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, 2021

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

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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.

Opinion

We have audited the accompanying consolidated financial statements of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organizations as of December 31, 2021, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 and *Government 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, including omissions, 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 consolidated 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 consolidated 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 consolidated 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 Organizations' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' 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.

Report on Summarized Comparative Information

We have previously audited the Organizations' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on pages I-(28 - 29), Consolidating Schedule of Activities on page I-30 and Consolidating 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 consolidated financial statements. The Schedule of Expenditures of Federal Awards on pages I-(32 - 37), 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 consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the 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 financial statements as a whole.

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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 27, 2022, on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Organizations' 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

October 27, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	$ 7,466,622	$ 5,115,441
Investments	6,330,179	3,865,602
Accounts receivable, net of allowance for doubtful accounts of $1,265,460	7,048,459	7,754,552
Grants receivable, net of allowance for doubtful accounts of $346,143	4,440,279	4,276,143
Pledges receivable	27,776	34,722
Inventory	929,946	986,672
Prepaid expenses	233,871	331,188
Total current assets	26,477,132	22,364,320
FIXED ASSETS		
Land	7,994,634	7,994,634
Buildings and leasehold improvements	27,906,939	27,871,099
Equipment	3,976,166	3,767,344
Furniture	1,231,276	1,231,276
Computer equipment	477,102	477,102
Vehicles	639,777	510,017
	42,225,894	41,851,472
Less: Accumulated depreciation and amortization	(13,140,857)	(11,897,988)
Net fixed assets	29,085,037	29,953,484
OTHER ASSETS		
Security deposits	27,618	27,618
Pledges receivable, net of current portion and discount	94,873	117,915
Total other assets	122,491	145,533
TOTAL ASSETS	$ 55,684,660	$ 52,463,337

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Line of credit	$ 85,000	$ 1,060,000
Current portion of EIDL loan	1,771	-
Current portion of long-term debt	4,373,351	2,420,740
Accounts payable and accrued liabilities	6,981,192	7,335,468
Deferred leasehold improvement allowance, current	126,753	203,379
Contract payable	75,000	75,000
Refundable advances	1,060,961	604,731
Total current liabilities	12,704,028	11,699,318
LONG-TERM LIABILITIES		
EIDL loan	148,229	150,000
Long-term debt, net of current portion	4,537,179	6,916,596
Tenant security deposits	566,879	566,879
Deferred leasehold improvement allowance, net of current portion	1,899,752	2,026,505
Deferred rent abatement	797,323	702,652
Contract payable, net of current portion	350,000	425,000
Total long-term liabilities	8,299,362	10,787,632
Total liabilities	21,003,390	22,486,950
NET ASSETS		
Without donor restrictions:		
Undesignated	28,953,862	26,208,909
Board designated	85,000	85,000
Total without donor restrictions	29,038,862	26,293,909
With donor restrictions	5,642,408	3,682,478
Total net assets	34,681,270	29,976,387
TOTAL LIABILITIES AND NET ASSETS	**$ 55,684,660**	**$ 52,463,337**

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND SUPPORT				
Patient services	$ 44,735,982	$ -	$ 44,735,982	$ 39,693,251
Federal grants	19,196,975	-	19,196,975	15,644,311
Non-federal grants	7,822,802	4,260,690	12,083,492	11,333,675
Leased employee revenue	7,804,944	-	7,804,944	7,162,695
Contributions and foundation grants	2,370,163	890,783	3,260,946	3,801,998
Pharmacy revenue, net of cost of goods sold	1,500,804	-	1,500,804	1,621,403
Rental income	329,693	-	329,693	331,129
Other income	165,479	-	165,479	123,170
Investment income, net	93,737	52,624	146,361	163,576
Net assets released from donor restrictions	3,244,167	(3,244,167)	-	-
Total revenue and support	87,264,746	1,959,930	89,224,676	79,875,208
EXPENSES				
Program Services:				
Patient Services	37,336,923	-	37,336,923	30,542,584
Medical Services	9,036,450	-	9,036,450	7,524,045
Social and Educational Services	18,179,056	-	18,179,056	15,444,558
Pharmacy	1,051,856	-	1,051,856	999,490
Total program services	65,604,285	-	65,604,285	54,510,677
Supporting Services:				
Leased Employees	7,616,342	-	7,616,342	6,997,473
Fundraising	1,026,574	-	1,026,574	1,140,381
General and Administrative	10,272,592	-	10,272,592	11,522,952
Total supporting services	18,915,508	-	18,915,508	19,660,806
Total expenses	84,519,793	-	84,519,793	74,171,483
Change in net assets	2,744,953	1,959,930	4,704,883	5,703,725
Net assets at beginning of year	26,293,909	3,682,478	29,976,387	24,272,662
NET ASSETS AT END OF YEAR	**$ 29,038,862**	**$ 5,642,408**	**$ 34,681,270**	**$ 29,976,387**

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021										2020
	Program Services					Supporting Services					
	Patient Services	Medical Services	Social and Educational Services	Pharmacy	Total Program Services	Leased Employees	Fundraising	General and Administrative	Total Supporting Services	Total Expenses	Total Expenses
Salaries and personnel related expenses	$26,122,050	$7,530,825	$ 15,154,430	$ -	$48,807,305	$7,616,342	$ 696,142	$ 3,387,641	$11,700,125	$60,507,430	$ 52,973,835
Medical and dental supplies/donated vaccines	6,043,351	515,106	19,937	3,917,865	10,496,259	-	-	-	-	10,496,259	8,995,906
Consultants and outside services	3,557,265	707,730	1,941,847	902,525	7,109,367	-	49,200	1,331,114	1,380,314	8,489,681	6,540,323
Occupancy costs	42,775	2,322	16,279	3,394	64,770	-	-	1,992,848	1,992,848	2,057,618	1,831,523
Office expenses	139,825	117,186	554,124	67,142	878,277	-	69,975	758,670	828,645	1,706,922	2,004,248
Software maintenance and licensing	1,112,953	17,574	32,597	-	1,163,124	-	35,212	437,556	472,768	1,635,892	1,380,519
Depreciation and amortization	-	15,864	-	21,109	36,973	-	-	1,280,465	1,280,465	1,317,438	1,384,293
Miscellaneous	174,520	56,839	222,408	21,168	474,935	-	132,822	225,233	358,055	832,990	740,356
Equipment and maintenance	122,353	64,447	10,658	13,190	210,648	-	466	553,158	553,624	764,272	879,201
Insurance and registration	-	1,660	-	23,135	24,795	-	-	221,046	221,046	245,841	202,454
Bad debt and cancellation of award	-	-	193,499	162	193,661	-	-	23,250	23,250	216,911	376,919
Meetings and travel	21,831	6,897	33,277	16	62,021	-	42,757	37,377	80,134	142,155	123,422
Interest expense	-	-	-	15	15	-	-	24,234	24,234	24,249	34,298
Subtotal	37,336,923	9,036,450	18,179,056	4,969,721	69,522,150	7,616,342	1,026,574	10,272,592	18,915,508	88,437,658	77,467,297
Less: Costs of goods sold included with revenues in the consolidated statement of activities	-	-	-	(3,917,865)	(3,917,865)	-	-	-	-	(3,917,865)	(3,295,814)
TOTAL EXPENSES REPORTED IN THE CONSOLIDATED STATEMENT OF ACTIVITIES	**$37,336,923**	**$9,036,450**	**$ 18,179,056**	**$1,051,856**	**$65,604,285**	**$7,616,342**	**$ 1,026,574**	**$ 10,272,592**	**$18,915,508**	**$84,519,793**	**$ 74,171,483**

