



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2017

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

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FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
District of Columbia Primary Care Association
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia Primary Care Association (DCPCA), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DCPCA as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(20 - 21), 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of DCPCA's 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DCPCA's internal control over financial reporting and compliance.



September 21, 2018

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 502,315	\$ 115,382
Investments	778,251	897,256
Accounts receivable, net of allowance for doubtful accounts of \$18,456 and \$38,456 in 2017 and 2016, respectively	305,650	296,966
Grants receivable	778,622	926,329
Prepaid expenses	<u>34,837</u>	<u>44,214</u>
Total current assets	<u>2,399,675</u>	<u>2,280,147</u>
FIXED ASSETS		
Fixed assets, net of accumulated depreciation and amortization of \$188,421 and \$143,802 for 2017 and 2016, respectively	<u>69,545</u>	<u>83,615</u>
OTHER ASSETS		
Deposits	<u>54,655</u>	<u>54,655</u>
TOTAL ASSETS	<u>\$ 2,523,875</u>	<u>\$ 2,418,417</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 711,116	\$ 95,167
Accrued salaries and related benefits	93,299	91,336
Deferred revenue	<u>26,076</u>	<u>-</u>
Total current liabilities	<u>830,491</u>	<u>186,503</u>
LONG-TERM LIABILITIES		
Deferred rent	<u>332,842</u>	<u>324,136</u>
Total liabilities	<u>1,163,333</u>	<u>510,639</u>
NET ASSETS		
Unrestricted	1,133,839	1,104,152
Temporarily restricted	<u>226,703</u>	<u>803,626</u>
Total net assets	<u>1,360,542</u>	<u>1,907,778</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,523,875</u>	<u>\$ 2,418,417</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Government grants and contracts	\$ 907,160	\$ -	\$ 907,160
Other grants and contracts	3,753,976	21,200	3,775,176
Contributions	217,104	-	217,104
Investment income	104,950	-	104,950
In-kind contributions	10,540	-	10,540
Membership	301,500	-	301,500
Rental income	-	-	-
Other revenue	116,118	-	116,118
Net assets released from donor restrictions	<u>598,123</u>	<u>(598,123)</u>	<u>-</u>
Total revenue	<u>6,009,471</u>	<u>(576,923)</u>	<u>5,432,548</u>
EXPENSES			
Program Services:			
Health Information Technology	3,181,822	-	3,181,822
Quality Improvement and Operations	1,207,909	-	1,207,909
Policy and External Affairs	265,969	-	265,969
AmeriCorps	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>4,655,700</u>	<u>-</u>	<u>4,655,700</u>
Supporting Services:			
Management and General	<u>1,324,084</u>	<u>-</u>	<u>1,324,084</u>
Total expenses	<u>5,979,784</u>	<u>-</u>	<u>5,979,784</u>
Changes in net assets	29,687	(576,923)	(547,236)
Net assets at beginning of year	<u>1,104,152</u>	<u>803,626</u>	<u>1,907,778</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,133,839</u>	<u>\$ 226,703</u>	<u>\$ 1,360,542</u>

