



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2018

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

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FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2018 and 2017, 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, 2018 and 2017, 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-(21 - 22), 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 June 27, 2019 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.



June 27, 2019

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 699,520	\$ 502,315
Investments	742,549	778,251
Accounts receivable, net of allowance for doubtful accounts of \$26,500 in 2018 and \$18,456 in 2017	435,307	305,650
Grants receivable	228,031	778,622
Prepaid expenses	<u>105,544</u>	<u>34,837</u>
Total current assets	<u>2,210,951</u>	<u>2,399,675</u>
FIXED ASSETS		
Fixed assets, net of accumulated depreciation and amortization of \$232,937 and \$188,421 for 2018 and 2017, respectively	<u>81,147</u>	<u>69,545</u>
OTHER ASSETS		
Deposits	<u>54,655</u>	<u>54,655</u>
TOTAL ASSETS	<u>\$ 2,346,753</u>	<u>\$ 2,523,875</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 307,477	\$ 711,116
Accrued salaries and related benefits	129,946	93,299
Deferred revenue	-	26,076
Deferred rent, current portion	<u>8,456</u>	<u>-</u>
Total current liabilities	<u>445,879</u>	<u>830,491</u>
LONG-TERM LIABILITIES		
Deferred rent	<u>327,486</u>	<u>332,842</u>
Total liabilities	<u>773,365</u>	<u>1,163,333</u>
NET ASSETS		
Without donor restrictions	1,041,088	1,133,839
With donor restrictions	<u>532,300</u>	<u>226,703</u>
Total net assets	<u>1,573,388</u>	<u>1,360,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,346,753</u>	<u>\$ 2,523,875</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	Without Donor Restriction	With Donor Restriction	Total
REVENUE			
Government grants and contracts	\$ 1,143,250	\$ -	\$ 1,143,250
Other grants and contracts	3,498,580	525,000	4,023,580
Contributions	71,014	-	71,014
Investment (loss) income, net	(49,488)	-	(49,488)
In-kind contributions	141,795	-	141,795
Membership	144,500	-	144,500
Other revenue	22,304	-	22,304
Net assets released from donor restrictions	<u>219,403</u>	<u>(219,403)</u>	<u>-</u>
Total revenue	<u>5,191,358</u>	<u>305,597</u>	<u>5,496,955</u>
EXPENSES			
Program Services:			
Health Information Technology	2,669,970	-	2,669,970
Quality Improvement and Operations	1,504,667	-	1,504,667
Policy and External Affairs	<u>223,837</u>	<u>-</u>	<u>223,837</u>
Total program services	<u>4,398,474</u>	<u>-</u>	<u>4,398,474</u>
Supporting Services:			
Management and General	<u>885,635</u>	<u>-</u>	<u>885,635</u>
Total expenses	<u>5,284,109</u>	<u>-</u>	<u>5,284,109</u>
Changes in net assets	(92,751)	305,597	212,846
Net assets at beginning of year	<u>1,133,839</u>	<u>226,703</u>	<u>1,360,542</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,041,088</u>	<u>\$ 532,300</u>	<u>\$ 1,573,388</u>

