



**Mary's  
Center**

Quality healthcare. Stronger communities.

**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, 2020**

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

**CONTENTS**

	<b>PAGE NO.</b>
I. Financial Section	
Consolidated Financial Statements, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019, Including the Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	I-(1 - 38)
II. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	II-(1 - 2)
III. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance)	III-(1 - 2)

**CONSOLIDATED FINANCIAL STATEMENTS**



**Mary's  
Center**

Quality healthcare. Stronger communities.

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

**MC2 COMMUNITY DEVELOPMENT  
CORPORATION**

**FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

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

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	I-(3 - 4)
EXHIBIT A - Consolidated Statement of Financial Position, as of December 31, 2020, with Summarized Financial Information for 2019	I-(5 - 6)
EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	I-7
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	I-8
EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	I-(9 - 10)
NOTES TO CONSOLIDATED CONSOLIDATED FINANCIAL STATEMENTS	I-(11 - 25)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Consolidating Schedule of Financial Position, as of December 31, 2020	I-(26 - 27)
SCHEDULE 2 - Consolidating Schedule of Activities, for the Year Ended December 31, 2020	I-28
SCHEDULE 3 - Consolidating Schedule of Change in Net Assets, for the Year Ended December 31, 2020	I-29
SCHEDULE 4 - Schedule of Expenditures of Federal Awards, for the Year Ended December 31, 2020	I-(30 - 34)
SCHEDULE 5 - Schedule of Findings and Questioned Costs, for the Year Ended December 31, 2020	I-(35 - 38)



**CPAs & ADVISORS**

## **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 consolidated financial statements of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation (the Organizations), 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRFCPA.COM

---

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 Organizations as of December 31, 2020, and the consolidated change in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Organizations' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on pages I-(26 - 27), Consolidating Schedule of Activities on page I-28 and Consolidating Schedule of Change in Net Assets on page I-29 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Schedule of Expenditures of Federal Awards on pages I-(30 - 34), 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 June 1, 2021 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.



June 1, 2021

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

**ASSETS**

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,115,441	\$ 3,642,251
Investments	3,865,602	3,419,992
Accounts receivable, net of allowance for doubtful accounts of \$1,293,599	7,754,552	6,267,650
Grants receivable, net of allowance for doubtful accounts of \$145,162	4,276,143	2,850,317
Pledges receivable	34,722	31,250
Inventory	986,672	913,107
Prepaid expenses	331,188	326,041
Total current assets	22,364,320	17,450,608
<b>FIXED ASSETS</b>		
Land	7,994,634	7,994,634
Buildings and leasehold improvements	27,871,099	26,126,678
Equipment	3,767,344	3,321,881
Furniture	1,231,276	1,231,276
Computer equipment	477,102	325,815
Vehicles	510,017	510,017
	41,851,472	39,510,301
Less: Accumulated depreciation and amortization	(11,897,988)	(10,608,264)
Net fixed assets	29,953,484	28,902,037
<b>OTHER ASSETS</b>		
Security deposits	27,618	77,618
Pledges receivable, net of current portion and discount	117,915	119,387
Total other assets	145,533	197,005
<b>TOTAL ASSETS</b>	<b>\$ 52,463,337</b>	<b>\$ 46,549,650</b>

## LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Line of credit	\$ 1,060,000	\$ 1,110,000
Current portion of long-term debt	2,420,740	530,502
Accounts payable and accrued liabilities	7,335,468	7,045,449
Deferred leasehold improvement allowance, current	203,379	310,655
Contract payable	75,000	75,000
Refundable advances	<u>604,731</u>	<u>55,895</u>
Total current liabilities	<u>11,699,318</u>	<u>9,127,501</u>
<b>LONG-TERM LIABILITIES</b>		
EIDL loan	150,000	-
Long-term debt, net of current portion	6,916,596	9,291,649
Tenant security deposits	566,879	527,947
Deferred leasehold improvement allowance, net of current portion	2,026,505	2,229,884
Deferred rent abatement	702,652	600,007
Contract payable, net of current portion	<u>425,000</u>	<u>500,000</u>
Total long-term liabilities	<u>10,787,632</u>	<u>13,149,487</u>
Total liabilities	<u>22,486,950</u>	<u>22,276,988</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Undesignated	26,208,909	21,816,993
Board designated	<u>85,000</u>	<u>85,000</u>
Total without donor restrictions	26,293,909	21,901,993
With donor restrictions	<u>3,682,478</u>	<u>2,370,669</u>
Total net assets	<u>29,976,387</u>	<u>24,272,662</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 52,463,337</u></b>	<b><u>\$ 46,549,650</u></b>

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Patient services	\$ 39,693,251	\$ -	\$ 39,693,251	\$ 40,217,445
Federal grants	15,644,311	-	15,644,311	12,017,421
Non-federal grants and contracts	8,128,806	3,204,869	11,333,675	7,739,010
Leased employee revenue	7,162,695	-	7,162,695	6,809,905
Contributions and foundation grants	3,771,998	30,000	3,801,998	2,190,197
Pharmacy revenue, net of cost of goods sold	1,621,403	-	1,621,403	1,010,130
Rental income	331,129	-	331,129	423,032
Other income	123,170	-	123,170	25,968
Investment income, net	83,344	80,232	163,576	252,138
Net assets released from donor restrictions	<u>2,003,292</u>	<u>(2,003,292)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>78,563,399</u>	<u>1,311,809</u>	<u>79,875,208</u>	<u>70,685,246</u>
<b>EXPENSES</b>				
Program Services:				
Patient Services	30,542,584	-	30,542,584	28,345,282
Medical Services	7,524,045	-	7,524,045	7,350,199
Social and Educational Services	15,444,558	-	15,444,558	14,149,429
Pharmacy	<u>999,490</u>	<u>-</u>	<u>999,490</u>	<u>1,031,987</u>
Total program services	<u>54,510,677</u>	<u>-</u>	<u>54,510,677</u>	<u>50,876,897</u>
Supporting Services:				
Leased Employees	6,997,473	-	6,997,473	6,837,295
Fundraising	1,140,381	-	1,140,381	1,093,042
General and Administrative	<u>11,522,952</u>	<u>-</u>	<u>11,522,952</u>	<u>10,997,999</u>
Total supporting services	<u>19,660,806</u>	<u>-</u>	<u>19,660,806</u>	<u>18,928,336</u>
Total expenses	<u>74,171,483</u>	<u>-</u>	<u>74,171,483</u>	<u>69,805,233</u>
Change in net assets	4,391,916	1,311,809	5,703,725	880,013
Net assets at beginning of year	<u>21,901,993</u>	<u>2,370,669</u>	<u>24,272,662</u>	<u>23,392,649</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 26,293,909</u></b>	<b><u>\$ 3,682,478</u></b>	<b><u>\$ 29,976,387</u></b>	<b><u>\$ 24,272,662</u></b>

