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TANNER

Accountants & Advisors

Bateman Horne Center

RESEARCH | CLINICAL CARE | EDUCATION

The Bateman Horne Center of Excellence

Financial Statements

As of December 31, 2021 and 2020 and for the Years Then Ended

Together with Independent Auditors' Report

TANNER

Independent Auditors' Report

To the Board of Directors
The Bateman Horne Center of Excellence

Opinion

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, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management 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, and for 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.

In preparing the 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 within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Tanner LLC

December 15, 2022

Statements of Financial Position

		As of December 31,		
		2021		**2020**
Assets				
Cash and cash equivalents	$	224,067	$	302,888
Investments		249,553		226,511
Accounts receivable, net of allowance for bad debt of $16,719 and $4,980, respectively		144,409		200,330
Prepaid expenses and other		10,780		10,823
Property and equipment, net		18,020		31,368
Total assets	$	646,829	$	771,920
Liabilities and Net Assets				
Liabilities:				
Accounts payable	$	21,286	$	28,929
Accrued liabilities		134,142		105,745
Deferred revenue		101,707		158,446
Deferred rent		67,966		109,520
Related party notes payable		65,678		150,052
Total liabilities		390,779		552,692
Commitments and contingencies				
Net assets:				
Without donor restrictions		256,050		169,228
With donor restrictions		-		50,000
Total net assets		256,050		219,228
Total liabilities and net assets	$	646,829	$	771,920

See accompanying notes to financial statements.

Statements of Activities

	For the Years Ended December 31,	
	2021	**2020**
Change in net assets without donor restrictions:		
Revenues, gains, and support:		
Research contracts revenue	$ 480,568	$ 401,443
Net clinical services revenue	340,571	300,295
Membership fee revenue	311,876	93,954
Contributions	691,066	777,044
Government grant - Paycheck Protection Program	232,800	236,715
Other income and expenses, net	79,324	22,399
Total revenues, gains, and support	2,136,205	1,831,850
Net assets released from restrictions	50,000	-
Total revenues, gains, support, and reclassifications	2,186,205	1,831,850
Expenses:		
Program services:		
Clinic expenses	1,114,664	756,417
Research expenses	595,106	399,025
Education	209,818	175,389
Supporting services:		
Management and general	75,104	174,021
Fundraising	104,691	98,547
Total expenses	2,099,383	1,603,399
Increase in net assets without donor restrictions	86,822	228,451
Change in net assets with donor restrictions:		
Contributions	-	-
Net assets released from restrictions	(50,000)	-
Change in net assets with donor restrictions	(50,000)	-
Increase (decrease) in net assets	36,822	228,451
Net assets (deficit), beginning of the year	219,228	(9,223)
Net assets, end of the year	$ 256,050	$ 219,228

See accompanying notes to financial statements.

Statements of Cash Flows

	For the Years Ended December 31, 2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 36,822	$ 228,451
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,726	25,368
Net realized and unrealized gain on investments	(54,742)	(18,147)
Bad debt expense	59,586	-
Contributions of common stock	-	(105,472)
Decrease (increase) in:		
Accounts receivable	(3,665)	(79,985)
Prepaid expenses and other	43	-
Increase (decrease) in:		
Accounts payable	(7,643)	(6,610)
Accrued liabilities	28,397	4,890
Deferred revenue	(56,739)	68,721
Deferred rent	(41,554)	32,424
Net cash provided by (used in) operating activities	(12,769)	149,640
Cash flows from investing activities:		
Change in investments	31,700	92,877
Purchases of property and equipment	(13,378)	-
Net cash provided by investing activities	18,322	92,877
Cash flows from financing activities:		
Net payments on related party notes payable	(84,374)	(11,628)
Net increase (decrease) in cash and cash equivalents	(78,821)	230,889
Cash and cash equivalents at beginning of the year	302,888	71,999
Cash and cash equivalents at end of the year	$ 224,067	$ 302,888
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,834	$ 5,054

1. Description of Organization

The Bateman Horne Center of Excellence (the Organization) is a nonprofit, interdisciplinary Center of Excellence where clinical care, research, and education meet to collectively advance the diagnosis and treatment of myalgic encephalomyelitis/chronic fatigue syndrome (ME/CFS), fibromyalgia (FM), long COVID, post-viral syndromes, and related comorbidities.