2017		
Without Donor Restriction	With Donor Restriction	Total
\$ 907,160	\$ -	\$ 907,160
3,753,976	21,200	3,775,176
217,104	-	217,104
94,429	-	94,429
10,540	-	10,540
301,500	-	301,500
116,118	-	116,118
<u>598,123</u>	<u>(598,123)</u>	<u>-</u>
<u>5,998,950</u>	<u>(576,923)</u>	<u>5,422,027</u>
3,181,822	-	3,181,822
1,207,909	-	1,207,909
<u>265,969</u>	<u>-</u>	<u>265,969</u>
<u>4,655,700</u>	<u>-</u>	<u>4,655,700</u>
<u>1,313,563</u>	<u>-</u>	<u>1,313,563</u>
<u>5,969,263</u>	<u>-</u>	<u>5,969,263</u>
29,687	(576,923)	(547,236)
<u>1,104,152</u>	<u>803,626</u>	<u>1,907,778</u>
<u>\$ 1,133,839</u>	<u>\$ 226,703</u>	<u>\$ 1,360,542</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Total Program Services	Supporting Services	Total Expenses
	Health Information Technology	Quality Improvement and Operations	Policy and External Affairs		Management and General	
Salaries	\$ 673,217	\$ 801,190	\$ 133,138	\$ 1,607,545	\$ 322,263	\$ 1,929,808
Fringe benefits	157,343	185,978	31,297	374,618	76,245	450,863
Sub-grantees	996,956	71,500	-	1,068,456	-	1,068,456
Consultants	106,943	93,882	23,307	224,132	2,850	226,982
Occupancy	125,170	147,631	24,814	297,615	64,871	362,486
Communications	23,911	19,345	3,802	47,058	7,351	54,409
Supplies	1,271	1,636	109	3,016	17,051	20,067
Postage/Delivery	31	25	4	60	1,573	1,633
Printing/Copying	6,624	9,492	1,318	17,434	17,507	34,941
Equipment	3,167	1,009	-	4,176	-	4,176
Staff training	26,911	8,823	2,456	38,190	1,112	39,302
Travel	21,418	14,958	940	37,316	4,048	41,364
Professional services	484,963	141,795	-	626,758	311,152	937,910
Meeting costs	6,624	3,425	1,347	11,396	14,543	25,939
Business insurance	-	-	-	-	10,220	10,220
Miscellaneous	-	440	22	462	2,920	3,382
Bad debt expense	-	-	-	-	17,044	17,044
Bank charges	-	16	-	16	3,129	3,145
Depreciation and amortization	35,362	3,472	-	38,834	5,682	44,516
Interest expense	-	-	-	-	13	13
Dues, publications, and subscriptions	59	50	1,283	1,392	6,061	7,453
TOTAL	\$ 2,669,970	\$ 1,504,667	\$ 223,837	\$ 4,398,474	\$ 885,635	\$ 5,284,109

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 expense	21,341	-	-	21,341	126,500	147,841
Bank charges	-	-	-	-	3,094	3,094
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	\$ 1,313,563	\$ 5,969,263

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 212,846	\$ (547,236)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	44,516	44,619
Unrealized loss (gain)	82,742	(77,357)
Realized loss	3,801	12,727
Change in allowance for doubtful accounts	8,044	(20,000)
(Increase) decrease in:		
Accounts receivable	(137,701)	11,316
Grants receivable	550,591	147,707
Prepaid expenses	(70,707)	9,377
(Decrease) increase in:		
Accounts payable and accrued liabilities	(403,639)	615,949
Accrued salaries and related benefits	36,647	1,963
Deferred revenue	(26,076)	26,076
Deferred rent	<u>3,100</u>	<u>8,706</u>
Net cash provided by operating activities	<u>304,164</u>	<u>233,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(56,118)	(30,549)
Purchase of investments	(145,633)	(26,886)
Proceeds from sale of investments	<u>94,792</u>	<u>210,521</u>
Net cash (used) provided by investing activities	<u>(106,959)</u>	<u>153,086</u>
Net increase in cash and cash equivalents	197,205	386,933
Cash and cash equivalents at beginning of year	<u>502,315</u>	<u>115,382</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 699,520</u>	<u>\$ 502,315</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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 and losses, net of investment expenses are included in investment (loss) income, net 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.

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. Depreciation and amortization expense for the years ended December 31, 2018 and 2017 totaled \$44,516 and \$44,619, respectively.

Impairment of long-lived assets -

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

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

Impairment of long-lived assets (continued) -

When considered impaired, the carrying amount of the assets is reduced, by a charge to Statements of Activities and Changes in Net Assets, to its current fair value.

Income taxes -

DCPCA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. DCPCA is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2018 and 2017, 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 -

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

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". 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** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contributions and non federal grants -

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

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

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 income without donor restrictions 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. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Membership -

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

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 \$141,795 and \$10,540 for the years ended December 31, 2018 and 2017, 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. Expenses directly attributed to a specific functional area of DCPCA are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

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.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

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.

