | (602,709) |
| Restricted reserves and lease payments | 47,650 | 513,555 |
| Prepaid expenses and other assets | 54,467 | 62,010 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 335,102 | 182,912 |
| Reserves and deposits payable | (46,975) | (503,291) |
| Deferred rent | (34,191) | (20,541) |
| Net Cash Provided by Operating Activities | 10,807,511 | 3,505,075 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Disbursements under loan programs | (16,185,037) | (11,120,205) |
| Collections under loan programs | 12,808,846 | 9,067,874 |
| Purchases of investments and restricted reserves | (36,101,963) | (25,832,309) |
| Proceeds from the sale of investments and restricted reserves | 15,013,035 | 18,434,684 |
| Net investments in LLCs | (3,515) | (1,025) |
| Proceeds from the sale of property and equipment | 2,541 | - |
| Purchase of property and equipment | (22,050) | (122,908) |
| Net Cash Used in Investing Activities | (24,488,143) | (9,573,889) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Due to third party | 17,778 | 189,513 |
| Proceeds from loans and other debt | 24,800,000 | 10,764,412 |
| Repayments of loans and other debt | (5,135,587) | (4,494,578) |
| Repayments to loan participants | (1,872,662) | (44,972) |
| Due to New York City - bond program | (5,748) | (5,190) |
| Net Cash Provided by Financing Activities | 17,803,781 | 6,409,185 |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | 4,123,149 | 340,371 |
| Cash, cash equivalents and restricted cash - beginning of year | 24,634,072 | 24,293,701 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR | \$ 28,757,221 | \$ 24,634,072 |
| Supplementary Disclosure of Cash Flow Information: | | |
| Cash paid during the year for interest | \$ 1,149,058 | \$ 982,621 |

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

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Primary Care Development Corporation (“PCDC”) knows quality primary care is transformational and a cornerstone of community health, strength and vitality. Founded in 1993, PCDC catalyzes excellence in primary care through strategic community investment, capacity building and policy initiatives to achieve health equity.

PCDC is certified as a Community Development Financial Institution (“CDFI”) by the United States Department of the 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 primary care capacity in underserved communities. To date, PCDC has financed more than \$1.3 billion of primary care projects through direct investment and leverage, transforming more than 2.3 million square feet of space. This has created almost 6,000 construction jobs and created or preserved nearly 12,000 permanent jobs in low-income communities. On an annual basis, this has resulted in creating capacity for more than 4.2 million estimated medical visits with over 1 million estimated patients across the U.S.

PCDC offers affordable and flexible financial products to support primary care practices’ capital projects and business expansion across the country. These include traditional financing: New Markets Tax Credits (“NMTC”) financing: a Community Health Care Revolving Capital Fund for New York State; and other targeted loan and financing options for primary care providers. Since its inception, PCDC has experienced no loan losses in its portfolio. PCDC’s loan programs include:

Clinical & Quality Partners: PCDC strengthens service delivery through technical assistance that meets the unique needs of each client. PCDC helps providers to understand their challenges; develop and implement strategies for change; define clear and measurable outcomes; and sustain long-term improvements. To date, PCDC has worked with more than 4,800 primary care organizations (including providing technical assistance to over 1,000 practices nationwide) and trained more than 11,000 providers and staff.

PCDC’s services include business and strategic planning, operational analysis, project management, practice coaching and facilitation, and staff training in the following areas (non-exhaustive):

- **Practice Transformation and Medical Home Recognitions** 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.
- **Primary and Behavioral Health Care Integration** 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.
- **Operations Improvement and Financial Sustainability** to develop and execute effective business and staffing plans as well as enhance billing and coding practices.
- **Telemedicine Training and Assistance** to implement and improve virtual care during and beyond the COVID-19 pandemic.

**PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Strategy and Public Affairs (formerly Policy, Advocacy, Communications and Evaluation): Working with policymakers, trade associations, health care organizations, media outlets and industry leaders, PCDC advocates for policies that will improve outcomes and reduce costs and disparities through stronger and more equitable primary care. PCDC regularly provides thought leadership and expertise through meetings with policymakers, public testimony, and commentary on key policy issues.

PCDC supports this work with rigorous research to build the evidence based on disparities in access to and availability of primary care, including regularly published reports which are frequently cited in leading local and national media. PCDC also aims to develop, shape, and contribute to a narrative that educates and changes norms in support of a progressive vision of high-quality primary care for all individuals and families.

