



**Patient AirLift Services, Inc.**  
**Financial Statements  
and Independent Auditor's Report**  
**December 31, 2017 and 2016**

---

**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, 2017 and 2016, 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, 2017 and 2016, 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  
May 4, 2018

Patient AirLift Services, Inc.

Statements of Financial Position  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 1,300,384	\$ 1,999,378
Investments	656,000	-
Contributions receivable, net of allowance for doubtful accounts of \$900 and \$2,150	7,910	1,950
Prepaid expenses and other current assets	35,812	49,295
Total current assets	2,000,106	2,050,623
Furniture and equipment, net	220,036	612
Total	<u>\$ 2,220,142</u>	<u>\$ 2,051,235</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 110,798	\$ 59,655
Total liabilities	110,798	59,655
Commitments		
Net assets - unrestricted	2,109,344	1,991,580
Total	<u>\$ 2,220,142</u>	<u>\$ 2,051,235</u>

See Notes to Financial Statements.

**Patient AirLift Services, Inc.**

**Statements of Activities  
Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Public support and revenue		
Contributions	\$ 5,240,672	\$ 3,248,695
Special events revenue	663,656	565,883
Other income	2,989	1,527
Realized gain on sale of investments	116	173
	<u>5,907,433</u>	<u>3,816,278</u>
Total public support and revenue		
Expenses		
Program	5,418,031	3,308,347
Special events expenses	145,974	133,988
Fundraising expenses	118,555	121,035
General and administrative	107,109	78,235
	<u>5,789,669</u>	<u>3,641,605</u>
Total expenses		
Change in unrestricted net assets	117,764	174,673
Unrestricted net assets, beginning	<u>1,991,580</u>	<u>1,816,907</u>
Unrestricted net assets, end	<u>\$ 2,109,344</u>	<u>\$ 1,991,580</u>

See Notes to Financial Statements.

**Patient AirLift Services, Inc.**

**Statements of Cash Flows  
Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in unrestricted net assets	\$ 117,764	\$ 174,673
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	2,460	1,908
Net realized gain on investments	(116)	(173)
Donated securities	(40,560)	(37,475)
Proceeds from sale of donated securities	40,676	37,648
Recovery of bad debt	(1,250)	(4,975)
Changes in operating assets and liabilities		
Contributions receivable	(4,710)	11,792
Prepaid expenses and other current assets	13,483	(25,350)
Accounts payable and accrued expenses	<u>51,143</u>	<u>11,979</u>
Net cash provided by operating activities	<u>178,890</u>	<u>170,027</u>
Cash flows from investing activities		
Purchases of investments	(656,000)	-
Purchases of furniture and equipment	<u>(221,884)</u>	<u>-</u>
Net cash used in investing activities	<u>(877,884)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(698,994)	170,027
Cash and cash equivalents, beginning	<u>1,999,378</u>	<u>1,829,351</u>
Cash and cash equivalents, end	<u>\$ 1,300,384</u>	<u>\$ 1,999,378</u>

See Notes to Financial Statements.

**Patient AirLift Services, Inc.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**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.

**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.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentrations of credit risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. Cash equivalents include highly liquid investments with a 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 \$3,200 as of December 31, 2017.

**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 with gains and losses included in the statements of activities.

**Contributions**

Contributions are recognized when unconditional promises to give are made. There were two donors whose contributions comprised 11% of total public support revenue for both the years ended December 31, 2017 and 2016.

**Allocation of expenses**

Expenses by function have been allocated among program and general and administrative services on the basis of time records and estimates made by management.

**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, 2017 and 2016. The Organization's federal and state income tax returns prior to fiscal 2014 are closed and management

## **Patient AirLift Services, Inc.**

### **Notes to Financial Statements December 31, 2017 and 2016**

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, 2017 and 2016.

#### **Financial statement presentation**

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets. Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions. Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported as net assets released from restrictions. Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations.

Contributions received with donor restrictions, where the restriction expires in the period of receipt, are recorded as unrestricted contributions. As of December 31, 2017 and 2016, the Organization had no temporarily or permanently restricted net assets.

#### **Furniture and equipment**

Furniture and equipment is 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 (3 - 7 years). Expenditures for repairs and maintenance are expensed as incurred.

#### **Donated investments**

The Organization received donations of stocks valued at \$40,560 and \$37,475 for the years ended December 31, 2017 and 2016, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. The Organization realized a net gain on these sales of \$116 and \$173 for the years ended December 31, 2017 and 2016, respectively.

#### **401(k) plan**

The Organization established a 401(k) plan for the employees of the Organization beginning in 2016. A matching feature for the plan by the Organization has been instituted during the beginning of fiscal 2017. According to the plan, the Organization will match 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 \$12,751 and \$0 for the years ended December 31, 2017 and 2016, respectively.

#### **Subsequent events**

During March 2018, the Organization entered into an Asset Purchase Agreement (the "Agreement"). Pursuant to the Agreement, the Organization will acquire Sky Hope Network, a Texas non-profit 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.

**Patient AirLift Services, Inc.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

The Organization has evaluated subsequent events through May 4, 2018, which is the date the financial statements were available to be issued.

**Note 3 - 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, 2017 and 2016.

Financial assets, amounting to \$656,000, consist of certificates of deposit and are carried at fair value at December 31, 2017. Based on the three categories described above, these certificates of deposits are valued using other observable inputs, particularly dealer market prices for comparable investments as of the valuation date (Level 2). There were no investments held as of December 31, 2016.

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, 2017 and 2016.

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.

Net investment gains as reported in other income on the statements of activities consists of interest earnings on the certificates of deposit amounting to \$1,109 as of December 31, 2017.

**Patient AirLift Services, Inc.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**Note 4 - Furniture and equipment**

Furniture and equipment are comprised of the following:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 31,152	\$ 19,110
Furniture	7,010	7,010
Website development in progress	<u>209,842</u>	<u>-</u>
Total	248,004	26,120
Less accumulated depreciation	<u>27,968</u>	<u>25,508</u>
Total	<u>\$ 220,036</u>	<u>\$ 612</u>

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$2,459 and \$1,909, respectively.

**Note 5 - Related party transactions**

The Organization received contributions from certain members of the board of directors that totaled \$137,836 and \$87,198 for the years ended December 31, 2017 and 2016, respectively. Donated services received from related parties totaled \$807,035 and \$750,522 for the years ended December 31, 2017 and 2016, respectively.

**Note 6 - Lease commitments**

The Organization had operating lease commitments that expired on April 30, 2015 and August 31, 2015. The Organization had remained on a month-to-month lease extensions since these expiration dates through December 31, 2016. Rent expense amounted to \$60,408 and \$27,390 for the years ended December 31, 2017 and 2016, respectively. 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, 2017 are as follows:

2018	\$ 61,000
2019	62,220
2020	63,464
2021	64,734
2022	<u>10,824</u>
Total	<u>\$ 262,242</u>

**Patient AirLift Services, Inc.**

**Notes to Financial Statements  
December 31, 2017 and 2016**

**Note 7 - 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, 2017 and 2016 with fair values as follows:

	<u>2017</u>	<u>2016</u>
Pilot services	\$ 3,633,384	\$ 2,554,540
Donated supplies	-	17,588
Airline tickets	<u>919,970</u>	<u>108,726</u>
Total	<u>\$ 4,553,354</u>	<u>\$ 2,680,854</u>

**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

[cohnreznick.com](http://cohnreznick.com)