



DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2020

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

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CONSOLIDATED FINANCIAL STATEMENTS



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

FOR THE YEAR ENDED DECEMBER 31, 2020

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of District of Columbia Primary Care Association (DCPCA) and Affiliate (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the District of Columbia Primary Care Association and Affiliate as of December 31, 2020, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(18 - 19), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.



December 9, 2021

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 649,937
Investments	937,596
Accounts receivable, net of allowance for doubtful accounts of \$17,582	759,610
Grants receivable	248,123
Prepaid expenses	<u>66,161</u>
Total current assets	<u>2,661,427</u>

FIXED ASSETS, net of accumulated depreciation and
amortization of \$289,207

194,351

OTHER ASSETS

Deposits	<u>54,655</u>
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TOTAL ASSETS

\$ 2,910,433

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Refundable advance	\$ 12,596
Line of credit	100,000
Accounts payable and accrued liabilities	519,155
Accrued salaries and related benefits	122,408
Deferred rent	<u>32,389</u>
Total current liabilities	786,548

LONG-TERM LIABILITIES

Deferred rent, net of current portion	<u>272,916</u>
Total liabilities	<u>1,059,464</u>

NET ASSETS

Without donor restrictions	1,763,669
With donor restrictions	<u>87,300</u>
Total net assets	<u>1,850,969</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,910,433

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 1,263,453	\$ -	\$ 1,263,453
Other grants and contracts	4,693,632	-	4,693,632
Contributions	167,000	80,000	247,000
Investment income, net	66,577	-	66,577
Membership	144,500	-	144,500
Miscellaneous revenue	2,486	-	2,486
Net assets released from donor restrictions	<u>564,471</u>	<u>(564,471)</u>	<u>-</u>
Total support and revenue	<u>6,902,119</u>	<u>(484,471)</u>	<u>6,417,648</u>
EXPENSES			
Program Services:			
Health Information Technology	3,391,531	-	3,391,531
Quality Improvement and Practice Transformation	1,673,001	-	1,673,001
Policy, Partnership and Advocacy	472,742	-	472,742
Connected Care Network	<u>586,627</u>	<u>-</u>	<u>586,627</u>
Total program services	6,123,901	-	6,123,901
Supporting Services:			
Management and General	<u>440,636</u>	<u>-</u>	<u>440,636</u>
Total expenses	<u>6,564,537</u>	<u>-</u>	<u>6,564,537</u>
Change in net assets before other item	337,582	(484,471)	(146,889)
OTHER ITEM			
Funding from Paycheck Protection Program	<u>536,904</u>	<u>-</u>	<u>536,904</u>
Change in net assets	874,486	(484,471)	390,015
Net assets at beginning of year	<u>889,183</u>	<u>571,771</u>	<u>1,460,954</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,763,669</u>	<u>\$ 87,300</u>	<u>\$ 1,850,969</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services				Supporting Services		Total Expenses
	Health Information Technology	Quality Improvement and Practice Transformation	Policy, Partnership and Advocacy	Connected Care Network	Total Program Services	Management and General	
Salaries	\$ 732,896	\$ 945,901	\$ 165,234	\$ 342,871	\$ 2,186,902	\$ 323,459	\$ 2,510,361
Consultants	1,094,582	99,779	156,862	10,529	1,361,752	-	1,361,752
Professional services	1,121,163	62,207	17,238	112,863	1,313,471	-	1,313,471
Fringe benefits	181,579	244,173	40,779	71,226	537,757	81,290	619,047
Occupancy	128,492	166,841	24,067	36,308	355,708	-	355,708
Sub-grantees	-	91,000	48,650	-	139,650	-	139,650
Communications	66,601	20,535	3,663	5,495	96,294	-	96,294
Printing/copying	5,229	7,085	1,234	2,230	15,778	6,584	22,362
Depreciation and amortization	17,141	2,461	686	928	21,216	-	21,216
Bad debt expense	6,465	-	9,660	-	16,125	4,500	20,625
Equipment	15,643	1,556	-	-	17,199	433	17,632
Business insurance	9,718	3,551	990	1,338	15,597	-	15,597
Staff training	1,591	9,270	-	-	10,861	3,001	13,862
Supplies	1,489	6,154	462	-	8,105	5,640	13,745
Travel	1,911	3,060	259	-	5,230	5,848	11,078
Dues, publications, and subscriptions	2,170	3,363	1,238	1,035	7,806	-	7,806
Interest expense	2,429	3,073	857	1,158	7,517	-	7,517
Bank charges	-	-	-	289	289	5,388	5,677
Meeting costs	2,000	2,655	772	234	5,661	-	5,661
Miscellaneous	174	11	-	-	185	4,310	4,495
Postage/delivery	258	326	91	123	798	-	798
Software	-	-	-	-	-	183	183
TOTAL	\$ 3,391,531	\$ 1,673,001	\$ 472,742	\$ 586,627	\$ 6,123,901	\$ 440,636	\$ 6,564,537