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, 2021 and 2020, 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.

For the years ended December 31, 2021 and 2020, customer/donor concentrations within total revenues, gains, and support consisted of the following:

	2021	2020
Customer A	16%	11%

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

	2021	2020
Customer A	10%	13%
Customer B	**	10%

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and money market accounts with original maturities of three months or less.

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. Unrealized gains and losses are included in the change in net assets. Investment returns are reported net of related investment expenses.

Accounts Receivable

Accounts receivable consist of receivables generally for patient care and receivables from 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. These estimates are made by evaluating patient accounts, considering the patients' financial condition and credit history, current economic conditions, and other payor adjustment history. Receivables for 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.

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 primarily generates its revenues from three main sources: (1) clinical services; (2) research contracts; and (3) membership fees. Revenues are recognized when control of these services is transferred to customers in an amount that reflects the consideration expected to be received by the Organization in exchange for those services. The Organization determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, performance obligations are satisfied

The Organization's contracts with customers consist of the following:

Clinical Services Revenue

The Organization recognizes revenue for clinical services provided to patients at a point in time when the services are provided, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The Organization has a signed (one-time) fee agreement requiring acceptance by the patient that they are ultimately responsible for payment of services as well as an implicit contract with each patient at the time of service. The Organization has contracts with various insurance companies, as well as Medicare and Medicaid, delineating payment terms. The Organization recognizes clinical services revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. The variable consideration, which consists of estimated implicit price concessions, is based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in health care coverage, and other collection indicators. Other than the accounts receivable balance, the Organization does not have any material contract assets as of December 31, 2021 and 2020.

Research Contracts Revenue
The Organization recognizes revenue for research contracts and grants where commensurate value is exchanged, based on the terms of the contract, either 1) at a point in time under cost-reimbursement type contracts as eligible costs are incurred for services provided, or 2) over time as the services are performed and data is collected. If a patient leaves the research program early, the Organization is still entitled to receive payment for the services rendered to that point.

Membership Fee Revenue
The Organization allows patients to pay an annual membership fee that covers all services, not covered by insurance, rendered by the Organization for that patient during the subsequent twelve-month period. This fee is billed annually or monthly and is recognized ratably over twelve months (over time). Cash received in advance of performing services is recorded as deferred revenue. Contract liabilities (deferred revenue) are recognized as revenue on a pro-rata basis over time during the service period covered by the membership fee.

The following table presents the Organization's revenue disaggregated by over-time and point-in-time revenue for the years ended December 31:

	2021	2020
Point-in-time	$ 589,246	$ 469,845
Over-time	543,769	325,847
Total revenue	$ 1,133,015	$ 795,692

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.

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 2021 or 2020.

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, 2021 and 2020, the Organization recognized $0 and $32,308, 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.

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 program 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, 2021 and 2020, 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 December 15, 2022, 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:

	2021	2020
Cash and cash equivalents	$ 224,067	$ 302,888
Investments	249,553	226,511
Receivables	144,409	200,330
	618,029	729,729
Less amounts not available for general expenditure within one year:		
Net assets with donor purpose restrictions	-	(50,000)
Net amount available	$ 618,029	$ 679,729

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 2021, the Organization recognized an increase in net assets of $36,822 and net cash used in operating activities of $12,769. As of December 31, 2021, the Organization has financial assets totaling $618,029 available to pay liabilities totaling $221,106, along with future expenses. However, approximately $66,000 of the liabilities are with related parties and could likely be deferred.

The Organization's management has attained contracts that will provide revenues over future periods, has continued its fundraising efforts, has increased contract revenues, could further reduce operational expenses, 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 $249,553 and $226,511 as of December 31, 2021 and 2020, respectively.

