PRIMARY CARE
DEVELOPMENT
CORPORATION

Consolidated Financial Statements
and Independent Auditor's Report

Years Ended June 30, 2022 and 2021

Primary Care Development Corporation and Affiliate

Contents

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Independent Auditor's Report

To the Board of Directors of
Primary Care Development Corporation

Opinion

We have audited the accompanying consolidated financial statements of Primary Care Development Corporation and Affiliate (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the Organization for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on October 28, 2021.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

CohnReznick LLP

New York, New York
October 27, 2022

Primary Care Development Corporation and Affiliate
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 10,108,890	$ 9,436,278
Restricted cash	11,136,590	9,536,016
Investments	45,729,944	38,673,689
Accounts receivable, net	967,623	718,165
Grants and contributions receivable	1,219,385	1,271,389
Loans receivable, net	5,401,150	8,217,590
Restricted lease payments, net	487,937	583,387
Restricted investments	566,017	-
Prepaid expenses and other assets	240,318	282,877
Total Current Assets	75,857,854	68,719,391
Non-Current Assets		
Restricted cash	4,054,980	9,784,927
Restricted investments	919,775	1,747,044
Property and equipment, net	185,806	256,846
Loans receivable, net	47,367,758	44,650,288
Restricted reserves	3,555,246	4,134,881
Investments in LLCs, net	26,844	24,260
Total Assets	$ 131,968,263	$ 129,317,637
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 1,669,572	$ 1,842,105
Loans and other debt obligations	1,350,000	-
Due to New York City - bond program	487,937	583,387
Other	440,419	59,754
Deferred rent	60,372	47,120
Total Current Liabilities	4,008,300	2,532,366
Non-Current Liabilities		
Reserves and deposits payable	3,555,246	4,134,880
Loans and other debt obligations	40,863,640	42,213,640
Equity equivalent debt	4,000,000	4,000,000
Due to third party	19,565,773	19,557,721
Other	1,156,522	1,595,587
Deferred rent	109,894	170,267
Total Liabilities	73,259,375	74,204,461
Commitments and Contingencies		
Net Assets		
Without donor restrictions	35,089,185	28,372,673
With donor restrictions	23,619,703	26,740,503
Total Net Assets	58,708,888	55,113,176
Total Liabilities and Net Assets	$ 131,968,263	$ 129,317,637

Primary Care Development Corporation and Affiliate
Consolidated Statements of Activities
For the Years Ended June 30, 2022 and 2021

	For the Year Ended June 30, 2022			For the Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue:						
Public Support:						
Grants and contributions	$ 5,294,451	$ 1,032,000	$ 6,326,451	$ 4,601,629	$ 9,422,500	$ 14,024,129
Special events	160,946	-	160,946	162,468	-	162,468
Contributed services	25,582	-	25,582	-	-	-
Total Public Support	5,480,979	1,032,000	6,512,979	4,764,097	9,422,500	14,186,597
Revenue:						
Program fees	7,050,548	-	7,050,548	4,475,667	-	4,475,667
Interest on loans	3,404,948	-	3,404,948	3,328,375	-	3,328,375
Interest and dividends	295,416	-	295,416	260,218	-	260,218
Gain on disposal of property and equipment	-	-	-	1,454	-	1,454
Forgiveness of debt - PPP Loan	-	-	-	1,075,319	-	1,075,319
Other revenue	565	-	565	450,017	-	450,017
Total Revenue	10,751,477	-	10,751,477	9,591,050	-	9,591,050
Net Assets Released from Restrictions	4,152,800	(4,152,800)	-	762,000	(762,000)	-
Total Operating Support and Revenue	20,385,256	(3,120,800)	17,264,456	15,117,147	8,660,500	23,777,647
Operating Expenses:						
Program services	10,329,485	-	10,329,485	9,537,362	-	9,537,362
Management and general	2,408,060	-	2,408,060	2,059,994	-	2,059,994
Development	90,458	-	90,458	69,937	-	69,937
Total Operating Expenses	12,828,003	-	12,828,003	11,667,293	-	11,667,293
Change in Net Assets from Operations	7,557,253	(3,120,800)	4,436,453	3,449,854	8,660,500	12,110,354
Non-Operating Gain:						
Realized loss on investment and restricted reserves	(21,848)	-	(21,848)	(72,746)	-	(72,746)
Unrealized loss on investments and restricted reserves	(818,893)	-	(818,893)	(179,997)	-	(179,997)
Total Non-Operating Gain	(840,741)	-	(840,741)	(252,743)	-	(252,743)
Total Change in Net Assets	6,716,512	(3,120,800)	3,595,712	3,197,111	8,660,500	11,857,611
Net Assets - Beginning of Year	28,372,673	26,740,503	55,113,176	25,175,562	18,080,003	43,255,565
Net Assets - End of Year	$ 35,089,185	$ 23,619,703	$ 58,708,888	$ 28,372,673	$ 26,740,503	$ 55,113,176

Primary Care Development Corporation and Affiliate
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals For the Year Ended June 30, 2021)

