MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.

MC2 COMMUNITY DEVELOPMENT CORPORATION

AUDIT REPORT

FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION

FOR THE YEAR ENDED DECEMBER 31, 2018

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

CONTENTS

COMBINED FINANCIAL STATEMENTS

Mary's Center

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.

MC2 COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mary's Center for Maternal and Child Care, Inc.
MC2 Community Development Corporation
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying combined financial statements of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2018, and the combined change in their net assets and their combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited the Organizations' 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position on pages I-(28 - 29), Combining Schedule of Activities on page I-30 and Combining Schedule of Change in Net Assets on page I-31 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The Schedule of Expenditures of Federal Awards on pages I-(32 - 35), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2019 on our consideration of the Organizations' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations' internal control over financial reporting and compliance.

Gelman Rosenberg & Freedman

May 31, 2019

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 3,191,135	$ 3,109,454
Investments	2,721,606	2,334,166
Accounts receivable, net of allowance for doubtful accounts of $1,075,484 and $1,137,275 in 2018 and 2017, respectively	7,999,932	4,096,327
Grants receivable, net of allowance for doubtful accounts of $50,000 in 2018 and 2017	2,463,239	9,758,660
Pledges receivable	141,395	177,650
Inventory	867,282	690,934
Prepaid expenses	291,651	391,150
Total current assets	17,676,240	20,558,341
FIXED ASSETS		
Land	5,243,216	5,243,216
Buildings and leasehold improvements	27,136,436	25,725,679
Equipment	3,305,023	3,220,268
Furniture	1,231,276	1,226,698
Computer equipment	325,815	328,230
Vehicles	510,017	510,017
	37,751,783	36,254,108
Less: Accumulated depreciation and amortization	(9,467,376)	(8,432,019)
Net fixed assets	28,284,407	27,822,089
OTHER ASSETS		
Security deposits	99,972	106,485
Pledges receivable, net of current portion and discount	139,532	293,238
Total other assets	239,504	399,723
TOTAL ASSETS	**$ 46,200,151**	**$ 48,780,153**

See accompanying notes to combined financial statements.

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Lines of credit	$ 1,060,000	$ 140,000
Current portion of long-term debt	511,429	490,776
Accounts payable and accrued liabilities	7,143,875	5,426,248
Deferred improvement allowance, current)	310,655	310,655
Contract payable	75,000	75,000
Refundable advances	12,363	18,687
Total current liabilities	9,113,322	6,461,366
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	9,756,137	10,171,461
Tenant security deposits	332,925	351,246
Deferred improvement allowance, net of current portion	2,540,538	2,851,193
Deferred rent abatement	489,580	371,557
Contract payable, net of current portion	575,000	426,288
Total long-term liabilities	13,694,180	14,171,745
Total liabilities	22,807,502	20,633,111
NET ASSETS		
Without donor restrictions:		
Undesignated	20,853,130	18,736,065
Board designated	85,000	85,000
Total without donor restrictions	20,938,130	18,821,065
With donor restrictions	2,454,519	9,325,977
Total net assets	23,392,649	28,147,042
TOTAL LIABILITIES AND NET ASSETS	**$ 46,200,151**	**$ 48,780,153**

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Patient services	$ 40,157,961	$ -	$ 40,157,961	$ 30,320,021
Contributions	4,637,270	5,000	4,642,270	4,228,585
Grants and contracts	5,809,266	1,586,946	7,396,212	15,886,476
Other income	6,084,747	-	6,084,747	5,173,906
Pharmacy revenue, net of cost of goods sold	966,864	-	966,864	38,507
Rental income	488,267	-	488,267	588,099
Investment (loss) income, net	(119,968)	(11,436)	(131,404)	131,768
Net assets released from donor restrictions	8,451,968	(8,451,968)	-	-
Total revenue and support	66,476,375	(6,871,458)	59,604,917	56,367,362
EXPENSES				
Program Services:				
Patient Services	31,525,151	-	31,525,151	24,887,501
Medical Services	8,373,147	-	8,373,147	8,670,975
Social and Educational Services	13,889,968	-	13,889,968	12,573,322
Pharmacy	860,021	-	860,021	245,299
Total program services	54,648,287	-	54,648,287	46,377,097
Supporting Services:				
Leased Employees	5,842,580	-	5,842,580	4,711,297
Fundraising	1,276,424	-	1,276,424	1,174,532
General and Administrative	2,592,019	-	2,592,019	1,761,705
Total supporting services	9,711,023	-	9,711,023	7,647,534
Total expenses	64,359,310	-	64,359,310	54,024,631
Change in net assets before other item	2,117,065	(6,871,458)	(4,754,393)	2,342,731
OTHER ITEM				
Contribution due to unwind of NMTC	-	-	-	4,529,000
Change in net assets	2,117,065	(6,871,458)	(4,754,393)	6,871,731
Net assets at beginning of year	18,821,065	9,325,977	28,147,042	21,275,311
NET ASSETS AT END OF YEAR	$ 20,938,130	$ 2,454,519	$ 23,392,649	$ 28,147,042

See accompanying notes to combined financial statements.