See accompanying notes to consolidated financial statements.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 390,015
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	21,216
Unrealized gain	(34,549)
Realized gain	(5,541)
Change in allowance for doubtful accounts	30,000
(Increase) decrease in:	
Accounts receivable	(211,737)
Grants receivable	153,304
Prepaid expenses	2,872
Increase (decrease) in:	
Refundable advance	12,596
Accounts payable and accrued liabilities	(76,607)
Accrued salaries and related benefits	24,562
Deferred revenue	(18,240)
Deferred rent	<u>(19,310)</u>
Net cash provided by operating activities	<u>268,581</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(200,593)
Proceeds from sale of investments	<u>176,634</u>
Net cash used by investing activities	<u>(23,959)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit	100,000
Payment of line of credit	<u>(150,000)</u>
Net cash used by financing activities	<u>(50,000)</u>

Net increase in cash and cash equivalents 194,622

Cash and cash equivalents at beginning of year 455,315

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$ 649,937**

SUPPLEMENTAL INFORMATION:

Interest Paid \$ 7,517

SCHEDULE OF NONCASH INVESTING TRANSACTIONS:

Fixed Asset Purchases Included in Accounts Payable \$ 169,474

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

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

Prior to November 2019, DCPCA was the sponsor on behalf of Connected Care Network (CCN) program and had a fiscal sponsorship agreement with CCN for the purpose of receiving donations, grants, contributions and gifts in support of CCN. During 2018, DCPCA received \$500,000 on behalf of CCN and had recorded a restricted contribution and later established a bank account for all funds for the CCN program. In addition, DCPCA entered into an administrative services agreement with CCN to provide office space, financial and accounting services, staff support, human resources management, office supplies and assistance, and information technology and communications services.

In November 2019, CCN, a 501(c)(3) organization, was created 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. CCN was created to operate the CCN program under its own entity. However in 2020, due to changes in operating realities, CCN's governance was reconfigured under DCPCA's oversight and corporate structure. A Network Oversight Committee was established under DCPCA's Board of Directors to serve as primary advisor on CCN's operations and financial matters, and DCPCA's CEO was designated as the single point of accountability for CCN's network operations. DCPCA continues to treat the CCN as a program of DCPCA. No financial activity was recorded by CCN during the year ended December 31, 2020.

Principles of consolidation -

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

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Basis of presentation (continued) -

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

New accounting pronouncement adopted -

During 2020, the Organization adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

The Organization consider 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, the Organization maintain 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 are included in investment income net, which is presented net of investment expenses paid to external investment advisors, in the accompanying Consolidated Statement of Activities and Change 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 and donor.

Fixed assets -

Fixed assets in excess of \$2,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2020 totaled \$21,216.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

DCPCA and CCN are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are only subject to tax on unrelated business income. DCPCA and CCN are not private foundations.

Uncertain tax positions -

For the year ended December 31, 2020, the Organization has documented their 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 consolidated financial statements.

Support and revenue recognition -

The Organization receives grants and contributions from the U.S. governments and other private entities. These awards are for various activities performed by the Organization. Grants and contributions are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contribution Received and Contributions Made*.

For contributions and grants qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

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

The Organization recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Support and revenue recognition (continued) -

For contributions and grants treated as contributions, the Organization had approximately \$2,300,000 in unrecognized conditional awards as of December 31, 2020.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and are recorded as revenue at a point in time when the performance obligations are met. The Organization has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost.

Membership dues are based on member benefits received and recognized as revenue when performance obligations are met. Transaction price is determined based on cost and/or sale price. Any amounts considered as contributions are recognized upon receipt.

