

Patient AirLift Services, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2019 and 2018

Patient AirLift Services, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6

Independent Auditor's Report

To the Board of Directors
Patient AirLift Services, Inc.

We have audited the accompanying financial statements of Patient AirLift Services, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities 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.

Auditor's 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 Patient AirLift Services, Inc. as of December 31, 2019 and 2018, 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.



New York, New York
April 15, 2020

Patient AirLift Services, Inc.

**Statements of Financial Position
December 31, 2019 and 2018**

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 1,353,136	\$ 1,173,643
Investments	-	496,000
Contributions receivable	4,786	2,088
Prepaid expenses and other current assets	<u>62,759</u>	<u>49,585</u>
Total current assets	1,420,681	1,721,316
Furniture and equipment, net	<u>167,476</u>	<u>254,656</u>
Total	<u>\$ 1,588,157</u>	<u>\$ 1,975,972</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 127,224	\$ 121,653
Refundable advance	<u>110,000</u>	<u>-</u>
Total current liabilities	<u>237,224</u>	<u>121,653</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	1,335,933	1,854,319
With donor restrictions	<u>15,000</u>	<u>-</u>
Total net assets	<u>1,350,933</u>	<u>1,854,319</u>
Total liabilities and net assets	<u>\$ 1,588,157</u>	<u>\$ 1,975,972</u>

See Notes to Financial Statements.

Patient AirLift Services, Inc.

**Statements of Activities
Years Ended December 31, 2019 and 2018**

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support and revenue						
Contributions	\$ 5,709,897	\$ 15,000	\$ 5,724,897	\$ 5,031,472	\$ -	\$ 5,031,472
Special events, net of direct costs	577,805	-	577,805	627,114	-	627,114
Other income	29,140	-	29,140	3,837	-	3,837
Investment return, net	-	-	-	10,929	-	10,929
Net assets released from restrictions	-	-	-	-	-	-
Total public support and revenue	<u>6,316,842</u>	<u>15,000</u>	<u>6,331,842</u>	<u>5,673,352</u>	<u>-</u>	<u>5,673,352</u>
Expenses						
Program services	6,011,593	-	6,011,593	5,389,054	-	5,389,054
Supporting services						
Fundraising expenses	538,307	-	538,307	278,869	-	278,869
General and administrative	285,328	-	285,328	260,454	-	260,454
Total supporting services	<u>823,635</u>	<u>-</u>	<u>823,635</u>	<u>539,323</u>	<u>-</u>	<u>539,323</u>
Total expenses	<u>6,835,228</u>	<u>-</u>	<u>6,835,228</u>	<u>5,928,377</u>	<u>-</u>	<u>5,928,377</u>
Change in net assets	(518,386)	15,000	(503,386)	(255,025)	-	(255,025)
Net assets, beginning	1,854,319	-	1,854,319	2,109,344	-	2,109,344
Net assets, end	<u>\$ 1,335,933</u>	<u>\$ 15,000</u>	<u>\$ 1,350,933</u>	<u>\$ 1,854,319</u>	<u>\$ -</u>	<u>\$ 1,854,319</u>

See Notes to Financial Statements.

Patient AirLift Services, Inc.

**Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (503,386)	\$ (255,025)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	104,262	44,482
Net realized loss on investments	19	2,648
Donated securities	(146,222)	(14,086)
Proceeds from sale of donated securities	146,203	11,438
Bad debt expense (recovery)	250	(900)
Changes in operating assets and liabilities		
Contributions receivable	(2,948)	6,722
Prepaid expenses and other current assets	(13,174)	(13,773)
Refundable advance	110,000	-
Accounts payable and accrued expenses	5,571	10,855
	<u>(299,425)</u>	<u>(207,639)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from sale of investments	1,240,000	2,529,000
Purchases of investments	(744,000)	(2,369,000)
Purchases of furniture and equipment	(17,082)	(79,102)
	<u>478,918</u>	<u>80,898</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	179,493	(126,741)
Cash and cash equivalents, beginning	<u>1,173,643</u>	<u>1,300,384</u>
Cash and cash equivalents, end	<u>\$ 1,353,136</u>	<u>\$ 1,173,643</u>

See Notes to Financial Statements.

Patient AirLift Services, Inc.

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 1 - Organization

Patient AirLift Services, Inc. (the "Organization") is a charitable nonprofit organization whose purpose is to arrange free air transportation within the entire northeast United States for individuals requiring medical care and for other humanitarian purposes.

