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

MC2 COMMUNITY DEVELOPMENT CORPORATION

AUDIT REPORT

FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION

FOR THE YEAR ENDED DECEMBER 31, 2016

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

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COMBINED FINANCIAL STATEMENTS

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

MC2 COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

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GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Mary's Center for Maternal and Child Care, Inc.
MC2 Community Development Corporation
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying combined financial statements of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations), which comprise the combined statement of financial position as of December 31, 2016, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organizations as of December 31, 2016, and the combined change in their net assets and their combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited the Organizations' 2015 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position on pages I-(27 - 28), Combining Schedule of Activities on page I-29 and Combining Schedule of Change in Net Assets on page I-30 are presented for purposes of additional analysis and are not a required part of the combined financial statements. The Schedule of Expenditures of Federal Awards on pages I-(31 - 33), 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 May 19, 2017 on our consideration of the Organizations' internal control over financial reporting and on our tests of their 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 Organizations' internal control over financial reporting and compliance.

Gelman Rosenberg & Freedman

May 19, 2017

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

COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 2,252,804	$ 2,767,033
Investments (Notes 2 and 14)	1,547,993	802,117
Accounts receivable, net of allowance for doubtful accounts of $1,227,394 in 2016 and 2015	3,430,986	3,001,820
Grants receivable, net of allowance for doubtful accounts of $50,000 and $49,262 in 2016 and 2015, respectively	7,340,777	8,386,726
Pledges receivable	200,428	65,200
Interest receivable	102,190	62,796
Inventory	516,887	372,419
Prepaid expenses	555,026	424,035
Note receivable (Note 11)	1,670,575	-
Total current assets	17,617,666	15,882,146
FIXED ASSETS (Notes 3, 8, 10 and 11)		
Land	993,216	993,216
Buildings and leasehold improvements	22,156,293	19,660,348
Equipment	4,066,004	3,000,876
Furniture	1,206,518	881,356
Computer equipment	622,101	610,101
Vehicles	510,017	469,690
	29,554,149	25,615,587
Less: Accumulated depreciation and amortization	(8,749,691)	(7,854,374)
Net fixed assets	20,804,458	17,761,213
OTHER ASSETS		
Security deposits	90,067	49,870
Pledges receivable, net of current portion	504,697	76,900
Note receivable, net of current portion (Note 11)	13,400,425	15,071,000
Total other assets	13,995,189	15,197,770
TOTAL ASSETS	**$ 52,417,313**	**$ 48,841,129**

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Current portion of long-term debt (Note 3)	$ 2,681,336	$ 307,467
Accounts payable and accrued liabilities	3,936,969	3,135,282
Deferred improvement allowance, current (Note 8)	491,870	-
Refundable advances	26,796	12,633
Deferred revenue	-	3,658
Total current liabilities	7,136,971	3,459,040
LONG-TERM LIABILITIES		
Long-term debt, net of current portion (Note 3)	20,271,975	22,534,606
Tenant security deposits	325,175	230,175
Deferred improvement allowance, net of current portion (Note 8)	3,161,847	-
Deferred rent abatement (Note 8)	246,034	-
Total long-term liabilities	24,005,031	22,764,781
Total liabilities	31,142,002	26,223,821
NET ASSETS		
Unrestricted:		
Undesignated	7,215,857	7,384,896
Board designated	85,000	85,000
Total unrestricted	7,300,857	7,469,896
Temporarily restricted (Note 6)	13,769,454	14,952,412
Permanently restricted (Note 7)	205,000	195,000
Total net assets	21,275,311	22,617,308
TOTAL LIABILITIES AND NET ASSETS	$ 52,417,313	$ 48,841,129

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

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE					
Patient services	$25,120,449	$ -	$ -	$25,120,449	$ 22,213,525
Contributions (Notes 5 and 7)	4,466,891	-	10,000	4,476,891	3,244,324
Grants and contracts (Note 12)	2,332,084	9,568,726	-	11,900,810	14,405,948
Other income (Note 15)	4,026,385	-	-	4,026,385	3,863,557
Rental income (Note 4)	347,942	-	-	347,942	439,329
Investment income (Note 2)	148,202	10,070	-	158,272	158,889
Net assets released from donor restrictions (Note 6)	10,761,754	(10,761,754)	-	-	-
Total revenue	47,203,707	(1,182,958)	10,000	46,030,749	44,325,572
EXPENSES					
Program Services:					
Patient Services	20,386,481	-	-	20,386,481	15,163,890
Medical Services	8,457,445	-	-	8,457,445	10,575,397
Social and Educational Services	11,109,418	-	-	11,109,418	9,000,166
Total program services	39,953,344	-	-	39,953,344	34,739,453
Supporting Services:					
Leased Employees (Note 15)	3,680,641	-	-	3,680,641	3,468,961
Fundraising	1,331,105	-	-	1,331,105	962,116
General and Administrative	2,407,656	-	-	2,407,656	2,379,329
Total supporting services	7,419,402	-	-	7,419,402	6,810,406
Total expenses	47,372,746	-	-	47,372,746	41,549,859
Change in net assets	(169,039)	(1,182,958)	10,000	(1,341,997)	2,775,713
Net assets at beginning of year	7,469,896	14,952,412	195,000	22,617,308	19,841,595
NET ASSETS AT END OF YEAR	**$ 7,300,857**	**$ 13,769,454**	**$ 205,000**	**$21,275,311**	**$ 22,617,308**

See accompanying notes to combined financial statements.