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.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$1,133,839 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$226,703 are now classified as net assets with donor restrictions.

2. INVESTMENTS

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

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds	\$ 34,245	\$ -	\$ -	\$ 34,245
Mutual funds - Equity	469,563	-	-	469,563
Mutual funds - Bonds	<u>238,741</u>	<u>-</u>	<u>-</u>	<u>238,741</u>
TOTAL	<u>\$ 742,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,549</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

2. INVESTMENTS (Continued)

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

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange 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>

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, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *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.

Included in investment (loss) income, net are the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 46,706	\$ 40,320
Unrealized (loss) gain	(82,742)	77,357
Realized loss	(3,801)	(12,727)
Investment management fees	<u>(9,651)</u>	<u>(10,521)</u>
TOTAL INVESTMENT (LOSS) INCOME, NET	<u>\$ (49,488)</u>	<u>\$ 94,429</u>

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 241,622	\$ 195,254
Software	42,225	32,475
Leasehold improvements	<u>30,237</u>	<u>30,237</u>
Total fixed assets	314,084	257,966
Less: Accumulated depreciation and amortization	<u>(232,937)</u>	<u>(188,421)</u>
NET FIXED ASSETS	<u>\$ 81,147</u>	<u>\$ 69,545</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, respectively, there was no outstanding balance. The line of credit was extended through November 15, 2019.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Quality Improvement and Operations/Policy and External Affairs	\$ -	\$ 28,986
Quality Improvement and Operations/Health Information Technology	-	190,417
DC Connected Care Network	500,000	-
Policy and External Affairs	<u>32,300</u>	<u>7,300</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 532,300</u>	<u>\$ 226,703</u>

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:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Quality Improvement and Operations/Policy and External Affairs	\$ 28,986	\$ 40,000
Quality Improvement and Operations/Health Information Technology	<u>190,417</u>	<u>558,123</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 219,403</u>	<u>\$ 598,123</u>

6. LIQUIDITY

Financial assets available for use within one year of the Statements of Financial Position, comprise the following at December 31, 2018:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 699,520	\$ 502,315
Investments	742,549	778,251
Accounts receivable	435,307	305,650
Grants receivable	<u>228,031</u>	<u>778,622</u>
Total financial assets	2,105,407	2,364,838
Less amounts not available for use within one year:		
Financial assets restricted by the donor	<u>(532,300)</u>	<u>(226,703)</u>
FINANCIAL ASSETS AVAILABLE FOR EXPENDITURE	<u>\$ 1,573,107</u>	<u>\$ 2,138,135</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

6. LIQUIDITY (Continued)

DCPCA has a policy to structure its financial assets to be available and liquid as its obligations become due. DCPCA invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, DCPCA also could draw upon a \$1,000,000 available line of credit (as further discussed in Note 4). As of December 31, 2018 and 2017, DCPCA has financial assets equal to approximately four months of average annual expenses.

7. LEASE COMMITMENTS

In May 2015, DCPCA entered into a ten 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:

Year Ending December 31,

2019	\$ 356,090
2020	366,944
2021	380,022
2022	389,523
2023	400,086
Thereafter	<u>1,077,452</u>
	<u>\$ 2,970,117</u>

Rent expense for the years ended December 31, 2018 and 2017, which is included in occupancy expense in the accompanying Statements of Functional Expenses, was \$362,486 and \$355,813, respectively. The deferred rent liability was \$335,942 and \$332,842 as of December 31, 2018 and 2017, respectively.