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020								2019		
	Program Services				Supporting Services				Total Expenses	Total Expenses	
	Patient Services	Medical Services	Social and Educational Services	Pharmacy	Total Program Services	Leased Employees	Fundraising	General and Administrative			Total Supporting Services
Salaries and personnel related expenses	\$ 20,506,437	\$ 6,336,762	\$ 12,921,133	\$ -	\$ 39,764,332	\$ 6,997,473	\$ 717,475	\$ 5,494,555	\$ 13,209,503	\$ 52,973,835	\$ 48,718,412
Consultants and outside services	2,411,110	492,338	1,760,528	833,669	5,497,645	-	214,248	828,430	1,042,678	6,540,323	6,076,401
Occupancy costs	62,667	162	78,401	3,954	145,184	-	211	1,686,128	1,686,339	1,831,523	2,093,360
Depreciation and amortization	-	39,215	-	20,203	59,418	-	-	1,324,875	1,324,875	1,384,293	1,207,440
Medical and dental supplies/donated vaccines	5,279,603	403,932	7,878	3,304,493	8,995,906	-	-	-	-	8,995,906	9,210,386
Insurance and registration	13,750	267	-	13,359	27,376	-	-	175,078	175,078	202,454	167,536
Equipment and maintenance	298,160	60,419	12,874	19,544	390,997	-	3,099	485,105	488,204	879,201	708,155
Office expenses	522,216	117,654	321,922	81,545	1,043,337	-	72,461	888,450	960,911	2,004,248	1,806,915
Meetings and travel	17,872	2,291	28,843	71	49,077	-	36,041	38,304	74,345	123,422	640,886
Interest expense	-	-	-	50	50	-	-	34,248	34,248	34,298	61,025
Bad debt and cancellation of award	224,328	-	145,371	43	369,742	-	-	7,177	7,177	376,919	89,652
Software maintenance and licensing	1,075,544	20,142	2,845	-	1,098,531	-	31,406	250,582	281,988	1,380,519	1,189,251
Miscellaneous	130,897	50,863	164,763	18,373	364,896	-	65,440	310,020	375,460	740,356	690,174
Subtotal	30,542,584	7,524,045	15,444,558	4,295,304	57,806,491	6,997,473	1,140,381	11,522,952	19,660,806	77,467,297	72,659,593
Less: Costs of goods sold included with revenues in the consolidated statement of activities	-	-	-	(3,295,814)	(3,295,814)	-	-	-	-	(3,295,814)	(2,854,360)
<b>TOTAL EXPENSES REPORTED IN THE CONSOLIDATED STATEMENT OF ACTIVITIES</b>	<b>\$ 30,542,584</b>	<b>\$ 7,524,045</b>	<b>\$ 15,444,558</b>	<b>\$ 999,490</b>	<b>\$ 54,510,677</b>	<b>\$ 6,997,473</b>	<b>\$ 1,140,381</b>	<b>\$ 11,522,952</b>	<b>\$ 19,660,806</b>	<b>\$ 74,171,483</b>	<b>\$ 69,805,233</b>

See accompanying notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,703,725	\$ 880,013
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,289,724	1,140,888
Amortization of deferred financing costs	94,569	66,552
Unrealized gain on investments	(109,363)	(202,861)
Realized gain on investments	(62)	(17,478)
Loss on disposal of fixed assets	-	647
Contributions invested in perpetuity	(30,000)	(76,358)
Change in allowance for bad debt of accounts receivable	161,043	57,072
Change in allowance for bad debt of grants receivable	145,162	-
Change in discount on long-term pledges receivable	(2,385)	19,063
Receipt of contributed securities	(30,645)	(459,881)
Proceeds from the sale of contributed securities	17,846	459,881
(Increase) decrease in:		
Accounts receivable	(1,647,945)	1,675,210
Grants receivable	(1,570,988)	(387,078)
Pledges receivable	385	111,227
Inventory	(73,565)	(45,825)
Prepaid expenses	(5,147)	(34,390)
Security deposits	50,000	22,354
Increase (decrease) in:		
Accounts payable and accrued liabilities	785,081	(593,488)
Deferred leasehold improvement allowance	(310,655)	(310,654)
Contract payable	(75,000)	(75,000)
Refundable advances	548,836	43,532
Tenant security deposits	38,932	195,022
Deferred rent abatement	<u>102,645</u>	<u>110,427</u>
Net cash provided by operating activities	<u>5,082,193</u>	<u>2,578,875</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(2,836,233)	(1,264,103)
Net purchases of investments	<u>(323,386)</u>	<u>(478,047)</u>
Net cash used by investing activities	<u>(3,159,619)</u>	<u>(1,742,150)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (payments) proceeds from lines of credit	(50,000)	50,000
Payments on long-term debt	(529,384)	(511,967)
Contributions invested in perpetuity	30,000	76,358
Proceeds from EIDL loan	150,000	-
Payment of loan costs	<u>(50,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(449,384)</u>	<u>(385,609)</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
Net increase in cash and cash equivalents	\$ 1,473,190	\$ 451,116
Cash and cash equivalents at beginning of year	<u>3,642,251</u>	<u>3,191,135</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 5,115,441</u></b>	<b><u>\$ 3,642,251</u></b>
 <b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	<u>\$ 425,167</u>	<u>\$ 466,377</u>
 <b>SCHEDULE OF NONCASH INVESTING TRANSACTIONS</b>		
Purchases of Fixed Assets Included in Accounts Payable	<u>\$ -</u>	<u>\$ 495,062</u>

