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The Bateman Horne Center of Excellence

Financial Statements
As of December 31, 2019 and 2018 and for the Years Then Ended

Together with Independent Auditors' Report

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BUSINESS ADVISORS AND
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Member of Allinial GLOBAL

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Bateman Horne Center of Excellence

We have audited the accompanying financial statements of The Bateman Horne Center of Excellence (the Organization) (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 The Bateman Horne Center of Excellence as of December 31, 2019 and 2018, and the changes in its net assets (deficit) and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Tanner LLC

July 31, 2020

THE BATEMAN HORNE CENTER OF EXCELLENCE
Statements of Financial Position

As of December 31,

	2019	2018
Assets		
Cash	$ 71,999	$ 186,261
Investments	195,769	162,270
Accounts receivable, net of allowance for contractual adjustments and bad debt of $12,146 and $26,913, respectively	120,345	114,314
Prepaid expenses and other	10,823	13,695
Property and equipment, net	56,736	98,590
Total assets	$ 455,672	$ 575,130
Liabilities and Net Assets (Deficit)		
Liabilities:		
Accounts payable	$ 35,539	$ 20,544
Accrued liabilities	100,855	100,504
Deferred revenue	89,725	-
Deferred rent	77,096	61,666
Related party notes payable	161,680	106,513
Total liabilities	464,895	289,227
Commitments and contingencies		
Net assets (deficit):		
Without donor restrictions	(59,223)	235,903
With donor restrictions	50,000	50,000
Total net assets (deficit)	(9,223)	285,903
Total liabilities and net assets (deficit)	$ 455,672	$ 575,130

See accompanying notes to financial statements.

For the Years Ended December 31,

	2019	2018
Change in net assets without donor restrictions:		
Revenues, gains, and support:		
Research revenue	$ 649,178	$ 607,203
Clinic revenue, net of contractual adjustments	397,643	274,136
Contributions	523,656	452,104
Other income and expenses, net	30,228	49,729
Total revenues, gains, and support	1,600,705	1,383,172
Net assets released from restrictions	50,000	80,111
Total revenues, gains, support, and reclassifications	1,650,705	1,463,283
Expenses:		
Clinic expenses	987,915	774,229
Research expenses	564,406	546,844
Education	153,898	211,002
Supporting expenses:		
Management and general	59,307	56,839
Fundraising	180,305	172,788
Total expenses	1,945,831	1,761,702
Decrease in net assets without donor restrictions	(295,126)	(298,419)
Change in net assets with donor restrictions:		
Contributions	50,000	50,000
Net assets released from restrictions	(50,000)	(80,111)
Decrease in net assets with donor restrictions	-	(30,111)
Decrease in net assets	(295,126)	(328,530)
Net assets, beginning of the year	285,903	614,433
Net assets (deficit), end of the year	$ (9,223)	$ 285,903

For the Years Ended December 31,

	2019	2018
Cash flows from operating activities:		
Decrease in net assets	$ (295,126)	$ (328,530)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	45,047	48,035
Appreciation in value of investments	(27,867)	(45,585)
Contributions of common stock	(100,275)	(164,346)
Decrease (increase) in:		
Accounts receivable	(6,031)	(12,038)
Promise to give receivable	-	25,000
Prepaid expenses and other	2,872	2,052
Increase (decrease) in:		
Accounts payable	14,995	5,961
Accrued liabilities	351	(6,650)
Deferred revenue	89,725	-
Deferred rent	15,430	(13,198)
Net cash used in operating activities	(260,879)	(489,299)
Cash flows from investing activities:		
Change in investments	94,643	228,280
Purchases of property and equipment	(3,193)	(8,983)
Net cash provided by investing activities	91,450	219,297
Cash flows from financing activities:		
Proceeds from related party notes payable	95,000	112,000
Payments on related party notes payable	(39,833)	(19,552)
Net cash provided by financing activities	55,167	92,448
Net decrease in cash	(114,262)	(177,554)
Cash at beginning of the year	186,261	363,815
Cash at end of the year	$ 71,999	$ 186,261
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 2,322	$ 448

1. Description of Organization

The Bateman Horne Center of Excellence (the Organization) is a Utah not-for-profit organization established to advance research and to improve clinical care for those impacted by Myalgic Encephalomyelitis/Chronic Fatigue Syndrome (ME/CFS) and Fibromyalgia.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization reports its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, wherein the donor has stipulated the funds be maintained in perpetuity.

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 reported amounts and disclosures. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. As of December 31, 2019 and 2018, no amounts exceeded federally insured limits. To date, the Organization has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.

In the normal course of business, the Organization provides credit terms to its customers and generally requires no collateral. A major customer is considered to be one that comprises 10% or more of the Organization's total accounts receivable or total revenues, gains, and support.