2016		
Unrestricted	Temporarily Restricted	Total
\$ 1,422,968	\$ -	\$ 1,422,968
1,394,175	41,147	1,435,322
194,868	103,986	298,854
63,270	-	63,270
350	-	350
137,500	-	137,500
37,250	-	37,250
16,936	-	16,936
<u>900,109</u>	<u>(900,109)</u>	<u>-</u>
<u>4,167,426</u>	<u>(754,976)</u>	<u>3,412,450</u>
1,999,821	-	1,999,821
984,701	-	984,701
434,846	-	434,846
<u>80,777</u>	<u>-</u>	<u>80,777</u>
<u>3,500,145</u>	<u>-</u>	<u>3,500,145</u>
<u>904,164</u>	<u>-</u>	<u>904,164</u>
<u>4,404,309</u>	<u>-</u>	<u>4,404,309</u>
(236,883)	(754,976)	(991,859)
<u>1,341,035</u>	<u>1,558,602</u>	<u>2,899,637</u>
<u>\$ 1,104,152</u>	<u>\$ 803,626</u>	<u>\$ 1,907,778</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Total Program Services	Supporting Services	Total Expenses
	Health Information Technology	Quality Improvement and Operations	Policy and External Affairs		Management and General	
Salaries	\$ 641,354	\$ 577,028	\$ 142,183	\$ 1,360,565	\$ 243,108	\$ 1,603,673
Fringe benefits	150,829	135,700	33,437	319,966	57,172	377,138
Sub-grantees	1,044,996	72,000	-	1,116,996	-	1,116,996
Consultants	594,434	214,352	35,032	843,818	380,448	1,224,266
Occupancy	142,837	126,814	31,666	301,317	54,496	355,813
Communications	47,133	19,730	4,424	71,287	7,564	78,851
Supplies	4,331	3,998	508	8,837	4,280	13,117
Postage/Delivery	395	425	100	920	762	1,682
Printing/Copying	9,781	8,203	2,912	20,896	3,477	24,373
Equipment	13,915	-	-	13,915	1,488	15,403
Staff training	5,405	5,193	6,205	16,803	1,520	18,323
Travel	18,810	18,042	3,191	40,043	12,642	52,685
Professional services	449,526	-	-	449,526	381,184	830,710
Meeting costs	6,109	18,010	3,218	27,337	11,664	39,001
Business insurance	-	-	-	-	10,387	10,387
Miscellaneous	-	81	-	81	4,044	4,125
Bad debt expenses	21,341	-	-	21,341	126,500	147,841
Bank charges	-	-	-	-	13,615	13,615
Depreciation and amortization	29,261	8,333	-	37,594	7,025	44,619
Dues, publications, and subscriptions	1,365	-	3,093	4,458	2,708	7,166
TOTAL	\$ 3,181,822	\$ 1,207,909	\$ 265,969	\$ 4,655,700	\$ 1,324,084	\$ 5,979,784

See accompanying notes to financial statements.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services				Total Program Services	Supporting Services	Total Expenses
	Health Information Technology	Quality Improvement and Operations	Policy and External Affairs	AmeriCorps		Management and General	
Salaries	\$ 638,549	\$ 492,251	\$ 204,727	\$ 62,926	\$ 1,398,453	\$ 273,969	\$ 1,672,422
Fringe benefits	142,801	110,007	45,963	10,014	308,785	48,344	357,129
Sub-grantees	-	52,000	-	-	52,000	-	52,000
Consultants	732,183	94,467	92,115	-	918,765	92,113	1,010,878
Occupancy	152,756	119,547	49,167	5,609	327,079	98,456	425,535
Communications	17,775	5,896	2,463	281	26,415	24,345	50,760
Supplies	3,372	7,337	1,062	184	11,955	3,122	15,077
Postage/Delivery	604	254	105	14	977	149	1,126
Printing/Copying	7,863	5,967	4,858	313	19,001	3,462	22,463
Equipment	21,410	2,387	214	34	24,045	309	24,354
Staff training	13,325	8,907	87	-	22,319	359	22,678
Travel	17,777	40,176	3,802	1,050	62,805	717	63,522
Professional services	219,967	5,508	25,168	18	250,661	231,508	482,169
Meeting costs	5,488	31,540	2,006	334	39,368	23,038	62,406
Business insurance	-	-	-	-	-	18,762	18,762
Miscellaneous	-	-	217	-	217	12,985	13,202
Bad debt expenses	-	-	-	-	-	38,456	38,456
Bank charges	-	6	-	-	6	15,230	15,236
Depreciation and amortization	25,951	8,333	-	-	34,284	16,642	50,926
Interest expense	-	-	-	-	-	932	932
Dues, publications, and subscriptions	-	118	2,892	-	3,010	1,266	4,276
TOTAL	\$ 1,999,821	\$ 984,701	\$ 434,846	\$ 80,777	\$ 3,500,145	\$ 904,164	\$ 4,404,309