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

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

**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.

Principles of consolidation -

The accounts of the Organizations have been consolidated with the ENTITY 2 (collectively, the Organization) pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities Consolidation*. Under FASB ASC 958-810, consolidation is required if a separate not-for-profit organization has control (i.e., major voting interest) and significant economic interest in that other organization. The consolidated financial statements reflect the activity of Mary's Center for Maternal and Child Care, Inc. and MC2 Community Development Corporation because Mary's Center for Maternal and Child Care, Inc. is the sole member of MC2 Community Development Corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. 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 (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. There is a fund established by the governing Board, which was \$85,000 as of December 31, 2020, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

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

**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** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Organizations' mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended December 31, 2019, 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 \$391,039 at December 31, 2020.

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.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, and realized and unrealized gains and losses are included in investment income net of investment expenses provided by external investment advisors in the Consolidated Statement of Activities and Change in Net Assets.

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, 2020, 82% of the ending receivable balance represents grants due from state and Federal agencies, and 18% 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 or donor.

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

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

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

Receivables (continued) -

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 2020 have been discounted at a rate of 3.25% and are reflected in the consolidated financial statements at their net present value. At December 31, 2020, pledges receivable due in less than one year were in the amount of \$34,722 and pledges receivable within two to six years were in the amount of \$134,593, net of their discount of \$16,678 as of December 31, 2020.

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 \$5,000 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, 2020 was \$1,289,724.

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, 2020.

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 on tenant leases with debt-financed property. Neither organization is a private foundation.

Uncertain tax positions -

For the year ended December 31, 2020, 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 consolidated financial statements.

Inventory -

Inventory consists of donated vaccines and is measured at the lower of cost and net realizable value using the first-in, first-out method under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Debt issuance costs -

In accordance with the FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, the Organizations present debt issuance costs in the consolidated financial statement as a direct deduction from the related debt liability.

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

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

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

Revenue -

Patient service revenue is recorded the month in which the performance obligations are satisfied. The transaction price is determined based on historical experience and current market conditions. The Organizations provide 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, 2020, care provided under the charity care policy, valued on a sliding fee basis, totaled \$9,189,650.

Some of the Organizations' activities are supported by contributions, grants and contracts from the U.S. and state and local governments, and other entities. These awards are for various activities performed by the Organizations. Contributions, grants and contracts are recognized in the appropriate category of net assets in the period received. The Organizations perform an analysis of the individual contribution, grant or contract to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange 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 Contributions Received and Contributions Made*.

For contributions, grants and contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions, grants and contracts 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, grants or contracts qualifying as conditional contributions contain a right of return from obligation provision that limits the Organizations 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 U.S. and state and local governments, 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 Organizations recognize 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. For contributions, grants or contracts treated as conditional contributions, the Organizations had approximately \$10,805,004 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 Organizations has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost.

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

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

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

Revenue (continued) -

Pharmacy revenue represents the sales of prescriptions and other medical supplies. The transaction price is determined based on the sales price. Revenue is recognized when the performance obligation has been satisfied. The performance obligation is met at the time of sale.

In-kind contributions consist of donated vaccines, legal services and other supplies and clothes. In-kind contributions are recorded at their fair market value as of the date of the gift.

Leased employee revenue consists of services provided under a contractual agreement (See Note 15). The Organizations provide assistance with managing the human resources and personnel related administrative functions for another organization. Revenue is recognized monthly under the invoicing terms of the agreement.

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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues 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 area of the Organizations 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 or other reasonable basis.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

Risks and uncertainties -

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 consolidated financial statements.

Fair value measurement -

The Organizations adopted the provisions of FASB ASC 820, *Fair Value Measurement*.

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

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

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

Fair value measurement (continued) -

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.

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 disclosure of 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 Organizations plan 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.

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 Organizations' operations. The overall potential impact is unknown at this time.

**2. INVESTMENTS**

At December 31, 2020, the Organizations had investments, at fair value, as follows:

Money market funds	\$ 391,039
Mutual funds	3,460,155
Common stocks	<u>14,408</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 3,865,602</u></b>

For the year ended December 31, 2020, investment income included the following:

Interest and dividends	\$ 64,273
Unrealized gain on investments	109,363
Realized gain on investments	62
Management fees	<u>(10,122)</u>
<b>TOTAL INVESTMENT INCOME, NET</b>	<b><u>\$ 163,576</u></b>

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

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

**3. 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 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 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.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of December 31, 2020.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value to transact at that price. The money market fund is deemed to be actively traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Organizations are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organizations are deemed to be actively traded.
- *Common stocks* - 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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class - Investments:</b>				
Money market funds	\$ 391,039	\$ -	\$ -	\$ 391,039
Mutual funds	3,460,155	-	-	3,460,155
Common stocks	<u>14,408</u>	<u>-</u>	<u>-</u>	<u>14,408</u>
<b>TOTAL</b>	<b><u>\$ 3,865,602</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,865,602</u></b>

There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

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

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

**4. LINE OF CREDIT**

The Organizations have a line of credit in the amount of \$3,000,000 and bears interest at 3.25% expiring on September 30, 2021. As of December 31, 2020, the outstanding balance on the line of credit was \$1,060,000. Additionally, the line of credit agreement contains various covenants, which require the Organizations to maintain certain financial ratios and submit various financial reports subsequent to their fiscal year-end. The covenant for the submission of financial reports was extended by the bank for the year ended December 31, 2020.