Use of estimates -

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

Functional allocation of expenses -

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

Investment risks and uncertainties -

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

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

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Fair value measurement (continued) -

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

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organization 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.

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

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Organization operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

FASB issued ASU 2019-01, *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 Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. The Organization plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

The table below summarizes, by level within the fair value hierarchy, the Organization's investments as of December 31, 2020:

Asset Class:	Level 1	Level 2	Level 3	Total
Exchange traded funds	\$ 123,169	\$ -	\$ -	\$ 123,169
Mutual funds - Equity	555,762	-	-	555,762
Mutual funds - Bonds	<u>258,665</u>	<u>-</u>	<u>-</u>	<u>258,665</u>
TOTAL	<u>\$ 937,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 937,596</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. INVESTMENTS (Continued)

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, 2020. 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* (equity and bonds) - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by the Organization are deemed to be actively traded.

Included in investment income, net are the following for the year ended December 31, 2020:

Interest and dividends	\$	37,599
Unrealized gain		34,549
Realized gain		5,541
Investment management fees		<u>(11,112)</u>
TOTAL INVESTMENT INCOME, NET	\$	<u>66,577</u>

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2020:

Furniture and equipment	\$	411,096
Software		42,225
Leasehold improvements		<u>30,237</u>
Total fixed assets		483,558
Less: Accumulated depreciation and amortization		<u>(289,207)</u>
NET FIXED ASSETS	\$	<u>194,351</u>

4. FUNDING FROM THE PAYCHECK PROTECTION PROGRAM

On April 15, 2020, the Organization received loan proceeds in the amount of \$549,500 under the Paycheck Protection Program (PPP). Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration (SBA).

During the year ended December 31, 2020, the Organization expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and believed they had met all conditions set forth for full forgiveness. Accordingly, under guidance found in FASB ASC 958-605, the Organization has recognized the PPP funding as a conditional grant by which all conditions have been met. The Organization had deemed the forgiveness by the SBA to be highly probable, an administrative task only, and not a barrier to recognition.

On December 22, 2020, the Organization applied for forgiveness after completing the 24-week period, and received notification in June 2021 that the potential forgiveness amount was determined to be \$536,904.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. **FUNDING FROM THE PAYCHECK PROTECTION PROGRAM (Continued)**

The Organization recognized \$536,904 of income in contributions on the accompanying Consolidated Statement of Activities and Change in Net Assets, and the remaining outstanding balance of \$12,596 is included in refundable advance in the accompanying Consolidated Statement of Financial Position. Principal and any required interest will be paid during the year ending December 31, 2021.

5. **LINE OF CREDIT**

The Organization has a \$1,000,000 revolving bank line of credit with a local financial institution that currently terminates on November 30, 2021. 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, 2020, the outstanding balance was \$100,000.

6. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2020:

Quality Improvement and Operations/Policy and External Affairs	\$ 50,000
Policy, Partnership and Advocacy	<u>37,300</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 87,300</u>

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

Connected Care Network	\$ 389,471
Policy, Partnership and Advocacy	<u>175,000</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 564,471</u>

7. **LIQUIDITY**

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following at December 31, 2020:

Cash and cash equivalents	\$ 649,937
Investments	937,596
Accounts receivable	759,610
Grants receivable	<u>248,123</u>
Total financial assets	2,595,266
Less amounts not available for use within one year:	
Financial assets restricted by the donor	<u>(87,300)</u>
FINANCIAL ASSETS AVAILABLE FOR EXPENDITURE	<u>\$ 2,507,966</u>

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

7. LIQUIDITY (Continued)

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. The Organization invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Organization also could draw upon a \$900,000 available remaining line of credit (as further discussed in Note 5).

8. LEASE COMMITMENTS

In May 2015, the Organization 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 Consolidated Statement of Financial Position.

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

Year Ending December 31,

2021	\$ 380,022
2022	389,523
2023	399,261
2024	409,242
2025	419,473
Thereafter	<u>248,737</u>
	<u>\$ 2,246,258</u>

Rent expense for the year ended December 31, 2020, which is included in occupancy expense in the accompanying Consolidated Statement of Functional Expenses, was \$355,708.

The deferred rent liability was \$305,305 as of December 31, 2020.

9. RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a 403(b) retirement plan, which allows for employer matching contributions and employer discretionary contributions.

Contributions to the Plan during the year ended December 31, 2020 totaled \$186,739.

10. CONTINGENCY

The Organization receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (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.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

10. CONTINGENCY (Continued)

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2020. 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. KEY PROGRAM DESCRIPTIONS

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

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

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

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

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

12. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	\$ -	\$ 606,746
DC Screen for Life: Colorectal Cancer	93.800	DC Department of Health	CHA2017- 000082-007	-	196,307
DC Screen for Life: Colorectal Cancer	93.800	DC Department of Health	CHA2017- 000082-010	-	140,493
Total CFDA 93.800				-	336,800
Adolescent Health Programs	93.297	N/A	N/A	-	134,618
Improving the Health of Americans through Prevention & Management of Diabetes & Heart Disease & Stroke	93.426	DC Department of Health	CHA2017- 000012-006	-	62,442
Improving the Health of Americans through Prevention & Management of Diabetes & Heart Disease & Stroke	93.426	DC Department of Health	CHA2017- 000012-009	-	43,417
Total CFDA 93.426				-	105,859
National Bioterrorism Hospital Preparedness Program	93.889	DC Department of Health	NU90TP921888- 01-00 / HEPRA2019- 000006-000	-	48,597
National Bioterrorism Hospital Preparedness Program	93.889	DC Department of Health	NU90TP921888- 01-00 / HEPRA2019- 000006-001	-	30,833
Total CFDA 93.889				-	79,430
Total Department of Health and Human Services				-	1,263,453
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ -	\$ 1,263,453

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the Federal award activity of the Organization under programs of the Federal government for the year ended December 31, 2020. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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. The Organization 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 AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	\$ 606,746

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 AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section II - Financial Statement Findings

There were no reportable findings.

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

Finding: #2020-001: Payroll

Information on the Federal Programs: All Federal Programs

Criteria: Title 2 CFR 200 Section 200.510 "Financial Statements" requires recipients of Federal funds to (1) prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited, and (2) prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements 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). Additionally, management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Condition: During our audit, we noted that approval of timesheets was obtained through the electronic timesheet system implemented in July 2020, and documentation of review and approval of reconciliations for the year end audit as well as for the submitted Federal Financial Reports was provided for the later part of the year. However, we noted 3 instances where employee timesheets did not agree to the provided payroll allocation report or management could not provide payroll allocations reports for the time period tested.

Cause: Over the past several years, the finance department has had significant turnover. The current Director of Finance began in early 2019, and a staff was added to the department mid-year. As a result of the changes in the department, additional funding and projects being secured, the finance department had difficulty in completing accurate reconciliations, following up on enforcement of certain controls, such as timesheet approval, agreeing payroll allocations to the general ledger, and establishing a proper review and approval process.

Effect: Not agreeing payroll allocations to employee timesheets and to the general ledger may cause a discrepancy of charges to federal grants.

Questioned Costs: Undetermined.

Context: 3 out of 40 employee timesheets did not agree to the provided payroll allocation report and could not be tied to the general ledger detail since management could not provide payroll allocations reports for the time period tested.

Identification of a Repeat Finding, if Applicable: Not a repeat finding.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Finding: #2020-001: Payroll (Continued)

Recommendation: We recommend during the Organization's review process that careful attention be made to agreeing payroll allocation reports and employee timesheets to the general ledger to ensure that time allocations are accurate.

Views of Responsible Officials and Planned Corrective Actions: This condition was primarily the result of management's inability to provide 3 pay period payroll allocation schedules, to support the payroll journal entries for 3 pay periods. Management did however make every diligent effort to ensure that other contemporaneous support documentation for those pay periods, such as posted payroll journal entries, employee time sheets and payroll service payroll reports were provided, that tied to the posted payroll expense and reconciled general ledger journal entries.

In July 2020, other enhanced and mitigating controls were also put in place, such as the transition to online electronic time-keeping, labor-distribution tracking and approval procedures. Also, in mid-2020, electronic Accounts Payable and vendor payment processing and approvals was introduced through the Expensify™ electronic payment processing system. DCPCA Accounting Policies & Procedures and employee user guides were also updated to incorporate these operational changes and organization-wide employee training was conducted.