See accompanying notes to financial statements.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (547,236)	\$ (991,859)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	44,619	50,926
Unrealized gain	(77,357)	(39,107)
Realized loss	12,727	13,820
Change in discount on long-term grants and pledges receivable	-	19,947
Change in allowance for doubtful accounts	(20,000)	38,456
Decrease (increase) in:		
Accounts receivable	11,316	28,841
Grants receivable	147,707	999,667
Prepaid expenses	9,377	60,500
Deposits	-	28,200
Increase (decrease) in:		
Accounts payable and accrued liabilities	615,949	(777,815)
Accrued salaries and related benefits	1,963	16,527
Deferred revenue	26,076	-
Deferred rent	<u>8,706</u>	<u>192,891</u>
Net cash provided (used) by operating activities	<u>233,847</u>	<u>(359,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(30,549)	(42,711)
Purchase of investments	(26,886)	(38,963)
Proceeds from sale of investments	<u>210,521</u>	<u>212,569</u>
Net cash provided by investing activities	<u>153,086</u>	<u>130,895</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	<u>-</u>	<u>(200,310)</u>
Net cash used by financing activities	<u>-</u>	<u>(200,310)</u>
Net increase (decrease) in cash and cash equivalents	386,933	(428,421)
Cash and cash equivalents at beginning of year	<u>115,382</u>	<u>543,803</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 502,315</u>	<u>\$ 115,382</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ -</u>	<u>\$ 932</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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 from governmental and private organizations.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

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

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

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains are included in investment income in the Statements of Activities and Changes in Net Assets.

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.

Grants receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Income taxes -

DCPCA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. DCPCA is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2017 and 2016, DCPCA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of DCPCA and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of DCPCA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and non federal grants -

Unrestricted and temporarily restricted contributions and non federal grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

Grants and contracts -

DCPCA receives funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements are recorded as grants receivable.

Membership -

DCPCA recognizes member dues on a pro-rata basis over the annual membership period.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

In-kind contributions -

In-kind contributions, which are included in contributions revenue in the accompanying Statements of Activities and Changes in Net Assets, consist of professional legal services and totaled \$10,540 and \$350 for the years ended December 31, 2017 and 2016, respectively. In-kind contributions are recorded at their fair market value as of the date of the gift. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of estimates -

The preparation of the 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 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 Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

DCPCA 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 financial statements.

Fair value measurement -

DCPCA 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. DCPCA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
	<u>Fair Value</u>	<u>Fair Value</u>
Exchanged traded funds	\$ 39,287	\$ 51,011
Mutual funds - Equity	509,131	555,845
Mutual funds - Bonds	<u>229,833</u>	<u>290,400</u>
TOTAL INVESTMENTS	<u>\$ 778,251</u>	<u>\$ 897,256</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

2. INVESTMENTS (Continued)

Included in investment income are the following at December 31, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 40,320	\$ 37,983
Unrealized gain	77,357	39,107
Realized loss	(12,727)	(13,820)
TOTAL INVESTMENT INCOME	\$ 104,950	\$ 63,270

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Leasehold improvements	\$ 30,237	\$ 30,237
Furniture and equipment	195,254	164,705
Software	32,475	32,475
Total fixed assets	257,966	227,417
Less: Accumulated depreciation and amortization	(188,421)	(143,802)
NET FIXED ASSETS	\$ 69,545	\$ 83,615

4. LINE OF CREDIT

DCPCA has a \$1,000,000 revolving bank line of credit with a local financial institution. Amounts borrowed under this agreement bear interest at 3.5%.