	Program Services				Supporting Services				
	Capital Investment	**Clinical Quality Partners**	**Strategy & Public Affairs**	**Total Program Services**	**Management and General**	**Development**	**Total Supporting Services**	**Total 2022**	**Total 2021**
Salaries and wages	$ 1,924,365	$ 2,361,482	$ 1,036,298	$ 5,322,145	$ 1,474,008	$ 19,049	$ 1,493,057	$ 6,815,202	$ 6,236,608
Payroll taxes and fringe benefits	418,741	552,608	238,975	1,210,324	280,200	3,495	283,695	1,494,019	1,353,473
							-	-	
Total Salaries and Related Costs	2,343,106	2,914,090	1,275,273	6,532,469	1,754,208	22,544	1,776,752	8,309,221	7,590,081
Interest	1,259,771	-	-	1,259,771	-	-	-	1,259,771	1,149,058
Legal and accounting fees	797,812	-	-	797,812	97,779	-	97,779	895,591	642,908
Professional fees	134,393	457,817	167,295	759,505	93,206	9,166	102,372	861,877	495,532
Occupancy costs	125,772	198,745	96,710	421,227	125,832	1,588	127,420	548,647	571,266
Equipment maintenance and rental	52,461	70,176	68,756	191,393	75,613	5,376	80,989	272,382	288,654
Travel	37,921	80,688	6,199	124,808	10,004	466	10,470	135,278	567
Other	58,464	27,329	6,136	91,929	36,811	-	36,811	128,740	321,578
Supplies and printing	25,111	35,454	21,472	82,037	33,281	133	33,414	115,451	108,281
Conferences, events and meetings	16,204	10,188	2,910	29,302	21,313	49,100	70,413	99,715	39,726
Insurance	500	-	-	500	81,866	-	81,866	82,366	61,715
Bank and miscellaneous fees	16,542	37,978	750	55,270	19,765	1,718	21,483	76,753	29,153
Depreciation and amortization	17,875	26,678	13,156	57,709	16,491	226	16,717	74,426	65,926
Telephone and Internet	11,870	17,692	8,013	37,575	9,212	141	9,353	46,928	54,636
Provision for doubtful accounts	45,000	-	-	45,000	-	-	-	45,000	-
Dues and subscriptions	8,388	2,500	9,074	19,962	7,097	-	7,097	27,059	77,429
Provision for loan losses	(176,784)	-	-	(176,784)	-	-	-	(176,784)	170,783
Contributed services	-	-	-	-	25,582	-	25,582	25,582	-
Total Other Than Personnel Service	2,431,300	965,245	400,471	3,797,016	653,852	67,914	721,766	4,518,782	4,077,212
Total Expenses	$ 4,774,406	$ 3,879,335	$ 1,675,744	$ 10,329,485	$ 2,408,060	$ 90,458	$ 2,498,518	$ 12,828,003	$ 11,667,293

Primary Care Development Corporation and Affiliate
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services				Supporting Services			
	Capital Investment	Clinical Quality Partners	Strategy & Public Affairs	Total Program Services	Management and General	Development	Total Supporting Services	Total
Salaries and wages	$ 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 fringe benefits	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	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
Professional fees	182,854	202,042	76,902	461,798	23,469	10,265	33,734	495,532
Occupancy costs	137,131	223,152	91,940	452,223	115,288	3,755	119,043	571,266
Equipment maintenance and rental	45,874	76,994	89,336	212,204	73,530	2,920	76,450	288,654
Travel	12	101	-	113	454	-	454	567
Other	173,046	41,097	26,666	240,809	76,209	4,560	80,769	321,578
Supplies and printing	20,172	31,584	11,986	63,742	36,868	7,671	44,539	108,281
Conferences, events and meetings	6,132	7,436	24,973	38,541	1,185	-	1,185	39,726
Insurance	500	-	-	500	61,215	-	61,215	61,715
Bank and miscellaneous fees	10,204	1,754	877	12,835	13,682	2,636	16,318	29,153
Depreciation and amortization	16,186	25,053	10,751	51,990	13,519	417	13,936	65,926
Telephone and Internet	13,473	22,500	8,651	44,624	9,695	317	10,012	54,636
Dues and subscriptions	29,477	10,861	27,627	67,965	9,464	-	9,464	77,429
Provision for loan losses	170,783	-	-	170,783	-	-	-	170,783
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

Primary Care Development Corporation and Affiliate
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ 3,595,712	$ 11,857,611
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provisions for loan losses	(176,784)	(279,217)
Provisions for uncollectible receivables	45,000	-
Forgiveness of debt - PPP Loan	-	(1,075,319)
Disposal of property and equipment	-	(1,454)
Depreciation and amortization	74,426	65,926
Realized loss on investments and restricted reserves	21,848	72,746
Unrealized loss on investments and restricted reserves	818,893	179,997
Subtotal	4,379,095	10,820,290
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable	(294,458)	(418,298)
Grants and contributions receivable	52,004	49,466
Restricted reserves and lease payments	675,085	47,650
Prepaid expenses and other assets	42,559	54,467
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(172,533)	335,102
Reserves and deposits payable	(579,634)	(46,975)
Deferred rent	(47,121)	(34,191)
Net Cash Provided by Operating Activities	4,054,997	10,807,511
Cash Flows from Investing Activities		
Disbursements under loan programs	(22,063,654)	(16,185,037)
Collections under loan programs	22,339,408	12,808,846
Purchases of investments and restricted reserves	(22,789,818)	(36,101,963)
Proceeds from the sale of investments and restricted reserves	15,154,074	15,013,035
Net investments in LLCs	(2,584)	(3,515)
Proceeds from the sale of property and equipment	-	2,541
Purchase of property and equipment	(3,386)	(22,050)
Net Cash Used in Investing Activities	(7,365,960)	(24,488,143)
Cash Flows from Financing Activities		
Due to third party	8,052	17,778
Proceeds from loan payable	-	24,800,000
Repayments of loans & other debt	-	(5,135,587)
Receipts to loan participants	(58,400)	(1,872,662)
Due to New York City - bond program	(95,450)	(5,748)
Net Cash (Used in) Provided by Financing Activities	(145,798)	17,803,781
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(3,456,761)	4,123,149
Cash, cash equivalents and restricted cash - beginning of year	28,757,221	24,634,072
Cash, cash equivalents and restricted cash - end of year	$ 25,300,460	$ 28,757,221
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 1,259,771	$ 1,149,058