**5. EIDL LOAN**

On June 16, 2020, the Organizations received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration totaling \$150,000. The loan bears interest at 2.75% and is due over thirty years in monthly installments of \$641 beginning twelve months from the date of the note. Each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal.

The balance of principal and interest will be payable thirty years from the date of the promissory note. The loan is collateralized by all tangible and intangible personal property of the Organizations.

Principal payments as stated in the promissory note are due as follows:

**Year Ending December 31,**

2021	\$	-
2022		1,771
2023		3,662
2024		3,764
2025		3,868
2026 and Thereafter		136,935
	<b>\$</b>	<b>150,000</b>

**6. LONG-TERM DEBT**

On June 29, 2016, the Center refinanced the remaining balance of a 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. Management is currently in the process of refinancing this loan.

\$ 2,047,854

On September 27, 2017, the Center refinanced a note with City First Bank of D.C., National Association in the amount of \$789,809, bearing interest at 4%. The loan matures on October 1, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, D.C., and UCC financing statement.

311,183

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

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

**6. LONG-TERM DEBT (Continued)**

On April 25, 2017, the Center entered into a loan with PNC Bank in the amount of \$3,176,729, bearing interest at 3.56%. The loan matures on April 25, 2023. The loan is collateralized by the land and building. \$ 2,960,495

On November 14, 2017, the Center entered into a loan with City First Bank of D.C., National Association in the amount of \$2,520,000, bearing interest at 3.55%. The loan matures on November 14, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, DC, and UCC financing statement. 2,317,179

On November 14, 2017, the Center entered into a promissory note with City First Bank of D.C., N.A. in the amount of \$980,000, bearing interest at 3.55%. The maturity date of this note is November 14, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, DC, and UCC financing statement. 901,125

On November 14, 2017, the Center entered into a promissory note with City First Bank of D.C., N.A. in the amount of \$1,000,000, bearing interest at 6%. The maturity date of this note is November 14, 2022. The loan is collateralized by the deed of trust, the assignment of leases and rents on 2341 Ontario Rd., NW, D.C., and UCC financing statement. 936,926

Less: Current portion 9,474,762  
 Less: Deferred financing costs, net of accumulated amortization (2,420,740)  
 of \$275,091 (137,426)

**LONG-TERM PORTION \$ 6,916,596**

On all of the above notes, the Center is held to various covenants, which require the maintenance of certain financial ratios and submission of various financial reports subsequent to its fiscal year-end; the covenant for submission of financial reports was extended by the banks for the year ended December 31, 2020.

Aggregate annual principal payments are as follows at December 31, 2020:

**Year Ending December 31,**

2021	\$ 2,420,740
2022	3,379,751
2023	2,808,524
2024	26,737
2025	28,386
Thereafter	<u>810,624</u>
	<b><u>\$ 9,474,762</u></b>

Interest expense on these debt instruments for the year ended December 31, 2020 totaled \$425,167, which is included in the occupancy costs in the Consolidated Statement of Functional Expenses.

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

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

**7. NET ASSETS WITH DONOR RESTRICTIONS**

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

Subject to expenditure for specified purpose:	
Medical Services	\$ 859,535
Social and Educational Services	1,096,029
Accumulated Investment Earnings not yet Authorized for Spending	<u>111,408</u>
Total subject to expenditure for specified purpose	2,066,972
Subject to passage of time	1,289,148
Contributions to be invested in perpetuity	<u>326,358</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 3,682,478</u></b>

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:

Purpose restrictions accomplished:	
Medical Services	\$ 723,714
Social and Educational Services	580,716
Timing restrictions accomplished	<u>698,862</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,003,292</u></b>

**8. LIQUIDITY AND AVAILABILITY**

Financial assets available for use within one year of the Consolidated Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 5,115,441
Investments	3,865,602
Accounts receivable	7,754,552
Grants receivable	4,276,143
Pledges receivable, due within one year	34,722
Less: Assets restricted by donor for specific purposes/in perpetuity	(3,139,223)
Less: Board designated net assets	<u>(85,000)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 17,822,237</u></b>

The Organizations obtain support by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organizations must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of the Organizations' liquidity management, they have a policy to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organizations invest cash in excess of daily requirements in short-term investments.

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

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

**8. LIQUIDITY AND AVAILABILITY (Continued)**

There is a fund established by the governing board, which was \$85,000 as of December 31, 2020, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. As more fully described in Note 4, the Organizations have committed a line of credit with an additional \$1,940,000 which could be drawn upon in the event of an unanticipated liquidity need as of December 31, 2020.

**9. ENDOWMENTS**

The Organizations' endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organizations consider a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organizations has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, the Organizations consider the following factors in making a determination to appropriated 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.

Endowment net asset composition by type of fund as of December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 326,358	\$ 326,358
Accumulated Investment Earnings	<u>-</u>	<u>111,408</u>	<u>111,408</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 437,766</u></b>	<b><u>\$ 437,766</u></b>

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

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

**9. ENDOWMENTS (Continued)**

Changes in endowment net assets for the year ended December 31, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 327,534	\$ 327,534
Investment income	-	80,232	80,232
Contributions	-	30,000	30,000
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 437,766</b>	<b>\$ 437,766</b>

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 Organizations to retain as fund of perpetual duration. There were no such deficiencies of this nature reported in net assets with donor restrictions as of December 31, 2020.

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 their 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. The Organizations elected not to authorize spending on their endowments during the year ended December 31, 2020.

**10. TENANT LEASES**

The Organizations sublease a portion of their office space under various leases expiring throughout 2041, including several that are year-to-year renewals and are therefore not included in the future minimum payments table.

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

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

**10. TENANT LEASES (Continued)**

Future minimum rental payments to be received are:

**Year Ending December 31,**

2021	\$ 309,639
2022	310,935
2023	312,780
2024	314,098
2025	315,433
Thereafter	<u>1,960,080</u>
	<b><u>\$ 3,522,965</u></b>

Rental income recognized during the year totaled \$331,129.