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.

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.

| | 2021 | 2020 |
|-------------------------------|---------------|---------------|
| Cash and cash equivalents | \$ 9,436,278 | \$ 5,416,663 |
| Restricted cash – current | 9,536,016 | 9,000,264 |
| Restricted cash – non-current | 9,784,927 | 10,217,145 |
| Total | \$ 28,757,221 | \$ 24,634,072 |

D. **Property and Equipment** - Property and equipment is stated at cost less accumulated depreciation and amortization. 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 or amortization are removed from the accounts, with any net gain or loss reflected in the statements of activities for the period.

**PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or more past due 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 \$3,607,415 and \$3,436,633 was provided for loans receivable as of June 30, 2021 and 2020, respectively. An allowance for doubtful accounts of \$450,000 was provided for grants and contributions receivable as of June 30, 2020, which was collected subsequently and included as other revenues in the accompanying statement of activities. 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.

Under Accounting Standards Update ("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, 2021 and 2020, \$12,498,000 and \$5,429,000 of conditional grants from government agencies 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 financing 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 includes program fees disaggregated by program:

| | 2021 | 2020 |
|------------|--------------|--------------|
| Financing | \$ 3,356,289 | \$ 2,536,138 |
| Consulting | 1,119,378 | 3,754,436 |
| | \$ 4,475,667 | \$ 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.

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. **Deferred Rent** - PCDC leases real property under operating leases expiring at various dates in the future. For the years ended June 30, 2021 and 2020, 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 \$34,191 and \$20,541, respectively, and recorded such amounts as a decrease 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. In the fiscal year 2021, a virtual gala was held in which donors received no direct benefit. Gross proceeds net of exchange revenue if applicable are reported as contribution revenue in the accompanying statement of activities. The amount of exchange revenue totaled to \$41,820 in fiscal year 2020.

NOTE 3 – LIQUIDITY AND AVAILABILITY

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

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 9,436,278 | \$ 5,416,663 |
| Investments | 38,673,689 | 17,788,398 |
| Accounts receivable | 718,165 | 299,867 |
| Grants and contributions receivable, net | <u>1,271,389</u> | <u>870,855</u> |
| | 50,099,521 | 24,375,783 |
| Less: Investments not available for general expenditures | (12,391,576) | (2,067,834) |
| Less: Grants and contributions receivable not available for general expenditures | - | <u>(220,000)</u> |
| | <u>\$ 37,707,945</u> | <u>\$ 22,087,949</u> |

PCDC's liquidity management ensures unencumbered liquidity including cash, cash equivalents and highly liquid investments equal to or greater than six months of operating expenses, which is consistent with covenants requirements that PCDC needs to maintain under various credit and grant agreements (see Note 10).

As of June 30, 2021 and 2020, PCDC maintains sufficient operating liquidity to cover 32.03 months and 23.7 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.

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

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:

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| U.S. government securities | \$ 356,620 | \$ 1,767,203 |
| Corporate obligations | 8,271,082 | 3,436,482 |
| Money market accounts | <u>31,793,031</u> | <u>14,380,863</u> |
| Total investments | 40,420,733 | 19,584,548 |
| Less: restricted investments (described below) | <u>(1,747,044)</u> | <u>(1,796,150)</u> |
| Total current unrestricted investments | <u>\$ 38,673,689</u> | <u>\$ 17,788,398</u> |

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) and its credit agreements (see Note 10).

Restricted investments consist of the following as of June 30:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|---------------------|---------------------|
| PCDC bond reserve (See Note 14A) | \$ 1,747,044 | \$ 1,747,032 |
| PCDC PCCF reserve (See Note 10) | <u>-</u> | <u>49,118</u> |
| | <u>\$ 1,747,044</u> | <u>\$ 1,796,150</u> |

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, 2021 and 2020, restricted reserves consist primarily of cash or money market accounts.