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,704,883	$ 5,703,725
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,242,869	1,289,724
Amortization of deferred financing costs	74,569	94,569
Unrealized gain on investments	(62,370)	(109,363)
Realized gain on investments	(42,838)	(62)
Contributions invested in perpetuity	(20,000)	(30,000)
Change in allowance for bad debt of accounts receivable	(28,139)	161,043
Change in allowance for bad debt of grants receivable	200,981	145,162
Change in discount on long-term pledges receivable	(4,735)	(2,385)
Receipt of contributed securities	(128,646)	(30,645)
Proceeds from the sale of contributed securities	67,494	17,846
Decrease (increase) in:		
Accounts receivable	734,232	(1,647,945)
Grants receivable	(365,117)	(1,570,988)
Pledges receivable	34,723	385
Inventory	56,726	(73,565)
Prepaid expenses	97,317	(5,147)
Security deposits	-	50,000
(Decrease) increase in:		
Accounts payable and accrued liabilities	(354,276)	785,081
Deferred leasehold improvement allowance	(203,379)	(310,655)
Contract payable	(75,000)	(75,000)
Refundable advances	456,230	548,836
Tenant security deposits	-	38,932
Deferred rent abatement	94,671	102,645
Net cash provided by operating activities	6,480,195	5,082,193
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(374,422)	(2,836,233)
Net purchases of investments	(2,298,217)	(323,386)
Net cash used by investing activities	(2,672,639)	(3,159,619)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments from lines of credit	(975,000)	(50,000)
Proceeds from long-term debt	1,954,580	-
Payments on long-term debt	(2,455,955)	(529,384)
Contributions invested in perpetuity	20,000	30,000
Proceeds from EIDL loan	-	150,000
Payment of loan costs	-	(50,000)
Net cash used by financing activities	(1,456,375)	(449,384)

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021	2020
Net increase in cash and cash equivalents	$ 2,351,181	$ 1,473,190
Cash and cash equivalents at beginning of year	5,115,441	3,642,251
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 7,466,622**	**$ 5,115,441**
SUPPLEMENTAL INFORMATION:		
Interest Paid	**$ 367,168**	**$ 425,167**

See accompanying notes to consolidated financial statements.

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.

Principles of consolidation -

The accounts of the Organizations have been consolidated pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. The consolidated financial statements reflect the activity of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation because Mary's Center for Maternal and Child Care, Inc. is the sole member of MC2 Community Development Corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated 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. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are 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. 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. There is a fund established by the governing Board, which was $85,000 as of December 31, 2021, 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.

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions. 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.

The consolidated 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 Organizations' consolidated financial statements for the year ended December 31, 2020, 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 $350,665 at December 31, 2021. 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.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, and realized and unrealized gains and losses are included in investment income net of investment expenses provided by external investment advisors in the Consolidated 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 uncollectable.

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, 2021, 62% of the ending receivable balance represents grants due from state and Federal agencies, and 38% 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 or donor.

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

Receivables (continued) -

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 2021 have been discounted at a rate of 3.25% and are reflected in the consolidated financial statements at their net present value. At December 31, 2021, pledges receivable due in less than one year were in the amount of $27,776 and pledges receivable within two to five years were in the amount of $106,816, net of their discount of $11,943 as of December 31, 2021.

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, 2021 was $1,242,869.

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, 2021.

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 on tenant leases with debt-financed property. Neither organization is a private foundation.

Uncertain tax positions -

For the year ended December 31, 2021, 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 consolidated 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*.

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

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 consolidated financial statement as a direct deduction from the related debt liability.

Revenue -

Patient service revenue is recorded the month in which the performance obligations are satisfied. The transaction price is determined based on historical experience and current market conditions. The Organizations provide 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, 2021, care provided under the charity care policy, valued on a sliding fee basis, totaled $5,397,110.

The Organizations receive contributions, including unconditional promises to give, from many sources as well as grants from the U.S. Government, organizations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Organizations perform an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants qualifying as contributions that are unconditional that have 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 consolidated financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

The Organizations recognize revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions, grants or contracts treated as conditional contributions, the Organizations had approximately $19,400,000 in unrecognized conditional awards as of December 31, 2021.

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

Revenue (continued) -

Patience service, pharmacy revenue and leased employee revenue are classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*. The Organizations have elected to opt out of all (or certain) disclosures not required for nonpublic entities. Funding received in advance of satisfying performance obligations is recorded as deferred revenue.

Pharmacy revenue represents the sales of prescriptions and other medical supplies. The transaction price is determined based on the sales price. Revenue is recognized when the performance obligation has been satisfied. The performance obligation is met at the time of sale.

In-kind contributions consist of donated vaccines, legal services and other supplies and clothes. In-kind contributions are recorded at their fair market value as of the date of the gift.

Leased employee revenue consists of services provided under a contractual agreement (see Note 15). The Organizations provide assistance with managing the human resources and personnel related administrative functions for another organization. Revenue is recognized monthly under the invoicing terms of the agreement.

Use of estimates -

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated 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 actual time and effort or other reasonable basis.

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 consolidated financial statements.

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

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 pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Organizations plan to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying consolidated financial statements.