**11. IN-KIND CONTRIBUTIONS**

Included in contributions revenue in the accompanying Consolidated Statement of Activities and Change in Net Assets are contributions of vaccines, supplies, clothes and legal services. These contributions approximate fair value at the date vaccines, supplies, clothes and legal services were received. For the year ended December 31, 2020, the Organizations received in-kind contributions as follows:

Donated vaccines	\$ 3,668,558
Legal services	105,126
Other supplies and clothes	<u>33,505</u>
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b><u>\$ 3,807,189</u></b>

The following programs have benefited from these donated services:

Patient Services	\$ 3,668,558
General and Administrative	105,126
Social and Educational Services	<u>33,505</u>
<b>TOTAL</b>	<b><u>\$ 3,807,189</u></b>

**12. LEASE COMMITMENT**

On March 22, 2016, the 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 Organizations started paying the full base use fee of \$25 per square foot, which increases by 2.5%, annually.

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

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

**12. LEASE COMMITMENT (Continued)**

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 Consolidated Statement of Financial Position, and will be amortized over the life of the related lease and assets.

On March 28, 2018, the Center entered into a 3 year agreement to lease approximately 3,500 square feet of space on Georgia Avenue in Washington, D.C. The agreement began on February 1, 2018 and expired on January 31, 2021. The Center was required to pay rent in the amount of \$6,200 monthly, which increased by 3%, annually. This lease was not renewed.

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.

Rental expense, including operating costs, for the year ended December 31, 2020 totaled \$326,883 and is included in the Consolidated Statement of Functional Expenses as part of occupancy costs. The deferred rent liability was \$702,652 at December 31, 2020.

Future minimum payments under the leases are as follows:

**Year Ending December 31,**

2021	\$ 333,877
2022	335,280
2023	343,662
2024	352,254
2025	361,062
Thereafter	<u>9,703,352</u>
	<b><u>\$ 11,429,487</u></b>

**13. CONTINGENCY**

The Organizations receive 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*. 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 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.

**14. 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.

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

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

**14. PENSION PLAN (Continued)**

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, 2020 was \$166,596 and is included in the Consolidated Statement of Functional Expenses as part of salaries and personnel related expenses.

**15. CONTRACTUAL AGREEMENTS**

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, 2020, the Organizations received \$7,162,695 for services provided, which is included as leased employee revenue in the Consolidated Statement of Activities and Change in Net Assets. The contract is renewed annually.

The Organizations entered into an agreement in September 2016 with Maxor National Pharmacy Services, LLC (Maxor). As part of the agreement, Maxor will provide all comprehensive professional and management services necessary to establish and operate retail/outpatient pharmacy at the pharmacy location servicing its patient population in a manner consistent with accepted medical, quality and utilization standards. Maxor will receive seven dollars per full prescription sold in the pharmacy location as its management fee for its services rendered under this agreement. For the year ended December 31, 2020, the Organizations paid Maxor \$252,238 as management fee, which is included in the Consolidated Statement of Functional Expenses as part of consultants and outside services.

As part of the agreement, Maxor will pay or otherwise provide initial operating capital needed for start-up costs associated with the Pharmacy including construction, equipment, initial inventory, salary and operating expenses up to the amount of \$750,000. In return for the Operational Support Services, the Organizations will pay Maxor a fee of \$6,250 per month during the term of the agreement. As of December 31, 2020, the Organizations owed Maxor \$500,000 which is included as contract payable in the accompanying Consolidated Statement of Financial Position.

Future minimum payments under the contract are as follows:

**Year Ending December 31,**

2021	\$ 75,000
2022	75,000
2023	75,000
2024	75,000
2025	75,000
Thereafter	<u>125,000</u>
	<b><u>\$ 500,000</u></b>

**16. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through June 1, 2021, the date the consolidated financial statements were issued.

**SUPPLEMENTAL INFORMATION**

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

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020**

<b>ASSETS</b>				
	<u>Mary's Center</u>	<u>MC2</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 5,031,125	\$ 84,316	\$ -	\$ 5,115,441
Investments	3,865,602	-	-	3,865,602
Accounts receivable, net of allowance for doubtful accounts of \$1,293,599	7,754,552	4,074,770	(4,074,770)	7,754,552
Grants receivable, net of allowance for doubtful accounts of \$145,162	4,276,143	-	-	4,276,143
Pledges receivable	34,722	-	-	34,722
Inventory	986,672	-	-	986,672
Prepaid expenses	<u>331,188</u>	<u>-</u>	<u>-</u>	<u>331,188</u>
Total current assets	<u>22,280,004</u>	<u>4,159,086</u>	<u>(4,074,770)</u>	<u>22,364,320</u>
<b>FIXED ASSETS</b>				
Land	7,621,418	373,216	-	7,994,634
Buildings and leasehold improvements	12,164,637	15,706,462	-	27,871,099
Equipment	2,213,207	1,554,137	-	3,767,344
Furniture	529,111	702,165	-	1,231,276
Computer equipment	241,031	236,071	-	477,102
Vehicles	<u>510,017</u>	<u>-</u>	<u>-</u>	<u>510,017</u>
	23,279,421	18,572,051	-	41,851,472
Less: Accumulated depreciation and amortization	<u>(5,597,545)</u>	<u>(6,300,443)</u>	<u>-</u>	<u>(11,897,988)</u>
Net fixed assets	<u>17,681,876</u>	<u>12,271,608</u>	<u>-</u>	<u>29,953,484</u>
<b>OTHER ASSETS</b>				
Security deposits	27,618	-	-	27,618
Pledges receivable, net of current portion and discount	<u>117,915</u>	<u>-</u>	<u>-</u>	<u>117,915</u>
Total other assets	<u>145,533</u>	<u>-</u>	<u>-</u>	<u>145,533</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 40,107,413</u></b>	<b><u>\$ 16,430,694</u></b>	<b><u>\$ (4,074,770)</u></b>	<b><u>\$ 52,463,337</u></b>