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			
	Program Services			
	Patient Services	Medical Services	Social and Educational Services	Total Program Services
Salaries and personnel related expenses (Note 13)	$ 10,598,481	$ 5,509,947	$ 7,808,006	$23,916,434
Consultants and outside services (Note 5)	1,646,929	673,723	1,079,010	3,399,662
Occupancy costs (Notes 3 and 8)	20,170	21,169	80,958	122,297
Depreciation and amortization	-	965	-	965
Medical and dental supplies/ donated vaccines (Note 5)	3,291,595	415,743	2,969	3,710,307
Insurance and registration	4,311	6,313	2,744	13,368
Equipment and maintenance	146,674	36,647	44,972	228,293
Office expenses (Note 5)	164,793	95,073	365,404	625,270
Meetings and travel	36,435	46,883	115,793	199,111
Interest expense (Note 3)	-	5,382	-	5,382
Bad debt	-	-	36,504	36,504
Miscellaneous	641,223	147,201	62,754	851,178
Subtotal	16,550,611	6,959,046	9,599,114	33,108,771
General and administrative allocation	3,835,870	1,498,399	1,510,304	6,844,573
TOTAL	**$ 20,386,481**	**$ 8,457,445**	**$11,109,418**	**$39,953,344**

Supporting Services					2015
Leased Employees	**Fundraising**	**General and Administrative**	**Total Supporting Services**	**Total Expenses**	**Total Expenses**
$ 3,630,641	$ 506,577	$ 4,193,915	$ 8,331,133	$ 32,247,567	$ 27,806,553
-	120,240	927,633	1,047,873	4,447,535	4,451,044
-	-	1,372,604	1,372,604	1,494,901	1,499,261
-	-	1,049,941	1,049,941	1,050,906	1,313,409
-	-	-	-	3,710,307	2,832,525
-	252	107,282	107,534	120,902	138,407
-	2,220	307,131	309,351	537,644	492,338
-	92,335	941,252	1,033,587	1,658,857	1,457,877
-	262,732	54,453	317,185	516,296	386,856
-	-	228,544	228,544	233,926	7,379
-	-	-	-	36,504	30,144
-	93,632	372,591	466,223	1,317,401	1,134,066
3,630,641	1,077,988	9,555,346	14,263,975	47,372,746	41,549,859
50,000	253,117	(7,147,690)	(6,844,573)	-	-
$ 3,680,641	**$ 1,331,105**	**$ 2,407,656**	**$ 7,419,402**	**$ 47,372,746**	**$ 41,549,859**

See accompanying notes to combined financial statements.

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

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,341,997)	$ 2,775,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	895,317	1,158,345
Amortization of deferred financing costs	155,589	155,064
Unrealized loss on investments	3,026	1,236
Realized gain on investments	(74)	(70)
Gain on sale of fixed assets	-	(2,765)
Permanently restricted contributions	(10,000)	(30,000)
Change in allowance for bad debt	738	(594,546)
Write off of financing costs	12,046	-
(Increase) decrease in:		
Accounts receivable	(429,166)	284,775
Loans and notes receivable	1,670,575	-
Grants receivable	1,045,211	(1,618,581)
Pledges receivable	(563,025)	130,500
Interest receivable	(39,394)	-
Inventory	(144,468)	79,805
Prepaid expenses	(130,991)	(207,078)
Note receivable	(1,670,575)	-
Security deposits	(40,197)	(13,104)
Increase (decrease) in:		
Accounts payable and accrued liabilities	801,687	148,383
Refundable advances	14,163	12,633
Deferred revenue	(3,658)	-
Deferred rent liability	246,034	-
Tenant security deposits	95,000	-
Net cash provided by operating activities	565,841	2,280,310
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(284,845)	(280,100)
Sale of fixed assets	-	5,090
Net purchase of investments	(748,828)	(76,047)
Net cash used by investing activities	(1,033,673)	(351,057)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	-	(183,835)
Payments on long-term debt	(2,716,722)	(278,493)
Permanently restricted contributions	10,000	30,000
Proceeds from long-term debt	2,700,000	89,765
Payment of loan costs	(39,675)	-
Net cash used by financing activities	(46,397)	(342,563)

See accompanying notes to combined financial statements.

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

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016	2015
Net (decrease) increase in cash and cash equivalents	$ (514,229)	$ 1,586,690
Cash and cash equivalents at beginning of year	2,767,033	1,180,343
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,252,804**	**$ 2,767,033**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 412,373**	**$ 402,904**
Donated Securities	**$ 26,265**	**$ 30,000**
Landlord Provided Leasehold Improvements, Furniture and Equipment	**$ 3,653,717**	**$ -**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

Mary's Center for Maternal and Child Care, Inc. (the Center) was incorporated in October 1988 in the District of Columbia. The primary purpose of the Center is to provide low-cost, high quality maternity and child care for low income immigrant families of the Washington, D.C. area. The Center is supported principally through government grants and patient revenue.

MC2 Community Development Corporation (MC2) was incorporated on August 19, 2010 in the District of Columbia. The primary purpose of MC2 is to support the Center's charitable purpose and to act as a special purpose real estate subsidiary of the Center. MC2's mission is to acquire, own, develop, redevelop, improve and finance the interests in real estate that are or will be used by the Center in its charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Code.

Capital Clinical Integrated Network (CCIN) was incorporated on November 27, 2012 in the District of Columbia within the meaning of Section 501(c)(3) of the Internal Revenue Services. CCIN was organized to facilitate the creation of an innovative patient care model that improves health care delivery and patient health outcomes. CCIN has received its 501(c)(3) status from the IRS, and there were no financial transactions.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities*, *Consolidation*. The statements reflect the activity of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation because of their common management. All intercompany transactions have been eliminated during combination.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's combined financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash and cash equivalents excluding cash and money market funds held by investment managers in the amount of $76,928 at December 31, 2016.

At times during the year, the Organizations maintain cash balances in interest bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Income taxes -

The Organizations are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. MC2 is organized as a supporting organization to the Center. The Organizations are subject to unrelated business income tax on rental income from tenant leases. A liability has not been accrued in the current year, as this amount is deemed not to have a material effect on the combined financial statements. Neither organization is a private foundation.