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 builds, expands, and strengthens equitable access to quality primary care through capital investment, practice transformation, and policy and advocacy.

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 offers affordable and flexible financial products to support primary care practices' capital projects and business expansion in underserved communities 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.

To date, PCDC has financed more than $1.42 billion of primary care projects through direct investment and leverage, transforming more than 2.6 million square feet of space. This has created more than 6,700 construction jobs and created or preserved more than 12,500 permanent jobs in low-income communities. On an annual basis, this has resulted in creating capacity for more than 4.6 million estimated medical visits for over 1.3 million estimated patients across the U.S.

Clinical & Quality Partners: PCDC strengthens service delivery and facilitates practice transformation 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 3,000 primary care organizations (including providing technical assistance to over 5,000 practices nationwide) and trained more than 17,000 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 & 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 & Assistance to implement and improve virtual care during and beyond the COVID-19 pandemic.

Strategy & Public Affairs: PCDC aims to develop, shape, and contribute to a narrative that educates and changes norms in support of high-quality primary care for all individuals and families. 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 also 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 base on disparities in access to and availability of primary care, including regularly published reports which are frequently cited in leading local and national media.

The accompanying consolidated financial statements include the accounts of PCDC and PCDC PFS01, LLC (the "Organization"), created to serve as intermediary organization to facilitate the implementation of a Pay for Success initiative (see Note 15). PCDC PFS01 LLC whose sole member is PCDC, is considered a disregarded entity and is not subject to income taxes.

Note 2 – Summary of significant accounting policies

A. ***Basis of Accounting and Use of Estimates*** – The Organization's consolidated financial statements have been prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. ***Basis of Consolidation*** - The Organization consolidates limited liability companies ("LLCs") where PCDC is the sole or managing member and exerts control in accordance with not-for-profit consolidation principles under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-810-25, *Consolidation*. As such, asset, liability, equity, revenue and expense accounts of PCDC PFS01, LLC are included in the accompanying consolidated statements of financial position.

   The accounts and activities of NMTC LLCs are not included in the consolidated financial statements as the operating agreements limit control to administrative functions that overcome the presumption of control of the managing member. All NMTC LLCs operate under an agreement with PCDC for administrative and operating services. In exchange, the Organization receives an administrative fee on LLCs assets under management (see Note 15).

   HealthCo Participant, LLC ("HealthCo"), another related affiliate (see Note 15 & 17) does not meet the criteria requiring consolidation and is therefore not included in the consolidated financial statements.

C. ***Basis of Presentation*** - The Organization 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- (or certain grantor-) imposed restrictions. Such resources are available for support of the Organization'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. The Organization 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.

D. ***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 held by the Organization for specific grants, project purposes and funds held for a related affiliate under a fiscal intermediary agreement as part of the Organization's operations.

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

	2022	2021
Cash and cash equivalents	$ 10,108,890	$ 9,436,278
Restricted cash - current	11,136,590	9,536,016
Restricted cash - non-current	4,054,980	9,784,927
Total	$ 25,300,460	$ 28,757,221

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

F. ***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. The Organization's policy places a loan on non-accrual status when payments of principal or interest are 90 days past due or more unless the loan is in the process of collection and management reasonably expects full collection. Management may place a loan on non-accrual whether the loan is past due or not when it is evident that full payment of the loan is not expected. Interest previously accrued and not paid will be reversed and applied to principal when paid.

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

G. ***Allowance for Doubtful Accounts*** - As determined by the Organization, an allowance for loan loss reserve ("ALLR") of $3,430,632 and $3,607,415 was provided for loans receivable as of June 30, 2022 and 2021, respectively. An allowance for doubtful accounts of $45,000 was provided for accounts receivable as of June 30, 2022. No allowance was deemed necessary for accounts receivable as of June 30, 2021. At June 30, 2022 and 2021, no allowance was deemed necessary for grants and contributions receivable. The Organization'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.

H. ***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, that is, those with a measurable performance or other barrier, and a right of return, are not included as support until the conditions on which they depend have been substantially met.

Under ASU 2018-08, grants and contributions awarded by government agencies and other donors are generally considered as conditional grants, non-exchange transactions restricted for specific purposes and are recognized as revenue when qualifying expenses are incurred. As of June 30, 2022 and 2021, approximately $3,353,000 and $12,498,000 of such grants are available for future revenue recognition provided that certain performance related conditions are met, respectively. The government agencies are not obligated to release funds allotted under the grant agreements if performance goals are not met and the Organization may be required to return any advance grant funds received.