During March 2018, the Organization entered into an Asset Purchase Agreement (the "Agreement"). Pursuant to the Agreement, the Organization acquired Sky Hope Network, a Texas nonprofit corporation dedicated to coordinating volunteer relief flights during emergency or urgent situations. The Organization acquired the assets of Sky Hope Network, and Sky Hope Network has dissolved in accordance with the laws of the State of Texas by filing a Certificate of Termination on April 9, 2018.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Classification of net assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported in two categories of net assets as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

With donor restrictions - Net assets that are restricted by a donor for use for a specific purpose or in a future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed.

Other donor-imposed restriction on net assets included in this category are permanent in nature. These net assets have been restricted by donors to be maintained by the Organization either in perpetuity or until released by specific action by the Organization's Board of Directors in accordance with applicable law.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying net assets from net assets with donor restrictions to net assets without donor restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Patient AirLift Services, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Cash and cash equivalents

Cash and cash equivalents include highly-liquid investments with an original maturity of three months or less when acquired. The Organization places its cash and cash equivalents with high credit quality financial institutions. The Organization had cash in excess of federally insured limits totaling approximately \$827,000 as of December 31, 2019.

Contributions receivable

Contributions are recognized when the donor makes a pledge to the Organization that is, in substance, unconditional.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on management's analysis of specific promises made.

Investments

Investments are recorded at fair value in the statements of financial position and changes in fair value are reported as investment return, net in the statements of activities.

Revenue recognition

Contributions are recognized when cash, securities or unconditional promises to give are made or when donated services are received. Special events revenue is recognized when the event occurs, and performance obligations are satisfied. There were two donors whose contributions comprised 31% and 41% of total public support revenue for the years ended December 31, 2019 and 2018, respectively.

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as a refundable advance.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

Contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and administrative services benefited. Salaries and related benefits for certain employees are attributable to more than one program or supporting function and have been allocated based on estimated time and effort. Such allocations are determined by management on a proportional percentage basis. The percentages are reviewed annually and the amount each department is charged depends on the type of cost. In the cases where costs can be easily allocated to a function by usage, they are directly charged to it. (See Note 4).

Patient AirLift Services, Inc.

Notes to Financial Statements December 31, 2019 and 2018

Income taxes

The Organization is incorporated in the State of New York as a nonprofit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required.

The Organization has no unrecognized tax benefits as of December 31, 2019 and 2018. The Organization's federal and state income tax returns prior to fiscal 2016 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Organization would recognize interest and penalties associated with tax matters as general and administrative expenses and include accrued interest and penalties with accrued expenses in the statements of financial position. There were no interest or penalties paid for the years ended December 31, 2019 and 2018.

Furniture and equipment

Furniture and equipment are recorded at cost if purchased or at fair value on the date of donation. Depreciation is provided on the straight-line basis over the estimated useful life of the asset (three to seven years). Expenditures for repairs and maintenance are expensed as incurred.

Donated investments

The Organization received donations of stocks valued at \$146,222 and \$14,086 for the years ended December 31, 2019 and 2018, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. The Organization realized a net loss of \$19 and \$2,648 on these sales for the years ended December 31, 2019 and 2018, respectively.

401(k) plan

For eligible employees, the Organization maintains a defined contribution 401(k) plan (the "Plan") whereby the Organization matches 50% of qualified employee contributions made, up to a maximum of 6% of individual's salaries contributed. The Organization made matching contributions to the Plan amounting to \$18,000 and \$14,597 for the years ended December 31, 2019 and 2018, respectively.

Adoption of new accounting pronouncement

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU No. 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU No. 2018-08.

Subsequent events

The Organization has evaluated subsequent events through April 15, 2020, which is the date the financial statements were available to be issued.

Patient AirLift Services, Inc.

**Notes to Financial Statements
December 31, 2019 and 2018**

Note 3 - Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization's liquidity resources and financial assets available within one year of the statement of financial position date for general expenditures were as follows:

	2019	2018
Financial assets at year end		
Cash and cash equivalents	\$ 1,353,136	\$ 1,173,643
Investments	-	496,000
Contribution receivable	4,786	2,088
 Total financial assets	 \$ 1,357,922	 \$ 1,671,731
 Total financial assets available to meet general expenditures over next 12 months	 \$ 1,357,922	 \$ 1,671,731

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 4 - Functional expenses

Expenses incurred by the Organization are classified by functional categories for the years ended December 31, 2019 and 2018 as follows:

	2019			Total
	Program services	Supporting services Fundraising expenses	General and administrative	
In-kind contributions - pilot services	\$ 4,869,091	\$ -	\$ -	\$ 4,869,091
In-kind contributions - airline tickets	147,383	-	-	147,383
Salaries and employee benefits	464,189	279,660	163,617	907,466
Special events	-	139,336	-	139,336
Patient travel expenses	190,939	-	-	190,939
Consultants	73,144	83,249	95,485	251,878
Computer and software	24,973	14,987	3,977	43,937
Rent	51,350	6,425	6,425	64,200
Travel	20,050	4,927	3,226	28,203
Depreciation	82,450	20,497	1,315	104,262
Other	88,024	39,858	11,283	139,165
 Total expenses	 6,011,593	 588,939	 285,328	 6,885,860
 Less: cost of direct benefits to donors	 -	 (50,632)	 -	 (50,632)
 Total expenses included in the expense section of the statements of activities	 \$ 6,011,593	 \$ 538,307	 \$ 285,328	 \$ 6,835,228

Patient AirLift Services, Inc.