2. INVESTMENTS

At December 31, 2021, the Organizations had investments, at fair value, as follows:

Money market funds	$ 350,665
Mutual funds	3,587,851
Common stocks	2,391,663
TOTAL INVESTMENTS	**$ 6,330,179**

2. INVESTMENTS (Continued)

For the year ended December 31, 2021, investment income included the following:

Interest and dividends	$ 69,690
Unrealized gain on investments	62,370
Realized gain on investments	42,838
Management fees	(28,537)
TOTAL INVESTMENT INCOME, NET	**$ 146,361**

3. 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). 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 Consolidated 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, 2021.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market funds are open-end mutual funds that are 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 the 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.

3. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Organizations' investments as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Asset Class - Investments:				
Money market funds	$ 350,665	$ -	$ -	$ 350,665
Mutual funds	3,587,851	-	-	3,587,851
Common stocks	2,391,663	-	-	2,391,663
TOTAL	**$ 6,330,179**	**$ -**	**$ -**	**$ 6,330,179**

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

4. LINE OF CREDIT

The Organizations have a line of credit in the amount of $3,000,000 and bears interest at 3.25% expiring on September 30, 2022. As of December 31, 2021, the outstanding balance on the line of credit was $85,000. Additionally, the line of credit agreement contains various covenants, which require the Organizations to maintain certain financial ratios and submit various financial reports subsequent to their fiscal year-end. The covenant for the submission of financial reports was extended by the bank for the year ended December 31, 2021.

5. EIDL LOAN

On June 16, 2020, the Organizations received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration totaling $150,000. The loan bears interest at 2.75% and is due over thirty years in monthly installments of $641 beginning twelve months from the date of the note. Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal.

The balance of principal and interest will be payable thirty years from the date of the promissory note. The loan is collateralized by all tangible and intangible personal property of the Organizations.

Principal payments as stated in the promissory note are due as follows:

Year Ending December 31,	
2022	$ 1,771
2023	3,662
2024	3,764
2025	3,868
2026	3,976
2027 and Thereafter	132,959
	$ 150,000

6. LONG-TERM DEBT

On June 29, 2016, the Center refinanced a note in the amount of $2,688,246. The loan was set to mature on June 29, 2021. The loan assumed an amortization schedule of 5 years with monthly installments of principal and interest of approximately $20,000. On September 2, 2021, the Center refinanced the remaining balance of the note in the amount of $1,954,580. The interest rate on the loan is 3% and matures August 29, 2026. The loan assumes an amortization schedule of 5 years, with monthly installments of principal and interest of approximately $14,000. The loan is collateralized by the land and building.	$ 1,920,562
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, D.C., and UCC financing statement.	144,710
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.	2,873,554
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.	2,246,384
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.	873,594
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, D.C., and UCC financing statement.	914,584
	8,973,388
Less: Current portion	(4,373,351)
Less: Deferred financing costs, net of accumulated amortization of $349,660	(62,858)
LONG-TERM PORTION	**$ 4,537,179**

On all of the above notes, the Center is held to various covenants, which require the maintenance of certain financial ratios and submission of various financial reports subsequent to its fiscal year-end; the covenant for submission of financial reports was extended by the banks for the year ended December 31, 2021.

6. LONG-TERM DEBT (Continued)

Aggregate annual principal payments are as follows at December 31, 2021:

Year Ending December 31,	
2022	$ 4,373,351
2023	2,892,114
2024	111,983
2025	115,582
2026	1,480,358
	$ 8,973,388

Interest expense on these debt instruments for the year ended December 31, 2021 totaled $379,002, which is included in the occupancy costs in the Consolidated Statement of Functional Expenses.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specified purpose:	
Medical Services	$ 1,120,532
Social and Educational Services	2,747,943
Maria Scholarship Fund	870,783
Accumulated Investment Earnings not yet Authorized for Spending	164,032
Total subject to expenditure for specified purpose	4,903,290
Subject to passage of time	392,760
Contributions to be invested in perpetuity	346,358
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 5,642,408**

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	$ 993,958
Social and Educational Services	1,064,085
Timing restrictions accomplished	1,186,124
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 3,244,167**

8. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	$ 7,466,622
Investments	6,330,179
Accounts receivable, net	7,048,459
Grants receivable, net	4,440,279
Pledges receivable, due within one year	27,776
Less: Assets restricted by donor for specific purposes/in perpetuity	(5,344,520)
Less: Board designated net assets	(85,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 19,883,795**

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, they have a policy to structure 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, 2021, 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 4, the Organizations have committed a line of credit with an additional $2,915,000 which could be drawn upon in the event of an unanticipated liquidity need as of December 31, 2021.

9. 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 have interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

9. ENDOWMENTS (Continued)

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 Organizations.

Endowment net asset composition by type of fund as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	$ -	$ 346,358	$ 346,358
Accumulated investment earnings	-	164,032	164,032
TOTAL ENDOWMENT FUNDS	**$ -**	**$ 510,390**	**$ 510,390**

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 437,766	$ 437,766
Investment income	-	52,624	52,624
Contributions	-	20,000	20,000
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 510,390**	**$ 510,390**

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, 2021.

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.

9. ENDOWMENTS (Continued)

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 their 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. The Organizations elected not to authorize spending on their endowments during the year ended December 31, 2021.

10. TENANT LEASES

The Organizations sublease a portion of their office space under various leases expiring throughout 2041, including several that are year-to-year renewals and are therefore not included in the future minimum payments table.

Future minimum rental payments to be received are:

Year Ending December 31,	
2022	$ 310,935
2023	312,779
2024	314,098
2025	315,433
2026	113,543
Thereafter	1,846,537
	$ 3,213,325

Rental income recognized during the year totaled $329,693.

11. IN-KIND CONTRIBUTIONS

Included in contributions and grants revenue in the accompanying Consolidated Statement of Activities and Change in Net Assets are contributions of vaccines, supplies, clothes and legal services. These contributions approximate fair value at the date vaccines, supplies, clothes and legal services were received. For the year ended December 31, 2021, the Organizations received in-kind contributions as follows:

Donated vaccines	$ 3,464,418
Legal services	71,307
Other supplies and clothes	86,972
TOTAL IN-KIND CONTRIBUTIONS	**$ 3,622,697**

11. IN-KIND CONTRIBUTIONS (Continued)

The following programs have benefited from these donated services:

Patient Services	$ 3,464,418
General and Administrative	71,307
Social and Educational Services	86,972
TOTAL	**$ 3,622,697**

12. LEASE COMMITMENT

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 Consolidated Statement of Financial Position, and will be amortized over the life of the related lease and assets.

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 expired on January 31, 2021. The Center was required to pay rent in the amount of $6,200 monthly, which increased by 3%, annually. This lease was not renewed.