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018				
	Program Services				
	Patient Services	Medical Services	Social and Educational Services	Pharmacy	Total Program Services
Salaries and personnel related expenses	$ 17,052,796	$ 5,638,784	$ 9,895,106	$ -	$ 32,586,686
Consultants and outside services	2,086,907	508,483	1,017,025	705,577	4,317,992
Occupancy costs	30,863	1,411	145,414	4,456	182,144
Depreciation and amortization	-	7,370	-	13,873	21,243
Medical and dental supplies/donated vaccines	4,947,452	461,861	29,208	2,493,087	7,931,608
Insurance and registration	9,784	321	983	10,746	21,834
Equipment and maintenance	119,252	41,966	58,332	22,508	242,058
Office expenses	275,239	68,112	405,156	75,566	824,073
Meetings and travel	60,109	30,431	138,059	3,190	231,789
Interest expense	-	1,079	-	-	1,079
Bad debt	-	-	13,441	693	14,134
Software maintenance and licensing	808,967	52,532	289	-	861,788
Miscellaneous	238,652	27,631	127,438	23,412	417,133
Subtotal	25,630,021	6,839,981	11,830,451	3,353,108	47,653,561
General and administrative allocation	5,895,130	1,533,166	2,059,517	-	9,487,813
Subtotal	31,525,151	8,373,147	13,889,968	3,353,108	57,141,374
Less: Costs of goods sold included with revenues in the statement of activities	-	-	-	(2,493,087)	(2,493,087)
TOTAL EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES	**$ 31,525,151**	**$ 8,373,147**	**$ 13,889,968**	**$ 860,021**	**$ 54,648,287**

Supporting Services					2017
Leased Employees	**Fundraising**	**General and Administrative**	**Total Supporting Services**	**Total Expenses**	**Total Expenses**
$ 5,842,580	$ 488,774	$ 5,439,441	$ 11,770,795	$ 44,357,481	$ 37,228,763
-	24,080	1,593,522	1,617,602	5,935,594	4,788,810
-	-	1,795,430	1,795,430	1,977,574	1,442,286
-	-	1,086,618	1,086,618	1,107,861	1,230,104
-	-	-	-	7,931,608	4,929,535
-	4,434	170,186	174,620	196,454	193,108
-	909	415,914	416,823	658,881	649,308
-	103,945	1,083,291	1,187,236	2,011,309	1,506,238
-	321,583	215,964	537,547	769,336	559,631
-	-	20,004	20,004	21,083	186,848
-	-	-	-	14,134	51,404
-	33,388	166,786	200,174	1,061,962	920,442
-	56,596	335,391	391,987	809,120	489,829
5,842,580	1,033,709	12,322,547	19,198,836	66,852,397	54,176,306
-	242,715	(9,730,528)	(9,487,813)	-	-
5,842,580	1,276,424	2,592,019	9,711,023	66,852,397	54,176,306
-	-	-	-	(2,493,087)	(151,675)
$ 5,842,580	**$ 1,276,424**	**$ 2,592,019**	**$ 9,711,023**	**$ 64,359,310**	**$ 54,024,631**

See accompanying notes to combined financial statements.

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (4,754,393)	$ 6,871,731
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,035,357	1,230,104
Amortization of deferred financing costs	72,504	210,710
Unrealized loss on investments	136,900	3,360
Realized gain on investments	(1,321)	(916)
Loss on disposal of fixed assets	-	96,005
Contributions invested in perpetuity	(5,000)	(10,000)
Change in allowance for bad debt	(61,791)	(90,119)
Contribution due to unwind of NMTC	-	(4,529,000)
(Increase) decrease in:		
Accounts receivable	(3,841,814)	(473,032)
Grants receivable	7,295,421	(2,417,883)
Pledges receivable	189,961	234,237
Inventory	(176,348)	(174,047)
Prepaid expenses	99,499	163,876
Security deposits	6,513	(16,418)
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,717,627	1,489,279
Deferred improvement allowance	(310,655)	(491,869)
Contract payable	148,712	501,288
Refundable advances	(6,324)	(8,109)
Tenant security deposits	(18,321)	26,071
Deferred rent abatement	118,023	125,523
Net cash provided by operating activities	1,644,550	2,740,791
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,497,675)	(8,343,740)
Net purchases of investments	(523,019)	(788,617)
Net cash used by investing activities	(2,020,694)	(9,132,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from lines of credit	920,000	140,000
Payments on long-term debt	(467,175)	(1,045,480)
Contributions invested in perpetuity	5,000	10,000
Proceeds from long-term debt	-	8,466,539
Payment of loan costs	-	(322,843)
Net cash provided by financing activities	457,825	7,248,216

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018	2017
Net increase in cash and cash equivalents	$ 81,681	$ 856,650
Cash and cash equivalents at beginning of year	3,109,454	2,252,804
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 3,191,135**	**$ 3,109,454**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 444,306**	**$ 408,594**
Donated Securities	**$ 75,841**	**$ 169,284**
SCHEDULE OF NONCASH TRANSACTIONS		
Unwinding of Note Receivable in Relation to New Market Tax Credit Transaction	**$ -**	**$ 15,071,000**
Unwinding of Long Term Debt in Relation to New Market Tax Credit Transaction	**$ -**	**$ 19,600,000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

Mary's Center for Maternal and Child Care, Inc. (the Center) was incorporated in October 1988 in the District of Columbia. The primary purpose of the Center is to provide low-cost, high quality maternity and child care for low income immigrant families of the Washington, D.C. area. The Center is supported principally through government grants and patient revenue.

