



**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 30, 2021)**

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

CONTENTS

Independent Auditors' Report 1-2

Financial Statements

Consolidated Statement of Financial Position.....3
Consolidated Statement of Activities4
Consolidated Statement of Functional Expenses.....5
Consolidated Statement of Cash Flows6

Notes to Consolidated Financial Statements 7-19

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
**District of Columbia Primary Care Association
and Affiliate**

Opinion

We have audited the consolidated financial statements of the District of Columbia Primary Care Association and Affiliate (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022, and the changes in its net assets and its 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 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 Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, 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 financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects with the audited financial statements for which it was derived.

Marcum LLP

Washington, DC
September 29, 2023

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2021)

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 982,802	\$ 1,286,068
Investments	878,112	1,042,246
Accounts receivable, net of allowance for doubtful accounts of \$22,217	980,746	397,830
Grants receivable	536,207	591,922
Prepaid expenses	61,655	67,394
Total Current Assets	3,439,522	3,385,460
Fixed assets	187,298	148,696
Right-of-use asset – operating	3,450,587	--
Deposits	54,655	54,655
Total Assets	\$ 7,132,062	\$ 3,588,811
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 958,490	\$ 401,814
Accrued salaries and related benefits	119,392	125,145
Line of credit	100,000	100,000
Operating lease liability	24,612	--
Deferred rent	--	32,389
Total Current Liabilities	1,202,494	659,348
Deferred rent, net of current portion	--	240,527
Operating lease liability, net of current portion	3,843,917	--
Total Liabilities	5,046,411	899,875
Net Assets		
Without donor restrictions	1,590,000	2,011,349
With donor restrictions	495,651	677,587
Total Net Assets	2,085,651	2,688,936
Total Liabilities and Net Assets	\$ 7,132,062	\$ 3,588,811

The accompanying notes are an integral part of these consolidated financial statements.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Revenue and Support				
Contracts	\$ 3,575,144	\$ --	\$ 3,575,144	\$ 3,561,778
Government grants	3,174,616	--	3,174,616	2,646,286
Contributions	25,000	311,000	336,000	2,137,454
Membership dues	144,500	--	144,500	149,000
Investment income (loss), net	(163,655)	--	(163,655)	102,157
Other income	5,130	--	5,130	5,184
Net assets released from restrictions:				
Satisfaction of program restrictions	492,936	(492,936)	--	--
Total Revenue and Support	<u>7,253,671</u>	<u>(181,936)</u>	<u>7,071,735</u>	<u>8,601,859</u>
Expenses				
Program Services:				
Health Information Technology	2,710,517	--	2,710,517	2,467,362
Policy, Partnership and Advocacy	2,422,958	--	2,422,958	2,895,793
Quality, Improvement and Practice Transformation	1,791,847	--	1,791,847	1,791,273
Connected Care Network	150,938	--	150,938	105,013
Total Program Services	7,076,260	--	7,076,260	7,259,441
Supporting Service:				
Management and general	598,760	--	598,760	504,451
Total Expenses	<u>7,675,020</u>	<u>--</u>	<u>7,675,020</u>	<u>7,763,892</u>
Change in Net Assets	(421,349)	(181,936)	(603,285)	837,967
Net Assets, Beginning of Year	<u>2,011,349</u>	<u>677,587</u>	<u>2,688,936</u>	<u>1,850,969</u>
Net Assets, End of Year	<u>\$ 1,590,000</u>	<u>\$ 495,651</u>	<u>\$ 2,085,651</u>	<u>\$ 2,688,936</u>