8. FISCAL SPONSORSHIP AGREEMENT

On November 30, 2018, DCPCA entered into a fiscal sponsorship agreement with the DC Connected Care Network (Sponsored Organization). DCPCA is the sponsor on behalf of the Sponsored Organization for the purpose of receiving donations, grants, contributions and gifts in support of the Sponsored Project. The Sponsored Organization's purpose is to develop, implement, promote and support clinical integrated services and programs that enhance and expand the capability of federally qualified health centers to provide quality health care services to populations, including those who are underserved in the District of Columbia (the Sponsored Project). This agreement remains in effect until the latter of (a) the Sponsorship Organization becomes a tax exempt organization within the guidelines of the IRS or (b) the expiration or termination of the administrative services agreement.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

8. FISCAL SPONSORSHIP AGREEMENT (Continued)

During 2018, DCPCA received \$500,000 on behalf of the Sponsored Organization and has recorded a restricted contribution for the Sponsored Project. Subsequent to year-end, DCPCA established a restricted bank account for all all Sponsored Project funds and transferred the funds accordingly. Simultaneously, DCPCA entered into an administrative services agreement with the Sponsored Organization to provide office space, financial and accounting services, staff support, human resources management, office supplies and assistance, and information technology and communications services. These services will remain in effect as it correlates with the Fiscal Sponsorship Agreement.

9. 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, 2018 and 2017 totaled \$117,619 and \$95,998, respectively.

10. 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 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

11. NEW ACCOUNTING PRONOUNCEMENTS (NOT YET ADOPTED)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is 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 June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

11. NEW ACCOUNTING PRONOUNCEMENTS (NOT YET ADOPTED) (Continued)

The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. DCPCA has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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 undeserved 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.

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.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

13. SUBSEQUENT EVENTS

In preparing these financial statements, DCPCA has evaluated events and transactions for potential recognition or disclosure through June 27, 2019, 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, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Department of Health and Human Services:					
Health Resources and Services Administration Bureau of Primary Health Care Technical and Non-Financial Assistance to Health	93.129	N/A	N/A	\$ -	\$ 481,512
DC Screen for Life: Colorectal Cancer	93.800	DC Department of Health	CHA2016-000082-001	-	198,620
DC Screen for Life: Colorectal Cancer	93.800	DC Department of Health	CHA2017-000082-002	-	125,576
Total Department of Health and Human Services CFDA 93.800				-	324,196
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	DC Department of Health	NU90TP92188-8-01-00	-	145,767
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757	DC Department of Health	CHA2017-000012-002	-	173,345
Total Department of Health and Human Services				-	1,124,820
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ -	\$ 1,124,820

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the Federal award activity of DCPCA under programs of the Federal government for the year ended December 31, 2018. 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, 2018

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

2). Internal control over financial reporting:

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

3). Noncompliance material to financial statements noted?

Yes No

Federal Awards

4). Internal control over major federal programs:

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

5). Type of auditor's report issued on compliance for major 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>Expenditures</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	\$ 481,512

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, 2018

Section II - Financial Statement Findings

Finding: Reportable Condition #2018-001: Posting Transactions in the Proper Period

Criteria: Title 2 CFR 200 Section 200.303 "Internal Controls" requires recipients of Federal funds to establish internal controls that should be in compliance with guidance in the "Integral Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During the year under audit, DCPCA did not appropriately identify a donor-restricted contribution that transacted prior to the fiscal year-end. Additionally, two expense transactions that were incurred prior to December 31, 2018 but subsequently paid were not properly accrued for.

Context: Although unintentional, account balances that are misstated provide inaccurate financial reporting.

Effect: Several account balances were not reasonably stated at year-end.

Cause: Due to the volume of transactions processed subsequent to year-end, turnover within the finance department, and the relative size of DCPCA's accounting department, two expense transactions that were incurred were not accrued at year-end. Additionally, we noted one contribution transaction that occurred prior to DCPCA's fiscal year-end and should have been recognized. As a result, several account balances were not reasonably stated at year-end.

Recommendation: We recommend DCPCA establish policies and procedures to ensure the capturing of accruals for proper year-end financial reporting. Additionally, we recommend that current finance department staff be alert to any significant or large transactions that may occur in the future and ensure proper financial reporting. We also recommend DCPCA enhance their review and approval process to ensure reconciliations are accurate and the financial data is properly stated throughout the year and at year-end.