MC2 Community Development Corporation (MC2) was incorporated on August 19, 2010 in the District of Columbia. The primary purpose of MC2 is to support the Center's charitable purpose and to act as a special purpose real estate subsidiary of the Center. MC2’s mission is to acquire, own, develop, redevelop, improve and finance the interests in real estate that are or will be used by the Center in its charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code.

Capital Clinical Integrated Network (CCIN) was incorporated on November 27, 2012 in the District of Columbia within the meaning of Section 501(c)(3) of the Internal Revenue Services. CCIN was organized to facilitate the creation of an innovative patient care model that improves health care delivery and patient health outcomes. CCIN has received its 501(c)(3) status from the IRS, and there were no financial transactions.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entitie*s. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

Additionally, the accompanying combined financial statements have been combined in accordance with the Financial Accounting Standards Board (FASB) ASC 958-810, *Not-for-Profit Entities*, *Consolidation*. The financial statements reflect the activity of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation because of their common management. All intercompany transactions have been eliminated during combination.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's combined financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents excluding cash and money market funds held by investment managers in the amount of $1,815,180 at December 31, 2018.

At times during the year, the Organizations maintain cash balances in interest bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, and realized and unrealized gains and losses are included in investment (loss) income net of investment expenses provided by external investment advisors in the Combined Statement of Activities and Change in Net Assets.

Receivables -

Accounts receivable are amounts due from clients and third-party payers and approximate fair value. Management has established an allowance for doubtful accounts in connection with these receivables based on historical analysis and aging of the receivable balance. Accounts are written off after they are deemed to be uncollectible.

Grants receivable are amounts due from Federal agencies, the District of Columbia, the State of Maryland and private foundations and are recorded at their net realizable value, which approximates fair value. For the year ended December 31, 2018, 78% of the ending receivable balance represents grants due from state and Federal agencies, and 22% of the ending balance is due from foundations. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Pledges receivable represent unconditional promises to give by donors. Current pledges receivable are expected to be collected during the next fiscal year and are recorded at their net realizable value. Long-term pledges receivable expected to be collected subsequent to fiscal year 2018 have been discounted at a rate of 4.5% and are reflected in the combined financial statements at their net present value. At December 31, 2018, pledges receivable due in less than one year were in the amount of $141,395 and pledges receivable within two to seven years were in the amount of $139,532.

Fixed assets -

Furniture and equipment are stated at cost and are being depreciated and amortized on the straight-line basis over their estimated useful lives, generally between three and five years. The building and land are stated at cost and the building and improvements are being depreciated over 40 years. Furniture, equipment and improvements with a useful life of more than one-year, and costing $5,000 or more, are capitalized. Leasehold improvements are amortized over the remaining life of the lease. Repairs and maintenance are recorded to expenses.

Depreciation and amortization expense for the year ended December 31, 2018 was $1,035,357.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable.

When considered impaired, the carrying amount of the assets is reduced to its current fair value by a charge to depreciation expense. There were no impairments for the year ended December 31, 2018.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

The Organizations are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. MC2 is organized as a supporting organization to the Center. The Organizations are subject to unrelated business income tax on rental income from tenant leases. Beginning January 1, 2018, the Organizations are subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. Neither organization is a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of donated vaccines and is measured at the lower of cost and net realizable value using the first-in, first-out method under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Debt issuance costs -

In accordance with the FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, the Organizations present debt issuance costs in the financial statement as a direct deduction from the related debt liability. Amortization of the costs is reported as interest expense.

Net asset classification -

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

- **Net assets without donor restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. There is a fund established by the governing board, which was $85,000 as of December 31, 2018, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

- **Net assets with donor restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Organizations' mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Net asset classification (continued) -

- **Net assets with donor restrictions (continued)** - Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Revenue -

Contributions and grants received are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

The Organizations receive funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as revenue without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. As of December 31, 2018, the Organizations have approximately $5.9 million in federal grants awarded but not yet expended.

Cost reimbursable contracts are recorded as revenue as expenses are incurred. Revenue received in advance is recorded as a refundable advance in the Combined Statement of Financial Position.

Patient service revenue is recorded the month in which the services are rendered. The Organizations provided care to clients meeting certain criteria under their charity care policy without charge or at amounts less than their established rates. Such payments are identified based on financial information obtained from the client and subsequent analysis. Since the Organizations do not pursue collection of amounts determined to qualify as charity care, they are not reported as a component of revenue or accounts receivable. The Organizations maintain records to identify and monitor the level of charity care they provide. For the year ended December 31, 2018, care provided under the charity care policy, valued on a sliding fee basis, totaled $8,801,972.

Conditional pledges to give are recognized by the Organizations when the conditions on which they depend are substantially met.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organizations are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of $18,821,065 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of $9,110,977 and $215,000, respectively, are now classified as net assets with donor restrictions.

Risks and uncertainties -

The Organizations invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Organizations account for a significant portion of their financial instruments at fair value or consider fair value in their measurement.

New accounting pronouncement -

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncement (continued) -

The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The Organizations have chosen to early implement this ASU on a modified prospective basis. There has been no net asset impact as a result of the implementation.

New accounting pronouncement (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Organizations plan to adopt the new ASUs at the required implementation dates.