As of June 30, 2021 and 2020, reserves and deposits payable consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Bond program sponsors' reserve deposits (See Note 14A) | \$ 2,024,848 | \$ 1,966,398 |
| PCCF borrowers' reserve deposits (See Note 10) | - | 250,000 |
| PCDC borrowers' reserve deposits | 2,088,811 | 1,938,981 |
| Interest payable to project sponsors and borrowers | <u>21,221</u> | <u>26,476</u> |
| | <u>\$ 4,134,880</u> | <u>\$ 4,181,855</u> |

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – LOANS RECEIVABLE, NET

Loans receivable consist of the following:

A. 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.

B. 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 COVID-19 pandemic recovery, equipment purchases, organizational investments, and practice acquisitions.

C. 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.

Primary Care Capital Fund (PCCF) program came to an end when the last loan funded through a credit agreement between PCDC and a consortium of banks matured in fiscal year 2021.

Loans receivable consist of the following as of June 30:

| | June 30, 2021 | | | | | |
|---------------------------------|-------------------|---|-------------------------|---------------------------------------|---------------------|----------------------|
| | PCCF | Acquisition/ Predevelopment Loans | Bridge & Other Loans | Permanent & Constructions Loans | General | Total |
| Loans receivable | \$ - | \$ 6,142,777 | \$ 4,131,370 | \$ 46,201,146 | \$ - | \$ 56,475,293 |
| Less: allowance for loan losses | - | (307,139) | (153,117) | (2,279,665) | (867,494) | (3,607,415) |
| Loans receivable, net | <u>\$ -</u> | <u>\$ 5,835,638</u> | <u>\$ 3,978,253</u> | <u>\$ 43,921,481</u> | <u>\$ (867,494)</u> | <u>\$ 52,867,878</u> |
| | 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 | <u>\$ 491,130</u> | <u>\$ 3,385,824</u> | <u>\$ 3,834,196</u> | <u>\$ 42,818,814</u> | <u>\$ (867,494)</u> | <u>\$ 49,662,470</u> |

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, 2021 and thereafter:

| | |
|------------|----------------------|
| 2022 | \$ 8,217,590 |
| 2023 | 5,521,163 |
| 2024 | 10,398,503 |
| 2025 | 6,202,668 |
| 2026 | 4,275,002 |
| Thereafter | <u>18,252,952</u> |
| | <u>\$ 52,867,878</u> |

As of June 30, 2021, loans approved and committed for future funding totaled approximately \$13,218,000.

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

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, 2021 and 2020, loan participations of approximately \$1.7 million and \$3.5 million, respectively, are included in loans receivable and offset by approximately \$1.7 and \$3.5 million of other liabilities, respectively (Note 13).

D. Loan Origination/Risk Managements

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.

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, 2021 follows:

| | <u>Accruing Current</u> | <u>Accruing 30 Days+ Past Due</u> | <u>Non-Accrual</u> | <u>2021 Total</u> |
|---------------------------------|-----------------------------|---|--------------------|----------------------|
| Acquisition/Predevelopment | \$ 4,185,900 | \$ 1,956,877 | \$ - | \$ 6,142,777 |
| Bridge & Other Loans | 4,131,370 | - | - | 4,131,370 |
| Permanent & Constructions Loans | <u>46,201,146</u> | <u>-</u> | <u>-</u> | <u>46,201,146</u> |
| Loans receivable | <u>\$ 54,518,416</u> | <u>\$ 1,956,877</u> | <u>\$ -</u> | <u>\$ 56,475,293</u> |

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

| | <u>Accruing Current</u> | <u>Accruing 30 Days+ Past Due</u> | <u>Non-Accrual</u> | <u>2020 Total</u> |
|---------------------------------|-----------------------------|---|--------------------|----------------------|
| 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 | <u>45,064,218</u> | <u>-</u> | <u>-</u> | <u>45,064,218</u> |
| Loans receivable | <u>\$ 53,099,103</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 53,099,103</u> |

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

E. 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.

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, 2021 | | | | Total |
|-----------------------|---------------|---|-------------------------|---------------------------------------|----------------------|
| | PCCF | Acquisition/ Predevelopment Loans | Bridge & Other Loans | Permanent & Constructions Loans | |
| Strong | \$ - | \$ 1,500,000 | \$ - | \$ 6,000,000 | \$ 7,500,000 |
| Acceptable | - | 2,685,900 | 1,957,888 | 27,149,810 | 31,793,598 |
| Special Mention | - | 1,956,877 | 2,173,482 | 11,244,870 | 15,375,229 |
| Substandard | - | - | - | 1,806,466 | 1,806,466 |
| Loans receivable, net | <u>\$ -</u> | <u>\$ 6,142,777</u> | <u>\$ 4,131,370</u> | <u>\$ 46,201,146</u> | <u>\$ 56,475,293</u> |