The accompanying notes are an integral part of these consolidated financial statements.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022							2021 Total
	Program Services				Supporting Service			
	Health Information Technology	Policy Partnership and Advocacy	Quality Improvement and Practice Transformation	Connected Care Network	Total Program Services	Management and General	Total	
Salaries	\$ 900,672	\$ 479,927	\$ 943,379	\$ 56,402	\$ 2,380,380	\$ 308,390	\$ 2,688,770	\$ 2,566,596
Consultants and professional services	673,810	1,016,088	241,826	73,959	2,005,683	159,236	2,164,919	2,689,134
Subgrants	588,351	650,664	138,185	--	1,377,200	--	1,377,200	1,161,460
Fringe benefits	203,314	114,475	244,017	9,764	571,570	67,479	639,049	630,466
Occupancy	149,625	88,140	149,684	8,659	396,108	--	396,108	377,610
Miscellaneous	27,844	24,229	28,648	859	81,580	53,746	135,326	64,574
Technology and communications	84,416	9,340	12,160	272	106,188	--	106,188	100,306
Office expenses	40,490	31,460	27,002	810	99,762	4,873	104,635	78,029
Depreciation and amortization	34,285	--	--	--	34,285	5,036	39,321	45,655
Meeting costs	7,710	8,635	6,946	213	23,504	--	23,504	50,062
Total Expenses	\$ 2,710,517	\$ 2,422,958	\$ 1,791,847	\$ 150,938	\$ 7,076,260	\$ 598,760	\$ 7,675,020	\$ 7,763,892

The accompanying notes are an integral part of these consolidated financial statements.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (603,285)	\$ 837,967
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	39,321	45,655
Net realized and unrealized losses (gains) on investments	184,260	(66,189)
Amortization of right-of-use asset	332,850	--
Change in allowance for doubtful accounts:	--	4,635
Changes in assets and liabilities:		
Accounts receivable	(582,916)	357,145
Grants receivable	55,715	(343,799)
Prepaid expenses	5,739	(1,233)
Accounts payable and accrued expenses	556,676	(117,341)
Accrued salaries and related benefits	(5,753)	2,737
Refundable advances	--	(12,596)
Operating lease liability	(187,824)	--
Deferred rent	--	(32,389)
	<u>(205,217)</u>	<u>674,592</u>
Net Cash (Used In) Provided By Operating Activities		
Cash Flows From Investing Activities		
Purchases of investments	(251,179)	(100,898)
Purchases of fixed assets	(77,923)	--
Proceeds from sales of investments	231,053	62,437
	<u>(98,049)</u>	<u>(38,461)</u>
Net Cash Used In Investing Activities		
Net (Decrease) Increase in Cash and Cash Equivalents	(303,266)	636,131
Cash and Cash Equivalents, Beginning of Year	1,286,068	649,937
Cash and Cash Equivalents, End of Year	<u>\$ 982,802</u>	<u>\$ 1,286,068</u>
Supplemental Information		
Interest paid	<u>\$ 4,740</u>	<u>\$ 3,295</u>

The accompanying notes are an integral part of these consolidated financial statements.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Founded in 1996, the District of Columbia Primary Care Association (DCPCA) is a health action and advocacy organization improving health care and health coverage for low income, uninsured, and medically vulnerable residents in the District of Columbia (the District). DCPCA works with its members to advance policy and develop programs such as Medical Homes DC that help ensure that everyone gets the right care, at the right time, and in the right place.

Revenues and support are derived primarily from grants and contracts from governmental and private organizations.

Prior to November 2019, DCPCA was the sponsor on behalf of the Connected Care Network (CCN) program and had a fiscal sponsorship agreement with CCN for the purpose of receiving donations, grants, contributions and gifts in support of CCN. In November 2019, CCN became a separate 501(c)(3) organization that was established to develop, implement, promote and support clinical integrated services and programs that enhance and expand the capability of federally qualified health centers and to provide quality health care services to populations, including those who are underserved in the District. CCN was created to operate the CCN program under its own entity. However, in 2021, due to changes in operating realities, CCN's governance was reconfigured under DCPCA's oversight and corporate structure. A Network Oversight Committee was established under DCPCA's Board of Directors to serve as the primary advisor on CCN's operations and financial matters and DCPCA's Chief Executive Officer was designated as the single point of accountability for CCN's network operations. As a result, DCPCA treats CCN as a program of DCPCA. No financial activity was recorded by CCN during the year ended December 31, 2022.

PRINCIPLES OF CONSOLIDATION

The accounts of DCPCA and CNN (collectively, the Organization) have been consolidated in accordance with accounting principles generally accepted in the United States of America (GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. 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 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.
- Net Assets With Donor Restrictions – Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or future time periods. These donor restrictions are temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2022, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

CASH AND CASH EQUIVALENTS

The Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

INVESTMENTS

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income net, which is presented net of investment expenses paid to external investment advisors, in the accompanying consolidated statement of activities.