2. INVESTMENTS

At December 31, 2018, the Organizations had investments, at fair value, as follows:

Money market funds	$ 1,815,180
Mutual funds	865,664
Common stocks	40,762
TOTAL INVESTMENTS	**$ 2,721,606**

For the year ended December 31, 2018, investment loss included the following:

Interest and dividends, net of investment fees	$ 4,175
Unrealized loss on investments	(136,900)
Realized gain on investments	1,321
TOTAL INVESTMENT LOSS	**$ (131,404)**

3. LINES OF CREDIT

The Organizations have two lines of credit maintained with two different banks.

The first line of credit is in the amount of $3,500,000 and is payable on demand. The bank can call the loan at any time due to non-compliance with loan covenants. Amounts borrowed under this agreement bear interest at the LIBOR rate. LIBOR rate shall mean the greater of 2.5% percentage point(s) above one-day (i.e, overnight) LIBOR, or 4% (the "Interest Rate Floor"). There was no outstanding balance at December 31, 2018.

The second line of credit is in the amount of $3,000,000 and bears interest at 4.06% expiring on September 30 2019. As of December 31, 2018, the outstanding balance on the line of credit was $1,060,000. The line of credit is subject to debt covenants.

4. LONG-TERM DEBT

On June 29, 2016, the Center refinanced the remaining balance of a note in the amount of $2,688,246. The interest rate on the loan is 3.85% and matures June 29, 2021. The loan assumes an amortization schedule of 5 years with monthly installments of principal and interest of approximately $20,000. The loan is collateralized by the land and building. The Center is subject to debt covenants.	$ 2,351,526
On November 24, 2015, the Center entered into a loan with Choice Health Finance in the amount of $89,765, bearing interest at 4.848%. The loan matures on December 20, 2020.	38,663
On September 27, 2017, the Center refinanced a note with City First Bank of D.C., National Association in the amount of $789,809, bearing interest at 4%. The loan matures on October 1, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, DC, and UCC financing statement. The Center is subject to debt covenants.	619,555
On April 25, 2017, the Center entered into a loan with PNC Bank in the amount of $3,176,729, bearing interest at 3.56%. The loan matures on April 25, 2023. The loan is collateralized by the land and building. The Center is subject to debt covenants.	3,124,737
On November 14, 2017, the Center entered into a loan with City First Bank of D.C., National Association in the amount of $2,520,000, bearing interest at 3.55%. The loan matures on November 14, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, DC, and UCC financing statement. The Center is subject to debt covenants.	2,451,136
On November 14, 2017, the Center entered into a promissory note with City First Bank of D.C., N.A. in the amount of $980,000, bearing interest at 3.55%. The maturity date of this note is November 14, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, DC, and UCC financing statement. The Center is subject to debt covenants.	953,219

4. LONG-TERM DEBT (Continued)

On November 14, 2017, the Center entered into a promissory note with City First Bank of D.C., N.A. in the amount of $1,000,000, bearing interest at 6%. The maturity date of this note is November 14, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, DC, and UCC financing statement. The Center is subject to debt covenants.	$ 977,277
	10,516,113
Less: Current portion	(511,429)
Less: Deferred financing costs, net of accumulated amortization of $113,971	(248,547)
LONG-TERM PORTION	**$ 9,756,137**

Aggregate annual principal payments are as follows at December 31, 2018:

Year Ending December 31,	
2019	$ 511,429
2020	532,270
2021	2,420,808
2022	3,376,903
2023	2,808,524
Thereafter	866,179
	$ 10,516,113

Interest expense on these debt instruments for the year ended December 31, 2018 totaled $444,306, which is included in the occupancy costs in the Combined Statement of Functional Expenses.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Subject to expenditure for specified purpose:	
Medical Services	$ 286,032
Social and Educational Services	389,502
Total subject to expenditure for specified purpose	675,534
Subject to passage of time	1,552,142
Endowments to be invested in perpetuity:	
Investment in perpetuity (including amounts above original gift amount of $220,000), the income of which is expendable to support the donor's intended purpose:	226,843
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 2,454,519**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Medical Services	$ 2,562,871
Social and Educational Services	4,216,044
Timing restrictions accomplished	1,673,053
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 8,451,968**

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following:

Cash and cash equivalents	$ 3,191,135
Investments	2,721,606
Accounts receivable	7,999,932
Pledges receivable, due within one year, net of discount	141,395
Grants receivable	2,463,239
Financial assets as of December 31, 2018	16,517,307
Less: Donor-imposed restrictions making financial assets unavailable for general expenditure	(2,454,519)
Less: Board-designated net assets	(85,000)
FINANCIAL ASSETS AVAILABLE	**$ 13,977,788**

The Organizations obtain support by restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organizations must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of the Organizations’ liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organizations invest cash in excess of daily requirements in short-term investments. There is a fund established by the governing board, which was $85,000 as of December 31, 2018, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. As more fully described in Note 3, the Organizations have committed lines of credit in the amount of $5,440,000, which they could draw upon in the event of an unanticipated liquidity need.

7. ENDOWMENTS

The Organizations' endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organizations consider a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organizations has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Organizations consider the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organizations and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Retained by Donor	**$ -**	**$ 226,843**	**$ 226,843**

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 233,279	$ 233,279
Investment loss	-	(11,436)	(11,436)
Contributions	-	5,000	5,000
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 226,843**	**$ 226,843**

7. ENDOWMENTS (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organizations to retain as fund of perpetual duration. There were no such deficiencies of this nature reported in net assets with donor restrictions as of December 31, 2018.