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

Uncertain tax positions -

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

Fixed assets -

Furniture and equipment are stated at cost and are being depreciated and amortized on the straight-line basis over their estimated useful lives, generally between three and five years. The building and land are stated at cost and the building and improvements are being depreciated over 40 years. Furniture, equipment and improvements with a useful life of more than one year, and costing $2,500 or more, are capitalized. Leasehold improvements are amortized over the remaining life of the lease. Repairs and maintenance are recorded to expenses. Depreciation and amortization expense for the year ended December 31, 2016 was $895,317.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced to its current fair value by a charge to depreciation expense. There were no impairments for the year ended December 31, 2016.

Investments -

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

Inventory -

Inventory consists of donated vaccines, which are recorded at the lower of cost or market value, using the first-in, first-out method, at the time of the donation.

Net asset classification -

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

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations. Investment income is to be used for operating activities of the Organizations.

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

Receivables -

Accounts receivable are amounts due from clients and third-party payers and approximate fair value. Management has established an allowance for doubtful accounts in connection with these receivables based on historical analysis and aging of the receivable balance. Accounts are written off after they are deemed to be uncollectible.

Grants receivable are amounts due from federal agencies, the District of Columbia, the State of Maryland and private foundations and are recorded at their net realizable value, which approximates fair value. For the year ended December 31, 2016, 94% of the ending receivable balance represents grants due from state and federal agencies, and 6% of the ending balance is due from foundations. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

Pledges receivable represent unconditional promises to give by donors. Current pledges receivable are expected to be collected during the next fiscal year and are recorded at their net realizable value. Long-term pledges receivable expected to be collected subsequent to fiscal year 2017 have been discounted at a rate of 3.75% and are reflected in the combined financial statements at their net present value. For the year ended December 31, 2016, pledges receivable due in less than one year were in the amount of $200,428 and pledges receivable within two to eight years were in the amount of $504,697.

Revenue -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

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

Cost reimbursable contracts are recorded as revenue as expenses are incurred. Income received in advance is recorded as deferred revenue in the Combined Statement of Financial Position.

Patient service revenue is recorded the month in which the services are rendered. The Organizations provided care to clients meeting certain criteria under their charity care policy without charge or at amounts less than their established rates. Such payments are identified based on financial information obtained from the client and subsequent analysis. Since the Organizations do not pursue collection of amounts determined to qualify as charity care, they are not reported as a component of revenue or accounts receivable. The Organizations maintain records to identify and monitor the level of charity care they provide. For the year ended December 31, 2016, care provided under the charity care policy, valued on a sliding fee basis, totaled $6,303,654.

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

Revenue (continued) -

Conditional pledges to give are recognized by the Organizations when the conditions on which they depend are substantially met. In 2008, the Organizations received a conditional promise to give of $50,000 from one donor. The promise is conditional on receipt of matching contributions of $50,000. As of December 31, 2016, the Organizations had received $45,000 of the pledge and $45,000 of the match.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. 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 Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment risks -

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

Fair value measurement -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

Adoption of New Accounting Standard -

In April 2015, the FASB issued Accounting Standards Update ("ASU") 2015-03 related to "Simplifying the Presentation of Debt Issuance Costs," as part of its simplification initiative. The ASU changes the presentation of debt issuance costs in financial statements.

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

Adoption of New Accounting Standard (continued) -

Under the ASU, an entity presents such costs in the statement of financial position as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense. The ASU specifies that "issue costs shall be reported in the statement of financial position as a direct deduction from the face amount of the note" and that "amortization of debt issue costs shall also be reported as interest expense." According to the ASU's Basis for Conclusions, debt issuance costs incurred before the associated funding is received (i.e., the debt liability) should be reported on the statement of financial position as deferred charges until that debt liability amount is recorded. The guidance in the ASU is effective for fiscal years beginning after December 15, 2015. During the year ended December 31, 2016, the Organizations adopted the new guidance above.

New accounting pronouncement -

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

2. INVESTMENTS

At December 31, 2016, the Organizations had investments, at fair value, as follows:

Money market	$ 76,928
Government and corporate bonds	81,187
Certificates of deposit	1,346,205
Government securities	43,673
TOTAL INVESTMENTS	**$ 1,547,993**

For the year ended December 31, 2016, investment income included the following:

Interest and dividends	$ 161,224
Unrealized loss on investments	(3,026)
Realized gain on investments	74
TOTAL INVESTMENT INCOME	**$ 158,272**

3. LONG-TERM DEBT

On April 1, 2013, the Center refinanced a note in the amount of $2,910,779. The loan was originally set to mature on April 2, 2018. The loan assumed an amortization schedule of 15 years, with monthly installments of principal and interest of approximately $21,000. On June 29, 2016, the Center refinanced the remaining balance of the note in the amount of $2,688,246 . The interest rate on the loan is 3.85% and matures June 29, 2021. The loan assumes an amortization schedule of 5 years, with monthly installments of principal and interest of approximately $20,000. The loan is collateralized by the land and building. The loan agreement contains several covenants. The Center is subject to debt covenants.	$ 2,632,656
Debt under the New Markets Tax Credit Program: Note A in the amount of $1,670,575; Note B in the amount of $6,618,475; Note C in the amount of $2,490,950; Note D in the amount of $6,781,950; and Note E in the amount of $2,038,050. The interest rate on all notes is at 1.141%, with Note A maturing August 1, 2017 and Notes B-E maturing August 1, 2040. Loan costs have been capitalized and are being amortized over the NMTC compliance period. The notes are secured by the QLICI Deed of Trust and the other QLICI Loan Documents and they are subject to all terms and conditions as stated in the agreement. The Center is subject to debt covenants.	19,600,000
The Center entered into a loan with the Boston Community Loan Fund, Inc. in the amount of $1,064,125, bearing interest at 7.5%. Principal payments are $9,627 paid monthly and matures August 15, 2017.	808,069
On July 12, 2012, the Center entered into a loan with City First Bank of D.C., N.A. in the amount of $352,000, bearing interest at 4.00%. The loan matures on July 17, 2017.	47,744
On November 24, 2015, the Center entered into a loan with Choice Health Finance in the amount of $89,765, bearing interest at 4.85%. The loan matures on December 20, 2020.	73,760
	23,162,229
Less: Current portion	(2,681,336)
Less deferred financing costs, net of accumulated amortization of $868,017	(208,918)
LONG-TERM PORTION	**$ 20,271,975**

