



Patient AirLift Services, Inc.
**Financial Statements
and Independent Auditor's Report**
December 31, 2018 and 2017

Patient AirLift Services, Inc.

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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis-of-Matter

As discussed in Note 2 to the financial statements, Patient AirLift Services, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to periods presented, where required. Our opinion is not modified with respect to this matter.

CohnReznick LLP

New York, New York
May 14, 2019

Patient AirLift Services, Inc.

Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 1,173,643	\$ 1,300,384
Investments	496,000	656,000
Contributions receivable, net of allowance for doubtful accounts of \$0 and \$900	2,088	7,910
Prepaid expenses and other current assets	49,585	35,812
	<u>1,721,316</u>	<u>2,000,106</u>
Total current assets		
Furniture and equipment, net	<u>254,656</u>	<u>220,036</u>
Total	<u><u>\$ 1,975,972</u></u>	<u><u>\$ 2,220,142</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 121,653</u>	<u>\$ 110,798</u>
Total liabilities	121,653	110,798
Commitments and contingencies		
Net assets without donor restrictions	<u>1,854,319</u>	<u>2,109,344</u>
Total	<u><u>\$ 1,975,972</u></u>	<u><u>\$ 2,220,142</u></u>

See Notes to Financial Statements.

Patient AirLift Services, Inc.

**Statements of Activities
Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Public support and revenue		
Contributions	\$ 5,031,472	\$ 5,240,672
Special events revenue, net of direct costs	627,114	588,657
Other income	3,837	1,880
Investment return, net	<u>10,929</u>	<u>1,225</u>
Total public support and revenue	<u>5,673,352</u>	<u>5,832,434</u>
Expenses		
Program services	<u>5,389,054</u>	<u>5,418,031</u>
Supporting services		
Fundraising expenses	278,869	189,530
General and administrative	<u>260,454</u>	<u>107,109</u>
Total supporting services	<u>539,323</u>	<u>296,639</u>
Total expenses	<u>5,928,377</u>	<u>5,714,670</u>
Change in net assets without donor restrictions	(255,025)	117,764
Net assets without donor restrictions, beginning	<u>2,109,344</u>	<u>1,991,580</u>
Net assets without donor restrictions, end	<u><u>\$ 1,854,319</u></u>	<u><u>\$ 2,109,344</u></u>

See Notes to Financial Statements.

Patient AirLift Services, Inc.

**Statements of Cash Flows
Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ (255,025)	\$ 117,764
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	44,482	2,460
Net realized (gain) loss on investments	2,648	(116)
Donated securities	(14,086)	(40,560)
Proceeds from sale of donated securities	11,438	40,676
Recovery of bad debt	(900)	(1,250)
Changes in operating assets and liabilities		
Contributions receivable	6,722	(4,710)
Prepaid expenses and other current assets	(13,773)	13,483
Accounts payable and accrued expenses	<u>10,855</u>	<u>51,143</u>
Net cash (used in) provided by operating activities	<u>(207,639)</u>	<u>178,890</u>
Cash flows from investing activities		
Proceeds from sale of investments	2,529,000	-
Purchases of investments	(2,369,000)	(656,000)
Purchases of furniture and equipment	<u>(79,102)</u>	<u>(221,884)</u>
Net cash provided by (used in) investing activities	<u>80,898</u>	<u>(877,884)</u>
Net decrease in cash and cash equivalents	(126,741)	(698,994)
Cash and cash equivalents, beginning	<u>1,300,384</u>	<u>1,999,378</u>
Cash and cash equivalents, end	<u>\$ 1,173,643</u>	<u>\$ 1,300,384</u>

See Notes to Financial Statements.

Patient AirLift Services, Inc.

**Notes to Financial Statements
December 31, 2018 and 2017**

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 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.

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. The Organization had no net assets with donor restrictions as of December 31, 2018 and 2017.

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.

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, 2018 and 2017**

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 \$668,000 as of December 31, 2018.

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.

Contributions

Contributions are recognized when unconditional promises to give are made. There were two donors whose contributions comprised 41% and 11% of total public support revenue for the years ended December 31, 2018 and 2017, respectively.

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.

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, 2018 and 2017. The Organization's federal and state income tax returns prior to fiscal 2015 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, 2018 and 2017.

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 (3 to 7 years). Expenditures for repairs and maintenance are expensed as incurred.

Patient AirLift Services, Inc.

**Notes to Financial Statements
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Donated investments

The Organization received donations of stocks valued at \$14,086 and \$40,560 for the years ended December 31, 2018 and 2017, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. The Organization realized a net loss of \$2,648 on these sales for the year ended December 31, 2018 and a net gain of \$116 for the year ended December 31, 2017.

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 \$14,597 and \$12,751 for the years ended December 31, 2018 and 2017, respectively.

Adoption of new accounting pronouncement

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. Changes required by the update have been applied retrospectively to periods presented, where required.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent events

The Organization has evaluated subsequent events through May 14, 2019, which is the date the financial statements were available to be issued.

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. As of December 31, 2018, the Organization's liquidity resources and financial assets available within one year for general expenditures were as follows:

Financial assets at year end	
Cash and cash equivalents	\$ 1,173,643
Investments	496,000
Contribution receivable, net	<u>2,088</u>
Total financial assets	<u>\$ 1,671,731</u>
Total financial assets available to meet general expenditures over next 12 months	<u>\$ 1,671,731</u>

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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 year ended December 31, 2018 as follows:

	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
Salaries and employee benefits	492,622	122,272	157,850	772,744
Special events	-	51,444	-	51,444
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
Total expenses	\$ 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.

Patient AirLift Services, Inc.

**Notes to Financial Statements
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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, 2018 and 2017.

Financial assets, amounting to \$496,000 and \$656,000, at December 31, 2018 and 2017, respectively, consist of certificates of deposit and are carried at fair value. 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).

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, 2018 and 2017.

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>2018</u>	<u>2017</u>
Office equipment	\$ 34,183	\$ 31,152
Furniture	7,010	7,010
Software	<u>285,913</u>	<u>209,842</u>
Total	327,106	248,004
Less accumulated depreciation	<u>72,450</u>	<u>27,968</u>
Total	<u><u>\$ 254,656</u></u>	<u><u>\$ 220,036</u></u>

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 amounted to \$44,482 and \$2,460, 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 \$164,490 and \$137,836 for the years ended December 31, 2018 and 2017, respectively. Donated pilot services received totaled \$2,422,646 and \$807,035 for the years ended December 31, 2018 and 2017, respectively.

Patient AirLift Services, Inc.

**Notes to Financial Statements
December 31, 2018 and 2017**

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, 2018 are as follows:

2019	\$	62,220
2020		63,464
2021		64,734
2022		<u>10,824</u>
Total	\$	<u>201,242</u>

Rent expense amounted to \$66,940 and \$60,408 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 with fair values as follows:

	<u>2018</u>	<u>2017</u>
Pilot services	\$ 4,317,207	\$ 3,633,384
Airline tickets	<u>161,335</u>	<u>919,970</u>
Total	<u>\$ 4,478,542</u>	<u>\$ 4,553,354</u>

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