## LIABILITIES AND NET ASSETS

	<u>Mary's Center</u>	<u>MC2</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT LIABILITIES</b>				
Line of credit	\$ 1,060,000	\$ -	\$ -	\$ 1,060,000
Current portion of long-term debt	2,420,740	-	-	2,420,740
Accounts payable and accrued liabilities	11,410,238	-	(4,074,770)	7,335,468
Deferred leasehold improvement allowance, current	203,379	-	-	203,379
Contract payable	75,000	-	-	75,000
Refundable advances	<u>604,731</u>	<u>-</u>	<u>-</u>	<u>604,731</u>
Total current liabilities	<u>15,774,088</u>	<u>-</u>	<u>(4,074,770)</u>	<u>11,699,318</u>
<b>LONG-TERM LIABILITIES</b>				
EIDL loan	150,000	-	-	150,000
Long-term debt, net of current portion	6,916,596	-	-	6,916,596
Tenant security deposits	566,879	-	-	566,879
Deferred leasehold improvement allowance, net of current portion	2,026,505	-	-	2,026,505
Deferred rent abatement	702,652	-	-	702,652
Contract payable, net of current portion	<u>425,000</u>	<u>-</u>	<u>-</u>	<u>425,000</u>
Total long-term liabilities	<u>10,787,632</u>	<u>-</u>	<u>-</u>	<u>10,787,632</u>
Total liabilities	<u>26,561,720</u>	<u>-</u>	<u>(4,074,770)</u>	<u>22,486,950</u>
<b>NET ASSETS</b>				
Without donor restrictions	9,863,215	16,430,694	-	26,293,909
With donor restrictions	<u>3,682,478</u>	<u>-</u>	<u>-</u>	<u>3,682,478</u>
Total net assets	<u>13,545,693</u>	<u>16,430,694</u>	<u>-</u>	<u>29,976,387</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 40,107,413</u></b>	<b><u>\$ 16,430,694</u></b>	<b><u>\$ (4,074,770)</u></b>	<b><u>\$ 52,463,337</u></b>

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

**CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Mary's Center</u>	<u>MC2</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>				
Patient services	\$ 39,693,251	\$ -	\$ -	\$ 39,693,251
Federal grants	15,644,311	-	-	15,644,311
Non-federal grants and contracts	8,128,806	-	-	8,128,806
Leased employee revenue	7,162,695	-	-	7,162,695
Contributions and foundation grants	3,771,998	-	-	3,771,998
Pharmacy revenue, net of cost of goods sold	1,621,403	-	-	1,621,403
Rental income	331,129	1,277,268	(1,277,268)	331,129
Other income	123,170	-	-	123,170
Investment income, net	83,344	-	-	83,344
Net assets released from donor restrictions	<u>2,003,292</u>	<u>-</u>	<u>-</u>	<u>2,003,292</u>
Total revenue and support without donor restrictions	<u>78,563,399</u>	<u>1,277,268</u>	<u>(1,277,268)</u>	<u>78,563,399</u>
<b>EXPENSES</b>				
Program Services:				
Patient Services	30,542,584	-	-	30,542,584
Medical Services	7,524,045	-	-	7,524,045
Social and Educational Services	15,444,558	-	-	15,444,558
Pharmacy	<u>999,490</u>	<u>-</u>	<u>-</u>	<u>999,490</u>
Total program services	<u>54,510,677</u>	<u>-</u>	<u>-</u>	<u>54,510,677</u>
Supporting Services:				
Leased Employees	6,997,473	-	-	6,997,473
Fundraising	1,140,381	-	-	1,140,381
General and Administrative	<u>12,387,428</u>	<u>412,792</u>	<u>(1,277,268)</u>	<u>11,522,952</u>
Total supporting services	<u>20,525,282</u>	<u>412,792</u>	<u>(1,277,268)</u>	<u>19,660,806</u>
Total expenses	<u>75,035,959</u>	<u>412,792</u>	<u>(1,277,268)</u>	<u>74,171,483</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b><u>\$ 3,527,440</u></b>	<b><u>\$ 864,476</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,391,916</u></b>
<b>REVENUE AND SUPPORT WITH DONOR RESTRICTIONS</b>				
Non-federal grants	\$ 3,204,869	\$ -	\$ -	\$ 3,204,869
Contributions and foundation grants	30,000	-	-	30,000
Other income	80,232	-	-	80,232
Net assets released from donor restrictions	<u>(2,003,292)</u>	<u>-</u>	<u>-</u>	<u>(2,003,292)</u>
<b>CHANGE IN REVENUE AND SUPPORT WITH DONOR RESTRICTIONS</b>	<b><u>\$ 1,311,809</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,311,809</u></b>

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

**CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS  
FOR THE YEAR DECEMBER 31, 2020**

	<u>Mary's Center</u>	<u>MC2</u>	<u>Eliminations</u>	<u>Total</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Net assets at beginning of year	\$ 6,335,775	\$ 15,566,218	\$ -	\$ 21,901,993
Change in net assets without donor restrictions	<u>3,527,440</u>	<u>864,476</u>	<u>-</u>	<u>4,391,916</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ 9,863,215</u></b>	<b><u>\$ 16,430,694</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,293,909</u></b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Net assets at beginning of year	\$ 2,370,669	\$ -	\$ -	\$ 2,370,669
Change in net assets with donor restrictions	<u>1,311,809</u>	<u>-</u>	<u>-</u>	<u>1,311,809</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ 3,682,478</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,682,478</u></b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b><u>\$ 13,545,693</u></b>	<b><u>\$ 16,430,694</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 29,976,387</u></b>