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

| | June 30, 2020 | | | | Total |
|-----------------------|-------------------|---|-------------------------|---------------------------------------|----------------------|
| | PCCF | Acquisition/ Predevelopment Loans | Bridge & Other Loans | Permanent & Constructions Loans | |
| 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 | <u>\$ 491,130</u> | <u>\$ 3,564,025</u> | <u>\$ 3,979,730</u> | <u>\$ 45,064,218</u> | <u>\$ 53,099,103</u> |

F. 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. General loan loss reserve was provided since fiscal year 2020 due to market uncertainty and risk related to the COVID-19 pandemic.

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, 2021 and 2020, 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, 2021 by loan program is summarized as follows:

| | PCCF | Acquisition/ Predevelopment | Bridge & Other Loans | Permanent & Constructions Loans | General | Total |
|---------------------------------------|-------------|--------------------------------|-------------------------|---------------------------------------|-------------------|---------------------|
| Beginning balance | \$ - | \$ 178,201 | \$ 145,534 | \$ 2,245,404 | \$ 867,494 | \$ 3,436,633 |
| Charge-offs | - | - | - | - | - | - |
| Recoveries | - | - | - | - | - | - |
| Increase in provision for loan losses | - | 128,938 | 7,583 | 34,261 | - | 170,782 |
| Ending balance | <u>\$ -</u> | <u>\$ 307,139</u> | <u>\$ 153,117</u> | <u>\$ 2,279,665</u> | <u>\$ 867,494</u> | <u>\$ 3,607,415</u> |

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 | <u>\$ -</u> | <u>\$ 178,201</u> | <u>\$ 145,534</u> | <u>\$ 2,245,404</u> | <u>\$ 867,494</u> | <u>\$ 3,436,633</u> |

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 – GRANTS AND CONTRIBUTIONS RECEIVABLE, NET

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|-------------------|
| Government | \$ 841,389 | \$ 1,055,855 |
| Corporations and others | <u>430,000</u> | <u>265,000</u> |
| Total | 1,271,389 | 1,320,855 |
| Less: provision for doubtful accounts | <u>-</u> | <u>(450,000)</u> |
| Grants and contributions receivable, net | <u>\$ 1,271,389</u> | <u>\$ 870,855</u> |

NOTE 8 – PROPERTY AND EQUIPMENT, NET

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

| | <u>2021</u> | <u>2020</u> | <u>Estimated Useful Lives</u> |
|---|-------------------|-------------------|-------------------------------|
| Leasehold improvements | \$ 375,168 | \$ 375,349 | See Note 2D |
| Computer equipment and software | 183,338 | 177,887 | 3-5 years |
| Furniture and fixtures | 117,352 | 117,352 | 5-10 years |
| Projects in progress | <u>-</u> | <u>52,907</u> | |
| Total cost | 675,858 | 723,495 | |
| Less: accumulated depreciation and amortization | <u>(419,012)</u> | <u>(421,686)</u> | |
| Net book value | <u>\$ 256,846</u> | <u>\$ 301,809</u> | |

Depreciation and amortization amounted to \$65,926 and \$62,320 for the years ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021, PCDC retired fully depreciated computer equipment and leasehold improvement that were no longer in use, with an original cost of \$69,687 and accumulated depreciation and amortization of \$68,600. Insurance proceeds for damaged assets in excess of net book value amounted to \$1,454 and were recognized as a gain on disposal of property and equipment in the accompanying statements of activities for the year ended June 30, 2021.

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. Retirement plan expenses for the years ended June 30, 2021 and 2020 amounted to \$232,757 and \$215,821, respectively.

NOTE 10 – LOANS AND OTHER DEBT OBLIGATIONS

PCDC is a party to unsecured credit agreements (the "Agreements") with commercial lenders and loan funds. The loans are to be used to provide financing to primary health care providers. The interest rate varies by agreement. Variable interest rate is based on 200 to 250 basis points plus a selected index if applicable. PCDC is fully liable for all funds drawn and outstanding under the credit agreements. As of June 30, 2021, interest rates (variable and fixed) on outstanding balances of revolving credit lines range from 0% to 4.171%.