FAIR VALUE MEASUREMENT

In accordance with the accounting standards for fair value measurements for those assets and liabilities that are measured at fair value on a recurring basis, the Organization has categorized its applicable financial instruments into a required 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 the fair value hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT (CONTINUED)

Applicable financial assets and liabilities are categorized on the basis of the inputs to the valuation techniques as follows:

Level 1

Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2

Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3

Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are recorded at their net realizable value, which approximates fair value. 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 and donor.

FIXED ASSETS

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

RIGHT-OF-USE ASSET AND LEASE LIABILITY

DCPCA determines if an arrangement contains a lease at the inception of the agreement, based on whether DCPCA has the right to control the asset during the contract period and other facts and circumstances. Leases are included in right-of-use (ROU) assets and lease liability in the accompanying statement of financial position. The ROU asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using a risk-free rate in lieu of the incremental borrowing

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RIGHT-OF-USE ASSET AND LEASE LIABILITY (CONTINUED)

rate, and is adjusted for lease incentives. The ROU asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to lease expense for the difference. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

REVENUE RECOGNITION

The Organization receives contracts in exchange for services. Revenue from these contracts is recognized when the performance obligations are satisfied according to the terms of the contracts. Revenue recognized on contracts for which payments have not been received is included in accounts receivable in the accompanying statement of financial position. Funds received, but not yet expended, under contracts are reflected as contract liabilities in the accompanying statement of financial position.

The Organization receives grants and contributions from the U.S. government and other private entities. These awards are for various activities performed by the Organization. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered a contract with a customer depending on whether the transactions are deemed reciprocal or nonreciprocal.

Contributions and grants qualifying as conditional contributions contain a right of return from obligation provision that limits the Organization on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional.

Unconditional grants and contributions are recognized as revenue and support in the accounting period in which they are received or when the unconditional promise to give is made. Unconditional grants and contributions are considered available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as revenue and support with donor

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

restrictions in the accompanying consolidated statement of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restrictions. Grants receivable represent amounts unconditionally committed by grantors that the Organization has not received as of year-end.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at net present value when the discount is significant to the financial statements. Amortization of the discount is included in contributions in the accompanying consolidated statement of activities.

Membership dues are based on member benefits received and recognized as revenue over the period of time that performance obligations are met. Transaction price is determined based on the approved membership rates.

Other income includes credit card related incentives to the Organization and are recognized as revenue upon receipt.

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 at the date of the consolidated financial statements and the reported amounts of revenue 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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to specific functional areas of the Organization 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.

ADOPTED ACCOUNTING PRONOUNCEMENT

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTED ACCOUNTING PRONOUNCEMENT (CONTINUED)

about leasing arrangements for lessees and lessors. The standard applies a right-of-use model that requires, all leases with a lease term of more than 12 months, to recognize an asset representing its right to use the underlying asset for the lease term and liability to make lease payments to be recorded. The Organization adopted this standard during the year December 31, 2022 and elected not to restate the comparative period. The Organization also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, (iii) initial direct costs for existing leases. The adoption of ASU 2016-02 resulted in the recognition of right-of-use asset of \$1,528,367 (net of deferred rent of \$272,916), and operating lease liability of \$1,801,283 as of January 1, 2022. Results for period beginning prior to January 1, 2022 continue to be reported in accordance with the Organization’s historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Foundation’s results of operations and cash flows.