2. Summary of Significant Accounting Policies
Continued

Concentration of Credit Risk – continued

For the years ended December 31, 2019 and 2018, customer/donor concentrations within total revenues, gains, and support consisted of the following:

	2019	2018
Customer A	20%	26%
Customer B	14%	**

Concentrations in accounts receivable were as follows as of December 31:

	2019	2018
Customer A	12%	23%
Customer B	37%	34%
Customer C	25%	**

** Did not meet the threshold for disclosure in this year.

Investments

Investments in equity securities are reported at their fair values in the statements of financial position. Equity securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain equity securities, it is reasonably possible that changes in the values of equity securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Accounts Receivable

Accounts receivable consist of receivables for patient care and receivables from pharmaceutical partners for treating patients under research agreements. Receivables for patient services are carried at the original invoice amount, less an estimate made for doubtful accounts and contractual adjustments. These estimates are made by evaluating patient accounts, considering the patients' financial condition and credit history, current economic conditions, and insurance company and other payor adjustment history. Receivables for pharmaceutical research are recorded at contractual rates established in the agreements. Accounts receivable are generally considered past due when payment has not been received within 30 days of the invoice date, depending on the specific payment terms. Interest is not charged on past due receivables, and receivable accounts are written off when deemed uncollectible.

2. Summary of Significant Accounting Policies
Continued

Property and Equipment
Purchased property and equipment are recorded at cost. Donated property and equipment is recorded at fair value on the date of donation. Minor replacements, maintenance, and repairs that do not extend the useful lives of the property and equipment are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the shorter of the estimated useful lives or lease terms of the assets, ranging from 3 to 5 years.

Revenue Recognition
The Organization recognizes revenue for clinic services at the time services are performed, the price is fixed or determinable, and collection is reasonably assured. Clinic revenue is recorded net of expected insurance adjustments. Research revenue is recognized as revenue when services have been performed, the price is fixed or determinable, and collection is reasonably assured.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional contributions received during 2019 or 2018.

Contributions
Unconditional contributions received are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

2. Summary of Significant Accounting Policies *Continued*

Adoption of New Accounting Standard

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08 (ASU 2018-08), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 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 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU 2018-08.

Donated Services

Donated services are recognized as contributions only if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services do not meet the above criteria. During the years ended December 31, 2019 and 2018, the Organization recognized $49,846 and $13,923, respectively, of in-kind support related to such services.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized in the statement of activities is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

2. Summary of Significant Accounting Policies ***Continued***

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and by both function and nature in Note 9. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

Expense	Allocation Method
Business expenses	Time and effort
Contract services	Time and effort
Salaries, wages and benefits	Time and effort
Facilities and equipment	Square footage
Operating expenses	Time and effort

Income Taxes

The Organization is a charitable organization under Section 501(c)(3) of the Internal Revenue Code and under state of Utah regulations; as such, the Organization is not subject to federal or state income taxes on related purpose income. The Organization is subject to taxation on unrelated business income, if any.

As of December 31, 2019 and 2018, the Organization's management was not aware of any uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through July 31, 2020, which is the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash	$ 71,999
Investments	195,769
Receivables	120,345
	388,113
Less amounts not available for general expenditure within one year:	
Net assets with donor purpose restrictions	(50,000)
Net amount available	$ 338,113

3. Liquidity and Availability *Continued*

The Organization's operations rely primarily on fees for services rendered, as well as contributions from private sources. These contributions are often available to be used for the Organization's overall mission.

During 2019, the Organization recognized a decrease in net assets of $295,126 and used cash of $260,879 in operating activities. As of December 31, 2019, the Organization has financial assets totaling $338,113 available to pay liabilities totaling $464,895, along with future expenses. However, approximately $210,000 of the liabilities are with related parties and could likely be deferred and also non-cash liabilities of approximately $77,000 related to deferred rent.

The Organization's management has attained contracts that will provide revenues over future periods, has increased its fundraising efforts, has introduced a new business model in 2019, has begun reducing operating expenses (wages, rent, and more) and could further reduce operations, if necessary, and has taken other steps to improve future results of operations; however, it is unknown at this time how successful these efforts will be.

4. Investments

Investments are stated at fair value and consist of shares of equity securities. These shares are valued at $195,769 and $162,270 as of December 31, 2019 and 2018, respectively.

Total return on investments, including dividends, interest, and realized and unrealized gains was $27,867 and $45,585 for the years ended December 31, 2019 and 2018, respectively.

5. Fair Value Measurements

Authoritative guidance establishes a hierarchy for inputs used in measuring fair value that prioritizes the use of observable inputs over the use of unobservable inputs and requires that the most observable inputs be used when available. Observable inputs are market inputs participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the factors market participants would use in valuing the asset or liability.