Primary Care Capital Fund ("PCCF"), a program supported by a four-bank consortium came to an end when the last loan from this funding source matured during fiscal year 2021.

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. PCDC is fully liable for all funds drawn and outstanding under the credit agreement.

**PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 10 – LOANS AND OTHER DEBT OBLIGATIONS (Continued)

In fiscal year 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 Security Act (“CARES Act”). The loan was in the form of a Note with a maturity date of April 16, 2022 and bears interest at a rate of 1% per annum. PCDC applied for and had been notified that the entire PPP loan including accrued interest of \$1,075,318 was forgiven. Loan forgiveness was included in other revenues in the accompanying statement of activities.

The interest expense excluding loan participations for the years ended June 30, 2021 and 2020, amounted to \$1,015,320 and \$831,974, respectively.

There are certain financial covenants and reporting requirements under each credit or loan agreement. As of June 30, 2021 and 2020, 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, 2021 and thereafter:

| | | |
|------------|-----------|-------------------|
| 2022 | \$ | - |
| 2023 | | 1,350,000 |
| 2024 | | 7,000,000 |
| 2025 | | 3,863,640 |
| 2026 | | 22,000,000 |
| Thereafter | | <u>8,000,000</u> |
| | <u>\$</u> | <u>42,213,640</u> |

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.

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 \$18,384,924 and \$18,367,146 as of June 30, 2021 and 2020, respectively, and are included in restricted cash in the accompanying statements of financial position.

As of June 30, 2021 and 2020, approximately \$19.6 million and \$19.5 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, 2021 and 2020, other liabilities include approximately \$1.7 million and \$3.5 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 \$1.7 million and \$3.5 million, respectively, net at June 30, 2021 and 2020. PCDC retains the servicing rights on these participations.

**PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 – OTHER LIABILITIES (Continued)

Interest expense associated with loan participations amounted to \$124,900 and \$150,649, respectively, for the years ended June 30, 2021 and 2020.

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, 2021 and 2020, DASNY has \$12.9 million and \$15.7 million, respectively, of such bonds outstanding for six facilities. PCDC is contingently liable for lease payments due pursuant to these bond issues.

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, 2021 and 2020, PCDC is in compliance with this requirement and has deposited \$1,747,044 and \$1,747,032, respectively, in the PCDC bond reserve account (see Note 4), and has received reserves of \$2,024,848 and \$1,966,398, respectively from sponsors as of June 30, 2021 and 2020 (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, 2021 and 2020, PCDC holds \$2,024,848 and \$1,966,398, 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:

| | | | |
|--|------------|----|------------|
| | 2022 | \$ | 3,511,448 |
| | 2023 | | 3,186,701 |
| | 2024 | | 1,674,732 |
| | 2025 | | 762,699 |
| | 2026 | | 763,432 |
| | Thereafter | | 6,728,635 |
| | | \$ | 16,627,647 |

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. PCDC is obligated, pursuant to various lease agreements, to approximate future minimum annual rentals for each of the years subsequent to June 30, 2021 as follows:

| | | <u>Total</u> | | <u>Real Property</u> | | <u>Personal Property</u> |
|------|-----------|------------------|-----------|--------------------------|-----------|------------------------------|
| 2022 | \$ | 688,045 | \$ | 530,084 | \$ | 157,961 |
| 2023 | | 674,236 | | 543,336 | | 130,900 |
| 2024 | | 673,934 | | 556,920 | | 117,014 |
| 2025 | | 345,497 | | 237,173 | | 108,324 |
| 2026 | | <u>108,324</u> | | <u>-</u> | | <u>108,324</u> |
| | <u>\$</u> | <u>2,490,036</u> | <u>\$</u> | <u>1,867,513</u> | <u>\$</u> | <u>622,523</u> |

As of both June 30, 2021 and 2020, rent expense based on a straight-line basis amounted to approximately \$483,000 for real property. During the years ended June 30, 2021 and 2020, personal property expense amounted to approximately \$145,000 and \$144,000, 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, 2021 and 2020 in accordance with FASB ASC Topic 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- E. The extent and severity of the impact of the COVID-19 pandemic on PCDC and its clients cannot be predicted, though it is noteworthy, given the disruption to business, that after more than 12 months of the pandemic, the clients and PCDC continue to operate within the required covenants. Management is actively monitoring the situation to assess implications to its and the clients' operations to mitigate any adverse consequence.