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 Consolidated Statement of Financial Position.

Rental expense, including operating costs, for the year ended December 31, 2021 totaled $391,194 and is included in the Consolidated Statement of Functional Expenses as part of occupancy costs. The deferred rent liability was $797,323 at December 31, 2021.

Future minimum payments under the leases are as follows:

Year Ending December 31,	
2022	$ 335,280
2023	343,662
2024	352,254
2025	361,062
2026	370,092
Thereafter	9,333,260
	$ 11,095,610

13. CONTINGENCY

The Organizations receive grants from various agencies of the United States Government. 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 2021. 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.

14. 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, 2021 was $685,458 and is included in the Consolidated Statement of Functional Expenses as part of salaries and personnel related expenses.

15. 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, 2021, the Organizations received $7,804,944 for services provided, which is included as leased employee revenue in the Consolidated 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, 2021, the Organizations paid Maxor $238,490 as management fee, which is included in the Consolidated Statement of Functional Expenses as part of consultants and outside services.

As part of the agreement, Maxor will pay or otherwise provide initial operating capital 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, 2021, the Organizations owed Maxor $425,000 which is included as contract payable in the accompanying Consolidated Statement of Financial Position.

15. CONTRACTUAL AGREEMENTS (Continued)

Future minimum payments under the contract are as follows:

Year Ending December 31,	
2022	$ 75,000
2023	75,000
2024	75,000
2025	75,000
2026	75,000
Thereafter	50,000
	$ 425,000

16. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through October 27, 2022, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

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

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS

	Mary's Center	MC2	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 7,382,729	$ 83,893	$ -	$ 7,466,622
Investments	6,330,179	-	-	6,330,179
Accounts receivable, net of allowance for doubtful accounts of $1,265,460	7,048,459	5,383,970	(5,383,970)	7,048,459
Grants receivable, net of allowance for doubtful accounts of $346,143	4,440,279	-	-	4,440,279
Pledges receivable	27,776	-	-	27,776
Inventory	929,946	-	-	929,946
Prepaid expenses	233,871	-	-	233,871
Total current assets	26,393,239	5,467,863	(5,383,970)	26,477,132
FIXED ASSETS				
Land	7,621,418	373,216	-	7,994,634
Buildings and leasehold improvements	12,200,477	15,706,462	-	27,906,939
Equipment	2,422,029	1,554,137	-	3,976,166
Furniture	529,111	702,165	-	1,231,276
Computer equipment	241,031	236,071	-	477,102
Vehicles	639,777	-	-	639,777
	23,653,843	18,572,051	-	42,225,894
Less: Accumulated depreciation and amortization	(6,428,028)	(6,712,829)	-	(13,140,857)
Net fixed assets	17,225,815	11,859,222	-	29,085,037
OTHER ASSETS				
Security deposits	27,618	-	-	27,618
Pledges receivable, net of current portion and discount	94,873	-	-	94,873
Total other assets	122,491	-	-	122,491
TOTAL ASSETS	**$ 43,741,545**	**$ 17,327,085**	**$ (5,383,970)**	**$ 55,684,660**

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

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

LIABILITIES AND NET ASSETS

	Mary's Center	MC2	Eliminations	Total
CURRENT LIABILITIES				
Line of credit	$ 85,000	$ -	$ -	$ 85,000
Current portion of EIDL loan	1,771	-	-	1,771
Current portion of long-term debt	4,373,351	-	-	4,373,351
Accounts payable and accrued liabilities	12,365,162	-	(5,383,970)	6,981,192
Deferred leasehold improvement allowance, current	126,753	-	-	126,753
Contract payable	75,000	-	-	75,000
Refundable advances	1,060,961	-	-	1,060,961
Total current liabilities	18,087,998	-	(5,383,970)	12,704,028
LONG-TERM LIABILITIES				
EIDL loan	148,229	-	-	148,229
Long-term debt, net of current portion	4,537,179	-	-	4,537,179
Tenant security deposits	566,879	-	-	566,879
Deferred leasehold improvement allowance, net of current portion	1,899,752	-	-	1,899,752
Deferred rent abatement	797,323	-	-	797,323
Contract payable, net of current portion	350,000	-	-	350,000
Total long-term liabilities	8,299,362	-	-	8,299,362
Total liabilities	26,387,360	-	(5,383,970)	21,003,390
NET ASSETS				
Without donor restrictions	11,711,777	17,327,085	-	29,038,862
With donor restrictions	5,642,408	-	-	5,642,408
Total net assets	17,354,185	17,327,085	-	34,681,270
TOTAL LIABILITIES AND NET ASSETS	**$ 43,741,545**	**$ 17,327,085**	**$ (5,383,970)**	**$ 55,684,660**

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

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Mary's Center	MC2	Eliminations	Total
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS				
Patient services	$ 44,735,982	$ -	$ -	$ 44,735,982
Federal grants	19,196,975	-	-	19,196,975
Non-federal grants	7,822,802	-	-	7,822,802
Leased employee revenue	7,804,944	-	-	7,804,944
Contributions and foundation grants	2,370,163	-	-	2,370,163
Pharmacy revenue, net of cost of goods sold	1,500,804	-	-	1,500,804
Rental income	329,693	1,309,200	(1,309,200)	329,693
Other income	165,479	-	-	165,479
Investment income, net	93,737	-	-	93,737
Net assets released from donor restrictions	3,244,167	-	-	3,244,167
Total revenue and support without donor restrictions	87,264,746	1,309,200	(1,309,200)	87,264,746
EXPENSES				
Program Services:				
Patient Services	37,336,923	-	-	37,336,923
Medical Services	9,036,450	-	-	9,036,450
Social and Educational Services	18,179,056	-	-	18,179,056
Pharmacy	1,051,856	-	-	1,051,856
Total program services	65,604,285	-	-	65,604,285
Supporting Services:				
Leased Employees	7,616,342	-	-	7,616,342
Fundraising	1,026,574	-	-	1,026,574
General and Administrative	11,168,983	412,809	(1,309,200)	10,272,592
Total supporting services	19,811,899	412,809	(1,309,200)	18,915,508
Total expenses	85,416,184	412,809	(1,309,200)	84,519,793
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**$ 1,848,562**	**$ 896,391**	**$ -**	**$ 2,744,953**
REVENUE AND SUPPORT WITH DONOR RESTRICTIONS				
Non-Federal grants	$ 4,260,690	$ -	$ -	$ 4,260,690
Contributions and foundation grants	890,783	-	-	890,783
Investment income, net	52,624	-	-	52,624
Net assets released from donor restrictions	(3,244,167)	-	-	(3,244,167)
CHANGE IN REVENUE AND SUPPORT WITH DONOR RESTRICTIONS	**$ 1,959,930**	**$ -**	**$ -**	**$ 1,959,930**