NEW ACCOUNTING PRONOUNCEMENT TO BE ADOPTED

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326). This ASU replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance applies to loans, accounts receivable, trade receivables and other financial assets measured at amortized costs, loan commitments, debt securities and beneficial interests in securitized financial assets, but the effect on the Organization is projected to be limited to accounts receivable. The guidance will be effective for the fiscal year beginning after December 15, 2022, including interim periods within that year. The Organization is evaluating the impact this ASU will have on its consolidated financial statements.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The Organization’s investments as of December 31, 2022, are summarized as follows:

Mutual funds – equity	\$ 417,851
Mutual funds – bonds	247,875
Exchange traded funds	198,244
Money market funds	<u>14,142</u>
Total Investments	<u>\$ 878,112</u>

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

The following table summarizes the Organization’s investments measured at fair value on a recurring basis as of December 31, 2022:

	<u>Fair Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Asset Class:				
Mutual funds – equity	\$ 417,851	\$ 417,851	\$ --	\$ --
Mutual funds – bonds	247,875	247,875	--	--
Exchange traded funds	198,244	198,244	--	--
Money market funds	<u>14,142</u>	<u>14,142</u>	<u>--</u>	<u>--</u>
Total Investments at Fair Value	<u>\$ 878,112</u>	<u>\$ \$878,112</u>	<u>\$ --</u>	<u>\$ --</u>

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the valuation techniques used at December 31, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- Mutual funds (equity and bonds) – Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.
- Exchanged traded funds and money funds – Valued at the closing price reported on the active market in which the individual securities are traded.

NOTE 3 – GRANTS RECEIVABLE AND CONDITIONAL CONTRIBUTIONS

Grants receivable represent unconditional grants from foundations and the government that are due within one year. Grants receivable are deemed to be fully collectible.

The Organization recognizes revenue for conditional contributions when the related barrier has been overcome (when conditions have been met). Funds received in advance of the conditions being met are recorded as refundable advances. For contributions and grants, the Organization had approximately \$1,758,000 in unrecognized conditional awards as of December 31, 2022.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following at December 31, 2022:

Furniture and equipment	\$ 489,019
Software	42,225
Leasehold improvements	<u>30,237</u>
Total fixed assets	561,481
Less: accumulated depreciation and amortization	<u>(374,183)</u>
Net Fixed Assets	<u>\$ 187,298</u>

Depreciation and amortization expense for the year ended December 31, 2022 totaled \$39,321.

NOTE 5 – RIGHT-OF-USE ASSET AND LEASE LIABILITY

As discussed in Note 1, on January 1, 2022, the Organization adopted ASC 842. The ROU asset represents the Organization's right to use the underlying asset for the lease term, and the lease liability represents the obligation to make lease payments arising from the lease. The ROU asset and lease liability, which arises from the Organization's operating lease for its office space, was calculated based on the present value of the future lease payments over the lease term. As the office lease agreement did not provide an implicit rate, based on the information available at the commencement date, the Organization elected to use a risk-free rate. The discount rate utilized to present value the future lease payments was 2.6%.

The Organization entered into a ten year and eleven-month lease for office space, which was set to terminate on July 31, 2026. Under the terms of the lease, the first 11 months of rent was abated and rental payments escalated 2.5% annually, except for the sixth year, when the base rent increased \$2 per square foot. On August 17, 2022, the Organization amended the lease to extend the term through July 31, 2033. This amendment included an additional period of abated rent payments, and increases at 2.5% annually. As a result of the lease amendment noted above, during 2022, the Organization remeasured the liability and right-of-use asset related to the office space lease. As a result, the Organization recognized a net increase of \$2,235,329 to its recorded lease liability and right of use asset during the year ended December 31, 2022.

Weighted average lease term and discount rate as of December 31, 2022 were as follows:

Weighted average remaining lease term	10.6 years
Weighted average discount rate	2.6%

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 – RIGHT-OF-USE ASSET AND LEASE LIABILITY (CONTINUED)

The maturity of the operating lease liability as of December 31, 2022 was as follows:

For the Year Ending December 31,	
2023	\$ 127,322
2024	385,941
2025	395,574
2026	419,489
2027	449,633
Thereafter	<u>2,723,433</u>
Total	4,501,392
Less: Present Value Discount	(632,863)
Less: Current Portion	<u>(24,612)</u>
Lease Liability, Net of Current Portion	<u>\$ 3,843,917</u>

Rent expense for the year ended December 31, 2022, which is included in occupancy expense in the accompanying consolidated statement of functional expenses, totaled \$365,027.

NOTE 6 – LINE OF CREDIT

The Organization has a \$1,000,000 revolving bank line of credit with a local financial institution that terminates on February 28, 2024. Amounts borrowed under this agreement bear interest at 7.50%. The line is secured by cash and investments held in accounts at the same financial institution. As of December 31, 2022, the outstanding balance was \$100,000.