Return Objectives and Risk Parameters -

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in accordance with the investment policies and procedures of the Organizations.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations target a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Organizations have a spending policy which considers the long-term expected return on its endowment. This is consistent with the Organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

8. TENANT LEASES

The Organizations sublease a portion of their office space under various leases expiring throughout 2041. Future minimum rental payments to be received are:

Year Ending December 31,	
2019	$ 205,379
2020	106,433
2021	107,497
2022	108,572
2023	110,204
Thereafter	2,183,804
	$ 2,821,889

Rental income received during the year totaled $488,267 and is included in the accompanying Combined Statement of Activities and Change in Net Assets.

9. IN-KIND CONTRIBUTIONS

Included in contributions revenue in the accompanying Combined Statement of Activities and Change in Net Assets are contributions of supplies, medical equipment and services. These contributions approximate fair value at the date supplies, medical equipment and services were received. For the year ended December 31, 2018, the Organizations received in-kind contributions as follows:

Donated vaccines	$ 3,028,408
Legal services	550
Other supplies and medical equipment	35,845
Other professional services	270
TOTAL IN-KIND CONTRIBUTIONS	**$ 3,065,073**

The following programs have benefited from these donated services:

Patient Services	$ 3,028,408
Social and Educational Services	36,665
	$ 3,065,073

10. LEASE COMMITMENT

The Organizations entered into a lease agreement for space on Flower Avenue in Maryland, commencing June 1, 2007 and expired March 31, 2019. This lease was not renewed.

On March 22, 2016, the Center entered into a 30-year agreement to lease 12,000 square feet of space at 100 Gallatin Street in Washington, D.C. The agreement began on June 1, 2016 and is set to expire on May 31, 2046. The base use fee is $25 per square foot, with the first six months free, and the subsequent six months at a 2.5% discounted rate (approximately $24,300 per month). Effective July 1, 2017, the Organizations started paying the full base use fee of $25 per square foot, which increases by 2.5%, annually.

Additionally, the Organizations received an allowance up to $3,762,956 for various leasehold improvements, furniture and equipment. Accordingly, these amounts have been recorded as an asset (leasehold improvements, furniture and equipment) and liability (deferred improvement allowance) in the accompanying Combined Statement of Financial Position, and will be amortized over the life of the related lease and assets.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Combined Statement of Financial Position.

On March 28, 2018, the Center entered into a 3-year agreement to lease approximately 3,500 square feet of space on Georgia Avenue in Washington, D.C. The agreement began on February 1, 2018 and is set to expire on January 31, 2021. The Center is required to pay rent in the amount of $6,200 monthly, which increases by 3%, annually.

10. LEASE COMMITMENT (Continued)

Rental expense, including operating costs, for the year ended December 31, 2018 totaled $724,509 and is included in the Combined Statement of Functional Expenses as part of occupancy costs. The deferred rent liability was $489,580 at December 31, 2018.

Future minimum payments under the leases are as follows:

Year Ending December 31,	
2019	$ 417,072
2020	393,528
2021	333,302
2022	335,280
2023	343,662
Thereafter	10,416,668
	$ 12,239,512

11. CONTINGENCY

The Organizations receive grants from various agencies of the United States Government. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

12. PENSION PLAN

The Organizations maintain a 403(b) retirement plan for all eligible employees. The Organizations match contributions up to two percent of salaries of all eligible employees. An employee becomes eligible after 90-days and is 100% vested after the second year of employment.

The pension expense for the year ended December 31, 2018 was $358,284 and is included in the Combined Statement of Functional Expenses as part of salaries and personnel related expenses.

13. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

13. FAIR VALUE MEASUREMENT (Continued)

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2018.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value to transact at that price. The money market fund is deemed to be actively traded.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Organizations are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organizations are deemed to be actively traded.

- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Asset Class - Investments:				
Money market funds	$ 1,815,180	$ -	$ -	$ 1,815,180
Mutual funds	865,664	-	-	865,664
Common stocks	40,762	-	-	40,762
TOTAL	**$ 2,721,606**	**$ -**	**$ -**	**$ 2,721,606**

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

14. CONTRACTUAL AGREEMENTS

The Organizations have entered into an agreement with the Briya Public Charter School (BPCS), a not-for-profit public charter school located in the District of Columbia. The Organizations provide assistance with managing the human resources and personnel related administrative functions for BPCS. For the year ended December 31, 2018, the Organizations received $6,037,454 for services provided, which is included in other income in the Combined Statement of Activities and Change in Net Assets. The contract is renewed annually.

The Organizations entered into an agreement in September 2016 with Maxor National Pharmacy Services, LLC (Maxor). As part of the agreement, Maxor will provide all comprehensive professional and management services necessary to establish and operate retail/outpatient pharmacy at the pharmacy location servicing its patient population in a manner consistent with accepted medical, quality and utilization standards. Maxor will receive seven dollars per full prescription sold in the pharmacy location as its management fee for its services rendered under this agreement. For the year ended December 31, 2018, the Organizations paid Maxor $223,650 as management fee, which is included in the Combined Statement of Functional Expenses as part of consultants and outside services.