Aggregate annual principal payments are as follows at December 31, 2016:

Year Ending December 31,	
2017	$ 2,681,336
2018	161,275
2019	167,860
2020	174,474
2021	2,047,859
Thereafter	17,929,425
	$ 23,162,229

3. LONG-TERM DEBT (Continued)

Interest expense on these debt instruments for the year ended December 31, 2016 totaled $403,760, of which $398,851 is included in the occupancy costs and $4,909 is included in interest expense in the Combined Statement of Functional Expenses. Amortization expense on the deferred financing costs for the year ended December 31, 2016 was $155,589.

4. TENANT LEASES

The Organizations sublease a portion of their office space under various leases expiring throughout 2021.

Future minimum rental payments to be received are:

Year Ending December 31,	
2017	$ 289,923
2018	291,448
2019	292,988
2020	294,543
2021	296,114
	$ 1,465,016

Rental income received during the year totaled $347,942, and is included in the accompanying Combined Statement of Activities and Change in Net Assets.

5. IN-KIND CONTRIBUTIONS

Included in contributions revenue in the accompanying Combined Statement of Activities and Change in Net Assets are contributions of supplies and services. These contributions approximate fair value at the date supplies and services were received.

For the year ended December 31, 2016, the Organizations received in-kind contributions as follows:

Donated vaccines	$ 2,419,335
Legal services	83,132
Other supplies	55,086
TOTAL IN-KIND CONTRIBUTIONS	**$ 2,557,553**

The following programs have benefited from these donated services:

Patient Services	$ 2,419,335
General and Administrative	83,132
Social and Educational Services	55,086
	$ 2,557,553

6. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016, temporarily restricted net assets consisted of the following:

Medical Services	$ 1,917,966
Social and Educational Services	3,764,971
Georgia Avenue Project	7,315,137
Time restricted	746,792
Cumulative endowment earnings	24,588
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 13,769,454**

The following is a summary of net assets which were released from restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors or passage of time for the year ended December 31, 2016:

Medical Services	$ 2,790,788
Social and Educational Services	6,932,627
Georgia Avenue Project	696,765
Ontario Road Project	7,396
Passage of time	334,178
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 10,761,754**

7. PERMANENTLY RESTRICTED NET ASSETS

The Organizations' endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organizations classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organizations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organizations and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

7. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment net asset composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 24,588	$ 205,000	$ 229,588

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 14,518	$ 195,000	$ 209,518
Investment income	-	10,070	-	10,070
Contributions	-	-	10,000	10,000
ENDOWMENT NET ASSETS, END OF YEAR	$ -	$ 24,588	$ 205,000	$ 229,588

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as fund of perpetual duration. There were no such deficiencies of this nature reported in unrestricted net assets as of December 31, 2016.

Return Objectives and Risk Parameters -

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in accordance with the investment policies and procedures of the Organizations.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Organizations rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organizations target a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Organizations have a spending policy which considers the long-term expected return on its endowment. This is consistent with the Organizations' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

8. LEASE COMMITMENT

The Organizations entered into a lease agreement for space on Kennedy Street, NW, Washington, D.C., commencing January 1, 2010 and expiring December 31, 2014. The lease was renewed through March 2018. However, on October 31, 2016, an early termination option was exercised on this lease.

The Organizations also entered into a lease agreement for space on Flower Avenue commencing June 1, 2007 and expiring May 31, 2018.

On March 22, 2016, Mary's Center entered into a 30-year agreement to lease 12,000 square feet of space at 100 Gallatin Street in Washington, D.C. The agreement began on June 1, 2016 and is set to expire on May 31, 2046. The base use fee is $25 per square foot, with the first six months free, and the subsequent six months at a 2.5% discounted rate (approximately $24,300 per month). Effective July 1, 2017, the organization will pay the full base use fee of $25 per square foot, which increases by 2.5%, annually.

Additionally, the Organizations received an allowance up to $3,762,956 for various leasehold improvements, furniture and equipment. Accordingly, these amounts have been recorded as an asset (leasehold improvements, furniture and equipment) and liability (deferred improvement allowance) in the accompanying Statements of Financial Position, and will be amortized over the life of the related lease and assets.

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 Statement of Financial Position.

Rental expense, including operating costs, for the year ended December 31, 2016 totaled $745,047 and is included in the Combined Statement of Functional Expenses as part of occupancy costs. The deferred rent liability was $246,034 at December 31, 2016.

Future minimum payments under the leases are as follows:

Year Ending December 31,	
2017	$ 406,693
2018	303,750
2019	311,346
2020	319,128
2021	327,102
Thereafter	11,095,610
	$ 12,763,629

9. LINE OF CREDIT

The Organizations have a $3,000,000 bank line of credit due on demand. The bank can call the loan at any time due to non-compliance with loan covenants. Amounts borrowed under this agreement bear interest at the LIBOR rate. LIBOR rate shall mean the greater of 2.5% percentage point(s) above one-day (i.e, overnight) LIBOR, or 4% (the "Interest Rate Floor").

At December 31, 2016, the rate was 4%. As of December 31, 2016, the outstanding balance on the line of credit was $0.