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

CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2021

	Mary's Center	MC2	Eliminations	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	$ 9,863,215	$ 16,430,694	$ -	$ 26,293,909
Change in net assets without donor restrictions	1,848,562	896,391	-	2,744,953
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	**$ 11,711,777**	**$ 17,327,085**	**$ -**	**$ 29,038,862**
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	$ 3,682,478	$ -	$ -	$ 3,682,478
Change in net assets with donor restrictions	1,959,930	-	-	1,959,930
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	**$ 5,642,408**	**$ -**	**$ -**	**$ 5,642,408**
TOTAL NET ASSETS AT END OF YEAR	**$ 17,354,185**	**$ 17,327,085**	**$ -**	**$ 34,681,270**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services -				
Maternal, Infant, and Early Childhood Home Visiting Cluster:				
DC Department of Health - Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	4 D89MC25207-01-02, 1 X10MC321830100, X10MC39678	$ -	$ 1,809,168
Sub-total Maternal, Infant, and Early Childhood Home Visiting Cluster			-	1,809,168
Health Center Program Cluster:				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	-	4,095,146
COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	-	5,025,683
Sub-total Health Center Program Cluster			-	9,120,829
Medicaid Cluster:				
PG County Department of Social Services - Medical Assistance Program	93.778	N/A	93,365	517,634
Sub-total Medicaid Cluster			93,365	517,634
Research and Development Cluster:				
The Scripps Research Institute - Trans-NIH Research Support	93.310	U24OD023176	-	180,742
Sub-total Research and Development Cluster			-	180,742
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution - Period 1	93.498	N/A	-	803,430

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services (Continued) -				
COVID-19 - Prince George's County Health Department - Coronavirus Relief Fund	21.019	N/A	$ -	$ 25,037
Officials	93.011	N/A	-	47,360
COVID-19 - DC Primary Care Association - Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	N/A	-	24,507
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects:				
COVID-19 -UNIDOS-US - Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185	CDC-RFA-IP21-2106	-	63,403
COVID-19 -URBAN INSTITUTE - Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185	102351-0001-MCMCC-01	-	71,838
Total Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects-CFDA # 93.185			-	135,241
Family Planning Services:				
Unity Health Care, Inc. - Family Planning Services	93.217	FPHPA006406-03-01	-	393,184
Maryland Department of Health Mental Hygiene - Family Planning Services	93.217	FHE42CFP	-	47,354
Total Family Planning Services-CFDA # 93.217			-	440,538
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	-	51,572
Advocates for Justice and Education Inc. - Affordable Care Act (ACA) - Family to Family Health Information Centers	93.504	H84MC21661	-	12,723
DC Health Benefit Exchange Authority - State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	DCHBX-2021-A-0004, DCHBX-2022-A-0004	-	83,867

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services (Continued) -				
Trafficking	93.598	90ZV-137-01-00	$ -	$ 26,197
District of Columbia Department of Health - Healthy Start Initiative	93.926	H49MC00117 5	-	1,021,906
DC Department of Behavioral Health - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	DC SEED 031017	-	22,775
DC Department of Human Services - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	JA-FSA-0731-3-21, JA-FSA-0732-3-21	-	76,617
US Committee for Refugees and Immigrants - Unaccompanied Alien Children Program	93.676	90ZU0357-01-00	-	515,696
District of Columbia Department of Health - Maternal and Child Health Services Block Grant to the States	93.994	CHA2021-000020-00, CHA2021-000020-01	-	37,844
DC Department of Human Services - Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2101DCRCMA	-	38,820
District of Columbia Department of Health - Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	NU58DP006555	-	56,973
DC Dept of Behavioral Health - Opioid STR	93.788	RFA # DCOR012221	-	42,124
Howard University Hospital - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79TI081111-03, 5H79TI081111-04	-	151,853
DC Department of Aging and Community Living - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	MCW020W-20, MCW020HHW-20	-	14,896
DC Department of Health - HIV Care Formula Grants	93.917	X07HA00045	-	185,421
Total Department of Health and Human Services			**93,365**	**15,443,770**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
United States Department of Agriculture -				
District of Columbia Department of Health - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CHA2016-000042-17, CHA2021-000039-00	$ -	$ 902,187
United States Department of Justice -				
Maryland Governor's Office of Crime Control and Prevention - Violence Against Women Formula Grants	16.588	2020-WF-AX-0046	-	12,892
United States Department of Education -				
COVID-19 - DC Office of School Superintendent and Education - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425	CESBMH-0703	-	139,119
Small Business Administration -				
COVID-19 - Economic Injury Disaster Loan	59.008	N/A	-	150,000
SUB-TOTAL EXPENDITURES OF FEDERAL AWARDS			**93,365**	**16,647,968**
Non-Cash Federal Awards				
Department of Health and Human Services -				
DC Department of Health - Immunization Cooperative Agreements	93.268	AHR0253; 000024; AHR024	-	3,502,437
TOTAL EXPENDITURES NON-CASH FEDERAL AWARDS			**-**	**3,502,437**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 93,365**	**$ 20,150,405**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the Center under programs of the Federal Government for the year ended December 31, 2021. 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 Center; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Center.

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 Center has 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 $3,502,437 were received during the fiscal year 2021 and are included in the accompanying Schedule under ALN # 93.268.

Note 4. Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution – Assistance Listing Number 93.498

For the HHS awards related to the Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution (PRF) program, HHS has indicated the amounts on the Schedule be reported corresponding to reporting requirements of the HRSA PRF Reporting Portal. Payments from HHS for PRF are assigned to ‘Payment Received Periods’ (each, a Period) based upon the date each payment from the PRF was received. Each Period has a specified Period of Availability and timing of reporting requirements. Entities report into the HRSA PRF Reporting Portal after each Period’s deadline to use the funds (i.e., after the end of the Period of Availability).