These two significant improvements in the Organization's standard operating procedures have together strengthened internal controls around payroll processing, expense management and reporting. The changes have increased efficiencies and reduced previously arduous and error-prone back-end record keeping in the finance department.

The Director of Finance will also make concerted efforts to ensure that original accounting source record allocation and other reconciliation schedules, that support periodic and year-end journal entries, are reviewed, updated, approved and saved and backed-up with enhanced regularity.

Anticipated Completion Date: December 31, 2021

Responsible Official: Peter Kiburi, Director of Finance

Section IV - Prior Year Findings with Current Year Status

Finding 2019-001: Reconciliation of Asset and Liability Accounts / Review and Approval of Year-end Reconciled Schedules

Information on the Federal Programs: All Federal Programs

Condition: During our audit, we noted that the Organization experienced challenges in reconciling financial transaction areas that were deemed significant to the audit, properly preparing the Schedule of Expenditures of Federal Awards (SEFA), as well as noting certain timesheets that did not have evidence of approval by a supervisor. As a result of this, seven (7) audit adjustments were proposed and several reclassifying adjustments, in order to ensure a fair presentation for year-end balances. The result of the audit adjustments proposed increased year-end net assets by approximately \$112,000. Additionally, several pass-through identification numbers were incorrect on the SEFA, and while the total expenditures were correct, the revenue recognition of the Federal grants was incorrect, resulting in an overstating year-end outstanding accounts receivable by approximately \$37,000.

DISTRICT OF COLUMBIA PRIMARY CARE ASSOCIATION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section IV - Prior Year Findings with Current Year Status (Continued)

Finding 2019-001: Reconciliation of Asset and Liability Accounts / Review and Approval of Year-end Reconciled Schedules (Continued)

Condition (continued): We also noted that reconciliations prepared for the year-end audit were not appropriately reviewed or approved, as well as no evidence of review and approval for submitted Federal Financial Reports, quarterly progress reports, and indirect calculations. We also noted that no true-up was performed for the 2018 year-end indirect charges for Federal awards, as well as no application submission for an indirect rate for 2019.

Recommendation: We recommended the Organization perform reconciliations for all asset and liability accounts on a monthly basis, making the year-end reconciliation process less burdensome. Additionally, all reconciliations, along with reports filed, especially those in connection with the Federal awards, should be reviewed and approved. Evidence of such review and approval should be indicated, either via email, an encrypted electronic signature, or physical signature on documents.

Current Year Status: Completed.

Finding 2019-002: 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. 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: The Organization experienced challenges in preparing the Federal Financial Reports required to be filed during the year ended December 31, 2019. In the past three years, the Organization 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; in 2019, the outsourced accounting agreement was terminated. 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.

Recommendation: We recommended the Organization 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. The Organization 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.

Current Year Status: Completed.



CPAs & ADVISORS

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 and Affiliate
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 District of Columbia Primary Care Association and Affiliate (the Organization) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control Over Financial Reporting

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

As part of obtaining reasonable assurance about whether the Organization'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".

December 9, 2021



CPAs & ADVISORS

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 District of Columbia Primary Care Association and Affiliate'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 the Organization's major Federal programs for the year ended December 31, 2020. The Organization'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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2020.

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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 2020-001. Our opinion on each major Federal program is not modified with respect to these matters.

The Association's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization'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 the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization'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 the Organization'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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001 that we consider to be significant deficiencies.

The Association's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization'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.





DISTRICT OF COLUMBIA
PRIMARY CARE ASSOCIATION

Summary Schedule of Prior Year (FY2019) Audit Findings

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

Finding 2019-001: Reconciliation of Asset and Liability Accounts / Review and Approval of Yearend

Reconciled Schedules

Condition: During our audit, we noted that the Organization experienced challenges in reconciling financial transaction areas that were deemed significant to the audit, properly preparing the Schedule of Expenditures of Federal Awards (SEFA), as well as noting certain timesheets that did not have evidence of approval by a supervisor. As a result of this, seven (7) audit adjustments were proposed and several reclassifying adjustments, in order to ensure a fair presentation for year-end balances. The result of the audit adjustments proposed increased year-end net assets by approximately \$112,000. Additionally, several pass-through identification numbers were incorrect on the SEFA, and while the total expenditures were correct, the revenue recognition of the Federal grants was incorrect, resulting in an overstating year-end outstanding accounts receivable by approximately \$37,000.