As part of the agreement, Maxor will pay or otherwise provide initial operating capita! needed for start-up costs associated with the Pharmacy including construction, equipment, initial Inventory, salary and operating expenses up to the amount of $750,000. In return for the Operational Support Services, the Organizations will pay Maxor a fee of $6,250 per month during the term of the agreement. As of December 31, 2018, the Organizations owed Maxor $650,000 which is included as contract payable in the accompanying Combined Statement of Financial Position.

Future minimum payments under the contract are as follows:

Year Ending December 31,	
2019	$ 75,000
2020	75,000
2021	75,000
2022	75,000
2023	75,000
Thereafter	275,000
	$ 650,000

The Organizations entered into an agreement in April 2017 with HBW Properties, Inc (HBW Group) which is a duly licensed real state broker and is authorized to manage real property and to engage real estate business. As part of the agreement, HBW Group will devote its time, attention, skill, experience and best efforts to the management, operation, maintenance and supervision of the property so as to conduct the operation of the property. As full compensation for performing the above services, the Organizations will pay $3,000 monthly to HBW Group.

For the year ended December 31, 2018, the Organizations paid HBW Group $36,000 for services received, which is included in the Combined Statement of Functional Expenses as part of consultants and outside services.

15. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through May 31, 2019, the date the combined financial statements were issued.

Subsequent to year end, the Organizations were named as a defendant in a lawsuit. The Organizations have retained a lawyer and, at this time, have not recorded any liability due to the uncertainty of the claim.

University Blvd W. Silver Spring, MD - Silver Spring Project:

On April 25, 2017, Mary's Center became the legal owner of the 344 University Boulevard W property located in Silver Spring, Maryland (the "Property"). This Property replaced the existing Montgomery County facility located at 8709 Flower Avenue. This relocation will allow Mary's Center to provide its Social Determinant Model in Montgomery County. Mary's Center entered into an Agreement of Sale to purchase the Property on December 20th, 2016. The purchase of the Property was financed with a $3.483 million loan from PNC Bank. The loan type is Convertible Line of Credit Note. The loan collateral involves: First Deed of Trust on 344 University Boulevard W ($3,438,000), Second Deed of Trust on Kalorama Road Property ($438,000), and Assignment of Rents Leases and Profits of the Property.

Mary's Center plans on improving the available space at different stages for its use and lease the remaining space to third party medical service providers. The first stage consisted of the renovation of part of the first floor to make it suitable for a Behavioral Health clinic. This project was completed by the end of 2018 with a total cost of $813,327. The second stage consists of the renovation of the second floor to make it suitable for a medical clinic. It is estimated to be completed by the end of June 2019. The improvement costs will be funded with a capital grant of $1,013,000 from the State of Maryland Department of Health and Mental Hygiene ("DHMH") and a matching grant of $350,000 from Adventist Hospital. In addition, Mary's Center has secured funds from the Harry and Jeanette Weinberg Foundation ($1,500,000), The Morris and Gwendolyn Cafritz Foundation ($500,000), Meltzer Group ($250,000), CareFirst ($125,000), and Healthcare Initiative Foundation ($50,000).

Mary's Center has received a cost estimate of $2,067,910 from Balfour Beatty to improve the Property for Mary's Center's medical services. This estimate does not include the capital needed for the dental clinic. Mary's Center has submitted a grant application for Capital funds to the State of MD DHMD to fund the dental clinic. The dental clinic will be completed once those funds are available. In May 1, 2018, Mary's Center received a letter from the State of Maryland awarding $818,086 for the construction and equipment of the dental clinic. Mary's Center also received an additional $15,000 from the Healthcare Initiative Foundation for dental supplies and equipment. The cost estimated for the dental clinic is $1,439,738.

SUPPLEMENTAL INFORMATION

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

ASSETS

	Mary's Center	MC2	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 3,103,953	$ 87,182	$ -	$ 3,191,135
Investments	2,721,606	-	-	2,721,606
Accounts receivable, net of allowance for doubtful accounts of $1,075,484	7,999,932	1,551,386	(1,551,386)	7,999,932
Grants receivable, net of allowance for doubtful accounts of $50,000	2,463,239	-	-	2,463,239
Pledges receivable	141,395	-	-	141,395
Inventory	867,282	-	-	867,282
Prepaid expenses	291,651	-	-	291,651
Total current assets	17,589,058	1,638,568	(1,551,386)	17,676,240
FIXED ASSETS				
Land	4,870,000	373,216	-	5,243,216
Buildings and leasehold improvements	11,429,974	15,706,462	-	27,136,436
Equipment	1,750,886	1,554,137	-	3,305,023
Furniture	529,111	702,165	-	1,231,276
Computer equipment	89,744	236,071	-	325,815
Vehicles	510,017	-	-	510,017
	19,179,732	18,572,051	-	37,751,783
Less: Accumulated depreciation and amortization	(3,991,705)	(5,475,671)	-	(9,467,376)
Net fixed assets	15,188,027	13,096,380	-	28,284,407
OTHER ASSETS				
Security deposits	99,972	-	-	99,972
Pledges receivable, net of current portion and discount	139,532	-	-	139,532
Total other assets	239,504	-	-	239,504
TOTAL ASSETS	**$ 33,016,589**	**$ 14,734,948**	**$ (1,551,386)**	**$ 46,200,151**