The accompanying Schedule includes $803,430 received from HHS between April 2020 through December 2020. In accordance with guidance from HHS, these amounts are presented as Period 1. Such amounts were recognized as Federal grant revenue in the Center’s financial statements as shown in the accompanying Schedule during the year ended December 31, 2020. Due to the PRF Reporting requirements, these amounts are not the total PRF received and/or recognized as Federal grant revenue in the year presented in the accompanying Schedule.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 5. Reconciliation of Consolidated Financial Statements to the Schedule of Expenditures of Federal Awards

Federal grants per the Consolidated Statement of Activities and Change in Net Assets	$ 19,196,975
Add: COVID-19 - Provider Relief Fund received not included on the Consolidated Statement of Activities and Change in Net Assets	803,430
Add: Economic Injury Disaster Loan received included on the Consolidated Statement of Financial Position	150,000
TOTAL EXPENDITURES OF FEDERAL AWARDS	**$ 20,150,405**

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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:

Assistance Listing Number	Name of Federal Program or Cluster
93.224	Health Center Program Cluster
93.498	Provider Relief Fund
93.926	Healthy Start Initiative
10.557	Special Supplemental Nutrition Program for Women, Infants and Children

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section II - Financial Statement Findings

Finding 2021-001: Revenue Recognition

Criteria: CFR 200.510 "Financial Statements" requires recipients of Federal funds to (1) prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited, and (2) prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. Additionally, 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.

Condition: During our audit fieldwork, we noted the patient receivable schedule and reconciliation was not available at the commencement of the audit fieldwork. Due to the above, a significant amount of time was spent by management during the audit process reconciling this account resulting in an adjustment that increased net assets by approximately $1,100,000**.** We also noted that certain patient revenue that was earned during the year ended December 31, 2021 was not properly recorded in the general ledger. Instead, revenue was recorded upon the receipt of cash from the patient, with a significant amount outstanding at year-end as the Center waited for payment from a private entity. Additionally, we noted the allowance for doubtful accounts was not properly adjusted at year-end based on the Center's analysis, resulting in an adjustment that decreased net assets by approximately $800,000**.**

Cause: The Center did not have the proper internal controls in place to ensure revenues were recorded in the proper accounting period.

Effect: Without adequate controls over the recording of revenue transactions, the financial statements were materially misstated, resulting in unreliable.

Recommendation: We recommend the Center direct attention toward ensuring that all revenue transactions are captured and recorded in the correct period. The Center should also develop defined policies and procedures (in its financial policies and procedures manual) governing how all sources/types of revenue and support (without restrictions/with restrictions) are recorded in the general ledger. We believe this policy will allow the Center to report its support and revenue in a more consistent and comparative manner, on a yearly basis, as these types of transactions arise. We also recommend the Center enhance their review and approval process to ensure reconciliations and year-end schedules are accurate and the financial data is properly stated throughout the year. All revenue transactions should be recorded in the consolidated financial statements based on assumptions and procedures included in the revenue policies in the upcoming fiscal year.

Views of Responsible Officials: The organization experienced turnover in some important roles on the finance team which have been prioritized and will be filled before the end of the year. One of these roles will be a senior level accountant position that will focus on revamping our policies and procedures and also ensuring those updates are adhered to. This will be a first step but will go a long way to ensuring revenue is recognized appropriately and in a timely manner. Additionally, the organization is migrating away from antiquated software systems and to a more robust financial software solution which will support more efficient processes and more timely reporting.

Finding 2021-002: Reconciliation of Asset and Liability Accounts / Delay in Audit Process

Criteria: As stated in 2 CFR 200.303, the non-Federal entity (i.e. the Center) must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and terms and conditions of the Federal award.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section II - Financial Statement Findings (Continued)

Finding 2021-002: Reconciliation of Asset and Liability Accounts / Delay in Audit Process (Continued)

Criteria (continued): These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or in the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our audit fieldwork, we noted some schedules and reconciliations were not available at the commencement of the audit fieldwork and/or had some adjustments that needed to be made. Due to the above, a significant amount of time was spent by management during the audit process reconciling accounts resulting in an audit delay. The delay resulted in additional audit work performed after the original end date of the initial field work. We believe this information could have resulted in unreliable internal financial information, and also represent a deficiency in completely adhering to the Center's internal control policies and procedures.

Cause: Due to the increased financial activities of the Center and the lack of proactiveness to increase the finance department's limited staff availability and vacancies, the Center did not consistently follow the internal control policies and procedures that they have in place to ensure timely and accurate reconciliation of some of its assets and liability accounts.

Effect: Without continuing to adhering to their usual year-end closing process, the potential for misstatements within the consolidated financial statements could be elevated. This could result in errors, delays in the audit process and additional audit expenses could occur as a result.

Recommendation: We recommend the Center adhere to their usual formal year-end closing schedule. The continuous use of this formal year-end closing schedule will assist the Center with ensuring that all the critical steps in the year-end close (such as all of the account analyses and schedule preparations) are ready at the time of the scheduled audit fieldwork date. The Center should adhere to ensuring the specific personnel that the account is assigned to are monitored, reconciled by the due dates that are outlined in the closing schedules and finalized in time for the audit. This will also help to ensure that the audit is completed as scheduled.

We understand the Center had an independent finance department assessment / evaluation performed in 2022. Throughout the past several years, the Center's programs have increased, with expanded service line offerings growing significantly, ever increasing the need for more staff within the finance department. Additionally, as noted in recent years, more regulations and compliance requirements have become more technical and stringent, requiring potentially additional staff for accounting transaction evaluation. We recommend the Center review the evaluation and implement the recommendations as quickly as possible, including the additional staffing levels needed to support the Center's financial activities and transaction.

Views of Responsible Officials: The organization experienced turnover in some important roles on the finance team which have been prioritized and will be filled before the end of the year. Additionally, the organization is migrating away from antiquated software systems to a more robust financial software solution which will support more efficient processes and more timely reporting.

See Finding 2021-003 under Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516 (a))

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Finding 2021-003: Supporting Documentation

Criteria: As stated in 2 CFR 200.303, the non-Federal entity (i.e. the Center) must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations and terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or in the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During our audit, we noted several instances where cash disbursements were not supported with corroborating documentation (i.e. invoices, valuation documentation, contracts, etc.). While we understand that this was a year of higher than normal volume of transactions for the Center, we also recognize the importance of management’s attention to maintaining support, policies and processes during the life cycle of an organization. Absent such documentation the Center expose themselves to a risk of misappropriation, misclassification and questioned costs by funders.

Cause: The Center did not consistently follow the internal control policies and procedures that they have in place to ensure each expenditure is supported with corroborating documentation.

Effect or Potential Effect: Failure to maintain proper documentation for cash disbursements, there is a risk of misappropriation, misclassification and questioned costs by funders.

Questioned Costs: Not determinable.

Context: 2 of 40 cash disbursements tested did not proper supporting documentation.

Identification as a Repeat Finding: Not applicable.