NOTE 7 – COMMITMENTS, CONTINGENCIES AND RISKS

COMPLIANCE AUDIT

The Organization receives 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. 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.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7 – COMMITMENTS, CONTINGENCIES AND RISKS

COMPLIANCE AUDIT

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.

CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at times during the year in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. Bank deposit accounts are insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

INVESTMENT RISK AND UNCERTAINTIES

The Organization invests 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.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2022:

Diversity and equity initiatives	\$ 379,100
Community economic development planning	114,251
Policy, partnerships and advocacy	<u>2,300</u>
Total Net Assets With Donor Restrictions	<u>\$ 495,651</u>

NOTE 9 – RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a 403(b) retirement plan, which allows for employer matching contributions and employer discretionary contributions. Contributions to the Plan during the year ended December 31, 2022 totaled \$182,557.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 10 – KEY PROGRAM DESCRIPTIONS

The following summarizes the key program services provided by the Organization:

HEALTH INFORMATION TECHNOLOGY

Represents the programs designed to develop and implement electronic medical records at community health care centers and enable the electronic exchange of clinical data by establishing a regional health information exchange to connect health centers and hospitals into a health information systems network. Includes data management initiatives aimed at aggregating clinical data to produce utilization and quality metrics to facilitate health center performance and population health outcomes improvement.

POLICY, PARTNERSHIP & ADVOCACY

Initiatives identify and act on opportunities to support health center sustainability, as well as address the social determinants of health mainly through the DC PACT (Positive Accountable Community Transformation) coalition, whose vision is to align clinical and community services so as to create a seamless community of care that improves health and increases health equity in the District of Columbia. The Organization's Policy and Advocacy initiatives have also brought together various member FQHCs (Federally Qualified Health Centers) and FQHC-look-alikes leadership and policy making teams on the same platform to guarantee more unified and coordinated legislative, administrative, and budgetary priorities outcomes and amplifications, to ensure continued access to high quality, comprehensive, culturally informed and integrated primary health care, focused on value for both DC Residents, health centers and District of Columbia health care policy administrators.

QUALITY IMPROVEMENT & PRACTICE TRANSFORMATION

Programs focus on the provision of technical assistance and training to health centers to support improvements in access, operational excellence, and health outcomes. Through partnerships with experienced content experts, the Organization develops and facilitates training sessions, conferences, on-site technical assistance, and peer groups to accelerate the use of innovative and evidence-based best practices. The Organization assists health centers leverage data and health information technology to improve care processes and outcomes, and prepare providers for alternative delivery and payment systems.

CONNECTED CARE NETWORK

Represents amounts restricted under the programs sponsored by the Connected Care Network.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 11 – AVAILABILITY AND LIQUIDITY

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following at December 31, 2022:

Financial Assets:	
Cash and cash equivalents	\$ 982,802
Investments	878,112
Accounts receivable	980,746
Grants receivable	<u>536,207</u>
Total Financial Assets	3,377,867
Less: Amounts not available for use with one year:	
Financial assets restricted by the donor	<u>(495,651)</u>
Financial Assets Available for Expenditure	<u>\$ 2,882,216</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. The Organization invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Organization also could draw upon the remaining \$900,000 available in the line of credit (See Note 6).

NOTE 12 – INCOME TAX STATUS

DCPCA and CCN are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are only subject to tax on unrelated business income. DCPCA and CCN are not private foundations. For the year ended December 31, 2022, there was no unrelated business income and, consequently, no provision for income taxes has been made.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. The Organization evaluated its uncertainty in income taxes for the year ended December 31, 2022, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. U.S. federal jurisdictions and/or the various states and local jurisdictions in which the Organization files tax returns are open for examination; however, there are currently no examinations pending or in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2022, the Organization had no accruals for interest and/or penalties.

**DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND
AFFILIATE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 13 – PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

NOTE 14 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2023, the date the consolidated financial statements were issued. There were no subsequent events identified through September 29, 2023, required to be recognized or disclosed in these consolidated financial statements.