I. ***Program fees*** - The Organization 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 the Organization upon completion of contracted deliverables or alternatively, according to a service schedule stipulated in the contract. Fees are earned over time as the Organization meets these performance obligations.

During fiscal year 2022, the Organization was contracted with the New York City Department of Health and Mental Hygiene ("NYC DOHMH") through an emergency procurement action to oversee and administer a vaccine readiness campaign that provided support to participating Federally Qualified Health Centers ("FQHCs") within NYC in their efforts to increase vaccine distribution, access and coverage. This included passing through $6.6M in total to participating FQHCs selected by NYC DOHMH. These funds were passed through in two separate tranches of $3.3M each during the year ended June 30, 2022 Under ASC 958-605*, Transfers of Assets to a Not-for-Profit Entity or Charitable Trust*, the receipts and disbursements of funding from NYC DOHMH other than fees to the Organization for performing contractual services, are treated as agency transactions and therefore not included as revenues or expenses on the consolidated statements of activities.

The following table includes program fees disaggregated by program:

	2022	2021
Financing	$ 4,740,436	$ 3,356,289
Consulting	2,310,112	1,119,378
Total	$ 7,050,548	$ 4,475,667

J. ***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 4.

K. ***Deferred Rent*** - The Organization leases real property under operating leases expiring at various dates in the future. For the years ended June 30, 2022 and 2021, the Organization 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 $47,121 and $34,191, 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 consolidated statements of financial position.

L. ***Functional Allocation of Expenses*** - The consolidated 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 the Organization's timekeeping system.

M. ***Operating and Non-Operating Activities*** - The Organization 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.

N. ***Recent Accounting Pronouncements Not Yet Adopted*** - The Organization is currently evaluating the impacts that the following updated standards will have on its consolidated financial statements.

In February, 2016, the FASB issued an ASU 2016-02, *Leases* (Topic 842). This ASU requires organizations that lease assets, referred to as lessees to recognize on the consolidated statements of financial position, the present value of the assets and liabilities for the rights and obligations created by those leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Subsequent issuance of ASU 2020-05 deferred implementation date of the lease standards to fiscal years beginning after December 15, 2021 and to interim periods within fiscal years beginning after December 15, 2022.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): Measurement of Credit Losses on financial Instruments, which provides guidance to the accounting of credit losses on financial instruments and disclosures requirements. The ASC 326-20's current expected credit loss (CECL) impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. This standard will apply to fiscal years beginning after December 15, 2022.

O. ***Reclassifications*** - Certain reclassifications have been made in the prior year's amount to conform with current year statement presentation.

Note 3 – Liquidity and availability

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

	2022	2021
Cash and cash equivalents	$ 10,108,890	$ 9,436,278
Investments	45,729,944	38,673,689
Accounts receivable	967,623	718,165
Grants and contributions receivable, net	1,219,385	1,271,389
	58,025,842	50,099,521
Less: Investments not available for general expenditures	(13,253,816)	(12,391,576)
Total	$ 44,772,026	$ 37,707,945

The Organization'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 covenant requirements that the Organization needs to maintain under various credit and grant agreements (see Note 10).

As of June 30, 2022 and 2021, the Organization maintains sufficient operating liquidity to cover approximately 33 months and 32 months of planned operating expenses (including interest expense), respectively.

As part of the Organization's liquidity management plan, the Organization has typically invested cash preserved to support financing activities to FQHCs and other primary care provider organizations in short-term investments, and money market funds. Assets available for investing were arrayed in a ten-year ladder according to the Organization's investment policy, taking steps to ensure that all investments in the ten-year ladder are easily sold if needed. During the year ended June 30, 2022, following recommendation by management, review by the Finance & Audit committee and approval by the Organization's Board of Directors, the Organization adopted a new investment policy, which will move towards a mixed fixed-income portfolio with maturities and durations aligned with anticipated Organization funding needs for financing to FQHCs and other primary care organizations. This new investment policy was subsequently implemented during the first quarter of the year ending June 30, 2023, with a phased approach for moving current cash, money market and corporate debt securities into the new investment structure.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, investments held for loan funds are not considered available for the general expenditures. Disbursed loan funds are reflected as loans receivable in the consolidated statements of financial position. Donor restricted grants for various programs are considered available for the general expenditures to conduct those programs. Expected cash flow from loans receivable will be used to fund new loans or related lending activities and therefore will not be considered financial assts available for general operating use.

Note 4 – Investments

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

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. 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, the Organization 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 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. Corporate obligations and U.S. government securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

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, 2022 and 2021, there were no transfers between fair value levels occurred.

Financial assets carried at fair value at June 30, 2022 are classified in the fair value hierarchy as follows:

	Level 1	Level 2	Total
Restricted and unrestricted investments:			
Money market funds	$ 40,248,370	$ -	$ 40,248,370
Bonds:			
Corporate obligations	-	6,682,946	6,682,946
U.S. government securities	-	284,420	284,420
Total	$ 40,248,370	$ 6,967,366	$ 47,215,736

Financial assets carried at fair value at June 30, 2021 are classified in the fair value hierarchy as follows:

	Level 1	Level 2	Total
Restricted and unrestricted investments:			
Money market funds	$ 31,793,031	$ -	$ 31,793,031
Bonds:			
Corporate obligations	-	8,271,082	8,271,082
U.S. government securities	-	356,620	356,620
Total	$ 31,793,031	$ 8,627,702	$ 40,420,733

At June 30, 2022 and 2021, the Organization had restricted investments of $1,485,792 and $1,747,044, respectively, which are included in the table above. Restricted investments have been pledged as collateral in connection with the Organization's participation in its bond financing program (see Note 13A).