Views of Responsible Officials and Planned Corrective Actions: DCPCA has well-documented accrual and monthly fringe and shared costs allocation procedures and sequences. Finance department staff will strive to ensure that these procedures are thoroughly adhered to and followed every month. Additionally, DCPCA will institute the practice of flagging all transactions/journal entries with a greater than \$50,000 threshold and subject them to further review on their implications on financial reporting as well as provide for an additional review by/approval by the President & CEO before posting to the general ledger.

Anticipated Completion Date: Continuous.

Responsible Official: Peter Kiburi, Director of Finance

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

Finding: Reportable Condition #2018-002: Reporting

Information on the Federal Programs: CFDA 93.129: Health Resources and Services Administration Bureau of Primary Health Care Technical and Non-Financial Assistance to Health Centers

Criteria: Title 2 CFR 200 Section 200.510 "Financial Statements" requires recipients of Federal funds to prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended. Additionally, in accordance with CFR 200.303, the non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION

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

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

Finding: Reportable Condition #2018-002 (continued)

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

Condition: DCPCA experienced challenges in preparing the Federal Financial Reports required to be filed during the year ended December 31, 2018. In the past two years, DCPCA has had significant changes in the accounting department, including turnover in key personnel. Additionally, beginning in 2017, some of the in-house work was transitioned to an outsourced accounting role. The transition to new personnel created an environment for inaccuracies in the Federal Financial Reports. Indirect costs also were not calculated properly, causing an underreporting of indirect costs incurred.

Context: 4 of 4 federal financial reports tested were not accurately completed.

Effect: With turnover in accounting staff, the Federal Financial Reports prepared during the year were not accurately completed.

Cause: The accounting staff were not able to properly prepare the Federal Financial Reports due to changes in accounting roles.

Questioned Costs: None

Identification as a Repeat Finding, if Applicable: This is not a repeat finding.

Recommendation: We recommend DCPCA create standard operating procedures (SOPs) that outline a process whereby Federal Financial Reports are prepared based on a reconciliation of cumulative expenditures over cumulative cash draws. These reports, along with the reconciliation, should be reviewed and approved by an individual in a supervisory capacity. DCPCA should enhance the reconciliation and review process to ensure formulas and allocation of costs are applied appropriately to the individual grants and agree the amounts to its reported expenses.

Views of Responsible Officials and Planned Corrective Action Plan: Management will institute policies and procedures going forward, that will ensure that cumulative Federal Expenditures are fully reconciled every period and/or quarter and that those expenditures are reconciled against periodic federal cash draws. To ensure proper quality control and accountability of the process, this reconciliation and review process will be segregated across these functionaries: the recently hired Senior Staff Accountant will perform the periodic and quarterly reconciliations, the Director of Finance will then review and approve the reconciliation and the CEO as the grantee Authorized Official will have the final one-over review before the federal financial reports are filed with the awarding agency.

Anticipated Completion Date: December 31, 2019

Responsible Official: Peter Kiburi, Director of Finance



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, 2018, and the related notes to the financial statements, which collectively comprise DCPCA's basic financial statements, and have issued our report thereon dated June 27, 2019.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-001 that we consider to be a significant deficiency.

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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*.

DCPCA's Response to Findings

DCPCA's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. DCPCA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result 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.



June 27, 2019

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, 2018. 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, 2018.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

DCPCA's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. DCPCA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-002 that we consider to be a significant deficiency.

DCPCA's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. DCPCA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



June 27, 2019



DISTRICT OF COLUMBIA
PRIMARY CARE ASSOCIATION

June 13, 2019

Corrective Action Plan

In accordance with *Title 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements* under Section 200.511, Audit Findings follow-up, the following details the corrective action plan to be taken for the findings noted in the December 31, 2018 audit.

