PRIMARY CARE DEVELOPMENT CORPORATION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2021 and 2020

MARKS PANETH

ACCOUNTANTS & ADVISORS

PRIMARY CARE DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED JUNE 30, 2021 AND 2020

CONTENTS

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
markspaneth.com

MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Primary Care Development Corporation

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. 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.

Marks Paneth LLP

New York, NY
October 28, 2021

Morison KSi
Independent member

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 Restrictions	With Donor Restrictions	2021 Total	Without Donor Restrictions	With Donor Restrictions	2020 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	4,764,097	9,422,500	14,186,597	3,613,535	751,751	4,365,286
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	335,439	-	335,439
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	9,591,050	-	9,591,050	9,901,385	-	9,901,385
Net Assets Released from Restrictions (Note 17)	762,000	(762,000)	-	477,000	(477,000)	-
TOTAL OPERATING SUPPORT AND REVENUE	15,117,147	8,660,500	23,777,647	13,991,920	274,751	14,266,671
OPERATING EXPENSES (Note 2K):						
Program services	9,537,362	-	9,537,362	12,112,802	-	12,112,802
Management and general	2,059,994	-	2,059,994	1,720,044	-	1,720,044
Development	69,937	-	69,937	142,727	-	142,727
TOTAL OPERATING EXPENSES	11,667,293	-	11,667,293	13,975,573	-	13,975,573
CHANGE IN NET ASSETS FROM OPERATIONS	3,449,854	8,660,500	12,110,354	16,347	274,751	291,098
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	(252,743)	-	(252,743)	187,862	-	187,862
TOTAL CHANGE IN NET ASSETS	3,197,111	8,660,500	11,857,611	204,209	274,751	478,960
Net assets - beginning of year	25,175,562	18,080,003	43,255,565	24,971,353	17,805,252	42,776,605
NET ASSETS - END OF YEAR	$ 28,372,673	$ 26,740,503	$ 55,113,176	$ 25,175,562	$ 18,080,003	$ 43,255,565

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				
	Capital Investment	Clinical Quality Partners	Strategy & Public Affairs* & Special Projects	Total Program Services	Management and General	Development	Total Supporting Services	Total 2021	Total 2020
Salaries	$ 1,754,607	$ 2,291,553	$ 867,239	$ 4,913,399	$ 1,291,722	$ 31,487	$ 1,323,209	$ 6,236,608	$ 5,776,934
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	1,186,785
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	6,963,719
Interest (Note 10)	1,140,221	-	-	1,140,221	8,837	-	8,837	1,149,058	982,623
Legal and accounting fees	565,879	-	-	565,879	77,029	-	77,029	642,908	440,935
Occupancy costs (Note 14B)	137,131	223,152	91,940	452,223	115,288	3,755	119,043	571,266	605,255
Professional fees	182,854	202,042	76,902	461,798	23,469	10,265	33,734	495,532	1,097,743
Other	173,046	41,097	26,666	240,809	76,209	4,560	80,769	321,578	152,476
Equipment maintenance and rental	45,874	76,994	89,336	212,204	73,530	2,920	76,450	288,654	258,915
Provision for loan losses (Note 6)	170,783	-	-	170,783	-	-	-	170,783	2,119,964
Supplies and printing	20,172	31,584	11,986	63,742	36,868	7,671	44,539	108,281	90,728
Dues and subscriptions	29,477	10,861	27,627	67,965	9,464	-	9,464	77,429	54,620
Depreciation and amortization (Note 8)	16,186	25,053	10,751	51,990	13,519	417	13,936	65,926	62,320
Insurance	500	-	-	500	61,215	-	61,215	61,715	50,602
Telephone and internet	13,473	22,500	8,651	44,624	9,695	317	10,012	54,636	54,817
Conferences, events and meetings	6,132	7,436	24,973	38,541	1,185	-	1,185	39,726	102,642
Bank and miscellaneous fees	10,204	1,754	877	12,835	13,682	2,636	16,318	29,153	28,691
Travel	12	101	-	113	454	-	454	567	169,523
Provision for doubtful accounts	-	-	-	-	-	-	-	-	450,000
Grants	-	-	-	-	-	-	-	-	290,000
Total Other Than Personnel Service	2,511,944	642,574	369,709	3,524,227	520,444	32,541	552,985	4,077,212	7,011,854
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

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			
	Capital Investment	Clinical Quality Partners	Policy, Advocacy, Communications & Evaluation	Total Program Services	Management and General	Development	Total Supporting Services	Total 2020
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	1,816,703	2,818,584	965,701	5,600,988	1,303,529	59,202	1,362,731	6,963,719
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	3,958,929	1,735,350	817,535	6,511,814	416,515	83,525	500,040	7,011,854
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

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.

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.

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.

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.

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:

	2021	2020
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	1,271,389	870,855
	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	-	(220,000)
	$ 37,707,945	$ 22,087,949

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.

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:

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

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:

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

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:

	2021	2020
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	21,221	26,476
	$ 4,134,880	$ 4,181,855

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	$ -	$ 5,835,638	$ 3,978,253	$ 43,921,481	$ (867,494)	$ 52,867,878

	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

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	18,252,952
	$ 52,867,878

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

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:

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

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

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				
	PCCF	Acquisition/ Predevelopment Loans	Bridge & Other Loans	Permanent & Constructions Loans	Total
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	$ -	$ 6,142,777	$ 4,131,370	$ 46,201,146	$ 56,475,293

NOTE 6 – LOANS RECEIVABLE, NET (Continued)

	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

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	$ -	$ 307,139	$ 153,117	$ 2,279,665	$ 867,494	$ 3,607,415

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

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:

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

NOTE 8 – PROPERTY AND EQUIPMENT, NET

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

	2021	2020	Estimated Useful Lives
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	-	52,907	
Total cost	675,858	723,495	
Less: accumulated depreciation and amortization	(419,012)	(421,686)	
Net book value	$ 256,846	$ 301,809	

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.

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	8,000,000
	$ 42,213,640

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.

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

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:

	Total	Real Property	Personal Property
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	108,324	-	108,324
	$ 2,490,036	$ 1,867,513	$ 622,523

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.

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.

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

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:

	2021	2020
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	356,620	1,767,203
TOTAL ASSETS AT FAIR VALUE	$ 40,420,733	$ 19,584,548

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.