Note 5 – Reserves and deposits payable

The restricted reserves primarily represent borrowers' reserve deposits held by the Organization, pursuant to loan agreements or subleases (Bond Program). As of June 30, 2022 and 2021, restricted reserves consist primarily of cash or money market accounts.

As of June 30, 2022 and 2021, reserves and deposits payable consist of the following:

	2022	2021
Bond program sponsors' reserve deposits (see note 14A)	$ 1,763,597	$ 2,024,848
PCDC borrower's reserve deposits	1,774,264	2,088,811
Interest payable to project sponsors and borrowers	17,385	21,221
Total	$ 3,555,246	$ 4,134,880

Note 6 – Loans receivable, net

The Organization makes affordable loans to support the capital needs of community-based health providers across the country. Most loans in the portfolio are secured by the assets being financed or other business assets such as grants receivable, assignment of interest in leverage loans, cash reserves and guarantees. Occasionally, the Organization may make relatively small, unsecured loans for high-quality borrowers where the source of repayment is anticipated cash flow.

As of June 30, 2022 and 2021, approximately 63% of loans receivable outstanding are fixed rate loans (rates varying from 3% to 6% at June 30, 2022 and 4% to 6.375% at June 30, 2021). The remaining 37% are variable rate loans with interest resets at periodic intervals (rates varying from 2% to 7.25% at June 30, 2022 and 2021).

Loans receivable consist of the following loan products:

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 the Organization'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. The Organization 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 NMTC. The Organization also provides construction loans which consist of short-term loans to finance the construction or renovation of a facility.

Loans receivable consist of the following as of June 30:

	2022				
	Acquisition/ predevelopment loans	Bridge and other loans	Permanent and construction loans	General	Total
Loans receivable	$ 9,023,886	$ 7,230,988	$ 39,944,666	$ -	$ 56,199,540
Less: allowance for loan losses	(451,195)	(319,513)	(1,792,430)	(867,494)	(3,430,632)
Loans receivable, net	$ 8,572,691	$ 6,911,475	$ 38,152,236	$ (867,494)	$ 52,768,908

	2021				
	Acquisition/ predevelopment loans	Bridge and other loans	Permanent and construction 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

The following is a summary of the scheduled principal repayments to be received on all of the Organization's loans (after the allowance for loan loss reserves) for the five years subsequent to June 30, 2022 and thereafter:

2023	$ 5,401,150
2024	16,530,806
2025	5,183,187
2026	5,117,375
2027	6,618,867
Thereafter	13,917,523
Total	$ 52,768,908

As of June 30, 2022, loans approved and committed for future funding totaled approximately $3,722,000.

The Organization 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 FASB ASC 860 were met, these loan participations were accounted for as a sale and the participation interest (loans receivable) was removed from the Organization's consolidated 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, 2022 and 2021, loan participations of $1,595,542 and $1,655,341, respectively, are included in loans receivable and offset by $1,595,542 and $1,655,341 of other liabilities, respectively.

D. Loan Origination/Risk Management

The Organization 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 Organization's Board of Directors and delimited by borrower risk rating, exposure, and security;
4. Oversight by the Organization'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 is as follows:

	2022			
	Accruing, current	Accruing 30 days plus past due	Non-accrual Loans	Total
Acquisition/predevelopment loans	$ 9,023,886	$ -	$ -	$ 9,023,886
Bridge and other loans	7,230,988	-	-	7,230,988
Permanent and construction loans	39,944,666	-	-	39,944,666
Loans receivable	$ 56,199,540	$ -	$ -	$ 56,199,540

	2021			
	Accruing, current	Accruing 30 days plus past due	Non-accrual Loans	Total
Acquisition/predevelopment loans	$ 4,185,900	$ 1,956,877	$ -	$ 6,142,777
Bridge and other loans	4,131,370	-	-	4,131,370
Permanent and construction loans	46,201,146	-	-	46,201,146
Loans receivable	$ 54,518,416	$ 1,956,877	$ -	$ 56,475,293

E. Credit Quality Indicators

The Organization 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 at loan closing determines frequency of subsequent asset reviews and informs the Organization's evaluation of the adequacy of the allowance for loan losses. Upon subsequent credit events (i.e., new loan requests or amendments), the borrower's risk rating will be reviewed. 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, the Organization staff’s strategy for risk mitigation and collection.

Most loans are secured by the assets being financed or other business assets such as contract receivables and guarantees. However, some short-term loans may be made on an unsecured basis.