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, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b>Department of Health and Human Services -</b>				
<b>Maternal, Infant, and Early Childhood Home Visiting Cluster:</b>				
DC Department of Health - Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	4 D89MC25207-01-02, 6 X10MC33572-01-01, 1X10MC30464-01- 02/UH4MC30464-01-02, 1 X10MC321830100	\$ -	\$ 1,767,373
<b>Sub-total Maternal, Infant, and Early Childhood Home Visiting Cluster</b>			<u>-</u>	<u>1,767,373</u>
<b>Health Center Program Cluster:</b>				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	-	3,576,655
COVID-19 - Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	N/A	-	1,847,496
<b>Sub-total Health Center Program Cluster</b>			<u>-</u>	<u>5,424,151</u>
<b>Medicaid Cluster:</b>				
PG County Department of Social Services - Medical Assistance Program	93.778	N/A	90,705	533,774
<b>Sub-total Medicaid Cluster</b>			<u>90,705</u>	<u>533,774</u>
<b>Research and Development Cluster:</b>				
The Scripps Research Institute - Trans-NIH Research Support	93.310	U24OD023176	-	19,157
<b>Sub-total Research and Development Cluster</b>			<u>-</u>	<u>19,157</u>
COVID-19 - Provider Relief Fund	93.498	N/A	-	803,430
COVID-19 - Prince George's County Health Department - Coronavirus Relief Fund	21.019	N/A	-	41,507

**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, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b>Department of Health and Human Services (Continued) -</b>				
<b>Family Planning Services:</b>				
Unity Health Care, Inc. - Family Planning Services	93.217	1 FPHPA006406-01-02, 1 FPHA006406-02-01	\$ -	\$ 190,286
Maryland Department of Health Mental Hygiene - Family Planning Services	93.217	FHE42CFP	-	108,456
<b>Total Family Planning Services-CFDA # 93.217</b>			-	298,742
Maternal and Child Health Federal Consolidated Programs	93.110	N/A	-	47,639
Advocates for Justice and Education Inc. - Affordable Care Act (ACA) - Family to Family Health Information Centers	93.504	H84MC21661	-	12,889
DC Health Benefit Exchange Authority - State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	DCHBX-2018, DCHBX-2021-A- 0004	-	79,237
U.S. Committee for Refugees and Immigrants - Services to Victims of a Severe Form of Trafficking	93.598	90ZV-136-01-00, 90ZV-137-01- 00	-	22,577
District of Columbia Department of Health - Healthy Start Initiative	93.926	H49MC00117	-	619,987
DC Department of Behavioral Health - Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	DC SEED 031017	-	150,431
DC Department of Human Services - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	JA-FSA-0731-3-20, JA-FSA- 0731-3-21, JA-FSA-0732-3-20, JA-FSA-0732-3-21	-	63,337
US Committee for Refugees and Immigrants - Unaccompanied Alien Children Program	93.676	90ZU0192-03-00	-	339,791
National Alliance to Advance Adolescent Health - Maternal and Child Health Services Block Grant to the States	93.994	1B04MC29311	-	15,000
DC Department of Human Services - Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2001DCRCMA, 2101DCRCMA	-	57,008
MedStar Health Research Institute, Inc., - Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	H12HA24785-07-00	-	604
MedStar Health Research Institute, Inc., - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76AHA00702-16-00	-	1,882

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, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b>Department of Health and Human Services (Continued) -</b>				
District of Columbia Department of Health - Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	NU58DP006555	\$ -	\$ 43,749
Maryland Department of Health, Minority Health and Health Disparities (MHHD) - State Partnership Grant Program to Improve Minority Health	93.296	N/A	-	53,011
Howard University Hospital - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79TI081111-02, 5H79TI081111-03	-	62,522
DC Department of Aging and Community Living - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	MCW020W-20, MCW020HHW- 20	-	5,012
DC Department of Health - HIV Care Formula Grants	93.917	X07HA00045	-	169,178
<b>Total Department of Health and Human Services</b>			<b>90,705</b>	<b>10,631,988</b>
<b>United States Department of Agriculture -</b>				
District of Columbia Department of Health - Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	201DC7001003, 211DC700W1003	-	748,058
<b>United States Department of Justice -</b>				
Maryland Governor's Office of Crime Control and Prevention - Violence Against Women Formula Grants	16.588	2019-WF-AX-0044, 2020-WF- AX-0046	-	17,333
<b>United States Department of Education -</b>				
The Coronavirus Aid, Relief, and Economic Security Act	84.425	CESBMH-0703	-	43,171
<b>Federal Communications Commission -</b>				
COVID-19 Telehealth Program	32.006	N/A	-	672,149
<b>Small Business Administration -</b>				
COVID-19 Economic Injury Disaster Loan	59.008	N/A	-	150,000
<b>SUB-TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>90,705</b>	<b>12,262,699</b>

**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, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Total Federal Expenditures
<b>Non-Cash Federal Awards</b>				
<b>Department of Health and Human Services -</b>				
DC Department of Health - Immunization Cooperative Agreements	93.268	AHR0253; 000024; AHR024	\$ -	\$ 3,531,612
<b>TOTAL EXPENDITURES NON-CASH FEDERAL AWARDS</b>			<u>-</u>	<u>3,531,612</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 90,705</u>	<u>\$ 15,794,311</u>

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, 2020

**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, 2020. 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). The Schedule presents only a selected portion of the operations of the Organizations; accordingly, 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 \$3,531,612 were received during the fiscal year 2020 and are included in the accompanying Schedule of Expenditures of Federal Awards under CFDA # 93.268.

**Note 4. Reconciliation of Consolidated Financial Statements to the Schedule of Expenditures of Federal Awards**

Federal grants per the Consolidated Statement of Activities and Change in Net Assets	\$ 15,644,311
Add: Economic Injury Disaster Loan received included on the Consolidated Statement of Financial Position	<u>150,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>	<b><u>\$ 15,794,311</u></b>

**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, 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 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
32.006	COVID-19 Telehealth Program
93.498	Provider Relief Fund
93.268	Immunizations Cooperative Agreements

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, 2020

**Section II - Financial Statement Findings**

**Finding 2020-001: Revenue Recognition**

**Criteria:** CFR 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. Additionally, management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

**Condition:** During the year under audit, the Organizations did not appropriately identify some of the unconditional contributions that transacted prior to the fiscal year-end.