We also noted that reconciliations prepared for the year-end audit were not appropriately reviewed or approved, as well as no evidence of review and approval for submitted Federal Financial Reports, quarterly progress reports, and indirect calculations. We also noted that no true-up was performed for the 2018 year-end indirect charges for Federal awards, as well as no application submission for an indirect rate for 2019.

Status: This finding has been cleared and not further action is required.

Finding 2019-002: Reporting

Condition: The Organization experienced challenges in preparing the Federal Financial Reports required to be filed during the year ended December 31, 2019. In the past three years, the Organization 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; in 2019, the outsourced accounting agreement was terminated. 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.

Status: This finding has been cleared and not further action is required.

A handwritten signature in blue ink, appearing to read 'Peter Kiburi', is written over a horizontal line.

Peter Kiburi,

Director of Finance



DISTRICT OF COLUMBIA
PRIMARY CARE ASSOCIATION

FY2020 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, 2020 audit.

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

Finding: #2020-001: Payroll

Information on the Federal Programs: All Federal Programs

Criteria: Title 2 CFR 200 Section 200.510 "Financial Statements" requires recipients of Federal funds to (1) prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited, and (2) prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements 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). Additionally, *management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.*

Condition: During our audit, we noted that approval of timesheets was obtained through the electronic timesheet system implemented in July 2020, and documentation of review and approval of reconciliations for the year end audit as well as for the submitted Federal Financial Reports was provided for the later part of the year. However, we noted 3 instances where employee timesheets did not agree to the provided payroll allocation report or management could not provide payroll allocations reports for the time period tested.

Cause: Over the past several years, the finance department has had significant turnover. The current Director of Finance began in early 2019, and a staff was added to the department mid-year. As a result of the changes in the department, additional funding and projects being secured, the finance department had difficulty in completing accurate reconciliations, following up on enforcement of certain controls, such as timesheet approval, agreeing payroll allocations to the general ledger, and establishing a proper review and approval process.

Effect: Not agreeing payroll allocations to employee timesheets and to the general ledger may cause a discrepancy of charges to federal grants.

Questioned Costs: Undetermined.

Context: 3 out of 40 employee timesheets did not agree to the provided payroll allocation report and could not be tied to the general ledger detail since management could not provide payroll allocations reports for the time period tested.

Identification of a Repeat Finding, if Applicable: Not a repeat finding.

Recommendation: We recommend during the Organization's review process that careful attention be made to agreeing payroll allocation reports and employee timesheets to the general ledger to ensure that time allocations are accurate.

Views of Responsible Officials and Planned Corrective Actions: This condition was primarily the result of management's inability to provide 3 pay period payroll allocation schedules, to support the payroll journal entries for 3 pay periods. Management did however make every diligent effort to ensure that other contemporaneous support documentation for those pay periods, such as posted payroll journal entries, employee time sheets and payroll service payroll reports were provided, that tied to the posted payroll expense and reconciled general ledger journal entries.

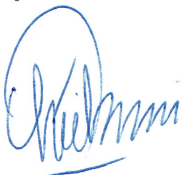
In July 2020, other enhanced and mitigating controls were also put in place, such as the transition to online electronic time-keeping, labor-distribution tracking and approval procedures. Also, in mid-2020, electronic Accounts Payable and vendor payment processing and approvals was introduced through the Expensify™ electronic payment processing system. DCPCA Accounting Policies & Procedures and employee user guides were also updated to incorporate these operational changes and organization-wide employee training was conducted.

These two significant improvements in the Organization's standard operating procedures have together strengthened internal controls around payroll processing, expense management and reporting. The changes have increased efficiencies and reduced previously arduous and error-prone back-end record keeping in the finance department.

The Director of Finance will also make concerted efforts to ensure that original accounting source record allocation and other reconciliation schedules, that support periodic and year-end journal entries, are reviewed, updated, approved and saved and backed-up with enhanced regularity.

Anticipated Completion Date: December 31, 2021

Responsible Official: Peter Kiburi, Director of Finance



Peter Kiburi,

Director of Finance