Financial Statement Findings under GAGAS:

Finding #2018-001

Criteria: Title 2 CFR 200 Section 200.303 "Internal Controls" requires recipients of Federal funds to establish internal controls that should be in compliance with guidance in the "Integral Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: During the year under audit, DCPCA did not appropriately identify a donor-restricted contribution that transacted prior to the fiscal year-end. Additionally, two expense transactions that were incurred prior to December 31, 2018 but subsequently paid were not properly accrued for.

Context: Although unintentional, account balances that are misstated provide inaccurate financial reporting.

Effect: Several account balances were not reasonably stated at year-end.

Cause: Due to the volume of transactions processed subsequent to year-end, turnover within the finance department, and the relative size of DCPCA's accounting department, two expense transactions that were incurred and should have been accrued for, and one contribution transaction that occurred prior to DCPCA's fiscal year-end and should have been recognized were missed. As a result, several account balances were not reasonably stated at year-end.

Recommendation: We recommend DCPCA establish policies and procedures to ensure the capturing of accruals for proper year-end financial reporting. Additionally, we recommend that current finance department staff be alert to any significant or large transactions that may occur in the future and ensure proper financial reporting. We also recommend DCPCA enhance their review and approval process to ensure reconciliations are accurate and the financial data is properly stated throughout the year and at year-end.

Views of Responsible Officials and Planned Corrective Actions:

DCPCA has well-documented accrual and monthly fringe and shared costs allocation procedures and sequences. Finance department staff will strive to ensure that these procedures are thoroughly adhered to and followed every month. Additionally DCPCA will institute the practice of flagging all transactions /journal entries with a greater than \$50,000 threshold and subject them to further review on their implications on financial reporting as well as provide for an additional review by/approval by the President & CEO before posting to the GL.

Anticipated Completion Date: Continuous.

Federal Award Findings in accordance with 2 CFR 200.516:

Finding #2018-002

Information on the Federal Programs: CFDA 93.129: Health Resources and Services Administration Bureau of Primary Health Care Technical and Non-Financial Assistance to Health Centers

Criteria: Title 2 CFR 200 Section 200.510 "Financial Statements" requires recipients of Federal funds to prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended. Additionally, in accordance with CFR 200.303, the non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: DCPCA experienced challenges in preparing the Federal Financial Reports required to be filed during the year ended December 31, 2018. In the past two years, DCPCA has had significant changes in the accounting department, including turnover in key personnel. Additionally, beginning in 2017, some of the in-house work was transitioned to an outsourced accounting role. The transition to new personnel created an environment for inaccuracies in the Federal Financial Reports. Indirect costs also were not calculated properly, causing an underreporting of indirect costs incurred.

Context: 4 of 4 federal financial reports tested were not accurately completed.

Effect: With turnover in accounting staff, the Federal Financial Reports prepared during the year were not accurately completed.

Cause: The accounting staff were not able to properly prepare the Federal Financial Reports due to change in accounting roles.

Questioned Costs: None

Identification as a Repeat Finding, if Applicable: This is not a repeat finding.

Recommendation: We recommend DCPCA create standard operating procedures (SOPs) that outline a process whereby Federal Financial Reports are prepared based on a reconciliation of cumulative expenditures over cumulative cash draws. These reports, along with the reconciliation, should be reviewed and approved by an individual in a supervisory capacity. DCPCA should enhance the reconciliation and review process to ensure formulas and allocation of costs are applied appropriately to the individual grants and agree the amounts to its reported expenses.

Views of Responsible Officials and Planned Corrective Action Plan:

Management will institute SOPs going forward, that will ensure that cumulative Federal Expenditures are fully reconciled every period and/or quarter and that those expenditures are reconciled against periodic federal cash draws. To ensure proper quality control and accountability of the process, this reconciliation

and review process will be segregated across three functionaries: The recently hired Senior Staff Accountant will perform the periodic and quarterly reconciliations, the Director of Finance will then review and approve the reconciliations and the CEO as the grantee Authorized Official will have the final one-over review before the federal financial reports are filed with the awarding agency.

Anticipated Completion Date: December 31, 2019

Signed:  _____

Peter Kiburi, Director of Finance