Notes to Financial Statements December 31, 2019 and 2018

	2018			
	Program services	Supporting services		Total
		Fundraising expenses	General and administrative	
In-kind contributions - pilot services	\$ 4,317,207	\$ -	\$ -	\$ 4,317,207
In-kind contributions - airline tickets	161,335	-	-	161,335.00
Salaries and employee benefits	492,622	122,272	157,850	772,744
Special events	-	114,214	-	114,214
Patient travel expenses	108,273	676	-	108,949
Consultants	32,390	45,738	25,789	103,917
Computer and software	58,424	20,164	9,976	88,564
Rent	53,940	6,500	6,500	66,940
Travel	32,807	4,773	17,399	54,979
Depreciation	36,894	7,588	-	44,482
Other	95,162	19,714	42,940	157,816
	5,389,054	341,639	260,454	5,991,147
Total expenses				
Less: cost of direct benefits to donors	-	(62,770)	-	(62,770)
Total expenses included in the expense section of the statements of activities	\$ 5,389,054	\$ 278,869	\$ 260,454	\$ 5,928,377

Note 5 - Investments and fair value measurements

The Organization values its financial assets and liabilities 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 broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.
- Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

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 as well as considers counterparty credit risk in its assessment of fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

The Organization did not hold investments at December 31, 2019. Financial assets amounting to \$496,000 at December 31, 2018 consisted of certificates of deposit and are carried at fair value. Based on the three categories described above, these certificates of deposits are valued using

Patient AirLift Services, Inc.

**Notes to Financial Statements
December 31, 2019 and 2018**

other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2).

The Organization recognizes transfers between levels in the fair value hierarchy at the end of each year. There were no such transfers during the years ended December 31, 2019 and 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 6 - Furniture and equipment

Furniture and equipment are comprised of the following:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 51,265	\$ 34,183
Furniture	7,010	7,010
Software	<u>285,913</u>	<u>285,913</u>
Total	344,188	327,106
Less accumulated depreciation	<u>176,712</u>	<u>72,450</u>
Total	<u><u>\$ 167,476</u></u>	<u><u>\$ 254,656</u></u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 amounted to \$104,262 and \$44,482, respectively.

Note 7 - Related party transactions

The Organization receives contributions and donated pilot services from certain members of the Board of Directors. Contributions received totaled \$175,506 and \$164,490 for the years ended December 31, 2019 and 2018, respectively. Donated pilot services received totaled \$2,197,677 and \$2,422,646 for the years ended December 31, 2019 and 2018, respectively.

Note 8 - Lease commitments

The Organization entered into an operating lease commitment on October 31, 2016 for a five-year period that commenced on March 1, 2017. Future minimum lease payments under non-cancelable leases, by year and in the aggregate, as of December 31, 2019 are as follows:

2020	\$ 63,464
2021	64,734
2022	<u>10,824</u>
Total	<u><u>\$ 139,022</u></u>

Patient AirLift Services, Inc.

**Notes to Financial Statements
December 31, 2019 and 2018**

Rent expense amounted to \$64,200 and \$66,940 for the years ended December 31, 2019 and 2018, respectively.

Note 9 - In-kind contributions

The Organization records various types of in-kind contributions and include the donated services received from related parties. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. In-kind contributions are included in contributions and are offset by like amounts included in program expenses on the statements of activities.

The Organization received the following in-kind contributions during the years ended December 31, 2019 and 2018 with fair values as follows:

	<u>2019</u>	<u>2018</u>
Pilot services	\$ 4,869,091	\$ 4,317,207
Airline tickets	<u>147,383</u>	<u>161,335</u>
Total	<u>\$ 5,016,474</u>	<u>\$ 4,478,542</u>

Note 10 - Risks and uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred, including mandates from federal, state and local authorities, leading to an overall decline in economic activity. The Organization expects this matter to negatively impact the organization's financial position, results of operations, and cash flows in 2020. The Organization believes it has sufficient liquid assets to meet its operational needs during that time period. However, the duration of the outbreak and the aggregate effect of the financial impact in the future cannot be reasonably estimated at this time.



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