10. GEORGIA AVENUE CONSTRUCTION PROJECT

The Center entered into a purchase and sale agreement with the 3910 Georgia Avenue Associates Limited Partnerships II (the Partnership) on October 14, 2008. The Partnership was the contract purchaser of a portion of land located at 3910-12 Georgia Avenue, NW, Washington, D.C. The Partnership was building a six-story, mixed-use building, with two levels of below-grade parking on the land. The building was organized as a 26,940 square foot retail condominium; 21,050 square feet on the first floor and 5,890 square feet on the below-grade mezzanine level - with 130 rental apartments on floors two through six (the Shell Project Facilities).

The Center purchased the Retail Condominium. The fair market value of the Retail Condominium was determined by an independent appraisal at the Partnership's expense. To the extent that the fair market value of the Retail Condominium exceeded the purchase price, the Center and the Partnership agreed that, for federal income tax purposes, the sale of the Retail Condominium to the Center constituted a "bargain sale" within the meaning of Section 1011(b) of the Internal Revenue Code of 1986. The purchase price for the Retail Condominium was determined by the Partnership's final development budget. The total project facilities costs was approximately $18,000,000. As part of the agreement, the Center and the Partnership agreed to fund the Community Benefit Fund Payment in the amount of $790,000, which will be paid over a period of 25 years. The Community Benefit Fund Payment is to be allocated equally (50%/50%) between the Center and the Partnership and the first payment of $15,000 was payable in fiscal year 2012. As of December 31, 2016, the District of Columbia has not established the Community Benefit Fund; therefore, Mary Center was not required to pay installments.

To finance the development and the purchase of the Retail Condominium and to be used as the source of the construction loan, the District of Columbia Primary Care Association (DCPCA) gave the Center a Development Grant and a Shell Loan, effective December 12, 2008, in the amount of $11,625,000 and $1,500,000, respectively, in accordance with DCPCA's Medical Homes DC Program.

The Shell Loan in the amount of $1,500,000 had a 0% interest rate and maturity date of December 31, 2010, which was forgiven by DCPCA during fiscal year 2010. The construction project was completed during fiscal year 2011, and the Center helped finance the purchase through the New Markets Tax Credit Program (See Note 11).

11. NEW MARKETS TAX CREDIT

The Center helped finance two real estate projects through the New Markets Tax Credit (NMTC) Program. The first project was the acquisition and build-out of a new clinic facility located in Ward 4 at 3912 Georgia Avenue, NW, Washington, D.C. (the "Georgia Avenue Project") (See Note 10). The second project is the renovation of its existing clinic located in Ward 1 at 2333 Ontario Road, NW, Washington, D.C. (the "Ontario Road Project").

This project included the renovation of 6,700 square feet of existing space to improve the efficiency of the facility in order to serve more people in need and provide better patient outcomes. The Center relocated an existing community health care facility in Ward 4 located at 508 Kennedy Street, NW, Washington, D.C. to the Georgia Avenue Project upon completion of the Ontario Road Project renovation during fiscal year ended 2011. The projects collectively are known as the "MC Expansion Projects".

The Center was awarded a grant from the District of Columbia Primary Care Association (DCPCA) to fund a portion of the MC Expansion Projects (See Note 10).

11. NEW MARKETS TAX CREDIT (Continued)

The Center used the DCPCA grant funds and funding from other grants, private financing and other cash funds of the Center (which included the proceeds of a $1,539,700 loan to the Center) to facilitate a $19,600,000 New Markets Tax Credit Financing (“NMTC Financing”) made to MC2. The New Markets Tax Credit investor (“US Bancorp Community Development Corporation”) for the MC Expansion Project provided $5,538,000 of additional equity in exchange for the allocation of the New Markets Tax Credits generated by the MC Expansion Projects.

On February 8, 2011, MC2 closed on the NMTC Financing and acquired the Georgia Avenue Project from a third-party developer, 3910 Georgia Avenue Associates Limited Partnership II, for $8,911,034. The remaining balance of the NMTC Financing was used by MC2 to complete the renovation of the Ontario Road Project during fiscal year 2011. Under this arrangement, the Center made a loan in the amount of $15,071,000 (the Leveraged Loan) to the Mary’s Center Investment Fund, LLC (the Fund), a newly formed fund that is wholly owned by the US Bancorp Community Development Corporation (USBCDC).

The loan amount was represented by two notes, Note A in the amount of $1,670,575 and Note B in the amount of $13,400,425. Interest rate is at 1% and Note A is due within 7 years after closing and Note B is due 40 years after closing. The Fund has no obligation to make any payments to the Center of principal prior to the maturity date. During the seven year NMTC compliance period, the Fund will make annual payments of interest only. After the compliance period, the Fund will make level payments to the Center of principal and interest on Note B in an amount to fully amortize Note B by its scheduled maturity.

The loans are secured by a 99.9% limited liability company interest held by the USBCDC in the Sub-CDEs. The Center received interest payments in the amount of $150,710 during the year ended December 31, 2016.

Proceeds from the Leveraged Loan on February 8, 2011 were used by the Fund to refinance two qualified existing investments (QEIs) in the aggregate amount of $20,000,000 made by City First Capital 23, LLC and City First Capital 24, LLC (the Sub-CDE Lenders).

The Sub-CDE Lenders used the proceeds of the QEI to make two qualified low-income community investments, structured as secured loans to MC2 in the aggregate principal amount of $19,600,000, and secured by deeds of trust encumbering the MC Expansion Projects (the QLICI Loans). The QLICI Loan was divided into five separate notes detailed in Note 3. Interest rate on all notes is at 1.141%, with Note A matures August 1, 2017 and Notes B-E mature on August 1, 2040.

The Center and MC2 have provided guaranties and/or indemnities in favor of the Lenders and their affiliates relating to the losses that could arise from the failure of the NMTC Financing to satisfy the requirements of the New Markets Tax Credits program, including the failure of MC2 to maintain its status as a “qualified active low income community business”.