The Organization’s loan portfolio is summarized below by loan program and internally assigned credit quality ratings as of June 30:

	2022			
	Acquisition/ predevelopment loans	Bridge and other loans	Permanent and construction loans	Total
Strong	$ 1,111,066	$ 2,043,526	$ 10,760,783	$ 13,915,375
Acceptable	6,000,000	2,900,000	19,230,672	28,130,672
Special mention	1,912,820	1,787,462	8,262,885	11,963,167
Substandard	-	500,000	1,690,326	2,190,326
Loans receivable	$ 9,023,886	$ 7,230,988	$ 39,944,666	$ 56,199,540

	2021			
	Acquisition/ predevelopment loans	Bridge and other loans	Permanent and construction 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	$ 6,142,777	$ 4,131,370	$ 46,201,146	$ 56,475,293

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. A general loan loss reserve was provided since fiscal year 2020 due to market uncertainty and risk associated with COVID-19 pandemic, subsequent extraordinary governmental support and associated evolution of sector liquidity.

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

	2022				
	Acquisition/ predevelopment loans	Bridge and other loans	Permanent and construction loans	General	Total
Beginning balance	$ 307,139	$ 153,117	$ 2,279,665	$ 867,494	$ 3,607,415
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Change in provision for loan losses	144,056	166,396	(487,235)	-	(176,783)
Ending balance	$ 451,195	$ 319,513	$ 1,792,430	$ 867,494	$ 3,430,632

	2021				
	Acquisition/ predevelopment loans	Bridge and other loans	Permanent and construction loans	General	Total
Beginning balance	$ 178,201	$ 145,534	$ 2,245,404	$ 867,494	$ 3,436,633
Charge-offs	-	-	-	-	-
Recoveries	-	-	-	-	-
Change 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

At June 30, 2022 and 2021, all loans are individually evaluated for impairment.

Note 7 – Grants and contributions receivable

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

	2022	2021
Government	$ 919,385	$ 841,389
Corporations and others	300,000	430,000
Total	$ 1,219,385	$ 1,271,389

Note 8 – Property and equipment, net

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

	2022	2021	Estimated Useful Lives
Leasehold improvements	$ 375,168	$ 375,168	See Note 2E
Computer equipment and software	183,338	183,338	3-5 years
Furniture and fixtures	120,737	117,352	5-10 years
Total cost	679,243	675,858	
Less: accumulated depreciation and amortization	(493,437)	(419,012)	
Total	$ 185,806	$ 256,846	

Depreciation and amortization amounted to $74,425 and $65,926 for the years ended June 30, 2022 and 2021, respectively.

Note 9 – Retirement plan

The Organization sponsors a defined contribution retirement plan covering all eligible employees. The Organization contributes an amount equal to 5% of all eligible employees' salaries. Retirement plan expenses for the years ended June 30, 2022 and 2021 amounted to $282,815 and $232,757, respectively.

Note 10 – Loans and other debt obligations

The Organization 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. At June 30, 2022 and 2021, the Organization has outstanding loans and other debt obligations totaling $1,350,000 with variable interest rate at 250 basis points plus a selected index (4.171% at June 30, 2022). At June 30, 2022 and 2021, the Organization has outstanding loans and other debt obligations totaling $39,000,000 and $37,000,000 respectively, with fixed interest rates ranging from 0% to 3%. The Organization is fully liable for all funds drawn and outstanding under the credit agreements.

At June 30, 2022 and 2021, the Organization also has an unsecured loan of $1,863,640 and $3,863,640, respectively, with an institution. The note bears an interest rate of 3% with a maturity date of December 31, 2026. The Organization is fully liable for all funds drawn and outstanding under the credit agreement.

In the year ended June 30, 2020, the Organization was granted a loan from an authorized SBA lender in the amount of $1,064,412 pursuant to the Paycheck Protection Program (the “PPP”) under the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). The Organization applied for and had been notified that the entire PPP loan including accrued interest of $1,075,318 was forgiven during the year ended June 30, 2021. Loan forgiveness was included in other revenue in the accompanying consolidated statements of activities.

The interest expense related to financing excluding loan participations for the years ended June 30, 2022 and 2021, amounted to $1,186,602 and $1,015,320, respectively.

There are certain financial covenants and reporting requirements under each credit or loan agreement. As of June 30, 2022 and 2021, the Organization 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, 2022 and thereafter:

2023	$	1,350,000
2024		952,381
2025		8,428,571
2026		14,619,048
2027		12,863,640
Thereafter		4,000,000
Total	$	42,213,640

Undrawn lines of credit at June 30, 2022 and 2021, were $17 million.

Note 11 – Equity equivalent debt (EQ2)

The Organization entered into separate EQ2 agreements with two financial institutions totaling $4 million at June 30, 2022 and 2021 maturing starting in 2029. The notes bear interest at fixed rates of 2.75% to 3% per annum, which is payable semi-annually. EQ2 investments are fully subordinated and unsecured obligations. Proceeds of the EQ2 are used to support and expand financing and lending activities in the Organization's target markets.

Note 12 – Due to third party

In January 2017, the Organization 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 the Organization and used in accordance with the terms of the agreement. The initial term of the agreement is ten years, subject to renewal. Upon termination, the Organization shall return proceeds remaining in the Fund to DASNY. The proceeds held by the Organization amounted to $14,367,646 and $18,384,924 as of June 30, 2022 and 2021, respectively, and are included in restricted cash in the accompanying consolidated statements of financial position. As of June 30, 2022 and 2021, approximately $19.6 million in each year, due to third party included in the accompanying consolidated statements of financial position represents the initial loan capital and accrued interest available for use.