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, 2021, the largest concentrations of loans receivable are with three borrowers and amount to approximately \$6 million, \$5.6 million and \$4.4 million, representing approximately 11%, 10% 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 \$7.4 million, \$6.0 million and \$5.6 million, representing approximately 11%, 9%, and 8%, respectively, of PCDC's total loan portfolio (see Note 14A).

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.

- 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 \$64,771,000 and \$43,283,000 as of June 30, 2021 and 2020, respectively. Such funds include cash and money market funds held as part of the investment portfolio, restricted cash and restricted reserves.

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 – RELATED PARTIES

Between fiscal years 2007 and 2021, PCDC was awarded \$313 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 37 such entities: all of which are multi-member Limited Liability Companies. As of June 30, 2021, 29 of these entities are in use. 3 LLC’s were unwound after the end of their 7-year compliance period.

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.

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 \$1,119,000 and \$1,147,000 for the fiscal years ended June 30, 2021 and 2020, respectively, and are included in program fees on the statements of activities. In addition, during fiscal year 2021, PCDC earned a total of approximately \$1,250,000 in financing fees through NMTC loan transactions. These amounts are reported as program fees on the statement 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.

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 16 – RELATED PARTIES (Continued)

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

| | 2021 | 2020 |
|--|-----------|-----------|
| LLCs under New Market Tax Credit Program | | |
| PCDC Empire State Health Opportunities Fund LLC IV | \$ 951 | \$ 959 |
| PCDC Health Opportunities Fund LLC V | 921 | 925 |
| PCDC Health Opportunities Fund LLC VI | 720 | 725 |
| PCDC Health Opportunities Fund LLC VII | 643 | 651 |
| PCDC Health Opportunities Fund LLC VIII | 377 | 381 |
| PCDC Health Opportunities Fund LLC IX | 486 | 488 |
| PCDC Health Opportunities Fund LLC X | 1,160 | 1,168 |
| PCDC Health Opportunities Fund LLC XI | 1,190 | 1,201 |
| PCDC Health Opportunities Fund LLC XII | 801 | 821 |
| PCDC Health Opportunities Fund LLC XIII | 1,240 | 1,253 |
| PCDC Health Opportunities Fund LLC XIV | 823 | 829 |
| PCDC Health Opportunities Fund LLC XV | 633 | 637 |
| PCDC Health Opportunities Fund LLC XVI | 782 | 786 |
| PCDC Health Opportunities Fund LLC XVII | 1,065 | 1,073 |
| PCDC Health Opportunities Fund LLC XVIII | 981 | 986 |
| PCDC Health Opportunities Fund LLC XIX | 859 | 864 |
| PCDC Health Opportunities Fund LLC XX | 539 | 542 |
| PCDC Health Opportunities Fund LLC XXI | 697 | 698 |
| PCDC Health Opportunities Fund LLC XXII | 886 | 891 |
| PCDC Health Opportunities Fund LLC XXIII | 972 | 983 |
| PCDC Health Opportunities Fund LLC XXIV | 788 | 793 |
| PCDC Health Opportunities Fund LLC XXV | 645 | 647 |
| PCDC Health Opportunities Fund LLC XXVI | 989 | 995 |
| PCDC Health Opportunities Fund LLC XXVII | 947 | 949 |
| PCDC Health Opportunities Fund LLC XXVIII | 996 | - |
| PCDC Health Opportunities Fund LLC XXIX | 897 | - |
| PCDC Health Opportunities Fund LLC XXX | 549 | - |
| PCDC Health Opportunities Fund LLC XXXI | 623 | - |
| PCDC Health Opportunities Fund LLC XXXIII | 600 | - |
| | \$ 23,760 | \$ 20,245 |

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 both June 30, 2021 and 2020, 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:

| | 2021 | 2020 |
|---|---------------|---------------|
| Subject to purpose restrictions: | | |
| Financial capital | \$ 17,016,252 | \$ 17,206,252 |
| Program operations | 724,251 | 873,751 |
| | 17,740,503 | 18,080,003 |
| Subject to time restrictions: | | |
| Subsequent years operations after June 30, 2021 | 9,000,000 | - |
| Total net assets with donor restrictions | \$ 26,740,503 | \$ 18,080,003 |

**PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 17 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During the years ended June 30, 2021 and 2020, PCDC satisfied purpose restrictions in the amount of \$762,000 and \$477,000, 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, 2021 and 2020, there were no transfers between fair value levels occurred.