In connection with the NMTC Financing, the Center requested and M&T agreed to release the Ontario Road Project from the lien of the M&T Financing consented to the Center undertaking the NMTC Financing. In addition, the Center requested and DCPCA agreed to modify the terms of the DCPCA Grant to expand the categories of costs eligible for disbursement under the DCPCA grant.

After the seven-year NMTC period expires, it is anticipated that (i) either USBCDC will exercise its put option to sell its ownership interest in the Fund to the Center, or the Center will exercise its call option to buy USBCDC's ownership interest in the Fund (ii) the Sub-CDE Lenders will be liquidated and (iii) the Center will acquire the $20,600,000 NMTC financing in satisfaction of the Leveraged Loan made by the Center to the Fund.

11. NEW MARKETS TAX CREDIT (Continued)

Immediately after the exit transactions are complete, the Center will be the holder of MC2's notes payable under the $20,600,000 NMTC Financing and, as such, the loan will be eliminated in the combined financial statements.

12. CONTINGENCY

The Organizations receive 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*. 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 2016. 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.

13. PENSION PLAN

The Organizations maintain a 403(b) retirement plan for all eligible employees. The Organizations match contributions up to two percent of salaries of all eligible employees. An employee becomes eligible after 90-days and is 100% vested after the second year of employment.

The pension expense for the year ended December 31, 2016 was $232,303 and is included in the Combined Statement of Functional Expenses as part of salaries and personnel related expenses.

14. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Organizations have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Organizations have the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

14. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

- *Money market funds* - The fair value is equal to the reported net asset value of the fund.
- *Government and corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Government securities* - Valued at the closing price reported on the active market in which the individual securities are traded.

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

	Level 1	Level 2	Level 3	Total
Asset Class - Investments:				
Money market funds	$ 76,928	$ -	$ -	$ 76,928
Government and corporate bonds	-	81,187	-	81,187
Certificates of deposit	-	1,346,205	-	1,346,205
Government securities	43,673	-	-	43,673
TOTAL	**$ 120,601**	**$ 1,427,392**	**$ -**	**$ 1,547,993**

15. CONTRACTUAL AGREEMENT

The Organizations have entered into an agreement with the Briya Public Charter School (BPCS), a not-for-profit public charter school located in the District of Columbia. The Organizations provide assistance with managing the human resources and personnel related administrative functions for BPCS. For the year ended December 31, 2016, the Organizations received $4,008,857 for services provided, which is included in other income in the Combined Statement of Activities and Change in Net Assets. The contract is renewed annually.

16. SUBSEQUENT EVENTS

In preparing these combined financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through May 19, 2017, the date the combined financial statements were issued.

Kalorama Behavioral Health Center:

The expansion of the Kalorama Behavioral Health Center consists of a 3,205 SF space on the first floor of the Kalorama building. The buildout will provide fourteen mental health offices, six touchdown spaces for home health providers and a large conference room. In addition, the space will have an area for Parent Child Interactive Therapy (PCIT) with a separate viewing room. With the expansion, Mary's Center projects that mental health encounters will increase from 8,220 to 11,820 in a calendar year. This increase is based on the proposed addition of 3 full-time mental health providers and increased PCIT capacity.

16. SUBSEQUENT EVENTS (Continued)

Kalorama Behavioral Health Center (Continued):

The total cost of the capital budget is $742,808 and it includes hard costs of $516,017, soft costs of $55,000, other financial expenses of $94,900, and contingencies of $76,891. City First Bank is Mary's Center financing institution for this project. The projected profit due to the expansion and increased encounters is estimated to be approximately $195,000 on a calendar year.

As of April 2017, the construction permits have been approved and the construction is underway with a projected end date by mid-to-end of May, 2017. Mary's Center proposed opening date of the Kalorama Behavioral Health Center is June 1, 2017.

Pharmacy at Georgia Avenue:

Mary's Center obtained Board Approval in 2016 for the construction of a fully operational pharmacy located at 3912 Georgia Ave NW, Washington, DC 20011. This project is being financed through an arrangement with Maxor National Pharmacy Services, which involves a $750,000 interest-free loan payable over a ten-year term. With the addition, the pharmacy is intended to improve participant care and have a positive impact on medical outcomes.

The capital budget includes $100,000 for construction costs, $40,000 for pharmacy computers and millwork, $300,000 for initial inventory, and $310,000 for operating capital. The capital budget estimate assumes that the pharmacy reaches a 30% capture rate by month 7 on a calendar year and a 50% capture rate by month 10.

As of April 2017, the pharmacy construction has begun and is expected to end by mid May 2017. The construction will then follow the installation of equipment, inspection and licensing, DEA permit, and third party contracting process. Mary's Center projects the opening date of the pharmacy to be early f August 2017.

344 University Project:

As of April 25, 2017, Mary's Center became the legal owner of the 344 University Boulevard West property located in Silver Spring, Maryland (the "Property"). This Property will replace the existing Montgomery County facility located at 8709 Flower Avenue. This relocation will allow Mary's Center to provide its Social Determinant Model in Montgomery County. Mary's Center entered into an Agreement of Sale to purchase the Property on December 20, 2016. The purchase of the Property was financed with a $3.483 million loan from PNC Bank. The loan type is a Convertible Line of Credit Note. The loan collateral involves: First Deed of Trust on 344 University Boulevard ($3,438,000), Second Deed of Trust on Kalorama Road Property ($438,000), and Assignment of Rents Leases and Profits of the Property.

Mary's Center plans on improving a portion of the space for its use and lease the remaining space to third party medical service providers. The improvement costs will be primarily funded with a capital grant of $1,013,000 from the State of Maryland Department of Health and Mental Hygiene ("DHMH") and a matching grant of $350,000 from Adventist Hospital.