LIABILITIES AND NET ASSETS

	Mary's Center	MC2	Eliminations	Total
CURRENT LIABILITIES				
Lines of credit	$ 1,060,000	$ -	$ -	$ 1,060,000
Current portion of long-term debt	511,429	-	-	511,429
Accounts payable and accrued liabilities	8,695,261	-	(1,551,386)	7,143,875
Deferred improvement allowance, current	310,655	-	-	310,655
Contract payable	75,000	-	-	75,000
Refundable advances	12,363	-	-	12,363
Total current liabilities	10,664,708	-	(1,551,386)	9,113,322
LONG-TERM LIABILITIES				
Long-term debt, net of current portion	9,756,137	-	-	9,756,137
Tenant security deposits	332,925	-	-	332,925
Deferred improvement allowance, net of current portion	2,540,538	-	-	2,540,538
Deferred rent abatement	489,580	-	-	489,580
Contract payable, net of current portion	575,000	-	-	575,000
Total long-term liabilities	13,694,180	-	-	13,694,180
Total liabilities	24,358,888	-	(1,551,386)	22,807,502
NET ASSETS				
Without donor restrictions	6,203,182	14,734,948	-	20,938,130
With donor restrictions	2,454,519	-	-	2,454,519
Total net assets	8,657,701	14,734,948	-	23,392,649
TOTAL LIABILITIES AND NET ASSETS	**$ 33,016,589**	**$ 14,734,948**	**$ (1,551,386)**	**$ 46,200,151**

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Mary's Center	MC2	Eliminations	Total
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS				
Patient services	$ 40,157,961	$ -	$ -	$ 40,157,961
Contributions	4,637,270	-	-	4,637,270
Grants and contracts	5,809,266	-	-	5,809,266
Other income	6,084,747	-	-	6,084,747
Pharmacy revenue, net of cost of goods sold	966,864	-	-	966,864
Rental income	488,267	1,215,722	(1,215,722)	488,267
Investment loss, net	(119,968)	-	-	(119,968)
Net assets released from donor restrictions	8,451,968	-	-	8,451,968
Total revenue and support without donor restrictions	66,476,375	1,215,722	(1,215,722)	66,476,375
EXPENSES				
Program Services:				
Patient Services	31,525,151	-	-	31,525,151
Medical Services	8,373,147	-	-	8,373,147
Social and Educational Services	13,889,968	-	-	13,889,968
Pharmacy	860,021	-	-	860,021
Total program services	54,648,287	-	-	54,648,287
Supporting Services:				
Leased Employees	5,842,580	-	-	5,842,580
Fundraising	1,276,424	-	-	1,276,424
General and Administrative	3,394,962	412,779	(1,215,722)	2,592,019
Total supporting services	10,513,966	412,779	(1,215,722)	9,711,023
Total expenses	65,162,253	412,779	(1,215,722)	64,359,310
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**$ 1,314,122**	**$ 802,943**	**$ -**	**$ 2,117,065**
REVENUE AND SUPPORT WITH DONOR RESTRICTIONS				
Contributions	$ 5,000	$ -	$ -	$ 5,000
Grants and contracts	1,586,946	-	-	1,586,946
Investment loss	(11,436)	-	-	(11,436)
Net assets released from donor restrictions	(8,451,968)	-	-	(8,451,968)
CHANGE IN REVENUE AND SUPPORT WITH DONOR RESTRICTIONS	**$ (6,871,458)**	**$ -**	**$ -**	**$ (6,871,458)**

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2018

	Mary's Center	MC2	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	$ 4,889,060	$ 13,932,005	$ -	$ 18,821,065
Change in net assets without donor restrictions	1,314,122	802,943	-	2,117,065
NET ASSETS AT END OF YEAR	**$ 6,203,182**	**$ 14,734,948**	**$ -**	**$ 20,938,130**
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	$ 9,325,977	$ -	$ -	$ 9,325,977
Change in net assets with donor restrictions	(6,871,458)	-	-	(6,871,458)
NET ASSETS AT END OF YEAR	**$ 2,454,519**	**$ -**	**$ -**	**$ 2,454,519**

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services				
Affordable Care Act Cluster — Maternal, Infant, and Early Childhood Home Visiting Program Formula, Expansion, and Development Grants to States-Cluster				
DC Department of Health - Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	4 D89MC25207-01-02	$ -	$ 1,142,474
DC Department of Health - Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	1X10MC30464-01-02/UH4MC30464-01-02	-	240,256
Sub-total Affordable Care Act Cluster— Maternal, Infant, and Early Childhood Home Visiting Program Formula, Expansion, and Development Grants to States-Cluster			-	1,382,730
Family Planning Services				
Unity Health Care, Inc. - Family Planning Services	93.217	FPHPA036197-01-00	-	199,978
Maryland Department of Health Mental Hygiene - Family Planning Services	93.217	PHPA-G2295	-	174,285
Total Family Planning Services-CFDA # 93.217			-	374,263
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	-	3,071,396
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	-	41,024
Maryland Department of Health Mental Hygiene - State Partnership Grant Program to Improve Minority Health	93.296	FHE76EMB	-	63,663
Advocates for Justice and Education Inc. - Affordable Care Act (ACA) - Family to Family Health Information Centers	93.504	H84MC21661	-	7,988
DC Health Benefit Exchange Authority - State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	DCHBX-2017, DCHBX-2018	-	73,455