The line is secured by cash and investments held in accounts at the same financial institution. As of December 31, 2017 and 2016, respectively, there was no outstanding balance. The line of credit was extended through November 15, 2018.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Quality Improvement and Operations/Policy and External Affairs	\$ 28,986	\$ 68,986
Quality Improvement and Operations/Health Information Technology	190,417	727,340
Policy and External Affairs	7,300	7,300
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 226,703	\$ 803,626

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

5. TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

	2017	2016
Quality Improvement and Operations/Policy and External Affairs	\$ 40,000	\$ 20,000
Quality Improvement and Operations/Health Information Technology	558,123	692,310
Quality Improvement and Operations Policy and External Affairs	-	27,799
	-	160,000
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 598,123	\$ 900,109

6. LEASE COMMITMENTS

In January 2000, DCPCA entered into a 4-year lease for office space. This lease was later amended and extended in 2004 and 2006. The 2006 amendment extended the term of the lease through March 31, 2016. Base rent was \$294,500 per year, increasing by a factor of 3% annually.

In May 2015, DCPCA entered into a 10-year lease for office space, which commenced on September 1, 2015, with the first 11 months of rent abated. Rent expense is due to escalate 2.5% annually, except for the sixth year, when the base rent increases \$2 per square foot.

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 Statements of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2018	\$ 347,405
2019	356,090
2020	366,944
2021	380,022
2022	389,523
Thereafter	1,476,713
	\$ 3,316,697

Rent expense for the years ended December 31, 2017 and 2016, which is included in occupancy expense in the accompanying Statements of Functional Expenses, was \$355,813 and \$425,535, respectively. The deferred rent liability was \$332,842 and \$324,136 as of December 31, 2017 and 2016, respectively.

DCPCA subleased a portion of its old office space under a lease that expired in March 2016. Rental income for the year ended December 31, 2016 was \$37,250. There was no rental income for the year ended December 31, 2017.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

7. RETIREMENT PLAN

DCPCA 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 years ended December 31, 2017 and 2016 totaled \$95,998 and \$89,225 respectively.

8. CONTINGENCY

DCPCA receives grants from various agencies of the United States Government. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (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.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. 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.

9. RELATED PARTY

DCPCA is the recipient of grants totaling \$68,755,000 from the District's government to fund capital building projects at non-profit clinics in the District as a part of the Medical Homes DC Project. All of the potential and actual grantees are members of DCPCA and some hold seats on DCPCA's Board of Directors. To ensure integrity of the selection process and eliminate conflicts of interest, DCPCA created a three-step process for selection and approval of grant awards. First, an independent Priority Setting Panel was convened to identify the selection priorities outlined in the Request for Applications. Next, an independent Selection Committee decided which projects to fund from the applications submitted, using the criteria established by the Priority Setting Panel. And finally, the full slate of actual grantees was presented to the Board of Directors for approval as a whole. The final capital projects were completed during the year ended December 31, 2016. DCPCA granted awards totaling \$52,000 for the year ended December 31, 2016. No awards were granted during 2017 due to completion of the projects.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, DCPCA has categorized its 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 Statements 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 DCPCA has the ability to access.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

10. FAIR VALUE MEASUREMENT (Continued)

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 at December 31, 2017 and 2016.

- *Exchanged traded funds* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by DCPCA are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by DCPCA are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, DCPCA's investments as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Exchanged traded funds	\$ 39,287	\$ -	\$ -	\$ 39,287
Mutual funds - Equity	509,131	-	-	509,131
Mutual funds - Bonds	<u>229,833</u>	<u>-</u>	<u>-</u>	<u>229,833</u>
TOTAL	<u>\$ 778,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 778,251</u>

The table below summarizes, by level within the fair value hierarchy, DCPCA's investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Exchanged traded funds	\$ 51,011	\$ -	\$ -	\$ 51,011
Mutual funds - Equity	555,845	-	-	555,845
Mutual funds - Bonds	<u>290,400</u>	<u>-</u>	<u>-</u>	<u>290,400</u>
TOTAL	<u>\$ 897,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 897,256</u>

There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2017 and 2016. Transfers between levels are recorded at the end of the reporting period, if applicable.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

11. NEW ACCOUNTING PRONOUNCEMENTS (NOT YET ADOPTED)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of DCPCA's financial statements, it is not expected to alter DCPCA's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. DCPCA has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

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

DCPCA plans to adopt the new ASUs at the respective required implementation dates.