Total return on investments, including dividends and net realized and unrealized gains was $54,742 and $18,147 for the years ended December 31, 2021 and 2020, respectively, net of minor investment expenses.

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.

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, 2021 and 2020, and the fair value calculation input hierarchy level that the Organization has determined applies to the asset category as of December 31:

2021				
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Common stock	$ 249,553	$ -	$ -	$ 249,553

2020				
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
Common stock	$ 111,511	$ -	$ -	$ 111,511
Privately-held company stock	-	115,000	-	115,000
Total	$ 111,511	$ 115,000	$ -	$ 226,511

6. Property and Equipment

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

	2021	2020
Leasehold improvements	$ 108,318	$ 108,318
Furniture and equipment	70,786	68,308
Computers and equipment	15,974	15,974
Software	15,900	5,000
Total cost	210,978	197,600
Less accumulated depreciation and amortization	(192,958)	(166,232)
Property and equipment, net	$ 18,020	$ 31,368

Depreciation and amortization expense on property and equipment totaled $26,726 and $25,368 for the years ended December 31, 2021 and 2020, respectively.

7. Net Assets with Donor Restrictions

As of December 31, 2021 and 2020, net assets with donor restrictions totaled $0 and $50,000, respectively, and were restricted to fund education programs.

8. Related Party Transactions

The Organization had unsecured related party notes payable totaling $65,678 and $150,052 as of December 31, 2021 and 2020, 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 $0 and $25,000 during 2021 and 2020, respectively, received from a close relative of a member of management.

During the years ended December 31, 2021 and 2020, the Organization recognized $0 and $32,308, respectively, of in-kind support received from the Executive Director and a member of management.

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:

	2021					
	Program Services			Supporting Services		
	Clinic	Research	Education	Management and General	Fundraising	2021 Total
Business expenses	$ 5,648	$ 5,957	$ 763	$ 3,126	$ 816	$ 16,310
Contract services	59,895	25,149	14,567	16,187	6,095	121,893
Salaries, wages, and benefits	842,784	381,656	166,620	22,939	74,421	1,488,420
Facilities and equipment	146,935	103,728	11,333	11,332	14,386	287,714
Operating expenses	57,380	75,105	16,468	21,453	8,675	179,081
Travel and mileage	2,022	3,511	67	67	298	5,965
Total expenses	$ 1,114,664	$ 595,106	$ 209,818	$ 75,104	$ 104,691	$ 2,099,383

	2020					
	Program Services			Supporting Services		
	Clinic	Research	Education	Management and General	Fundraising	2020 Total
Business expenses	$ 10,980	$ 3,096	$ 1,004	$ 3,368	$ 2,756	$ 21,204
Contract services	42,030	35,493	9,398	13,985	8,835	109,741
Salaries, wages, and benefits	577,991	246,403	96,796	86,458	61,448	1,069,096
Facilities and equipment	53,573	39,001	62,424	61,362	15,340	231,700
Operating expenses	70,923	74,293	5,500	8,398	9,830	168,944
Travel and mileage	920	739	267	450	338	2,714
Total expenses	$ 756,417	$ 399,025	$ 175,389	$ 174,021	$ 98,547	$ 1,603,399

10. Commitments and Contingencies

Operating Leases

The Organization leases office space under a non-cancelable operating lease with an option to renew, maturing in 2024, and requiring escalating monthly payments through December 2024. The Organization has another lease that is month-to-month. The associated rent expense was $183,489 and $190,460 for 2021 and 2020, respectively.

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

2022	$	197,304
2023		201,251
2024		205,275
Total	$	603,830

11. Subsequent Events

In May 2022, the Organization began offering a 401(k) retirement plan. Employees are eligible upon hire and will be automatically enrolled, contributions will vest immediately, and the Organization will offer a 2% employer match on optional contributions made by participants. The Organization has an option for additional discretionary contributions.

In 2022, the Organization's Medical Director and Executive Director loaned approximately $184,000 of additional funds to the Organization, which increased unsecured related party notes payable. The notes are payable as cash flow allows and bear interest at 2%.