Mary's Center has received a cost estimate of $1,487,252 from Balfour Beatty to improve the Property for Mary's Center's medical and mental health services. This estimate does not include the capital needed for the dental clinic. Mary's Center has submitted a grant application for Capital funds to the State of MD DHMD to fund the dental clinic. The dental clinic will be completed once those funds are available.

SUPPLEMENTAL INFORMATION

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

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

ASSETS

	Mary's Center	MC2	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 2,231,677	$ 21,127	$ -	$ 2,252,804
Investments	1,547,993	-	-	1,547,993
Accounts receivable, net of allowance for doubtful accounts of $1,227,394	3,430,986	392,879	(392,879)	3,430,986
Grants receivable, net of allowance for doubtful accounts of $50,000	7,340,777	-	-	7,340,777
Pledges receivable	200,428	-	-	200,428
Interest receivable	102,190	-	-	102,190
Inventory	516,887	-	-	516,887
Prepaid expenses	555,026	-	-	555,026
Note receivable	1,670,575	-	-	1,670,575
Total current assets	17,596,539	414,006	(392,879)	17,617,666
FIXED ASSETS				
Land	620,000	373,216	-	993,216
Buildings and leasehold improvements	6,449,831	15,706,462	-	22,156,293
Equipment	2,511,867	1,554,137	-	4,066,004
Furniture	504,353	702,165	-	1,206,518
Computer equipment	386,030	236,071	-	622,101
Vehicles	510,017	-	-	510,017
	10,982,098	18,572,051	-	29,554,149
Less: Accumulated depreciation and amortization	(4,099,074)	(4,650,617)	-	(8,749,691)
Net fixed assets	6,883,024	13,921,434	-	20,804,458
OTHER ASSETS				
Security deposits	90,067	-	-	90,067
Pledges receivable, net of current portion	504,697	-	-	504,697
Note receivable, net of current portion	13,400,425	-	-	13,400,425
Total other assets	13,995,189	-	-	13,995,189
TOTAL ASSETS	**$ 38,474,752**	**$ 14,335,440**	**$ (392,879)**	**$ 52,417,313**

LIABILITIES AND NET ASSETS

	Mary's Center	MC2	Eliminations	Total
CURRENT LIABILITIES				
Current portion of long-term debt	$ 1,010,761	$ 1,670,575	$ -	$ 2,681,336
Accounts payable and accrued liabilities	4,236,666	93,182	(392,879)	3,936,969
Deferred improvement allowance, current	491,870	-	-	491,870
Refundable advances	26,796	-	-	26,796
Total current liabilities	5,766,093	1,763,757	(392,879)	7,136,971
LONG-TERM LIABILITIES				
Long-term debt, net of current portion	2,515,760	17,756,215	-	20,271,975
Tenant security deposits	325,175	-	-	325,175
Deferred improvement allowance, net of current portion	3,161,847	-	-	3,161,847
Deferred rent abatement	246,034	-	-	246,034
Total long-term liabilities	6,248,816	17,756,215	-	24,005,031
Total liabilities	12,014,909	19,519,972	(392,879)	31,142,002
NET ASSETS				
Unrestricted	12,485,389	(5,184,532)	-	7,300,857
Temporarily restricted	13,769,454	-	-	13,769,454
Permanently restricted	205,000	-	-	205,000
Total net assets	26,459,843	(5,184,532)	-	21,275,311
TOTAL LIABILITIES AND NET ASSETS	**$ 38,474,752**	**$ 14,335,440**	**$ (392,879)**	**$ 52,417,313**

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

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Mary's Center	MC2	Eliminations	Total
UNRESTRICTED REVENUE				
Patient services	$ 25,120,449	$ -	$ -	$ 25,120,449
Contributions	4,466,891	-	-	4,466,891
Grants and contracts	2,332,084	-	-	2,332,084
Other income	4,026,385	-	-	4,026,385
Rental income	347,942	260,001	(260,001)	347,942
Investment income	148,202	-	-	148,202
Net assets released from donor restrictions	10,761,754	-	-	10,761,754
Total unrestricted revenue	47,203,707	260,001	(260,001)	47,203,707
EXPENSES				
Program Services:				
Patient Services	20,386,481	-	-	20,386,481
Medical Services	8,457,445	-	-	8,457,445
Social and Educational Services	11,109,418	-	-	11,109,418
Total program services	39,953,344	-	-	39,953,344
Supporting Services:				
Leased Employees	3,680,641	-	-	3,680,641
Fundraising	1,331,105	-	-	1,331,105
General and Administrative	1,738,031	929,626	(260,001)	2,407,656
Total supporting services	6,749,777	929,626	(260,001)	7,419,402
Total expenses	46,703,121	929,626	(260,001)	47,372,746
CHANGE IN UNRESTRICTED NET ASSETS	**$ 500,586**	**$ (669,625)**	**$ -**	**$ (169,039)**
TEMPORARILY RESTRICTED REVENUE				
Grants and contracts	$ 9,568,726	$ -	$ -	$ 9,568,726
Investment income	10,070	-	-	10,070
Net assets released from donor restrictions	(10,761,754)	-	-	(10,761,754)
CHANGE IN TEMPORARILY RESTRICTED REVENUE	**$ (1,182,958)**	**$ -**	**$ -**	**$ (1,182,958)**
PERMANENTLY RESTRICTED REVENUE				
Contributions	**$ 10,000**	**$ -**	**$ -**	**$ 10,000**