Note 13 – Commitments and contingencies

A. The Organization arranges financing for certain primary health care facilities through lease revenue bonds issued by DASNY. As of June 30, 2022 and 2021, DASNY has $9.6 million and $12.9 million, respectively, of such bonds outstanding. The DASNY bonds at the start of fiscal year 2022, consist of six bond-financed projects, two of which are to the same borrower. During the year ended June 30, 2022, one health care center prepaid its remaining rental payments of the operating lease. In addition, two bonds will mature during the year ending June 30, 2023. The Organization 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 the Organization, which is obligated to make lease payments to the City. Finally, the Organization entered into operating lease agreements with the project sponsors, who must operate the facilities and make lease payments to the Organization.

   The asset (restricted lease payments received) represents lease payments made by sponsors to the Organization 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, the Organization is required to establish a reserve fund equal to six months' lease payments for each bond-financed project. As of June 30, 2022 and 2021, the Organization is in compliance with this requirement and has deposited $1,485,792 and $1,747,044, respectively, in the Organization bond reserve account (see Note 4), and has received reserves of $1,763,597 and $2,024,848, respectively, from sponsors as of June 30, 2022 and 2021 (as further discussed in Note 5).

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

- The Organization would have the right to evict the sponsor from the facility and replace the sponsor with another operator/lessee.
- The Organization 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, the Organization would first use reserves posted by the project sponsor that failed to make a lease payment. As of June 30, 2022 and 2021, the Organization holds $1,763,597 and $2,024,848, in such reserves (see Note 5).

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

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

2023	$	2,767,107
2024		1,674,732
2025		762,699
2026		763,432
2027		763,111
Thereafter		5,965,524
Total	$	12,696,605

B. The Organization is obligated, pursuant to various lease agreements, to approximate future minimum annual rentals for each of the years subsequent to June 30, 2022 as follows:

		Total		Real Property		Personal Property
2023	$	670,812	$	546,836	$	123,976
2024		661,610		556,920		104,690
2025		333,173		237,173		96,000
2026		24,000		-		24,000
Total	$	1,689,595	$	1,340,929	$	348,666

As of both June 30, 2022 and 2021, rent expense based on a straight-line basis amounted to approximately $483,000 for real property. During the years ended June 30, 2022 and 2021, personal property expense amounted to approximately $151,000 and $145,000, respectively.

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

D. The Organization believes it has no uncertain tax positions as of June 30, 2022 and 2021 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 the Organization and its clients cannot be predicted, though it is noteworthy, given the disruption to business, that after more 2 years of the pandemic, the clients and the Organization 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.

   In addition, recent increased inflation, continued supply chain disruptions, higher interest rates and the continued war in Ukraine have not yet shown to have significant impact on the Organization's borrowers, outside of continued challenges with respect to workforce development and retention. Management is actively monitoring all of these factors to assess implications to its and the clients' operations to mitigate any adverse consequences.

Note 14 – Concentrations

A. The Organization makes loans to not-for-profit operators of primary health care facilities. The Organization minimizes its credit risk as sponsors under its bond program and borrowers under its Primary Care Capital Fund are required to post with the Organization cash reserves equal to debt service payments of six months to a year. In addition, the Organization secures its position through, as appropriate, a mortgage, and/or collateral assignments of leases of the facilities. As of June 30, 2022, the largest concentrations of loans receivable are with three borrowers and amount to approximately $6.0 million, $6.0 million and $3.8 million, representing approximately 11%, 11% and 7% of the Organization's total loan portfolio, respectively. Taking into consideration the Organization'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 $7.0 million, $6.0 million and $6.0 million, representing approximately 11%, 9%, and 9%, respectively, of the Organization's total loan portfolio. As of June 30, 2021, the largest concentrations of loans receivable are with three borrowers and amount to approximately $6.0 million, $5.6 million and $4.4 million, representing approximately 11%, 10% and 8% of the Organization's total loan portfolio, respectively. Taking into consideration the Organization'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 12%, 9% and 8%, respectively, of the Organization's total loan portfolio. (see Note 13A).

B. The Organization maintains cash and cash equivalents in several major financial institutions. Financial instruments that potentially subject the Organization to a concentration risk include cash held in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately $69,096,000 and $64,771,000 as of June 30, 2022 and 2021, respectively. Such funds include cash and money market funds held as part of the investment portfolio, restricted cash and restricted reserves.

Note 15 – Related parties

Between fiscal years 2007 and 2022, the Organization was awarded $378 million in NMTC allocation to finance the construction of health centers in low-income communities. The program, administered by the Community Development Financial Institutions 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 of June 30, 2022 and 2021, 30 and 29 NMTC LLCs are in use. During the years ended June 30, 2022 and 2021, 5 and 3 NMTC LLCs were unwound after the end of their 7-year compliance period.

Pursuant to the amended operating agreements for active NMTC LLCs, the Organization 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 the Organization remains the managing member.

In the indemnification agreements with each investor the Organization agrees to indemnify investors if there is a loss of NMTC 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, the Organization's liability is subject to the aforementioned indemnification limit in each agreement with an estimated amount totaling $18.9 million.

The Organization 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 Organization NMTC Advisory Board.

As managing members of each of the aforementioned NMTC LLCs, the Organization is entitled to asset management fees. Total asset management fees amounted to $1,209,715 and $1,119,362 for the years ended June 30, 2022 and 2021, respectively, and are included in program fees on the consolidated statements of activities. In addition, during the years ended June 30, 2022 and 2021, the Organization earned a total of $2,028,750 and $1,250,000, respectively, in financing fees through NMTC loan transactions. These amounts are reported as program fees on the consolidated statements of activities.