Recommendation: In order to strengthen transparency with respect to all financial transactions, we recommend the Center strive to ensure transactions are appropriately supported with contemporaneous documentation justifying the nature and business purpose of each expenditure. We also recommend the Center develop a plan to establish a system that allows for documents to be accessed with ease, and be organized in such a manner that it allows for seamless retrieval of documentation by those responsible for maintaining those records.

Views of Responsible Officials: The organization’s move to a new financial software solution will provide the digitalization of invoices and documentation related to vendors and importance to the procurement process. Additionally, finance team leadership will move from annual to quarterly trainings for leadership to reiterate the procurement policy and process.

Finding 2021-004: Indirect Cost Rate Calculation

Federal Programs: 93.224, 93.926, 10.557

Criteria: According to 2 CFR 200.414 Subpart F, Appendix IV, Section C.2.f, the provisional and final rates must be negotiated where neither predetermined nor fixed rates are appropriate. Predetermined or fixed rates may replace provisional rates at any time prior to the close of the organization's fiscal year. If that event does not occur, a final rate will be established and upward or downward adjustments will be made based on the actual allowable costs incurred for the period involved.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Finding 2021-004: Indirect Cost Rate Calculation (Continued)

Condition: During our review of the Center's indirect cost rate calculation, we noted the indirect costs were not properly calculated and reconciled with the program income statements according to each grants' approved indirect cost rate.

Cause: The Center did not perform a true-up of indirect rate costs based on the provisional rates approved by its oversight agency.

Effect or Potential Effect: The Center did not bill the correct indirect costs to the Federal Government, thereby potentially overcharging the Federal Government, or undercharging based on the agreements..

Questioned Costs: Not determinable.

Context: 3 of 4 major programs tested did not have calculated indirect cost rates that agreed with their respective agreements.

Identification as a Repeat Finding: Not applicable.

Recommendation: We recommend that going forward the Center calculate its indirect costs based on either the approved or provisional rates for the year under audit. While the auditor understands the provisional rate for the year ended December 31, 2021 was not obtained by the Center until December 21, true-ups for the indirect rates should still be performed for audit purpose and to ensure reimbursement by the Federal Government is appropriate for each respective grant. The Center should pay special attention to all terms and conditions within its current and any future agreements to ensure that indirect costs are calculated appropriately. Additionally, in the next fiscal year, the Center should adjust its procedures to account for the actual indirect costs and true up each grant.

Views of Responsible Officials: The organization received the new approved rate in the middle of the grant year for most of the grants and while some of the funders were willing to accept and pay up a retroactive adjustment, others were not. Going forward, we will create new account lines to record non-billable differences between the final approved rate and each grant budget approved fringe and indirect rates for audit purposes.

Finding 2021-005: Reporting

Federal Programs: 93.224 and 93.926

Criteria: Grantor requires that the Center submit a quarterly Federal Financial Report (FFR), SF- 425, in accordance with the quarterly schedule indicated in its grant agreement, within 30 days following the end of each calendar quarter.

Condition: During our audit, we noted two (2) instances where a Federal financial report was not submitted within the deadlines outlined in the grant agreement.

Cause: The Center did not have the proper internal controls in place around its grants management to ensure timely filing of its Federal financial reports as part of compliance with the Federal regulations.

Effect or Potential Effect: Without proper management of the Center's Federal financial reporting requirements, the Center risks missing filing reports in their entirety, thus risking its Federal funding.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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

Finding 2021-005: Reporting (Continued)

Questioned Costs: None noted

Context: 2 of 9 required reports (population includes both financial and program reports) tested were not submitted on a timely basis.

Identification as a Repeat Finding: Not applicable.

Recommendation: We recommend the Center look at the use of a tool to ensure appropriate tracking of the preparation and submission of all reporting requirements based on each Grant agreement.

Views of Responsible Officials: Finance, Development and Programs teams have begun implementing improvements which will help to meet this goal. Staff turnover in high level grants positions, in addition to the large volume of grant awards on hand resulted in some of the grants reporting not being completed in a timely fashion. The organization has created a new role (Director of Grants Accounting) which will oversee the full life cycle grants process and will ensure reports are submitted on time.

Section IV - Prior Year Findings with Current Year Status

Finding 2020-001: Revenue Recognition

Condition: During the year under audit, the Center did not appropriately identify some of the unconditional contributions that transacted prior to the fiscal year-end.

Recommendation: We recommend that current finance department staff be alert to any significant or large transactions that may occur in the future to ensure proper financial reporting. We also recommend the Center enhance their review and approval process to ensure reconciliations and year-end schedules are accurate and the financial data is properly stated throughout the year. All revenue transactions should be recorded in the consolidated financial statements based on assumptions and procedures included in the revenue policies in the upcoming fiscal year.

Current Year Status: See current year Finding 2021-001: Revenue Recognition under Section II - Financial Statement Findings.

CPAs & ADVISORS

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Mary's Center for Maternal and Child Care, Inc.
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 consolidated financial statements of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 27, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned as Finding 2021-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2021-002 and 2021-003 to be significant deficiencies.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' consolidated 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 consolidated financial statements. 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*.

The Center's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gelman Rozenberg & Freedman

October 27, 2022

CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mary's Center for Maternal and Child Care, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Center's major Federal programs for the year ended December 31, 2021. The Center's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's Federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2021-003, 2021-004 and 2021-005. Our opinion on each major Federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2021-003, 2021-004 and 2021-005, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Center's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Center's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 Rozenberg & Freedman

October 27, 2022

Mary's Center

October 24, 2022

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 details the summary of prior year audit findings (with current year status) that were identified in the December 31, 2020 year-end audit:

Financial Statement Findings under GAGAS:

Finding 2020-001: Revenue Recognition

Description of the Finding: During the year under audit, the Organizations did not appropriately identify some of the unconditional contributions that transacted prior to the fiscal year-end.

2021 Status: Due to more significant issues with respect to this finding in the current year, we have raised this comment to a Material Weakness. Refer to Finding 2021-001 for further details.

Views of Responsible Officials and Planned Corrective Actions: The organization experienced turnover in some important roles on the finance team which have been prioritized and will be filled before the end of the year. One of these roles will be a senior level accountant position that will focus on revamping our policies, procedures and ensuring that those updates are adhered to. This will be a first step, but will go a long way to ensuring revenue is recognized appropriately and in a timely manner. Additionally, the organization is migrating away from antiquated software systems and to a more robust financial software solution which will support more efficient processes and more timely reporting.