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

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR DECEMBER 31, 2016

	Mary's Center	MC2	Eliminations	Total
UNRESTRICTED NET ASSETS				
Net assets at beginning of year	$ 11,984,803	$ (4,514,907)	$ -	$ 7,469,896
Change in unrestricted net assets	500,586	(669,625)	-	(169,039)
NET ASSETS AT END OF YEAR	**$ 12,485,389**	**$ (5,184,532)**	**$ -**	**$ 7,300,857**
TEMPORARILY RESTRICTED NET ASSETS				
Net assets at beginning of year	$ 14,952,412	$ -	$ -	$ 14,952,412
Change in temporarily restricted net assets	(1,182,958)	-	-	(1,182,958)
NET ASSETS AT END OF YEAR	**$ 13,769,454**	**$ -**	**$ -**	**$ 13,769,454**
PERMANENTLY RESTRICTED NET ASSETS				
Net assets at beginning of year	$ 195,000	$ -	$ -	$ 195,000
Change in permanently restricted net assets	10,000	-	-	10,000
NET ASSETS AT END OF YEAR	**$ 205,000**	**$ -**	**$ -**	**$ 205,000**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
United States Department of Justice				
Maryland Governor's Office of Crime Control & Prevention - Crime Victim Assistance	16.575	2015-VA-GX-0036	$ -	$ 47,021
Total United States Department of Justice			-	47,021
Department of Education				
UDC-US Office of Education/Adult & Family Education / Adult Education - Basic Grants to States	84.002	62002A	-	98,637
Total Department of Education			-	98,637
Department of Health and Human Services				
La Clinica Del Pueblo/HIV/AIDS, Hepatitis, STD and TB Administration - Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	15Y126, 16Y126	-	40,459
Family Planning Services				
Unity Health Care, Inc. - Family Planning Services	93.217	FPHPA036197-01-00	-	222,187
Unity Health Care, Inc. - Family Planning Services	93.217	5FPHPA006108-03	-	179,670
Maryland Department of Health Mental Hygiene - Family Planning Services	93.217	PHPA-G2235, PHPA-G2295	-	116,507
Total Family Planning Services			-	518,364
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224		-	2,744,747
DC Department of Health - Immunization Cooperative Agreements and Vaccines for Children Program	93.268	2280;2280A; P00253; AHR0253; 000024; AHR024	-	2,419,335
Maryland Department of Mental Health Hygiene - State Partnership Grant Program to Improve Minority Health	93.296	FHE76EMB	-	30,094
Health Resources and Services Administration - Affordable Care Act (ACA) - Family to Family Health Information Centers	93.504	H84MC21661	-	13,617
DC Department of Health - Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	4 D89MC25207-01-02	-	907,247
DC Health Benefit Exchange Authority - State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	DCHBX-2016-RQ908734, DCHBX-2017	-	110,688
Office of Early Childhood Development/ Early Childhood Education - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	ECLTALEPO9152011-R2	16,000	155,946

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
Department of Health and Human Services (Continued)				
DC Office of State Superintendent of Education - Head Start/Early Head Start	93.600	03HP0017/01	$ -	$ 389,350
Health Care Innovation Awards (HCIA)				
District of Columbia Primary Care Association- Health Care Innovation Awards (HCIA)	93.610	1CIMS331343-01-00	-	145,000
George Washington University - Health Care Innovation Awards (HCIA)	93.610	1CIMS331343-01-01	-	199,888
Total Health Care Innovation Awards (HCIA)			-	344,888
Providence Health Foundation - Strong Start for Mothers and Newborns	93.611	1D1CMS331151-03-01	-	167,692
DC Department of Human Services - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	G-0601DCFVPS	-	37,775
US Committee for Refugees and Immigrants - Unaccompanied Alien Children Program	93.676	90ZU0081-02	-	535,510
Medical Assistance Program				
Prince George's County, Maryland/Affordable Care Act - Medical Assistance Program	93.778	521594116	383,262	602,270
DC Mayor's Office on Latino Affairs - Medical Assistance Program	93.778	521594116, 22615-15	-	177,569
Total Medical Assistance Program			383,262	779,839
DC Dept of Health - Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	1X10MC29477-01-11	-	203,315
DC Dept of Behavioral Health - Block Grants for Community Mental Health Services	93.958	3B09SM0100008-16S3	-	4,135
Total Department of Health and Human Services			399,262	9,403,001
United States Department of Agriculture				
District of Columbia Department of Health - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16161DC700W1003, 171DC700W1003	-	798,885
District of Columbia Department of Health - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15151DC452Q3903	-	109,473
Total United States Department of Agriculture			-	908,358
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 399,262**	**$ 10,457,017**

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Organizations under programs of the Federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organizations, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organizations.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organizations have elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Donated Vaccines for Children

Donated vaccines are reported at the amount representing the market valuation as noted by the Center for Disease Control and Prevention. Donated vaccines in the amount of $2,419,335 were received during the fiscal year 2016 and are included in the accompanying Schedule of Expenditures of Federal Awards under CFDA # 93.268.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 programs:

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

5). Type of auditor's report issued on compliance for major programs: **Unmodified**

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ **Yes** ☒ **No**

7). Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program
93.600	Head Start/Early Head Start

8). Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

9). Auditee qualified as a low-risk auditee? ☒ **Yes** ☐ **No**

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section II - Financial Statement Findings

There were no reportable findings.

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

There were no reportable findings.

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

Independent Auditor's Report

To the Board of Directors
Mary's Center for Maternal and Child Care, Inc.
MC2 Community Development Corporation
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 combined financial statements of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations) as of and for the year ended December 31, 2016, and the related notes to the combined financial statements, which collectively comprise the Organizations' basic combined financial statements, and have issued our report thereon dated May 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organizations' 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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 Organizations' combined 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 Organizations' combined 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 combined 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.

Gelman Rosenberg & Freedman

May 19, 2017

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
Mary's Center for Maternal and Child Care, Inc.
MC2 Community Development Corporation
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations) 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 Organizations' major federal programs for the year ended December 31, 2016. The Organizations' 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organizations' 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 the Organizations' 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 Organizations' compliance.

Opinion on Each Major Federal Program

In our opinion, the Organizations 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, 2016.

Report on Internal Control Over Compliance

Management of the Organizations 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 Organizations' 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 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 Organizations' internal control over compliance.

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

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

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

Gelman Rozenberg & Freedman

May 19, 2017