**Cause:** Due to the high volume of transactions including an additional increase with COVID-19 funding and new revenue recognition requirements which were processed during and subsequent to year-end, several unconditional contributions that were received during 2020 were not properly analyzed and recognized as revenue under U.S. GAAP. In addition, with the volume and additional requirements the relative size of the Organizations' finance department and staffing wasn't increased to support the overall growth.

**Effect:** During our audit, management proposed (and we recorded) significant adjustments to the unaudited consolidated financial statements. The organization had approximately 278 grants to review and analyze with an aggregate total of about \$43M. However, out of the 278 grants, only 14 did not thoroughly recognize the revenue. Out of 14, the aggregate effect of the adjustments resulted in a net increase in the current year change in net assets of approximately \$1.4M. The adjustments were recorded in order to reflect donor commitments mostly received at year end which were not properly reflected in the unaudited consolidated financial statements.

**Recommendation:** We recommend that current finance department staff be alert to any significant or large transactions that may occur in the future to ensure proper financial reporting. We also recommend the Organizations enhance their review and approval process to ensure reconciliations and year-end schedules are accurate and the financial data is properly stated throughout the year. All revenue transactions should be recorded in the consolidated financial statements based on assumptions and procedures included in the revenue policies in the upcoming fiscal year.

**Views of Responsible Officials:** The Organizations received a very high volume of grants and contributions resulting (some from routine renewals and additions and a large volume from the pandemic) which added to the high volume of work for the already strained and short staffed Finance department in comparison to the growth of the funding and requirements. As a result, there were some contributions received, most of them during year end that were not recorded appropriately to the net assets accounts. This is in the context of the new revenue recognition requirements that requires a more detail and thorough analysis of each award in order to classify and record them appropriately.

To mitigate this, management will enhance the following processes/procedures:

1. Perform a thorough assessment of the finance department to determine where more resources are needed in proportion to the growth of transactions and regulatory requirements.

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, 2020

**Section II - Financial Statement Findings (Continued)**

**Finding 2020-001: Revenue Recognition (Continued)**

**Views of Responsible Officials (continued):**

2. Hire an Assistant Controller to assist with the high volume of grant review/regulations, assessing and analyzing staff transactions, enhancing timeliness of overall processes, assist with upfront analytical review of documents and assist with ongoing training of staff as needed. This position is critical to allow the Controller to perform more higher level analytical review and leadership.
3. Continue the analysis and assessment of a new financial system and resources to enhance efficiencies of routine processes, grant/contributions management and approvals. In addition to enhancing the financial system, will also recommend more additions or changes to staffing after the departmental assessment is completed.
4. Enhance the coordination and review process of awards/contributions with the Development and program directors at the front end when the notice of award is provided to assist with the analysis of the intent and/or purpose of the awards/contributions. This coordination will help the finance department with the assignment of the allocations based on the new regulations and the timing of recognizing the revenue.
5. Enhance staff training on revenue recognition based on the new regulations. Staff was trained previously however to assist with trying to mitigate the issue in the future, we have revisited the revenue recognition training with the staff. In addition, will continue to encourage staff to attend outside training throughout the year to remain abreast of any changes and/or enhancements to the regulations.

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

There were no reportable findings.

**Section IV - Prior Year Findings with Current Year Status**

**Finding 2019-001: Reconciliation of Asset and Liability Accounts**

**Condition:** During our audit fieldwork, we noted that out of approximately 120 assets and liability accounts there were a few schedules and reconciliations that were not available at the commencement of the audit fieldwork and/or had some adjustments that needed to be made. Due to the above, management had to spend some time to resolve the discrepancies. The delay resulted in needing some additional audit work performed after the original end date of the initial field work. We believe this information could have resulted in unreliable internal financial information, and also represent a deficiency in completely adhering to the organization internal control policies and procedures.

**Recommendation:** We recommend the Organizations adhere to their usual formal year-end closing schedule. The Organizations have an internal control process which was successfully used in previous years. The continuous use of this formal year-end closing schedule will assist the Organizations with ensuring that all the critical steps in the year-end close (such as all of the account analyses and schedule preparations) are ready at the time of the scheduled audit fieldwork date.

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, 2020

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

**Finding 2019-001: Reconciliation of Asset and Liability Accounts (Continued)**

**Recommendation (continued):** The Organizations should adhere to ensuring the specific personnel that the account is assigned to are monitored, reconciled by the due dates that are outlined in the closing schedules and finalized in time for the audit. This will also help to ensure that the audit is completed as scheduled.

We also further recommend the Organizations consider performing an independent finance department assessment / evaluation. As the Organizations programs increase, expand and service line offerings grow, the need for more staff within the department may be necessary. Additionally, as noted in recent years, more regulations and compliance requirements have become more technical and stringent, requiring potentially additional staff for accounting transaction evaluation. An independent finance department assessment will help to understand the current composition of the Finance department staff and suggest changes to the current structure; additionally, this assessment should look at the current software and workflows utilized by the department and suggest ways to improve or automate the current processes.

**Current Year Status:** Implemented. No further action is required.



## 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  
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 consolidated 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, 2020, and the related notes to the consolidated financial statements, which collectively comprise the Organizations' basic consolidated financial statements, and have issued our report thereon dated June 1, 2021.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organizations' 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 consolidated 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' consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2020-001, that we consider to be a significant deficiency.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRFCPA.COM

---

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organizations' consolidated 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 consolidated financial statements. 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*.

### **The Organizations' Response to the Finding**

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

### **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.



June 1, 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  
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.'s and MC2 Community Development Corporation'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 Organizations' major federal programs for the year ended December 31, 2020. 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 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 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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRFCPA.COM

---

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

## 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, 2020.

## 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.



June 1, 2021