Signed: ______________________

Carlos Marroquin, SPHR SHRM-SCP
Executive Vice President, Administration

Mary's Center

October 24, 2022

Corrective Action Plan for Current Year Audit Finding

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 details the corrective action plan to be taken for the finding disclosed in the December 31, 2021 year-end audit:

<u>Financial Statement Findings under GAGAS:</u>

Finding 2021-001: Revenue Recognition

Condition: During our audit fieldwork, we noted the patient receivable schedule and reconciliation was not available at the commencement of the audit fieldwork. Due to the above, a significant amount of time was spent by management during the audit process reconciling this account resulting in an adjustment that increased net assets by approximately $1,100,000. We also noted that certain patient revenue that was earned during the year ended December 31, 2021 was not properly recorded in the general ledger. Instead, revenue was recorded upon the receipt of cash from the patient, with a significant amount outstanding at year-end as the Center waited for payment from a private entity. Additionally, we noted the allowance for doubtful accounts was not properly adjusted at year-end based on the Center's analysis, resulting in an adjustment that decreased net assets by approximately $800,000.

Cause: The Center did not have the proper internal controls in place to ensure revenues were recorded in the proper accounting period.

Effect: Without adequate controls over the recording of revenue transactions, the financial statements were materially misstated, resulting in unreliable.

Views of Responsible Officials and Planned Corrective Actions: The organization experienced turnover in some important roles on the finance team which have been prioritized and will be filled before the end of the year. One of these roles will be a senior level accountant position that will focus on revamping our policies, procedures and ensuring that those updates are adhered to. This will be a first step, but will go a long way to ensuring revenue is recognized appropriately and in a timely manner. Additionally, the organization is migrating away from antiquated software systems and to a more robust financial software solution which will support more efficient processes and more timely reporting.

Name and Title of Responsible Official(s):

Carlos Marroquin, Executive Vice President, Administration

Anticipated Completion Date: May 31, 2023

Mary's Center

Finding 2021-002: Reconciliation of Asset and Liability Accounts / Delay in Audit Process

Condition: During our audit fieldwork, we noted some schedules and reconciliations were not available at the commencement of the audit fieldwork and/or had some adjustments that needed to be made. Due to the above, a significant amount of time was spent by management during the audit process reconciling accounts resulting in an audit delay. The delay resulted in additional audit work performed after the original end date of the initial field work. We believe this information could have resulted in unreliable internal financial information, and also represent a deficiency in completely adhering to the Center's internal control policies and procedures.

Cause: Due to the increased financial activities of the Center and the lack of proactiveness to increase the finance department's limited staff availability and vacancies, the Center did not consistently follow the internal control policies and procedures that they have in place to ensure timely and accurate reconciliation of some of its assets and liability accounts.

Effect: Without continuing to adhering to their usual year-end closing process, the potential for misstatements within the consolidated financial statements could be elevated. This could result in errors, delays in the audit process and additional audit expenses could occur as a result.

Views of Responsible Officials and Planned Corrective Actions: The organization experienced turnover in some important roles on the finance team which have been prioritized and will be filled before the end of the year. Additionally, the organization is migrating away from antiquated software systems and to a more robust financial software solution which will support more efficient processes and more timely reporting.
Name and Title of Responsible Official(s):

Carlos Marroquin, Executive Vice President, Administration

Anticipated Completion Date: May 31, 2023

See Finding 2021-003 below

Federal Award Findings under 2 CFR 200.516(a):

Finding 2021-003: Supporting Documentation

Condition: During our audit, we noted several instances where cash disbursements were not supported with corroborating documentation (i.e. invoices, valuation documentation, contracts, etc.). While we understand that this was a year of higher than normal volume of transactions for the Center, we also recognize the importance of management's attention to maintaining support, policies and processes during the life cycle of an organization. Absent such documentation the Center expose themselves to a risk of misappropriation, misclassification and questioned costs by funders.

Cause:.The Center did not consistently follow the internal control policies and procedures that they have in place to ensure each expenditure is supported with corroborating documentation.

Effect: Failure to maintain proper documentation for cash disbursements, there is a risk of misappropriation, misclassification and questioned costs by funders.

Views of Responsible Officials and Planned Corrective Actions: The organization's move to the new financial software solution will provide the digitalization of invoices and documentation related to vendors and important to the procurement process. Additionally, finance team leadership will move from annual to quarterly trainings for leadership to reiterate the procurement policy and process.

Name and Title of Responsible Official(s):

Carlos Marroquin, Executive Vice President, Administration

Anticipated Completion Date: May 31, 2023

Finding 2021-004: Indirect Cost Rate Calculation

Condition: During our review of the Center's indirect cost rate calculation, we noted the indirect costs were not properly calculated and reconciled with the program income statements according to each grants' approved indirect cost rate.

Cause:.The Center did not perform a true-up of indirect rate costs based on the provisional rates approved by its oversight agency.

Effect: The Center did not bill the correct indirect costs to the Federal Government, thereby potentially overcharging the Federal Government, or undercharging based on the agreements.

Views of Responsible Officials and Planned Corrective Actions: The organization received the new approved rate in the middle of the grant year for most of the grants and while some of the funders were willing to accept and pay up a retroactive adjustment, others were not. Going forward, we will create new account lines to record non-billable difference between the approved rate and what grant budget approved fringe and indirect rates for audit purposes.

Name and Title of Responsible Official(s):

Carlos Marroquin, Executive Vice President, Administration

Anticipated Completion Date: May 31, 2023

Finding 2021-005: Reporting

Mary's Center

Condition: During our audit, we noted two (2) instances where a Federal financial report was not submitted within the deadlines outlined in the grant agreement.

Cause: The Center did not have the proper internal controls in place around its grants management to ensure timely filing of its Federal financial reports as part of compliance with the Federal regulations.

Effect: Without proper management of the Center's Federal financial reporting requirements, the Center risks missing filing reports in their entirety, thus risking its Federal funding

Views of Responsible Officials and Planned Corrective Actions: Finance, Development and Programs teams have begun implementing improvements which will help to meet this goal. Staff turnover in high level grants positions, in addition to the large volume of grant awards on hand resulted in some of the grants reporting not being completed in a timely fashion. The organization has created a new role (Director of Grants Accounting) which will oversee the full life cycle grants process and will ensure reports are submitted on time.

Name and Title of Responsible Official(s):
Carlos Marroquin, Executive Vice President, Administration

Anticipated Completion Date: May 31, 2023

Signed: ______________________________

Carlos Marroquin, SPHR SHRM-SCP
Executive Vice President, Administration