5. Fair Value Measurements *Continued*

The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

The following tables summarize the Organization's financial assets that were accounted for at fair value on a recurring basis as of December 31, 2019 and 2018, and the fair value calculation input hierarchy level that the Organization has determined applies to the asset category as of December 31:

2019

Description	Level 1	Level 2	Level 3	Total
Large-cap stock	$ 80,769	$ -	$ -	$ 80,769
Privately-held company stock	-	115,000	-	115,000
Total	$ 80,769	$ 115,000	$ -	$ 195,769

2018

Description	Level 1	Level 2	Level 3	Total
Large-cap stock	$ 47,270	$ -	$ -	$ 47,270
Privately-held company stock	-	115,000	-	115,000
Total	$ 47,270	$ 115,000	$ -	$ 162,270

6. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2019	2018
Leasehold improvements	$ 108,318	$ 105,125
Furniture and equipment	68,308	68,308
Computers and equipment	15,974	15,974
Software	5,000	5,000
Total cost	197,600	194,407
Less accumulated depreciation and amortization	(140,864)	(95,817)
Property and equipment, net	$ 56,736	$ 98,590

Depreciation and amortization expense on property and equipment totaled $45,047 and $48,035 for the years ended December 31, 2019 and 2018, respectively.

7. Net Assets with Donor Restrictions

As of December 31, 2019 and 2018, net assets with donor restrictions totaled $50,000 and $50,000, respectively, and are restricted to fund education programs.

8. Related Party Transactions

The Organization had unsecured related party notes payable totaling $161,680 and $106,513 as of December 31, 2019 and 2018, respectively, to an entity wholly-owned by the Organization's Medical Director and to the Executive Director. The notes are payable as cash flow allows and bear interest at 2%.

The Organization recorded contributions of $30,000 and $25,000 during 2019 and 2018, respectively, received from a close relative of a member of management. As of December 31, 2019 and 2018, there were no promises to give receivable from this related party.

9. Functional Expenses

The Organization's expenses on a functional basis and by natural classification are shown in the tables below for the years ended December 31:

2019

	Program Services			Supporting Services		
	Clinic	Research	Education	Management and General	Fundraising	2019 Total
Business expenses	$ 18,436	$ 2,547	$ 2,062	$ -	$ 1,958	$ 25,003
Contract services	64,015	57,015	8,563	1,610	48,741	179,944
Salaries, wages, and benefits	783,194	326,465	90,608	10,957	92,031	1,303,255
Facilities and equipment	55,390	70,374	47,050	44,040	26,535	243,389
Operating expenses	59,829	94,980	4,666	2,437	8,063	169,975
Travel and mileage	7,051	13,025	949	263	2,977	24,265
Total expenses	$ 987,915	$ 564,406	$ 153,898	$ 59,307	$ 180,305	$ 1,945,831

2018

	Program Services			Supporting Services		
	Clinic	Research	Education	Management and General	Fundraising	2018 Total
Bank fees	$ 39	$ -	$ -	$ 2,480	$ -	$ 2,519
Business expenses	7,671	3,953	950	(2,480)	982	11,076
Contract services	70,860	56,675	15,249	2,513	16,780	162,077
Salaries, wages, and benefits	548,605	302,413	140,023	5,317	139,305	1,135,663
Facilities and equipment	82,263	84,078	41,356	46,106	-	253,803
Operating expenses	52,699	91,220	10,505	2,575	13,351	170,350
Travel and mileage	12,092	8,505	2,919	328	2,370	26,214
Total expenses	$ 774,229	$ 546,844	$ 211,002	$ 56,839	$ 172,788	$ 1,761,702

10. Commitments and Contingencies

Litigation

In the normal course of operations, the Organization may become party to lawsuits or other claims. Management is not aware of any such claims that would be material to the Organization's financial position.

10. Commitments and Contingencies ***Continued***

Operating Leases

The Company leases office space under non-cancelable operating leases with an option to renew and maturing 2024 with one lease requiring escalating monthly payments through December 2024 and another lease that is month-to-month. The associated rent expense was $188,201 and $118,983 for 2019 and 2018, respectively.

Future minimum lease payments for the Organization's operating leases are as follows for the years ending December 31:

2020	$	189,643
2021		193,436
2022		197,304
2023		201,251
2024		205,275
Total	$	986,909

11. Subsequent Events

As a result of the COVID-19 Pandemic, economic uncertainties have arisen which are likely to negatively impact operations. The extent of this impact is unknown at this time.

In April 2020, the Company secured a $231,500 Paycheck Protection Program loan from a financial institution, bearing interest at 1%, maturing in April 2022. No payments are required for the first six months followed by an 18 month amortization period. If certain criteria are met, the loan will be forgiven and considered a grant, which management believes is likely.