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

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| ASSETS CARRIED AT FAIR VALUE | | |
| Restricted and Unrestricted Investments: | | |
| Money market funds | \$ 31,793,031 | \$ 14,380,863 |
| Bonds: | | |
| Corporate obligations | 8,271,082 | 3,436,482 |
| U.S. government securities | <u>356,620</u> | <u>1,767,203</u> |
| TOTAL ASSETS AT FAIR VALUE | <u>\$ 40,420,733</u> | <u>\$ 19,584,548</u> |

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 28, 2021, the date the financial statements were available to be issued.

**PRIMARY CARE DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Program/ Project Identifying Number</u> | <u>Federal Expenditures</u> | <u>Amounts Provided to Subrecipients</u> |
|--|------------------------------------|--|---------------------------------|--|
| U.S. Department of Health and Human Services | | | | |
| Centers for Disease Control and Prevention | | | | |
| Capacity Building Assistance (CBA) for High Impact HIV Prevention | 93.834 | 6 NU65PS923669-02 | \$ 1,033,193 | \$ - |
| Capacity Building Assistance (CBA) for High Impact HIV Prevention | 93.834 | 6 NU65PS923669-03 | <u>290,850</u> | <u>-</u> |
| | | | 1,324,043 | - |
| Pass-Through NYC Department of Health & Mental Hygiene | | | | |
| Immunization and Vaccines for Children | 93.268 | 21ID057501R0X00 | <u>200,000</u> | <u>-</u> |
| Total U.S. Department of Health and Human Services | | | <u>1,524,043</u> | <u>-</u> |
| U.S. Department of the Treasury | | | | |
| CDFI Cluster: | | | | |
| Community Development Financial Institutions ("CDFI") Fund | 21.020 | 171FA021898 | 190,000 | - |
| Community Development Financial Institutions ("CDFI") Fund | 21.020 | 181FA023220 | 480,000 | - |
| Community Development Financial Institutions ("CDFI") Fund | 21.020 | 191FA052463 | 149,000 | - |
| Community Development Financial Institutions ("CDFI") Fund | 21.020 | 201FA054406 | <u>540,000</u> | <u>-</u> |
| Total CDFI Cluster | | | <u>1,359,000</u> | <u>-</u> |
| Total U.S. Department of the Treasury | | | <u>1,359,000</u> | <u>-</u> |
| Amounts Provided to Subrecipients | | | | <u>\$ -</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 2,883,043</u> | |

PRIMARY CARE DEVELOPMENT CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of Primary Care Development Corporation ("PCDC") under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of PCDC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of PCDC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATES

PCDC uses a federally approved indirect cost rate on all federal awards or contracts subject to grant limit or agency's approval.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Primary Care Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Primary Care Development Corporation ("PCDC"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PCDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PCDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the PCDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PCDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PCDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marks Paneth LLP

New York, NY
October 28, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Primary Care Development Corporation

Report on Compliance for Each Major Federal Program

We have audited Primary Care Development Corporation's ("PCDC") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on PCDC's major federal program for the year ended June 30, 2021. PCDC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for PCDC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("GAS"), and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PCDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of PCDC's compliance.

Opinion on Each Major Federal Program

In our opinion, PCDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of PCDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PCDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PCDC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marks Paneth LLP

New York, NY
October 28, 2021

**PRIMARY CARE DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I—Summary of Auditors’ Results

Financial Statements

Type of Auditors’ report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered
to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes X No

Significant deficiencies identified not considered
to be material weaknesses? Yes X None reported

Type of auditors’ report issued on compliance
for major programs Unmodified

Any audit findings disclosed that are required
to be reported in accordance with Uniform Guidance? Yes X No

Identification of major program:

- Community Development Financial Institutions Program - CFDA # 21.020

Dollar threshold used to distinguish between
Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal Award Findings and Questioned Costs

No matters were reported.

**PRIMARY CARE DEVELOPMENT CORPORATION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

Prior Year Findings:

No matters were reported.