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services (Continued)				
DC Office of State Superintendent of Education - Head Start/Early Head Start	93.600	03HP0017/01	$ -	$ 429,189
Department of Health, HIV/AID, Hepatitis, STD, Tuberculosis Administration (HAHSTA)- HIV Emergency Relief Project Grants	93.914	17A025/17A414	-	68,896
District of Columbia Department of Health - Healthy Start Initiative	93.926	FO-CHA-PG-00183-000	-	503,653
DC Department of Behavioral Health - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	DCSEED-03	-	90,815
DC Department of Human Services - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	G-0601DCFVPS	-	56,820
US Committee for Refugees and Immigrants - Unaccompanied Alien Children Program	94.676	90ZU0081-02	-	489,060
Medical Assistance Program				
Prince George's County, Maryland/Affordable Care Act - Medical Assistance Program	93.778	521594116	42,115	543,456
DC Mayor's Office on Latino Affairs - Medical Assistance Program	93.778	521594116, 22615-15	-	189,731
Total Medical Assistance Program- CFDA # 93.778			42,115	733,187
Department of Health, HIV/AID, Hepatitis, STD, Tuberculosis Administration (HAHSTA) - HIV Care Formula Grants	93.917	X07HA00045	-	97,795
Total Department of Health and Human Services			42,115	7,483,934

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
United States Department of Agriculture				
SNAP Cluster — Supplemental Nutrition Assistance Program				
District of Columbia Department of Health - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15151DC452Q3903	$ -	$ 124,358
Sub-total SNAP Cluster — Supplemental Nutrition Assistance Program			-	124,358
District of Columbia Department of Health - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16161DC700W1003, 171DC700W1003	-	710,758
Total United States Department of Agriculture			-	835,116
United States Department of Justice				
Maryland Governor's Office of Crime Control & Prevention - Crime Victim Assistance	16.575	2015-VA-GX-0036	-	15,089
Maryland Governor's Office of Crime Control & Prevention - Violence Against Women Formula Grants	16.588	2018-WF-AX-0048	-	4,851
Total United States Department of Justice			-	19,940
Department of Education				
DC Office of State Superintendent of Education - Special Education-Grants for Infants and Families	84.181	DCGD-2012-H-0003	-	78,091
SUB-TOTAL EXPENDITURES OF FEDERAL AWARDS			42,115	8,417,081
Non-Cash Federal Awards				
Department of Health and Human Services				
DC Department of Health - Immunization Cooperative Agreements	93.268	2280;2280A; P00253; AHR0253; 000024; AHR024	-	3,085,006
TOTAL EXPENDITURES NON-CASH FEDERAL AWARDS			-	3,085,006
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 42,115**	**$ 11,502,087**

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Organizations under programs of the Federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule presents only a selected portion of the operations of the Organizations; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organizations.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organizations have elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Donated Vaccines for Children

Donated vaccines are reported at the amount representing the market valuation as noted by the Center for Disease Control and Prevention. Donated vaccines in the amount of $3,085,006 were received during the fiscal year 2018 and are included in the accompanying Schedule of Expenditures of Federal Awards under CFDA # 93.268.

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: **Unmodified**

2). Internal control over financial reporting:

- Material weakness(es) identified? ☐ **Yes** ☒ **No**
- Significant deficiency(ies) identified? ☐ **Yes** ☒ **None Reported**

3). Noncompliance material to financial statements noted? ☐ **Yes** ☒ **No**

Federal Awards

4). Internal control over major federal programs:

- Material weakness(es) identified? ☐ **Yes** ☒ **No**
- Significant deficiency(ies) identified? ☐ **Yes** ☒ **None Reported**

5). Type of auditor's report issued on compliance for major programs: **Unmodified**

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ **Yes** ☒ **No**

7). Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.926	Healthy Start Initiative

8). Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

9). Auditee qualified as a low-risk auditee? ☒ **Yes** ☐ **No**

MARY'S CENTER FOR MATERNAL AND CHILD CARE, INC.
MC2 COMMUNITY DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516 (a))

There were no reportable findings.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Board of Directors
Mary's Center for Maternal and Child Care, Inc.
MC2 Community Development Corporation
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations) as of and for the year ended December 31, 2018, and the related notes to the combined financial statements, which collectively comprise the Organizations' basic combined financial statements, and have issued our report thereon dated May 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organizations' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organizations' combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gelman Rozenberg & Freedman

May 31, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

Independent Auditor's Report

To the Board of Directors
Mary's Center for Maternal and Child Care, Inc.
MC2 Community Development Corporation
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organizations' major federal programs for the year ended December 31, 2018. The Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organizations' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organizations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organizations' compliance.

Opinion on Each Major Federal Program

In our opinion, the Organizations complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

Report on Internal Control Over Compliance

Management of the Organizations is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organizations' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gelman Rosenberg & Freedman

May 31, 2019

2018 MCMCC Audit

Summary Schedule of Prior Year Audit Findings

In accordance with *Title 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements* under Section 200.511, Audit Findings follow-up, the following detail the summary of prior year audit findings with current year status.

Finding 2017-001: Suspension and Debarment

Current Year Status: Corrective action has been taken and no further action is required.

Federal Award Findings in accordance with 2 CFR 200.516:

See finding #2017-001 listed above.

Signed:

Josephine Morris-Young

Josephine Morris-Young
Chief Financial Officer

Date: 10-10-19