Under the terms of the amended operating agreements, the Organization made a proportional equity contribution based on each QEI and the Organization's .01% membership interest in each NMTC LLC (see Note 2B).

The Organization's equity contributions net of returns in NMTC LLCs consist of the following as of June 30:

	2022	2021
PCDC Empire State Health Opportunities Fund IV LLC	$ -	$ 951
PCDC Health Opportunities Fund V LLC	-	921
PCDC Health Opportunities Fund VI LLC	-	720
PCDC Health Opportunities Fund VII LLC	-	643
PCDC Health Opportunities Fund VIII LLC	-	377
PCDC Health Opportunities Fund IX LLC	483	486
PCDC Health Opportunities Fund X LLC	1,150	1,160
PCDC Health Opportunities Fund XI LLC	1,177	1,190
PCDC Health Opportunities Fund XII LLC	782	801
PCDC Health Opportunities Fund XIII LLC	1,228	1,240
PCDC Health Opportunities Fund XIV LLC	817	823
PCDC Health Opportunities Fund XV LLC	629	633
PCDC Health Opportunities Fund XVI LLC	777	782
PCDC Health Opportunities Fund XVII LLC	1,056	1,065
PCDC Health Opportunities Fund XVIII LLC	977	981
PCDC Health Opportunities Fund XIX LLC	859	859
PCDC Health Opportunities Fund XX LLC	535	539
PCDC Health Opportunities Fund XXI LLC	696	697
PCDC Health Opportunities Fund XXII LLC	882	886
PCDC Health Opportunities Fund XXIII LLC	960	972
PCDC Health Opportunities Fund XXIV LLC	783	788
PCDC Health Opportunities Fund XXV LLC	642	645
PCDC Health Opportunities Fund XXVI LLC	984	989
PCDC Health Opportunities Fund XXVII LLC	945	947
PCDC Health Opportunities Fund XXVIII LLC	989	996
PCDC Health Opportunities Fund XXIX LLC	890	897
PCDC Health Opportunities Fund XXX LLC	547	549
PCDC Health Opportunities Fund XXXI LLC	620	623
PCDC Health Opportunities Fund XXXII LLC	995	-
PCDC Health Opportunities Fund XXXIII LLC	598	600
PCDC Health Opportunities Fund XXXIV LLC	700	-
PCDC Health Opportunities Fund XXXV LLC	997	-
PCDC Health Opportunities Fund XXXVI LLC	998	-
PCDC Health Opportunities Fund 38 LLC	998	-
PCDC Health Opportunities Fund 39 LLC	1,650	-
Total	$ 26,344	$ 23,760

In December 2013, the Organization entered into an agreement with two other CDFI's to form HealthCo as a financing vehicle to provide indirect facility financing for FQHC's. The Organization is one of three equal members at 33.33%. Under the limited liability company agreement, any income or expense of HealthCo is shared equally by the three members. As of June 30, 2022 and 2021, the Organization's investment in HealthCo of $500 was reported in the accompanying consolidated financial statements as Investments in LLCs.

During the year 2022, PCDC PFS01 LLC was formed to serve as the intermediary organization for a Pay for Success ("PFS") initiative. Under this PFS model, investors and funders provide upfront capital necessary to support community-based interventions for Medicaid beneficiaries enrolled in a managed care health plan. These interventions are designed to reduce unnecessary healthcare utilization and therefore costs. The Medicaid managed care health plan then repays the investors based on savings realized from improved outcomes. PCDC PFS01, LLC is the borrowing entity that receives funds from the investors and disburses funds to service providers in accordance to the "Pay for Success" agreement. The investor has no recourse to PCDC PFS01, LLC except for the amounts in the project operating account. Receipts and disbursements of funds are in accordance with the approved project plan. These funds are recognized as agency transactions. As of June 30, 2022, cash and due to sponsor of $1,399 are included in the consolidated statements of financial position.

Note 16 – Net assets with donor restrictions

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

	2022	2021
Subject to purpose restrictions:		
Financing	$ 17,016,252	$ 17,016,252
Operating	1,053,451	724,251
Total cost	18,069,703	17,740,503
Subject to time restrictions:		
Operating	5,550,000	9,000,000
Total	$ 23,619,703	$ 26,740,503

During the years ended June 30, 2022 and 2021, the Organization satisfied purpose and time restrictions in the amount of $4,152,800 and $762,000, respectively, associated with grants and contributions, and these amounts were released from net assets with donor restrictions.

Note 17 – Subsequent

In June 2022, all members approved to the voluntary dissolution of HealthCo. No business activities were performed subsequent to June 7, 2022 other than those required for liquidation, dissolution, withdrawal or cancellation of the LLC. The unwind process is expected to complete during the year ending 2023.

In July 2022, the Organization closed on a new $10M borrowing facility with Bank of America ("BoA"). At closing, $7.4 million was drawn down by PCDC, in accordance with an allocation plan provided to BoA. The remaining $2.6 million must be drawn within 24 months of closing (July 2024). The facility is fixed-rate and extends for 20 years, with no principal repayments required during the first eight years.

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statements of financial position through October 27, 2022, the date the consolidated financial statements were available to be issued.