12. KEY PROGRAM DESCRIPTIONS

The following summarizes the key program services provided by DCPCA:

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.

Quality Improvement and Operations: Represents programs committed to improving access to high quality primary care in the District's underserved neighborhoods. These programs offer funding for capital projects and technical assistance, including support for federally qualified health centers and special programs to improve primary care for those in greatest need. Included are initiatives aimed at empowering community health centers to transform their culture by embedding Quality Improvement principles and practices into the fabric of clinic operations and patient care.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

12. KEY PROGRAM DESCRIPTIONS (Continued)

Policy and External Affairs: Identifies legislative, administrative, and budgetary opportunities to support health center sustainability and continued access to comprehensive, integrated primary care - all of which help our residents get and stay strong mentally and physically.

Specific programs are:

- Value Pay Reform - Works to position community health centers for success in a value-focused health system by: developing and implementing a health center alignment strategy; promoting flexible, integrated, team-based care with primary care at the core; and, recognizing the community health center as the “quarterback” of care delivery, resource allocation, and accountability.
- D.C. Health Benefits Exchange Authority Navigator - Provides services to residents who seek help with enrollment in health insurance offered through the historic expansion of health insurance coverage under the Affordable Care Act.

13. SUBSEQUENT EVENTS

In preparing these financial statements, DCPCA has evaluated events and transactions for potential recognition or disclosure through September 21, 2018, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services:					
Health Resources and Services Administration Bureau of Primary Health Care Technical and Non-Financial Assistance to Health Centers	93.129	N/A	N/A	\$ -	\$ 494,625
DC Screen for Life: Colorectal Cancer	93.800	DC Department of Health	CHA2016-000082- 001	63,000	105,389
DC Screen for Life: Colorectal Cancer	93.800	DC Department of Health	CHA2017-000082- 002	-	62,958
Total Department of Health and Human Services CFDA 93.800				<u>63,000</u>	<u>168,347</u>
Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	DC Department of Health	NU90TP921888-01- 00	-	12,597
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	DC Department of Health	CHA2017-000012- 002	9,000	231,591
Total Department of Health and Human Services				<u>72,000</u>	<u>907,160</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 72,000</u></u>	<u><u>\$ 907,160</u></u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the Federal award activity of DCPCA under programs of the Federal government for the year ended December 31, 2017. The information in the 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)*. Because the Schedule presents only a selected portion of the operations of DCPCA, it is not intended to and does not present the financial position, changes in net assets or cash flows of DCPCA.

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. DCPCA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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 federal 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 programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>	<u>Expenditure</u>
U.S. Department of Health and Human Services - Health Resources and Services Administration Bureau of Primary Health Care Technical and Non-Financial Assistance to Health Centers	93.129	\$ 494,625

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

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section II - Financial Statement Findings

There were no reportable findings.

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

There were no reportable findings.



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

Independent Auditor's Report

To the Board of Directors
District of Columbia Primary Care Association
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 financial statements of the District of Columbia Primary Care Association (DCPCA) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise DCPCA's basic financial statements, and have issued our report thereon dated September 21, 2018.

Internal Control Over Financial Reporting

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

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

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

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

September 21, 2018

GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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

Independent Auditor's Report

To the Board of Directors
District of Columbia Primary Care Association
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited the District of Columbia Primary Care Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DCPCA's major federal programs for the year ended December 31, 2017. DCPCA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, DCPCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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Report on Internal Control Over Compliance

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

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

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

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



September 21, 2018